

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



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22 September 2011

The Directors
CITIC Securities Company Limited

CITIC Securities Corporate Finance (HK) Limited
CCB International Capital Limited
ICBC International Capital Limited

Dear Sirs,

We set out below our report on the financial information of CITIC Securities Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2011 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2008, 2009 and 2010, and 31 March 2011, together with the notes thereto (the “Financial Information”), and the comparative consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the three months ended 31 March 2010 (the “Interim Comparative Information”), for inclusion in the prospectus of the Company dated 22 September 2011 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company was established in Beijing, the People’s Republic of China (the “PRC” or “Mainland China”, which excludes for the purpose of this report, 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 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 is listed on the PRC domestic A-share market.

As at the end of the Relevant Periods, the Company has direct or indirect interests in the subsidiaries as set out in note 20 of Section II below. The Company, its subsidiaries, associates and jointly-controlled entities have adopted 31 December as their financial year end date. The statutory financial statements of these companies were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 20 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010, and the three months ended 31 March 2011 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagement 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008, 2009 and 2010, and 31 March 2011 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(A) CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 December			Three months ended 31 March	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 Unaudited	2011 RMB'000
Revenue						
— Fee and commission income		13,358,472	18,150,812	16,598,338	3,690,283	2,475,293
— Interest income	8	3,234,048	2,019,414	1,988,081	508,887	491,532
— Investment income	9	3,109,455	3,427,715	11,500,603	442,034	844,019
		19,701,975	23,597,941	30,087,022	4,641,204	3,810,844
Other income		135,218	269,951	193,849	48,745	34,643
Total revenue and other income		19,837,193	23,867,892	30,280,871	4,689,949	3,845,487
Fee and commission expense . . .	10	560,031	1,231,724	1,739,911	454,151	287,404
Finance costs	10	1,528,443	618,053	684,840	162,463	134,009
Staff costs	10	3,714,766	5,169,129	6,980,960	1,123,159	992,687
Depreciation		193,144	228,050	240,361	63,588	40,704
Business tax and surcharges		784,758	1,033,641	961,660	182,174	157,096
Other operating expenses	10	2,785,971	2,703,311	3,359,961	649,138	484,085
Impairment losses	13	709,336	(315,269)	17,525	(8,576)	(2,599)
Total operating expenses		10,276,449	10,668,639	13,985,218	2,626,097	2,093,386
Operating profit		9,560,744	13,199,253	16,295,653	2,063,852	1,752,101
Share of profits and losses of:						
Associates		—	23,125	36,889	4,194	(359)
Jointly-controlled entities		633	79,614	(12,601)	(565)	24,884
Profit before income tax		9,561,377	13,301,992	16,319,941	2,067,481	1,776,626
Income tax expense	14	1,511,148	3,213,796	4,183,890	441,768	415,874
Profit for the year/period		8,050,229	10,088,196	12,136,051	1,625,713	1,360,752
Attributable to:						
Owners of the parent		7,305,001	8,984,029	11,311,343	1,498,868	1,357,201
Non-controlling interests		745,228	1,104,167	824,708	126,845	3,551
		8,050,229	10,088,196	12,136,051	1,625,713	1,360,752
Earnings per share attributable to ordinary equity holders of the parent (in RMB yuan)						
— Basic	17	0.73	0.90	1.14	0.15	0.14
— Diluted	17	0.73	0.90	1.14	0.15	0.14

Details of the dividends payable and proposed for the years ended 31 December 2008, 2009 and 2010, and the three months ended 31 March 2011 are disclosed in note 16 of Section II below.

I. FINANCIAL INFORMATION — continued

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Three months ended 31 March	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 Unaudited	2011 RMB'000
Profit for the year/period		8,050,229	10,088,196	12,136,051	1,625,713	1,360,752
Other comprehensive income						
Available-for-sale financial assets:						
Changes in fair value		(598,551)	1,269,671	2,069,620	468,662	693,848
Income tax effect on changes in fair value		155,521	(302,886)	(403,785)	(119,077)	(189,201)
Reclassification adjustments for gains/(losses) included in the consolidated income statements, net		(1,534,097)	(208,212)	(739,019)	(110,292)	(232,308)
		(1,977,127)	758,573	926,816	239,293	272,339
Foreign currency translation differences		(109,709)	(3,170)	(129,488)	(5,516)	(39,983)
Other comprehensive income for the year/period, net of tax		(2,086,836)	755,403	797,328	233,777	232,356
Total comprehensive income for the year/period		<u>5,963,393</u>	<u>10,843,599</u>	<u>12,933,379</u>	<u>1,859,490</u>	<u>1,593,108</u>
Attributable to:						
Owners of the parent		5,280,731	9,696,065	12,151,478	1,692,187	1,594,556
Non-controlling interests		682,662	1,147,534	781,901	167,303	(1,448)
		<u>5,963,393</u>	<u>10,843,599</u>	<u>12,933,379</u>	<u>1,859,490</u>	<u>1,593,108</u>

I. FINANCIAL INFORMATION — continued

(C) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 31 March
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	18	884,126	2,380,192	2,490,546	2,579,052
Investment properties		149,462	159,285	83,477	82,793
Goodwill	19	832,831	829,154	825,112	823,924
Other intangible assets		129,017	145,432	103,085	103,087
Investments in associates	21	122,000	483,975	1,021,991	1,021,693
Investments in jointly-controlled entities	21	687,637	778,640	740,272	758,427
Available-for-sale financial assets	22	2,438,026	2,212,566	5,982,636	6,743,170
Refundable deposits	23	518,732	1,420,042	1,006,749	1,461,878
Deferred income tax assets	24	727,697	954,271	1,128,067	1,012,854
Other non-current assets		181,913	271,826	206,094	192,123
Total non-current assets		6,671,441	9,635,383	13,588,029	14,779,001
Current assets					
Fee and commission receivables		233,001	364,425	392,422	355,052
Margin financing and securities lending	25	101,502	423,167	1,975,415	2,141,871
Available-for-sale financial assets	22	33,443,413	42,884,577	37,056,265	33,494,260
Financial assets held for trading	26	6,004,843	11,887,157	13,855,855	14,524,048
Financial assets designated at fair value through profit or loss	27	—	—	400,294	396,748
Derivative financial assets		—	—	732,537	724,759
Reverse repurchase agreements	28	3,326,521	1,903,140	1,866,466	156,800
Other current assets	29	1,684,720	666,892	2,954,765	3,480,628
Cash held on behalf of customers	30	60,644,924	111,150,447	61,911,465	47,323,345
Cash and bank balances	31	24,777,907	27,892,256	18,444,157	23,746,709
Total current assets		130,216,831	197,172,061	139,589,641	126,344,220
Current liabilities					
Accounts payable	32	61,069,719	112,477,670	62,081,222	47,920,206
Derivative financial liabilities		2,879	6,230	434,575	631,634
Repurchase agreements	33	8,593,187	17,922,705	6,901,600	9,229,060
Tax payable	34	2,023,968	2,049,269	3,860,920	2,098,771
Loans	35	—	88,048	127,640	462,395
Other current liabilities	36	5,513,566	7,525,581	6,616,149	5,967,631
Total current liabilities		77,203,319	140,069,503	80,022,106	66,309,697
Net current assets		53,013,512	57,102,558	59,567,535	60,034,523
Total assets less current liabilities		59,684,953	66,737,941	73,155,564	74,813,524
Non-current liabilities					
Bonds payable	37	1,950,000	1,500,000	1,500,000	1,500,000
Deferred income tax liabilities	24	180,612	412,729	797,158	859,796
Other non-current liabilities		28,031	10,833	10,691	10,691
Total non-current liabilities		2,158,643	1,923,562	2,307,849	2,370,487
Net assets		57,526,310	64,814,379	70,847,715	72,443,037
Equity					
Equity attributable to owners of the parent					
Issued share capital	38	6,630,468	6,630,468	9,945,702	9,945,702
Reserves	39	35,457,356	39,196,562	39,826,980	40,133,444
Retained profits		13,133,941	15,772,406	20,662,217	21,950,309
		55,221,765	61,599,436	70,434,899	72,029,455
Non-controlling interests		2,304,545	3,214,943	412,816	413,582
Total equity		57,526,310	64,814,379	70,847,715	72,443,037

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to owners of the parent									
	Issued share capital	Reserves					Retained profits	Total	Non- controlling interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2008	3,315,234	30,830,859	1,836,920	2,870,189	2,346,344	—	10,399,886	51,599,432	2,423,994	54,023,426
Profit for the year	—	—	—	—	—	—	7,305,001	7,305,001	745,228	8,050,229
Other comprehensive income for the year	—	—	—	—	(1,914,561)	(109,709)	—	(2,024,270)	(62,566)	(2,086,836)
Total comprehensive income for the year	—	—	—	—	(1,914,561)	(109,709)	7,305,001	5,280,731	682,662	5,963,393
Dividend — 2007	—	—	—	—	—	—	(1,657,617)	(1,657,617)	—	(1,657,617)
Appropriation to surplus reserves	—	—	963,211	—	—	—	(963,211)	—	—	—
Appropriation to general reserve	—	—	—	1,950,118	—	—	(1,950,118)	—	—	—
Capital increase/ (decrease) by shareholders										
— Capital contribution by shareholders	—	—	—	—	—	—	—	—	31,000	31,000
— Others	—	(781)	—	—	—	—	—	(781)	(109,991)	(110,772)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(723,120)	(723,120)
Conversion of capital reserve into issued share capital	3,315,234	(3,315,234)	—	—	—	—	—	—	—	—
At 31 December 2008	<u>6,630,468</u>	<u>27,514,844</u>	<u>2,800,131</u>	<u>4,820,307</u>	<u>431,783</u>	<u>(109,709)</u>	<u>13,133,941</u>	<u>55,221,765</u>	<u>2,304,545</u>	<u>57,526,310</u>

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — continued

Year ended 31 December 2009

	Attributable to owners of the parent										
	Issued share capital	Reserves					Foreign currency translation reserve	Retained profits	Total	Non- controlling interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2009	6,630,468	27,514,844	2,800,131	4,820,307	431,783	(109,709)	13,133,941	55,221,765	2,304,545	57,526,310	
Profit for the year	—	—	—	—	—	—	8,984,029	8,984,029	1,104,167	10,088,196	
Other comprehensive income for the year	—	—	—	—	715,206	(3,170)	—	712,036	43,367	755,403	
Total comprehensive income for the year	—	—	—	—	715,206	(3,170)	8,984,029	9,696,065	1,147,534	10,843,599	
Dividend — 2008	—	—	—	—	—	—	(3,315,234)	(3,315,234)	—	(3,315,234)	
Appropriation to surplus reserves	—	—	936,768	—	—	—	(936,768)	—	—	—	
Appropriation to general reserve	—	—	—	2,136,218	—	—	(2,136,218)	—	—	—	
Capital increase/ (decrease) by shareholders											
— Capital contribution by shareholders	—	—	—	—	—	—	—	—	47,834	47,834	
— Others	—	679	(12,910)	(33,585)	—	—	42,656	(3,160)	(20,695)	(23,855)	
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(264,275)	(264,275)	
At 31 December 2009	<u>6,630,468</u>	<u>27,515,523</u>	<u>3,723,989</u>	<u>6,922,940</u>	<u>1,146,989</u>	<u>(112,879)</u>	<u>15,772,406</u>	<u>61,599,436</u>	<u>3,214,943</u>	<u>64,814,379</u>	

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — continued

Year ended 31 December 2010

	Attributable to owners of the parent									
	Issued share capital	Reserves					Retained profits	Total	Non-controlling interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2010 . . .	6,630,468	27,515,523	3,723,989	6,922,940	1,146,989	(112,879)	15,772,406	61,599,436	3,214,943	64,814,379
Profit for the year	—	—	—	—	—	—	11,311,343	11,311,343	824,708	12,136,051
Other comprehensive income for the year	—	—	—	—	969,623	(129,488)	—	840,135	(42,807)	797,328
Total comprehensive income for the year	—	—	—	—	969,623	(129,488)	11,311,343	12,151,478	781,901	12,933,379
Dividend — 2009 . . .	—	—	—	—	—	—	(3,315,234)	(3,315,234)	—	(3,315,234)
Appropriation to surplus reserves . . .	—	—	1,371,397	—	—	—	(1,371,397)	—	—	—
Appropriation to general reserve	—	—	—	2,972,329	—	—	(2,972,329)	—	—	—
Capital increase/ (decrease) by shareholders										
— Capital contribution by shareholders . . .	—	—	—	—	—	—	—	—	90,598	90,598
— Others	—	(719)	(415,767)	(821,723)	—	—	1,237,428	(781)	(3,658,146)	(3,658,927)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(16,480)	(16,480)
Conversion of capital reserve into issued share capital	3,315,234	(3,315,234)	—	—	—	—	—	—	—	—
At 31 December 2010	<u>9,945,702</u>	<u>24,199,570</u>	<u>4,679,619</u>	<u>9,073,546</u>	<u>2,116,612</u>	<u>(242,367)</u>	<u>20,662,217</u>	<u>70,434,899</u>	<u>412,816</u>	<u>70,847,715</u>

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — continued

Three months ended 31 March 2010 (Unaudited)

	Attributable to owners of the parent									
	Issued share capital	Reserves					Retained profits	Total	Non- controlling interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2010	6,630,468	27,515,523	3,723,989	6,922,940	1,146,989	(112,879)	15,772,406	61,599,436	3,214,943	64,814,379
Profit for the period . . .	—	—	—	—	—	—	1,498,868	1,498,868	126,845	1,625,713
Other comprehensive income for the period	—	—	—	—	198,835	(5,516)	—	193,319	40,458	233,777
Total comprehensive income for the period	—	—	—	—	198,835	(5,516)	1,498,868	1,692,187	167,303	1,859,490
Appropriation to general reserve	—	—	—	76,957	—	—	(76,957)	—	—	—
Capital increase/ (decrease) by shareholders — Capital contribution by shareholders	—	—	—	—	—	—	—	—	47,424	47,424
At 31 March 2010	<u>6,630,468</u>	<u>27,515,523</u>	<u>3,723,989</u>	<u>6,999,897</u>	<u>1,345,824</u>	<u>(118,395)</u>	<u>17,194,317</u>	<u>63,291,623</u>	<u>3,429,670</u>	<u>66,721,293</u>

I. FINANCIAL INFORMATION — continued

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — continued

Three months ended 31 March 2011

	Attributable to owners of the parent									
	Issued share capital	Reserves					Retained profits	Total	Non- controlling interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	9,945,702	24,199,570	4,679,619	9,073,546	2,116,612	(242,367)	20,662,217	70,434,899	412,816	70,847,715
Profit for the period . . .	—	—	—	—	—	—	1,357,201	1,357,201	3,551	1,360,752
Other comprehensive income for the period	—	—	—	—	277,338	(39,983)	—	237,355	(4,999)	232,356
Total comprehensive income for the period	—	—	—	—	277,338	(39,983)	1,357,201	1,594,556	(1,448)	1,593,108
Appropriation to general reserve	—	—	—	69,109	—	—	(69,109)	—	—	—
Capital increase/ (decrease) by shareholders — Capital contribution by shareholders	—	—	—	—	—	—	—	—	2,214	2,214
At 31 March 2011	<u>9,945,702</u>	<u>24,199,570</u>	<u>4,679,619</u>	<u>9,142,655</u>	<u>2,393,950</u>	<u>(282,350)</u>	<u>21,950,309</u>	<u>72,029,455</u>	<u>413,582</u>	<u>72,443,037</u>

I. FINANCIAL INFORMATION — continued

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Cash flows from operating activities					
Profit before income tax	9,561,377	13,301,992	16,319,941	2,067,481	1,776,626
Adjustments for:					
Interest expense on bonds issued	81,300	68,138	63,750	15,938	15,938
Share of profits and losses of associates and jointly-controlled entities	(633)	(102,739)	(24,288)	(3,629)	(24,525)
Dividend income and interest income from available-for-sale financial assets	(1,012,086)	(869,186)	(1,286,441)	(179,380)	(72,561)
Net gain on disposal of available-for-sale financial assets	(1,530,582)	(1,719,880)	(2,692,531)	(212,838)	(725,052)
Gain on disposal of property, plant and equipment and other assets	(13,198)	(16,288)	(51,668)	(2,973)	(2,111)
Gain on disposal of subsidiaries	—	(4,206)	(5,765,347)	—	—
Fair value loss/(gain) on financial instruments at fair value through profit or loss	139,682	(51,538)	(565,100)	(182,452)	252,846
Depreciation	197,548	233,019	244,470	64,881	41,389
Amortisation	100,089	85,763	125,321	30,924	24,101
Impairment on available-for-sale financial assets	713,570	(314,286)	(11,470)	—	—
Impairment on other assets	(4,234)	(983)	28,995	(8,576)	(2,599)
	8,232,833	10,609,806	6,385,632	1,589,376	1,284,052
Net (increase)/decrease in operating assets					
Financial assets held for trading	(3,369,564)	(5,828,314)	(5,253,266)	(1,248,627)	(690,802)
Cash held on behalf of customers	56,027,188	(50,479,803)	8,301,831	(2,508,057)	14,588,120
Other assets	30,203,156	117,670	(6,390,578)	(1,792,984)	127,698
	82,860,780	(56,190,447)	(3,342,013)	(5,549,668)	14,025,016
Net increase/(decrease) in operating liabilities					
Accounts payable	(56,735,795)	51,359,339	(8,433,374)	2,624,695	(14,154,316)
Repurchase agreements	8,172,780	9,329,518	(3,341,578)	3,331,447	2,327,460
Other liabilities	(3,612,512)	2,172,722	2,083,409	(84,485)	(657,951)
	(52,175,527)	62,861,579	(9,691,543)	5,871,657	(12,484,807)
Net cash inflow/(outflow) from operating activities before tax	38,918,086	17,280,938	(6,647,924)	1,911,365	2,824,261
Income tax paid	(5,081,271)	(3,400,384)	(2,809,371)	(648,542)	(1,790,093)
Net cash inflow/(outflow) from operating activities	33,836,815	13,880,554	(9,457,295)	1,262,823	1,034,168

I. FINANCIAL INFORMATION — continued

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS — continued

	Notes	Year ended 31 December			Three months ended 31 March	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000 Unaudited	2011 RMB'000
Cash flows from investing activities						
Dividend income and interest income from available-for-sale financial assets		1,022,614	869,186	1,287,984	182,372	72,561
Net cash flows from purchases, leases and sales of property, plant and equipment and other assets		(364,673)	(1,903,425)	(886,851)	(52,853)	(140,078)
Net cash flows from disposal of subsidiaries	20	—	3,140	(3,324,056)	—	—
Net cash flows from investments in associates and jointly-controlled entities . . .		(809,553)	(350,240)	(659,541)	142,095	—
Net cash flows from disposal or purchase of available-for-sale financial assets		(24,993,766)	(5,641,237)	3,761,788	4,606,722	3,946,081
Other net cash flows from investing activities		(7,858)	(15,195)	—	—	—
Net cash inflow/(outflow) from investing activities		(25,153,236)	(7,037,771)	179,324	4,878,336	3,878,564
Cash flows from financing activities						
Cash inflows from financing activities		31,000	135,882	3,024,702	47,431	338,278
Payment of debts		(141,102)	(450,000)	—	(8,792)	—
Dividends and interest expense		(2,461,776)	(3,660,806)	(3,395,464)	—	—
Other cash outflows from financing activities		(781)	—	(35,782)	—	—
Net cash inflow/(outflow) from financing activities		(2,572,659)	(3,974,924)	(406,544)	38,639	338,278
Net increase/(decrease) in cash and cash equivalents		6,110,920	2,867,859	(9,684,515)	6,179,798	5,251,010
Cash and cash equivalents at the beginning of the year/period . . .		18,342,268	24,267,642	27,132,312	27,132,312	17,353,363
Effect of exchange rate changes on cash and bank balances		(185,546)	(3,189)	(94,434)	(4,287)	(22,813)
Cash and cash equivalents at the end of the year/period	40	24,267,642	27,132,312	17,353,363	33,307,823	22,581,560
Cash and bank balances	31	24,777,907	27,892,256	18,444,157	34,155,822	23,746,709
Less: Restricted funds	31	(510,265)	(759,944)	(1,090,794)	(847,999)	(1,165,149)
Cash and cash equivalents		24,267,642	27,132,312	17,353,363	33,307,823	22,581,560

I. FINANCIAL INFORMATION — continued

(F) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 31 March
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	18	145,752	1,654,560	2,078,970	2,183,039
Investment properties		72,203	69,712	83,477	82,793
Other intangible assets		35,128	37,718	50,805	54,435
Investments in subsidiaries	20	6,997,103	10,059,047	10,118,047	10,118,047
Investments in associates	21	110,000	351,490	849,705	848,565
Investments in jointly-controlled entities	21	84	57	88	88
Available-for-sale financial assets	22	908,545	424,745	1,044,312	1,261,555
Refundable deposits	23	168,967	379,265	767,961	1,362,878
Deferred income tax assets	24	619,746	615,808	927,160	815,810
Other non-current assets		32,853	93,582	103,340	96,133
Total non-current assets		9,090,381	13,685,984	16,023,865	16,823,343
Current assets					
Fee and commission receivables		14,709	43,818	48,430	48,354
Margin financing and securities lending	25	—	—	1,558,012	1,673,416
Available-for-sale financial assets	22	31,720,030	37,944,628	32,580,269	29,273,829
Financial assets held for trading	26	3,987,863	8,111,948	12,177,461	13,177,561
Derivative financial assets		—	—	732,537	724,759
Reverse repurchase agreements	28	—	—	1,226,616	—
Other current assets	29	556,213	40,072	2,420,096	2,432,299
Cash held on behalf of customers	30	22,547,812	29,592,352	30,541,324	24,020,053
Cash and bank balances	31	15,522,646	13,441,978	12,062,712	16,291,646
Total current assets		74,349,273	89,174,796	93,347,457	87,641,917
Current liabilities					
Accounts payable	32	22,664,657	29,927,236	30,868,612	24,530,927
Derivative financial liabilities		2,879	5,637	434,172	568,027
Repurchase agreements	33	5,444,523	14,469,131	6,901,600	9,229,060
Tax payable	34	1,348,405	967,946	3,085,763	1,539,418
Other current liabilities	36	2,564,049	3,331,716	4,594,258	4,071,141
Total current liabilities		32,024,513	48,701,666	45,884,405	39,938,573
Net current assets		42,324,760	40,473,130	47,463,052	47,703,344
Total assets less current liabilities		51,415,141	54,159,114	63,486,917	64,526,687
Non-current liabilities					
Bonds payable	37	1,950,000	1,500,000	1,500,000	1,500,000
Deferred income tax liabilities	24	131,939	199,931	464,082	510,970
Total non-current liabilities		2,081,939	1,699,931	1,964,082	2,010,970
Net assets		49,333,202	52,459,183	61,522,835	62,515,717
Equity					
Issued share capital	38	6,630,468	6,630,468	9,945,702	9,945,702
Reserves	39	33,411,299	35,520,412	36,314,515	36,544,446
Retained profits		9,291,435	10,308,303	15,262,618	16,025,569
Total equity		49,333,202	52,459,183	61,522,835	62,515,717

II. NOTES TO FINANCIAL INFORMATION

1. Corporate Information

The Company is a joint stock company with limited liability established in the PRC. The registered office of the Company is located at Level A, China Merchants Bank Tower, No. 7088 Shen Nan Boulevard, Futian District, Shenzhen, Guangdong Province, PRC.

During the Relevant Periods, the Group was involved in the following principal activities:

- securities and futures brokerage
- asset management and fund management
- proprietary trading
- securities underwriting and sponsorship
- provision of investment advisory and consultancy services
- securities investment fund distribution and introducing brokerage for futures companies

At the end of the Relevant Periods, the Company had direct or indirect interests in its subsidiaries, all of which are private limited companies or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out in note 20 of Section II.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting periods commencing from 1 January 2008, 2009, 2010 and 2011 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below. The Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Basis of consolidation

The Financial Information comprises the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

II. NOTES TO FINANCIAL INFORMATION — continued**2.2 Basis of consolidation — continued**

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statements and within equity in the consolidated statements of financial position separately from the equity attributable to owners of the parent. An acquisition of non-controlling interests is accounted for as an equity transaction.

3. Significant Accounting Policies**(1) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(2) Foreign currency transactions and foreign currency translation

The financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of reporting period. All differences are taken to the income statement.

For the financial statements prepared in US dollars, foreign currencies other than the US dollar are translated into US dollars using the central parity rate published by the People's Bank of China or other authorities as at the balance sheet date. For the financial statements prepared in RMB, foreign currencies are translated into RMB using the spot exchange rates published by the People's Bank of China or other authorities as at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(3) Financial instruments***(a) Initial recognition and derecognition of financial instruments*

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) The rights to receive cash flows from the assets have expired; or
- (ii) The Group has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and (i) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of a financial asset, the financial asset is accounted for based on the following: when the Group has not retained control of the financial asset, the financial asset is derecognised and the resulting assets and liabilities are recognised; when the Group has retained control of the financial asset, the Group continues to recognise the transferred financial asset to the extent of its continuing involvement in the asset and recognises related liabilities.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(b) Classification and measurement of financial assets

The Group classifies financial assets based on documented risk management and investment strategies and other factors. Financial assets are classified into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

- (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at fair value through profit or loss.

Equity securities, funds and debt securities which are purchased for the purpose of selling in the near term are classified as financial assets held for trading. A financial asset held for trading is measured at fair value upon initial recognition with transaction costs recorded in the income

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(3) *Financial instruments — continued***

statement. Cash dividends and bond interests that are declared but not yet paid included in the consideration paid are recognised as receivables. Interest and dividends accrued during the holding period are recognised as investment income. Gains or losses arising from changes in the fair value of the financial asset are recognised in the income statement. Realised gains or losses upon disposal of held for trading financial assets are recognised as investment income or losses. When the Group disposes of held for trading financial assets, the cost basis is determined based on the weighted average costs of the financial assets that are being disposed of.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, which the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair value plus transaction costs that are directly attributable to their acquisition, and are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates or coupon rates and effective interest rates, held-to-maturity investments are measured at amortised cost using the contractual interest rates or coupon rates.

(iii) Loans and receivables

Loans and receivables arising from the granting of loans and rendering of services are recognised as loans and receivables. Loans are initially measured at the principal amount plus related transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates and effective interest rates, loans are measured at amortised cost using the contractual interest rates. Receivables are initially measured based on the amounts receivable under service contracts or agreements. When receivables are collected, differences between the amount received and the carrying amount are recognised as profit or loss in the income statement.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. They include equity securities, funds, debt securities and securities acquired from underwriting activities. Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to their acquisition, and are subsequently measured at fair value. When the fair value of equity securities cannot be reliably measured, such securities are carried at costs. When available-for-sale financial assets are disposed of, differences between the consideration received plus cumulative gains or losses previously recorded in equity due to changes in fair value and the carrying amount are recognised as investment gains or losses, and costs are determined based on the weighted average costs of the financial assets disposed of.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(3) *Financial instruments — continued*****(v) Reclassification of financial assets**

When the Group changes the intention, the held-to-maturity investments are reclassified as available-for-sale financial assets. If the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, it shall reclassify any remaining held-to-maturity investments as available-for-sale financial assets, and shall not classify any financial assets as held-to-maturity during the current and the two subsequent financial years.

(c) *Classification and measurement of financial liabilities*

Financial liabilities comprise financial liabilities at fair value through profit or loss and other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

Financial liabilities are accounted for as held for trading if they are acquired for the purpose of repurchasing it in the near term and they include options issued by the Group. They are initially measured at fair value with transaction costs recorded in the income statement. Subsequent changes in fair value are recognised in the income statement.

(ii) Other financial liabilities

The Group recognises financial liabilities other than at fair value through profit or loss as other financial liabilities. Other financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently measured at amortised cost using effective interest rate method.

(iii) Bonds issued as part of the Group's fund raising activities and the related interests payable are accounted for as other financial liabilities. Bonds issued are initially recognised at fair value plus related transaction costs, and are subsequently carried at amortised cost using the effective interest rate method. If there are no significant differences between the coupon rates and the effective interest rates, bonds payable are measured at amortised cost using the coupon rates.**(d) *Fair value determination*****Principle in determination of fair value**

The fair value of a financial asset or a financial liability traded in active markets is based on its quoted market price. Valuation techniques are used to determine the fair value when there is sufficient evidence to indicate that the quoted market price is not representative of the fair value.

If no active market exists, valuation techniques are used to determine the fair value of a financial instrument.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(3) *Financial instruments — continued***

If quoted market price is not available and the fair value cannot be reliably measured, a financial asset is measured at cost.

Valuation methods for specific investment

Fair value is initially determined based on the open market bid or ask price for a financial asset or financial liability. Subsequent measurement is based on the following principles:

- (i) For exchange-listed equity shares, fair value is determined based on the closing price as at the reporting date or the most recent trading date. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For unlisted shares in the process of an initial public offering, fair values are determined based on their offering prices. For restricted shares that are acquired during an initial public offering, the market prices of the same shares listed on their respective exchanges are adopted as the fair values. For shares acquired through a non-public offering that have a defined lock-up period, their fair values are determined according to the following rules:

If the initial acquisition cost of the shares is higher than the market price of the same shares traded on the exchange on the valuation date, the market price of the same shares listed on the exchange shall be adopted as the fair value of the shares.

If the initial acquisition cost of the shares is lower than the market price of the same shares traded on the exchange, valuation techniques are used to determine the fair value of the shares.

- (ii) For closed-end funds, fair value is determined based on the closing price as at the reporting date or the most recent trading date. For open-end funds and collective wealth management products, fair value is determined based on the net asset value as at the reporting date.
- (iii) For debt securities listed on stock exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price of the debt securities.
- (iv) For debt securities traded on interbank bond market and Over-the-Counter (“OTC”) market, including government bonds, corporate bonds, short-term financial bills, special financial bills, central bank bills, asset-backed securities and other fixed income debt securities, fair values are determined using valuation techniques.
- (v) For investments in trust products where trading prices are available, fair values are determined based on the monthly average price, otherwise, fair values are determined based on cost.
- (vi) Warrants include both purchased warrants and issued warrants. For purchased warrants with a remaining maturity of more than one month, the fair value of a warrant is determined based on its market price on the most recent trading date. The fair value of an issued warrant with a remaining maturity of more than one month is also based on its market price on the most recent trading price. For warrants with a remaining maturity of less than one month, the fair value of a

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(3) *Financial instruments — continued***

purchased warrant is the lower of the value estimated through the Black-Scholes valuation model (the “BS valuation model”) and its market price on the most recent trading date. The fair value of an issued warrant is the higher of either the value estimated through the BS valuation model or its market price on the most recent trading date. Under the BS valuation model, the risk-free interest rate is set at the PRC one-year bank deposit rate or the PBOC benchmark rate, and the volatility rate adopts the 180-day historic volatility rate of the underlying equity.

The fair values determined by the methodologies described above are provided by independent departments designated by the Company and its subsidiaries. For new investment products, the Company determines their fair value based on the nature of the product and market conditions.

(e) *Impairment of financial assets*

Except for financial assets at fair value through profit or loss which are not subject to impairment test, other categories of financial assets are tested for impairment at the end of each reporting period.

- (i) Impairments on held-to-maturity investments and loans are accounted for using the discounted cash flow method. As at the balance sheet date, the Group assesses the creditworthiness of its debtors. If objective evidence existed to show that the Group is unable to collect all the cash flows under the original terms of a contract or the debtor has been experiencing significant financial difficulties, impairment loss is recognised at the difference between the carrying amount and the present value of estimated future cash flows discounted at original effective interest rate.
- (ii) If the issuer or obligor of an available-for-sale financial asset has been experiencing significant financial difficulties, it becomes probable that the borrower will enter bankruptcy or other financial reorganisation, and these events result in prolonged decline in the fair value of an available-for-sale financial asset, and the decline is expected to be other than temporary, an available-for-sale financial asset is impaired and impairment loss is recognised.

An individual available-for-sale financial asset is impaired and impairment loss is recognised when there has been a significant or prolong decline in its fair value below its cost, and the decline is other than temporary, and there will be no radical changes during the entire holding period.

When impairment losses are recognised, cumulative losses that are previously recognised in equity due to changes in fair values are transferred to the income statement as impairment losses.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. However, for debt instruments classified as available-for-sale, if there are increases in fair values which can be objectively related to an event occurring after the impairment loss was recognised, impairment losses originally recognised can be reversed through the income statement.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(4) Derivative financial instruments**

A derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value. A derivative is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

Changes in fair value of a derivative financial instrument are directly recorded in the income statement.

For plain vanilla derivative financial instruments, fair values are principally determined by valuation models that are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible. Fair value of exotic derivatives mainly comes from counterparty quotes.

(5) Allowance for doubtful accounts

- (a) When a receivable (including accounts receivable and other receivables) cannot be collected through the realisation of the debtor's assets or the debtor's estate upon the bankruptcy or death of the debtor, or when a receivable has been in default for more than three years, the receivable is deemed to be uncollectible and the amount is recognised as bad debt.
- (b) The Group uses allowance for doubtful accounts to account for potential bad debt and provision for bad debt is assessed on a monthly basis based on the aging of receivables net of advances. Provision for bad debt is recognised as follows:
 - (i) If the age of an account receivable is less than or equal to one year, 0.5% of the balance is recognised as a provision;
 - (ii) If the age of an account receivable is more than one year but less than or equal to two years, 10% of the balance is recognised as a provision;
 - (iii) If the age of an account receivable is more than two years but less than or equal to three years, 20% of the balance is recognised as a provision;
 - (iv) If the age of an account receivable is more than three years, 50% of the balance is recognised as a provision.

If there is an obvious difference between the collectability of certain accounts receivable and other receivables, or the collectability of these certain accounts receivable cannot be truly reflected by provisions for bad debt based on the aging of receivables and the above criteria, a receivable is individually assessed for bad debt provisions.

(6) Fiduciary wealth management

The Group's fiduciary wealth management business comprises targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(7) Subsidiaries**

A subsidiary is an entity in which the Company controls, directly or indirectly, its financial and operating policies, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(8) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statements and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are stated at cost less any impairment losses.

(9) Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are stated at cost less any impairment losses.

(10) Investment properties

Investment properties comprise real estate properties held by the Group for the purpose of earning rental income and/or for capital appreciation.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those of property, plant and equipment.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(10) Investment properties — continued**

At the end of each reporting period, the Group reviews investment properties for impairment on an individual basis. Provision for impairment is made when the carrying amount of an investment property exceeds its recoverable amount.

(11) Property, plant and equipment**(a) Recognition criteria for property, plant and equipment**

Property, plant and equipment comprises buildings, motor vehicles and electronic devices that the Group expects to use for more than one year and other tangible assets that are expected to be used for more than one year and the unit costs of which are greater than RMB2,000.

(b) Property, plant and equipment are initially measured at cost

The cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees. The cost of a self-constructed asset comprises all costs incurred before the asset is ready for its intended use.

Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance expenditures are recognised in the income statement as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis.

The estimated useful lives, depreciation rate and estimated residual value of each item of property, plant and equipment are as follows:

<u>Types of property, plant and equipment</u>	<u>Estimated useful lives</u>	<u>Monthly depreciation rate</u>	<u>Estimated residual value</u>
Properties and buildings	35 years	0.2262%	5%
Electronic device	2-5 years	1.667%-4.167%	0%
Motor vehicles	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	0%
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

The years that property, plant and equipment were already in use were excluded when determining the estimated useful lives of these types of property, plant and equipment. Gains and losses on the disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value. The estimated useful lives, estimated residual value and depreciation method of each type of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end.

(c) Impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment at the end of each reporting period. Impairment is recognised on an individual basis when the carrying amount of an item of property, plant and

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(11) Property, plant and equipment — continued**

equipment exceeds its recoverable amount due to technical obsolescence, physical damage, a protracted idle period and other reasons.

- (i) For an item of property, plant and equipment other than properties and buildings, when no economic benefits are expected from its use or disposal due to technical obsolescence or physical damage, the carrying amount of the property, plant and equipment is derecognised.
 - (ii) For a property or building that is idled and not used for a protracted period of time and its carrying amount exceeds its fair value, impairment is recognised based on the difference between the carrying amount of the asset and its fair value.
- (d) Construction in progress

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

At the end of each reporting period, the Group reviews construction in progress on an individual basis. Impairment is recognised when the carrying amount exceeds the recoverable amount of an item of construction in progress.

(12) Intangible assets

Intangible assets are initially measured at the actual acquisition costs and are amortised on the straight-line basis over the expected useful life.

- (a) Seats on the Shanghai and Shenzhen Stock Exchanges are amortised over 10 years (when new regulations become available, adjustments will be made if appropriate). Amortisation for self occupied seats are expensed in the current period, and amortisation for seats leased out are included in other operating expenses;
- (b) Purchased software is amortised over 5 years.

At the end of reporting period, the Group reviews intangible assets for impairment on an individual basis. When there is a substantial decline in either an intangible asset's capability to generating economic benefits or in the market price of an intangible asset, impairment is recognised at 50% of the carrying amount or at the amount by which the carrying amount exceeds its fair value.

(13) Revenue

Revenue from underwriting services is recognised when the outcome of the underwriting services provided can be reliably estimated and reasonably recognised. The revenue is usually carried over upon completion of the offering;

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(13) Revenue — continued**

Revenue from the securities brokerage services is recognised on the date of the securities transaction;

Revenue from asset management services is recognised according to the provisions of the asset management contract;

Revenues from other businesses are recognised on the basis of when the contractual obligations are fulfilled and when the service fees and commissions are actually received.

(14) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using the balance sheet liability method according to the temporary difference between the carrying amount of an asset or liability on the balance sheet date and its tax base, and the temporary difference between the carrying amount of an item not recognised as an asset or liability on the balance sheet date and its tax base.

All taxable temporary differences are recognised as deferred income tax liabilities, except:

- (a) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued****(14) Income tax — continued**

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

(15) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the discounting effect of the benefits payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

In accordance with the applicable laws and regulations, Mainland China employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. Contributions to these schemes are recognised in the cost of relevant asset or in the income statement as incurred.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

(16) Related parties

A party is considered to be related to the Group if (i) the party has control, joint control or significant influence over the Group; or (ii) the Group has control, joint control or significant influence over the party; or (iii) the party is under common control or common joint control with the Group.

(17) Provisions and contingencies

The obligation pertinent to contingencies shall be recognised as provisions when the following conditions are satisfied concurrently:

- (a) the obligation is a present obligation of the Group;
- (b) the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and
- (c) the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration the risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group

II. NOTES TO FINANCIAL INFORMATION — continued**3. Significant Accounting Policies — continued*****(17) Provisions and contingencies — continued***

reviews the book value of the provisions at the balance sheet date. If there is substantial evidence that the amount of provisions cannot actually reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

(18) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory surplus reserve, 10% for a general risk reserve and 10% for a transaction risk reserve according to the requirements of the regulatory authorities such as the CSRC. In addition, with the approval from the Annual General Meeting, the Company may set aside 5%-10% of after-tax profit for a discretionary surplus reserve after setting aside the funds for the various statutory reserve funds. The remaining after-tax profit is distributed according to the resolution approved by the Annual General Meeting. If the aggregate balance of the statutory surplus reserve funds has reached 50% of the Company's registered capital, appropriation for the statutory surplus reserve are no longer mandatory.

The general risk reserve and transaction risk reserve set aside by the Company are used to make up for any losses arising from securities transaction. The Company's surplus reserve funds are used to make up for any losses of the Company, expand its production and operation or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory surplus reserve funds are converted to capital, the balance of the statutory surplus reserve funds cannot be less than 25% of the Company's registered capital.

4. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group is required to reclassify any remaining held-to-maturity investments as available-for-sale financial assets and cannot classify any financial assets as held-to-maturity during the current and two subsequent financial years.

Impairment losses of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there

II. NOTES TO FINANCIAL INFORMATION — continued**4. Significant Accounting Judgements and Estimates — continued*****Impairment losses of available-for-sale financial assets and held-to-maturity investments — continued***

has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining provisions for income tax requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and provides for taxes accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation of the tax treatments of certain transactions and also significant assessment of the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, all discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

5. Taxation

According to the relevant tax policies of PRC, the major types of taxes currently applicable to the Company are:

(1) Income tax

From 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies (《國務院關於實施企業所得稅過渡優惠政策的通知》) (Guofa [2007] No. 39) and other tax documents become effective for the Company. Income tax computation and payment are

II. NOTES TO FINANCIAL INFORMATION — continued**5. Taxation — continued**

(1) Income tax — continued

governed by the Circular of the Tentative Measures for Collection and Administration of Enterprise Income Tax Who Operates Business Cross-regionally and Pay Tax Collectively (《跨地區經營匯總納稅企業所得稅徵收管理暫行辦法》) (Guoshuifa [2008] No. 28). The income tax rate applicable to the Company's headquarter and Shenzhen-based branches is 24% and 25% for the Company's other domestic branches.

(2) Business tax

The Company's computation and payment of business taxes are governed by the Detailed Rules for the Implementation of the Tentative Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) (Ministry of Finance Order No. 52), the Circular of the Ministry of Finance and the State Administration of Taxation on the Reduction of Business Tax Rate for the Financial and Insurance Industries (《財政部、國家稅務總局關於降低金融保險業營業稅稅率的通知》) (Caishui [2001] No. 21), the Notice of the Ministry of Finance and the State Administration of Taxation on the Business Tax Policies for the Capital Markets (《財政部、國家稅務總局關於資本市場有關營業稅政策的通知》) (Caishui [2004] No. 203), and other relevant policies. The business tax is calculated and paid at the tax rate of 5% of taxable business income.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Business Tax of the Securities Investor Protection Fund (《財政部、國家稅務總局關於證券投資者保護基金有關營業稅問題的通知》) (Caishui [2006] No. 172), and the Supplementary Notice of Ministry of Finance and the State Administration of Taxation on Issues Concerning the Business Tax Related to China Securities Investor Protection Fund Limited Corporation (《財政部、國家稅務總局關於中國證券投資者保護基金有限責任公司有關稅收問題的補充通知》) (Caishui [2008] No. 78), securities companies are allowed to deduct their investor protection fund contributions from their business taxes.

- (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 and education surcharges are paid at 7% and 3% of the turnover taxes, respectively.

II. NOTES TO FINANCIAL INFORMATION — continued**6. Impact of Issued But Not Yet Effective International Financial Reporting Standards**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ⁽¹⁾
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ⁽¹⁾
IFRS 9	<i>Financial Instruments</i> ⁽³⁾
IFRS 10	<i>Consolidated Financial Statements</i> ⁽³⁾
IFRS 11	<i>Joint Arrangements</i> ⁽³⁾
IFRS 12	<i>Disclosure of Interest in Other Entities</i> ⁽³⁾
IFRS 13	<i>Fair Value Measurement</i> ⁽³⁾
IAS 12 Amendments	Amendments to IAS 12 <i>Income Tax-Deferred Tax: Recovery of Underlying Assets</i> ⁽²⁾
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i> ⁽³⁾

(1) Effective for annual periods beginning on or after 1 July 2011

(2) Effective for annual periods beginning on or after 1 January 2012

(3) Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of assessing the impact of these new and revised IFRSs and interpretations upon initial application. Further information about these changes that are expected to affect the Group is as follows:

IFRS 1 First-time adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments)

The IFRS 1 Amendments introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. They also remove the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amendments will have no impact on the financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Asset (Amendment)

The IFRS7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group is in the process of assessing the impact of these standards.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, issued in November 2009, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In October 2010, additions to IFRS 9 were issued to address financial liabilities and incorporated the current derecognition principles of financial instruments under IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In

II. NOTES TO FINANCIAL INFORMATION — continued**6. Impact of Issued But Not Yet Effective International Financial Reporting Standards — continued*****IFRS 9 Financial Instruments: Classification and Measurement — continued***

subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The completion of this project is expected in the middle of 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. On 4 August 2011, the IASB issued for public comment an exposure draft (ED) of proposals to defer the mandatory effective date of IFRS 9 Financial Instruments to annual periods beginning on or after 1 January 2015. The IASB is seeking feedback on ED and the comment period of the ED closes on 21 October 2011.

IFRS 10 Consolidated Financial Statements***IFRS 11 Joint Arrangements******IFRS 12 Disclosure of Interests in Other Entities***

In May 2011, IASB issued IFRS 10, 11 and 12 which revisited the definitions and principles for accounting of investee companies. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, whereas IAS 27 defines control as power to govern financial and operating policies of an entity so as to obtain economic benefits from its operations. IFRS 11 requires that an entity shall assess its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms of the parties and other relevant facts and circumstances. IFRS 11 classifies joint arrangement into two types, which are joint operations and joint ventures. Joint operators shall recognise and measure the assets and liabilities and the related revenues and expenses in relation to its interests in accordance with the relevant IFRSs, whereas a joint venture should recognise an investment and account for that investment using equity method in accordance with IAS 28, unless the entity is exempted from applying the equity method. The standards also set out other requirements in applying these principles. IFRS 12 specifies the disclosure requirements for interests in other entities. IFRS 10, 11 and 12 supersedes IAS 31, SIC-12 and SIC-13. IAS 27 and IAS 28 are also revised accordingly. The standards are effective for annual periods beginning on or after 1 January 2013. The Group is in the process of assessing the impact of these standards.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out a single framework for measuring fair value and specifies disclosures for fair value measurements. It also provides guidance on fair value measurement which removes inconsistencies included in various existing IFRSs regarding fair values. The standard is effective for annual periods beginning on or after 1 January 2013. The Group is in the process of assessing the impact of this standard.

IAS 12 Income Tax: Deferred Tax — Recovery of Underlying Assets (Amendments)

The amended standard is effective for annual periods beginning on or after 1 January 2012. IAS 12 has been updated to include a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The amendments will have no impact on the financial statements of the Group.

II. NOTES TO FINANCIAL INFORMATION — continued**6. Impact of Issued But Not Yet Effective International Financial Reporting Standards — continued***IAS 19 Employee Benefits (Amendments)*

The amended standard is effective for annual periods beginning on or after 1 January 2013. The IAS 19 amendments propose major changes to the accounting for employee benefits of defined benefit plans. The amendments will have no impact on the financial statements of the Group.

7. 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 business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other business segments. Summary of the business segments are as follows:

- (a) the investment banking segment engages in placing and underwriting services, and financial advisory services;
- (b) the brokerage segment engages in securities and futures dealing and broking;
- (c) the trading segment engages in trading and market-making of equities and equity-linked products, fixed income products and derivatives;
- (d) the asset management segment engages in asset management services including provision of management services to mutual funds, pension funds, annuity plans and other investment accounts; and
- (e) the others segment primarily engages in private equity investment, principal investment and other businesses.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

However, income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

II. NOTES TO FINANCIAL INFORMATION — continued

7. Operating Segment Information — continued

For management purposes, the Group is organised into business units based on their products and services, namely investment banking, brokerage, trading, asset management and others.

<u>Year ended 31 December 2008</u>	<u>Investment banking</u>	<u>Brokerage</u>	<u>Trading</u>	<u>Asset management</u>	<u>Others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue and other income	1,958,603	10,698,422	2,696,582	3,843,512	640,074	19,837,193
— Fee and commission income	1,958,603	7,988,931	—	3,384,906	26,032	13,358,472
— Interest income	—	2,643,170	222,875	16,492	351,511	3,234,048
— Investment income	—	3,220	2,469,909	438,817	197,509	3,109,455
— Other income	—	63,101	3,798	3,297	65,022	135,218
Operating expenses	1,040,058	5,307,624	1,515,690	2,128,839	284,238	10,276,449
Including: Finance costs	—	1,322,576	200,925	—	4,942	1,528,443
Impairment losses	—	(3,046)	376,893	336,677	(1,188)	709,336
Operating profit	918,545	5,390,798	1,180,892	1,714,673	355,836	9,560,744
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	633	633
Profit before income tax	918,545	5,390,798	1,180,892	1,714,673	356,469	9,561,377
Income tax expense	—	—	—	—	—	1,511,148
Profit for the year	<u>918,545</u>	<u>5,390,798</u>	<u>1,180,892</u>	<u>1,714,673</u>	<u>356,469</u>	<u>8,050,229</u>
Other segment information:						
Depreciation and amortisation	25,615	153,348	12,670	48,281	44,513	284,427
Capital expenditure	<u>21,867</u>	<u>232,106</u>	<u>31,459</u>	<u>37,847</u>	<u>52,823</u>	<u>376,102</u>

II. NOTES TO FINANCIAL INFORMATION — continued

7. Operating Segment Information — continued

Year ended 31 December 2009	Investment banking	Brokerage	Trading	Asset management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and other						
income	2,636,702	13,653,945	3,407,085	3,764,861	405,299	23,867,892
— Fee and commission						
income	2,644,783	11,948,170	—	3,481,751	76,108	18,150,812
— Interest income	—	1,639,446	293,091	19,156	67,721	2,019,414
— Investment income	(8,081)	9,026	3,083,692	155,115	187,963	3,427,715
— Other income	—	57,303	30,302	108,839	73,507	269,951
Operating expenses	1,331,238	5,859,681	1,138,518	2,071,227	267,975	10,668,639
Including: Finance costs	—	381,623	230,964	21	5,445	618,053
Impairment losses	—	(670)	(299,855)	—	(14,744)	(315,269)
Operating profit	1,305,464	7,794,264	2,268,567	1,693,634	137,324	13,199,253
Share of profits and losses of						
associates and jointly-						
controlled entities	—	—	—	—	102,739	102,739
Profit before income tax	1,305,464	7,794,264	2,268,567	1,693,634	240,063	13,301,992
Income tax expense	—	—	—	—	—	3,213,796
Profit for the year	<u>1,305,464</u>	<u>7,794,264</u>	<u>2,268,567</u>	<u>1,693,634</u>	<u>240,063</u>	<u>10,088,196</u>
Other segment information:						
Depreciation and						
amortisation	40,245	192,166	38,790	29,423	18,158	318,782
Capital expenditure	<u>397,349</u>	<u>847,754</u>	<u>543,346</u>	<u>87,418</u>	<u>30,018</u>	<u>1,905,885</u>
Year ended 31 December 2010	Investment banking	Brokerage	Trading	Asset management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and other						
income	3,289,621	11,045,854	5,225,957	4,039,676	6,679,763	30,280,871
— Fee and commission						
income	3,286,597	9,447,023	—	3,740,934	123,784	16,598,338
— Interest income	144	1,540,376	285,510	23,934	138,117	1,988,081
— Investment income	2,880	321	4,940,447	226,245	6,330,710	11,500,603
— Other income	—	58,134	—	48,563	87,152	193,849
Operating expenses	2,155,613	6,120,933	2,822,229	2,681,514	204,929	13,985,218
Including: Finance costs	—	383,626	296,756	—	4,458	684,840
Impairment losses	—	25,022	—	—	(7,497)	17,525
Operating profit	1,134,008	4,924,921	2,403,728	1,358,162	6,474,834	16,295,653
Share of profits and losses of						
associates and jointly-						
controlled entities	—	—	—	—	24,288	24,288
Profit before income tax	1,134,008	4,924,921	2,403,728	1,358,162	6,499,122	16,319,941
Income tax expense	—	—	—	—	—	4,183,890
Profit for the year	<u>1,134,008</u>	<u>4,924,921</u>	<u>2,403,728</u>	<u>1,358,162</u>	<u>6,499,122</u>	<u>12,136,051</u>
Other segment information:						
Depreciation and						
amortisation	33,199	208,306	18,909	37,290	72,087	369,791
Capital expenditure	<u>185,407</u>	<u>489,911</u>	<u>249,743</u>	<u>77,542</u>	<u>20,719</u>	<u>1,023,322</u>

II. NOTES TO FINANCIAL INFORMATION — continued

7. Operating Segment Information — continued

Three Months Ended 31 March 2010 (Unaudited)	Investment banking	Brokerage	Trading	Asset management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and other						
income	364,713	2,749,489	415,770	1,066,736	93,241	4,689,949
— Fee and commission						
income	364,688	2,344,870	—	954,622	26,103	3,690,283
— Interest income	25	396,276	78,885	4,426	29,275	508,887
— Investment income	—	61	336,885	94,069	11,019	442,034
— Other income	—	8,282	—	13,619	26,844	48,745
Operating expenses	264,010	1,607,222	216,015	496,632	42,218	2,626,097
Including: Finance costs	—	105,670	55,869	—	924	162,463
Impairment losses	—	(8,633)	—	—	57	(8,576)
Operating profit	100,703	1,142,267	199,755	570,104	51,023	2,063,852
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	3,629	3,629
Profit before income tax	100,703	1,142,267	199,755	570,104	54,652	2,067,481
Income tax expense	—	—	—	—	—	441,768
Profit for the period	100,703	1,142,267	199,755	570,104	54,652	1,625,713
Other segment information:						
Depreciation and amortisation	3,141	55,506	9,863	9,172	18,123	95,805
Capital expenditure	6,713	52,487	5,165	7,487	2,200	74,052
Three Months Ended 31 March 2011	Investment banking	Brokerage	Trading	Asset management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and other						
income	278,324	1,667,418	767,444	840,969	291,332	3,845,487
— Fee and commission						
income	277,968	1,342,476	—	825,880	28,969	2,475,293
— Interest income	10	307,289	175,363	3,336	5,534	491,532
— Investment income	—	12,892	581,696	2,809	246,622	844,019
— Other income	346	4,761	10,385	8,944	10,207	34,643
Operating expenses	192,689	862,122	441,535	543,355	53,685	2,093,386
Including: Finance costs	—	58,910	74,603	—	496	134,009
Impairment losses	—	(2,764)	—	—	165	(2,599)
Operating profit	85,635	805,296	325,909	297,614	237,647	1,752,101
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	24,525	24,525
Profit before income tax	85,635	805,296	325,909	297,614	262,172	1,776,626
Income tax expense	—	—	—	—	—	415,874
Profit for the period	85,635	805,296	325,909	297,614	262,172	1,360,752
Other segment information:						
Depreciation and amortisation	644	41,476	657	6,438	16,275	65,490
Capital expenditure	19,558	55,027	51,715	11,379	3,373	141,052

II. NOTES TO FINANCIAL INFORMATION — continued

8. Interest Income

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Bank interest income	3,118,594	1,973,695	1,821,359	489,307	429,116
Interest income on margin and other financing . .	115,454	45,554	143,445	19,252	60,969
Others	—	165	23,277	328	1,447
Total	<u>3,234,048</u>	<u>2,019,414</u>	<u>1,988,081</u>	<u>508,887</u>	<u>491,532</u>

9. Investment Income

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Net gains from disposal of available-for-sale financial assets	1,530,582	1,719,902	2,692,531	212,838	725,052
Dividend income and interest income from available-for-sale financial assets	1,012,086	869,186	1,286,441	179,380	72,561
Net gains/(losses) from financial assets held for trading	306,886	830,708	972,155	42,155	(28,873)
Net gains/(losses) from financial assets designated at fair value through profit or loss	—	—	53,628	—	(3,546)
Gain on disposal of subsidiaries	—	4,206	5,765,347	—	—
Others	259,901	3,713	730,501	7,661	78,825
Total	<u>3,109,455</u>	<u>3,427,715</u>	<u>11,500,603</u>	<u>442,034</u>	<u>844,019</u>

10. Profit Before Income Tax

The Group's profit before income tax is arrived at after charging:

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Fee and commission expense:					
— Commission expense	558,286	1,212,249	1,713,719	448,651	282,868
— Others	1,745	19,475	26,192	5,500	4,536
Total	<u>560,031</u>	<u>1,231,724</u>	<u>1,739,911</u>	<u>454,151</u>	<u>287,404</u>

II. NOTES TO FINANCIAL INFORMATION — continued

10. Profit Before Income Tax — continued

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Finance costs:					
— Accounts payable to clients	1,322,576	381,623	383,626	105,670	58,910
— Due to banks and other financial institutions	119,625	162,826	233,006	39,925	58,665
— Bonds issued	81,300	68,138	63,750	15,938	15,938
— Others.	4,942	5,466	4,458	930	496
Total	<u>1,528,443</u>	<u>618,053</u>	<u>684,840</u>	<u>162,463</u>	<u>134,009</u>

An analysis of finance costs on bank loans is as follows:

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Interest on bank loans					
— wholly repayable within five years	<u>4,942</u>	<u>5,307</u>	<u>4,458</u>	<u>924</u>	<u>496</u>

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Staff costs (including directors' and supervisors' remuneration):					
— Salaries and bonuses	3,383,986	4,743,366	6,353,768	990,103	849,112
— Staff benefits	172,944	222,799	351,402	75,189	81,944
— Contributions to defined contribution schemes	<u>157,836</u>	<u>202,964</u>	<u>275,790</u>	<u>57,867</u>	<u>61,631</u>
Total	<u>3,714,766</u>	<u>5,169,129</u>	<u>6,980,960</u>	<u>1,123,159</u>	<u>992,687</u>

II. NOTES TO FINANCIAL INFORMATION — continued

10. Profit Before Income Tax — continued

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Other operating expenses:					
— Fund distribution and marketing expenses	382,834	450,875	615,344	73,609	109,676
— Minimum lease payments under operating leases in respect of land and buildings	296,533	361,589	411,452	161,656	91,586
— Securities investor protection fund	177,337	234,577	283,220	37,256	28,187
— Miscellaneous expenses	568,862	308,745	251,850	62,288	31,951
— Business travel expenses	144,961	146,343	209,496	32,841	27,129
— Postal and communication expenses	162,364	146,291	199,262	40,628	25,149
— Electronic device operating costs	73,021	83,530	170,870	21,914	21,597
— Marketing, advertising and promotion expenses	97,513	96,988	168,109	10,528	5,540
— Consulting fees	194,735	99,101	164,572	19,064	24,040
— Business entertainment expenses	108,727	131,410	164,379	39,808	26,059
— Auditors' remuneration	4,846	5,101	5,206	1,100	—
— Others	574,238	638,761	716,201	148,446	93,171
Total	<u>2,785,971</u>	<u>2,703,311</u>	<u>3,359,961</u>	<u>649,138</u>	<u>484,085</u>

11. Directors' and Supervisors' Remuneration

Details of the directors' and supervisors' remuneration before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and Section 161 of the Hong Kong Companies Ordinance are as follows:

Name	Position	Year ended 31 December 2008			
		Salaries and allowances ⁽¹⁾	Discretionary bonuses ⁽²⁾	Fee ⁽³⁾	Total remuneration before tax ⁽⁴⁾⁼⁽¹⁾⁺⁽²⁾⁺⁽³⁾
Wang Dongming	Chairman	950	1,010	—	1,960
Wu Xiaohui	Director	—	—	80	80
Liu Lefei	Director	458	504	53	1,015
Zhang Youjun	Director	812	1,140	—	1,952
Zhang Jijing	Director	—	—	80	80
Zhang Yichen	Director	—	—	53	53
Li Rucheng	Director	—	—	80	80
Wu Youguang	Director	—	—	80	80
Zhou Yimin	Director	—	—	13	13
Ju Weimin	Director	—	—	80	80
Yang Hualiang	Director	—	—	53	53
Da Xinya	Director, Vice General Manager	910	970	—	1,880

II. NOTES TO FINANCIAL INFORMATION — continued

11. Directors' and Supervisors' Remuneration — continued

Name	Position	Year ended 31 December 2008			
		Salaries and allowances ⁽¹⁾	Discretionary bonuses ⁽²⁾	Fee ⁽³⁾	Total remuneration before tax ⁽⁴⁾⁼⁽¹⁾⁺⁽²⁾⁺⁽³⁾
Wan Shouyi	Independent Director	—	—	120	120
Wang Caijun	Independent Director	—	—	120	120
Bian Junjiang	Independent Director	—	—	120	120
Feng Zuxin	Independent Director	—	—	120	120
Du Lanku	Independent Director	—	—	120	120
Zhang Hongjiu	Independent Director	—	—	120	120
Li Yang	Independent Director	—	—	120	120
Li Jian	Independent Director	—	—	120	120
Feng Zheng	Chairman of the Supervisory Committee	910	970	—	1,880
Qin Yongzhong	Vice Chairman of the Supervisory Committee	—	—	80	80
Zhang Yao	Supervisor	350	260	—	610
He Dexu	Supervisor	—	—	80	80
Yang Zhenyu	Supervisor	350	260	—	610
Qing Hong	Supervisor	—	—	80	80
Guo Zhao	Supervisor	—	—	80	80
Lei Yong	Supervisor	600	520	—	1,120
		<u>5,340</u>	<u>5,634</u>	<u>1,852</u>	<u>12,826</u>

II. NOTES TO FINANCIAL INFORMATION — continued

11. Directors' and Supervisors' Remuneration — continued

Name	Position	Year ended 31 December 2009			
		Salaries and allowances ⁽¹⁾	Discretionary bonuses ⁽²⁾	Fee ⁽³⁾	Total remuneration before tax ⁽⁴⁾⁼⁽¹⁾⁺⁽²⁾⁺⁽³⁾
Wang Dongming	Chairman	1,100	1,012	—	2,112
Liu Lefei	Director	3,582	2,014	—	5,596
Wu Xiaohui	Director	—	—	40	40
Zhang Youjun	Director	823	3,000	—	3,823
Zhang Jijing	Director	—	—	80	80
Li Rucheng	Director	—	—	13	13
Wu Youguang	Director	—	—	40	40
Ju Weimin	Director	—	—	80	80
Yang Hualiang	Director	—	—	—	—
Yin Ke	Director	2,641	5,908	—	8,549
Da Xinya	Director	1,050	979	—	2,029
Wan Shouyi	Independent Director	—	—	60	60
Wang Caijun	Independent Director	—	—	60	60
Feng Zuxin	Independent Director	—	—	120	120
Zhang Hongjiu	Independent Director	—	—	120	120
Li Yang	Independent Director	—	—	120	120
Li Jian	Independent Director	—	—	120	120
Feng Zheng	Chairman of the Supervisory Committee	1,050	979	—	2,029
Qin Yongzhong	Vice Chairman of the Supervisory Committee	—	—	27	27
Zhang Yao	Supervisor	420	209	—	629
He Dexu	Supervisor	—	—	80	80
Yang Zhenyu	Supervisor	420	221	—	641
Qing Hong	Supervisor	—	—	40	40
Guo Zhao	Supervisor	—	—	80	80
Lei Yong	Supervisor	750	404	—	1,154
		<u>11,836</u>	<u>14,726</u>	<u>1,080</u>	<u>27,642</u>

II. NOTES TO FINANCIAL INFORMATION — continued

11. Directors' and Supervisors' Remuneration — continued

Name	Position	Year ended 31 December 2010			
		Salaries and allowances ⁽¹⁾	Discretionary bonuses ⁽²⁾	Fee ⁽³⁾	Total remuneration before tax ⁽⁴⁾⁼⁽¹⁾⁺⁽²⁾⁺⁽³⁾
Wang Dongming	Chairman, Member of the Executive Committee	1,300	1,680	—	2,980
Liu Lefei	Director	3,723	2,014	—	5,737
Zhang Youjun	Director	1,076	2,500	—	3,576
Zhang Jijing	Director	—	—	80	80
Ju Weimin	Director	—	—	80	80
Yang Hualiang	Director	—	—	—	—
Yin Ke	Vice Chairman, Member of the Executive Committee	3,004	12,028	—	15,032
Da Xinya	Director	1,100	1,456	—	2,556
Feng Zuxin	Independent Director	—	—	120	120
Zhang Hongjiu	Independent Director	—	—	120	120
Li Yang	Independent Director	—	—	—	—
Li Jian	Independent Director	—	—	120	120
Ni Jun	Chairman of the Supervisory Committee	1,100	1,328	—	2,428
Guo Zhao	Supervisor	—	—	80	80
He Dexu	Supervisor	—	—	80	80
Lei Yong	Supervisor	850	677	—	1,527
Yang Zhenyu	Supervisor	510	338	—	848
		<u>12,663</u>	<u>22,021</u>	<u>680</u>	<u>35,364</u>

II. NOTES TO FINANCIAL INFORMATION — continued

11. Directors' and Supervisors' Remuneration — continued

Name	Position	Three months ended 31 March 2010 (Unaudited)			
		Salaries and allowances ⁽¹⁾	Discretionary bonuses ⁽²⁾	Fee ⁽³⁾	Total remuneration before tax ⁽⁴⁾⁼⁽¹⁾⁺⁽²⁾⁺⁽³⁾
Wang Dongming	Chairman, Member of the Executive Committee	356	657	—	1,013
Liu Lefei	Director	890	2,014	—	2,904
Zhang Youjun	Director	210	—	—	210
Yin Ke	Vice Chairman, Member of the Executive Committee	689	8,828	—	9,517
Zhang Jijing	Director	—	—	20	20
Ju Weimin	Director	—	—	20	20
Yang Hualiang	Director	—	—	—	—
Da Xinya	Director	230	586	—	816
Feng Zuxin	Independent Director	—	—	30	30
Zhang Hongjiu	Independent Director	—	—	30	30
Li Yang	Independent Director	—	—	—	—
Li Jian	Independent Director	—	—	30	30
Ni Jun	Chairman of the Supervisory Committee	230	660	—	890
Guo Zhao	Supervisor	—	—	20	20
He Dexu	Supervisor	—	—	20	20
Lei Yong	Supervisor	190	387	—	577
Yang Zhenyu	Supervisor	124	45	—	169
		<u>2,919</u>	<u>13,177</u>	<u>170</u>	<u>16,266</u>

II. NOTES TO FINANCIAL INFORMATION — continued

11. Directors' and Supervisors' Remuneration — continued

Name	Position	Three months ended 31 March 2011			
		Salaries and allowances ⁽¹⁾	Discretionary bonuses ⁽²⁾	Fee ⁽³⁾	Total remuneration before tax ⁽⁴⁾⁼⁽¹⁾⁺⁽²⁾⁺⁽³⁾
Wang Dongming	Chairman, Member of the Executive Committee	688	408	—	1,096
Yin Ke	Vice Chairman, Member of the Executive Committee	815	12,807	—	13,622
Zhang Jijing	Director	—	—	20	20
Ju Weimin	Director	—	—	20	20
Yang Hualiang	Director	—	—	—	—
Da Xinya	Director	345	418	—	763
Feng Zuxin	Independent Director	—	—	30	30
Zhang Hongjiu	Independent Director	—	—	30	30
Li Yang	Independent Director	—	—	—	—
Li Jian	Independent Director	—	—	30	30
Ni Jun	Chairman of the Supervisory Committee	345	418	—	763
Guo Zhao	Supervisor	—	—	20	20
He Dexu	Supervisor	—	—	20	20
Lei Yong	Supervisor	302	230	—	532
Yang Zhenyu	Supervisor	216	23	—	239
		<u>2,711</u>	<u>14,304</u>	<u>170</u>	<u>17,185</u>

12. Five Highest Paid Employees

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Salaries and allowances	3,759	10,569	5,979	2,141	2,326
Discretionary bonuses	47,966	23,924	39,524	20,800	33,265
	<u>51,725</u>	<u>34,493</u>	<u>45,503</u>	<u>22,941</u>	<u>35,591</u>

II. NOTES TO FINANCIAL INFORMATION — continued

12. Five Highest Paid Employees — continued

The number of these individuals whose remuneration fell within the following bands is set out below.

	Number of employees				
	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010 Unaudited	2011
RMB3,000,001 to RMB3,500,000				3	2
RMB3,500,001 to RMB4,000,000				1	
RMB5,000,001 to RMB5,500,000					1
RMB6,000,001 to RMB6,500,000		2			
RMB6,500,001 to RMB7,000,000		2	2		
RMB7,500,001 to RMB8,000,000			1		
RMB8,500,001 to RMB9,000,000		1			
RMB9,000,001 to RMB9,500,000			1		
RMB9,500,001 to RMB10,000,000	1			1	
RMB10,000,001 to RMB10,500,000	3				1
RMB11,000,001 to RMB11,500,000	1				
RMB13,500,001 to RMB14,000,000					1
RMB15,000,001 to RMB15,500,000	—	—	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

13. Impairment Losses

	Year Ended 31 December			Three Months Ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Impairment loss on available-for-sale financial assets	713,570	(314,286)	(11,470)	—	—
Impairment loss on other receivables	(4,234)	(1,375)	28,995	(8,576)	(2,599)
Impairment loss on intangible assets	—	392	—	—	—
Total	<u>709,336</u>	<u>(315,269)</u>	<u>17,525</u>	<u>(8,576)</u>	<u>(2,599)</u>

II. NOTES TO FINANCIAL INFORMATION — continued

14. Income Tax Expense

(a) *Income tax*

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Current income tax expense	2,812,867	3,431,598	4,569,671	423,656	351,387
— Mainland China	2,797,616	3,411,053	4,524,174	415,849	349,452
— Hong Kong	15,251	20,545	45,497	7,807	1,935
Deferred income tax expense	(1,301,719)	(217,802)	(385,781)	18,112	64,487
Total	<u>1,511,148</u>	<u>3,213,796</u>	<u>4,183,890</u>	<u>441,768</u>	<u>415,874</u>

(b) *Reconciliation between income tax and accounting profit*

The PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Profit before income tax	<u>9,561,377</u>	<u>13,301,992</u>	<u>16,319,941</u>	<u>2,067,481</u>	<u>1,776,626</u>
Tax at the PRC statutory income tax rate . . .	2,390,344	3,325,498	4,079,985	516,870	444,156
Effects of different applicable rates of tax					
prevailing in various regions	(181,218)	(159,246)	(149,669)	(19,401)	(3,189)
Non-deductible expenses	28,323	38,900	69,488	1,659	1,950
Non-taxable income	(138,202)	(48,726)	(76,957)	(40,813)	(3,351)
Adjustments in respect of current and					
deferred income tax of prior years	(588,099)	63,363	(59,923)	(15,679)	(40,592)
Others	—	(5,993)	320,966	(868)	16,900
Tax expense at the Group's effective					
income tax rate	<u>1,511,148</u>	<u>3,213,796</u>	<u>4,183,890</u>	<u>441,768</u>	<u>415,874</u>

15. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the years ended 31 December 2008, 2009 and 2010, and the three months ended 31 March 2011 includes a profit of approximately RMB6,173 million, RMB6,189 million, RMB11,814 million and RMB763 million respectively, which has been dealt with in the Financial Information of the Company (note 39 of Section II below).

II. NOTES TO FINANCIAL INFORMATION — continued

16. Dividends

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Dividends on ordinary shares paid	<u>1,657,617</u>	<u>3,315,234</u>	<u>3,315,234</u>	<u>—</u>	<u>—</u>
Dividends on ordinary shares proposed for approval	<u>3,315,234</u>	<u>3,315,234</u>	<u>4,972,851</u>	<u>—</u>	<u>—</u>

Dividends on ordinary shares proposed for approval were RMB0.50 yuan for each of the years ended 31 December 2008, 2009 and 2010.

Dividends proposed by the directors are not deducted from equity, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

17. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

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

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Earnings:					
Profit attributable to ordinary equity holders of the parent	<u>7,305,001</u>	<u>8,984,029</u>	<u>11,311,343</u>	<u>1,498,868</u>	<u>1,357,201</u>
Shares:					
Weighted average number of ordinary shares in issue (thousand)	<u>9,945,702</u>	<u>9,945,702</u>	<u>9,945,702</u>	<u>9,945,702</u>	<u>9,945,702</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.73</u>	<u>0.90</u>	<u>1.14</u>	<u>0.15</u>	<u>0.14</u>

Earnings per share was calculated based on the calculation method prescribed in the announcement of the CSRC (2010) No. 2 — Rules on the preparation and submission of information disclosed by companies that offer securities to the public (No. 9): Calculation and disclosure of return on equity and earnings per share (2010 Revision) and IAS 33 *Earnings per Share*.

Basic earnings per share was calculated by dividing profit for the year/period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares in issue during all of the three years was restated.

There were no dilutive events during the years ended 31 December 2008, 2009 and 2010, and the three months ended 31 March 2011.

II. NOTES TO FINANCIAL INFORMATION — continued

18. Property, Plant and Equipment

Group

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008										
Cost										
At 1 January 2008	652,077	5,546	30,689	45,270	2,359	507,471	52,668	1,296,080	494,685	1,790,765
Additions	2,728	1,042	17,549	24,432	1,942	187,876	15,896	251,465	27,620	279,085
Decreases	83,581	227	5,789	7,328	190	41,751	11,952	150,818	507,514	658,332
At 31 December 2008	571,224	6,361	42,449	62,374	4,111	653,596	56,612	1,396,727	14,791	1,411,518
Accumulated depreciation										
At 1 January 2008	108,889	2,709	17,792	29,059	1,650	201,470	35,107	396,676	—	396,676
Additions	14,668	1,297	7,361	7,936	287	150,478	11,090	193,117	—	193,117
Decreases	4,211	217	5,123	6,354	180	35,774	10,542	62,401	—	62,401
At 31 December 2008	119,346	3,789	20,030	30,641	1,757	316,174	35,655	527,392	—	527,392
Net carrying amount										
At 31 December 2008	451,878	2,572	22,419	31,733	2,354	337,422	20,957	869,335	14,791	884,126
At 1 January 2008	543,188	2,837	12,897	16,211	709	306,001	17,561	899,404	494,685	1,394,089

Group

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009										
Cost										
At 31 December 2008 and 1 January 2009	571,224	6,361	42,449	62,374	4,111	653,596	56,612	1,396,727	14,791	1,411,518
Additions	28,197	31	36,654	21,571	3,846	139,487	7,114	236,900	1,522,506	1,759,406
Decreases	22,235	511	5,766	4,043	419	31,525	6	64,505	3,252	67,757
At 31 December 2009	577,186	5,881	73,337	79,902	7,538	761,558	63,720	1,569,122	1,534,045	3,103,167
Accumulated depreciation										
At 31 December 2008 and 1 January 2009	119,346	3,789	20,030	30,641	1,757	316,174	35,655	527,392	—	527,392
Additions	16,235	119	25,061	9,734	1,581	172,957	7,550	233,237	—	233,237
Decreases	2,513	486	5,347	3,823	242	25,239	4	37,654	—	37,654
At 31 December 2009	133,068	3,422	39,744	36,552	3,096	463,892	43,201	722,975	—	722,975
Net carrying amount										
At 31 December 2009	444,118	2,459	33,593	43,350	4,442	297,666	20,519	846,147	1,534,045	2,380,192
At 31 December 2008	451,878	2,572	22,419	31,733	2,354	337,422	20,957	869,335	14,791	884,126

II. NOTES TO FINANCIAL INFORMATION — continued

18. Property, Plant and Equipment — continued

Group

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010										
Cost										
At 31 December 2009 and										
1 January 2010	577,186	5,881	73,337	79,902	7,538	761,558	63,720	1,569,122	1,534,045	3,103,167
Additions	154,734	722	29,733	24,407	4,181	181,163	17,150	412,090	484,149	896,239
Decreases	355,483	3,769	33,490	32,383	6,945	363,548	17,240	812,858	91,635	904,493
At 31 December 2010	376,437	2,834	69,580	71,926	4,774	579,173	63,630	1,168,354	1,926,559	3,094,913
Accumulated depreciation										
At 31 December 2009 and										
1 January 2010	133,068	3,422	39,744	36,552	3,096	463,892	43,201	722,975	—	722,975
Additions	15,423	719	20,166	13,085	1,265	178,776	10,219	239,653	—	239,653
Decreases	32,968	2,456	22,796	17,455	2,500	274,240	5,846	358,261	—	358,261
At 31 December 2010	115,523	1,685	37,114	32,182	1,861	368,428	47,574	604,367	—	604,367
Net carrying amount										
At 31 December 2010	260,914	1,149	32,466	39,744	2,913	210,745	16,056	563,987	1,926,559	2,490,546
At 31 December 2009	444,118	2,459	33,593	43,350	4,442	297,666	20,519	846,147	1,534,045	2,380,192

Group

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 March 2011										
Cost										
At 31 December 2010 and										
1 January 2011	376,437	2,834	69,580	71,926	4,774	579,173	63,630	1,168,354	1,926,559	3,094,913
Additions	—	9	2,479	1,872	40	14,685	508	19,593	112,548	132,141
Decreases	323	—	168	10	—	2,168	270	2,939	2,570	5,509
At 31 March 2011	376,114	2,843	71,891	73,788	4,814	591,690	63,868	1,185,008	2,036,537	3,221,545
Accumulated depreciation										
At 31 December 2010 and										
1 January 2011	115,523	1,685	37,114	32,182	1,861	368,428	47,574	604,367	—	604,367
Additions	2,356	118	4,096	2,824	209	29,381	1,689	40,673	—	40,673
Decreases	144	—	139	10	—	2,032	222	2,547	—	2,547
31 March 2011	117,735	1,803	41,071	34,996	2,070	395,777	49,041	642,493	—	642,493
Net carrying amount										
At 31 March 2011	258,379	1,040	30,820	38,792	2,744	195,913	14,827	542,515	2,036,537	2,579,052
At 31 December 2010	260,914	1,149	32,466	39,744	2,913	210,745	16,056	563,987	1,926,559	2,490,546

II. NOTES TO FINANCIAL INFORMATION — continued

18. Property, Plant and Equipment — continued

Company

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008										
Cost										
At 1 January 2008	81,348	1,330	6,877	12,902	886	90,232	288	193,863	492,968	686,831
Additions	—	73	3,739	14,184	270	44,780	—	63,046	352	63,398
Decreases	—	102	55	1,076	15	8,734	—	9,982	493,320	503,302
At 31 December 2008	81,348	1,301	10,561	26,010	1,141	126,278	288	246,927	—	246,927
Accumulated depreciation										
At 1 January 2008	26,017	675	2,708	11,190	587	28,899	273	70,349	—	70,349
Additions	1,875	208	2,068	1,531	102	32,091	2	37,877	—	37,877
Decreases	—	99	51	1,044	9	5,848	—	7,051	—	7,051
At 31 December 2008	27,892	784	4,725	11,677	680	55,142	275	101,175	—	101,175
Net carrying amount										
At 31 December 2008	53,456	517	5,836	14,333	461	71,136	13	145,752	—	145,752
At 1 January 2008	55,331	655	4,169	1,712	299	61,333	15	123,514	492,968	616,482

Company

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009										
Cost										
At 31 December 2008 and										
1 January 2009	81,348	1,301	10,561	26,010	1,141	126,278	288	246,927	—	246,927
Additions	963	160	3,824	6,015	554	40,453	2	51,971	1,510,305	1,562,276
Decreases	3,090	140	437	2,789	261	10,578	6	17,301	—	17,301
At 31 December 2009	79,221	1,321	13,948	29,236	1,434	156,153	284	281,597	1,510,305	1,791,902
Accumulated depreciation										
At 31 December 2008 and										
1 January 2009	27,892	784	4,725	11,677	680	55,142	275	101,175	—	101,175
Additions	1,866	190	3,286	3,288	140	38,055	2	46,827	—	46,827
Decreases	784	134	281	2,617	141	6,698	5	10,660	—	10,660
At 31 December 2009	28,974	840	7,730	12,348	679	86,499	272	137,342	—	137,342
Net carrying amount										
At 31 December 2009	50,247	481	6,218	16,888	755	69,654	12	144,255	1,510,305	1,654,560
At 31 December 2008	53,456	517	5,836	14,333	461	71,136	13	145,752	—	145,752

II. NOTES TO FINANCIAL INFORMATION — continued

18. Property, Plant and Equipment — continued

Company

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010										
Cost										
At 31 December 2009 and 1 January										
2010	79,221	1,321	13,948	29,236	1,434	156,153	284	281,597	1,510,305	1,791,902
Additions	43,214	128	5,603	6,713	711	47,849	—	104,218	467,023	571,241
Decreases	1,222	109	130	2,283	118	10,769	—	14,631	91,635	106,266
At 31 December 2010	121,213	1,340	19,421	33,666	2,027	193,233	284	371,184	1,885,693	2,256,877
Accumulated depreciation										
At 31 December 2009 and 1 January										
2010	28,974	840	7,730	12,348	679	86,499	272	137,342	—	137,342
Additions	1,800	218	4,091	4,766	228	40,835	2	51,940	—	51,940
Decreases	446	18	96	2,215	96	8,504	—	11,375	—	11,375
At 31 December 2010	30,328	1,040	11,725	14,899	811	118,830	274	177,907	—	177,907
Net carrying amount										
At 31 December 2010	90,885	300	7,696	18,767	1,216	74,403	10	193,277	1,885,693	2,078,970
At 31 December 2009	50,247	481	6,218	16,888	755	69,654	12	144,255	1,510,305	1,654,560

Company

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 March 2011										
Cost										
At 31 December 2010 and 1 January										
2011	121,213	1,340	19,421	33,666	2,027	193,233	284	371,184	1,885,693	2,256,877
Additions	—	—	501	1,872	7	11,256	—	13,636	107,076	120,712
Decreases	323	—	—	—	—	1,331	—	1,654	2,570	4,224
At 31 March 2011	120,890	1,340	19,922	35,538	2,034	203,158	284	383,166	1,990,199	2,373,365
Accumulated depreciation										
At 31 December 2010 and 1 January										
2011	30,328	1,040	11,725	14,899	811	118,830	274	177,907	—	177,907
Additions	740	52	1,063	1,371	80	10,588	—	13,894	—	13,894
Decreases	144	—	—	—	—	1,331	—	1,475	—	1,475
At 31 March 2011	30,924	1,092	12,788	16,270	891	128,087	274	190,326	—	190,326
Net carrying amount										
At 31 March 2011	89,966	248	7,134	19,268	1,143	75,071	10	192,840	1,990,199	2,183,039
At 31 December 2010	90,885	300	7,696	18,767	1,216	74,403	10	193,277	1,885,693	2,078,970

II. NOTES TO FINANCIAL INFORMATION — continued

19. Goodwill

Group

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period:				
Cost	739,152	832,831	829,154	825,112
Accumulated impairment	—	—	—	—
Net carrying amount	<u>739,152</u>	<u>832,831</u>	<u>829,154</u>	<u>825,112</u>
Cost at the beginning of the year/period, net of accumulated impairment	739,152	832,831	829,154	825,112
Change in shareholders' equity in subsidiaries	93,679	(3,677)	(4,042)	(1,188)
Impairment during the year/period	—	—	—	—
Net carrying amount at the end of the year/period	<u>832,831</u>	<u>829,154</u>	<u>825,112</u>	<u>823,924</u>
Cost at the end of the year/period	832,831	829,154	825,112	823,924
Accumulated impairment	—	—	—	—
Net carrying amount	<u>832,831</u>	<u>829,154</u>	<u>825,112</u>	<u>823,924</u>

Included in above was goodwill mainly allocated to a cash generating unit within asset management segment. The recoverable amount has been determined based on a value in use calculation by estimating future cash flows. The cash flow projection has assumed that there is no significant decline in the volume of assets under management and the rates charged for asset management services. No impairment is considered necessary as the recoverable amount is higher than the carrying amount.

20. Investments in Subsidiaries

Company

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	<u>6,997,103</u>	<u>10,059,047</u>	<u>10,118,047</u>	<u>10,118,047</u>

II. NOTES TO FINANCIAL INFORMATION — continued

20. Investments in Subsidiaries — continued

Particulars of the Company's principal subsidiaries are as follows:

(a) Subsidiaries acquired through establishment or investment

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
Gold Stone Investment Co., Ltd. 金石投資有限公司	Mainland China	RMB4.6 billion	Direct investment	RMB4.6 billion	100%	—
China Asset Management (Hong Kong) Limited 華夏基金(香港)有限公司	Hong Kong	Not applicable	Asset management and advisory services	HK\$100 million	—	100%
CITIC Securities International Company Limited 中信証券國際有限公司	Hong Kong	Not applicable	Holding, investment	HK\$3.74 billion	100%	—
CITIC Securities Brokerage (HK) Limited 中信証券經紀(香港)有限公司	Hong Kong	Not applicable	Securities brokerage	HK\$113 million	—	100%
CITIC Securities Futures (HK) Limited 中信証券期貨(香港)有限公司	Hong Kong	Not applicable	Futures brokerage	HK\$20 million	—	100%
CITIC Securities Corporate Finance (HK) Limited 中信証券融資(香港)有限公司	Hong Kong	Not applicable	Investment banking	HK\$255 million	—	100%
CITIC Securities International Asset Management Limited 中信証券國際資產管理有限公司	BVI	Not applicable	Asset management holding	US\$1	—	100%
Dragon Stream Investments Limited	Hong Kong	Not applicable	Proprietary trading	HK\$10 million	—	100%
CITIC Securities International Fixed Income Limited	BVI	Not applicable	Proprietary trading	US\$200	—	100%
CITIC Securities Equity Trading Company Limited	Cayman Islands	Not applicable	Proprietary trading	US\$2 million	—	100%
CITIC Securities International Partners, Ltd.	Cayman Islands	Not applicable	Holding company	US\$0.18 million	—	72%
August Sky Holdings Limited	BVI	Not applicable	Direct investment	US\$1	—	100%
CSI REITs Investment Management Company Limited	BVI	Not applicable	Not in operation	US\$1	—	100%
CSIAM (CAC) Investment Limited	BVI	Not applicable	Fund investment	US\$1	—	100%

(b) Subsidiaries acquired from business combination

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
China Asset Management Co., Ltd. 華夏基金管理有限公司	Mainland China	RMB238 million	Fund management	RMB969.7 million	100%	—
Shenzhen CITIC United Venture Capital Investment Co., Ltd. 深圳市中信聯合創業投資有限公司	Mainland China	RMB70 million	Direct investment and investment advice	RMB120.72 million	—	91.35%
CITIC Wantong Securities Co., Ltd. 中信萬通證券有限責任公司	Mainland China	RMB800 million	Securities brokerage	RMB751.06 million	91.40%	—
CITIC — Kington Securities Co., Ltd. 中信金通證券有限責任公司	Mainland China	RMB885 million	Securities brokerage	—	100%	—
CITICS Futures Co., Ltd. 中證期貨有限公司	Mainland China	RMB300 million	Commodity futures and financial futures brokerage	RMB303.03 million	100%	—

II. NOTES TO FINANCIAL INFORMATION — continued

20. Investments in Subsidiaries — continued

(b) Subsidiaries acquired from business combination — continued

The Company's principal subsidiaries have been disclosed. There have been no significant changes to the particulars of the Company's principal subsidiaries during the Relevant Periods other than those disclosed in note 20 (C) of Section II.

All subsidiaries are audited by Ernst & Young Hua Ming, Certified Public Accountants or Ernst & Young, Certified Public Accountants, Hong Kong.

*(c) Disposal of subsidiaries*Year ended 31 December 2008

There was no disposal of subsidiaries during the year ended 31 December 2008.

Year ended 31 December 2009

The following subsidiary ceased to be consolidated into the consolidated financial statements during the year ended 31 December 2009.

<u>Name of subsidiaries</u>	<u>Net assets as at the date of equity transfer</u>	<u>Net profit for the period from the beginning of the year to the date of equity transfer</u>
	RMB'000	RMB'000
CITIC Merchants Management Co., Ltd.	3,959	(39)

On 30 November 2009, Shenzhen CITIC United Venture Capital Investment Co., Ltd, a subsidiary of the Company, transferred its interest in CITIC Merchants Management Co., Ltd. ("CITIC Merchants") at a total consideration of RMB7 million in cash. Therefore, CITIC Merchants was no longer consolidated in the consolidated financial statements since that date.

Year ended 31 December 2010

The following subsidiaries ceased to be consolidated into the consolidated financial statements during the year ended 31 December 2010.

<u>Name of subsidiaries</u>	<u>Net assets as at the date of equity transfer</u>	<u>Net profit for the period from the beginning of the year to the date of equity transfer</u>
	RMB'000	RMB'000
China Securities Co., Ltd.	9,050,134	1,794,675 (i)
CITIC Private Equity Funds Management Co., Ltd.	122,002	20,433 (ii)

- (i) On 11 November 2010, with the approval of the CSRC, Beijing State-owned Capital Management Center legally acquired 1,215 million shares of China Securities Co., Ltd ("China Securities"), a subsidiary of the Company. Total consideration was RMB7,290 million in cash, enabling Beijing State-owned Capital Management Center to hold 45 % equity interest in China Securities. The closing date of the equity interest transfer was on 15 November 2010. The Company is entitled to the increase in net asset value of China Securities for the period between the initial valuation date and the final completion date. Subsequent to this

II. NOTES TO FINANCIAL INFORMATION — continued

20. Investments in Subsidiaries — continued

(c) Disposal of subsidiaries — continued

transaction, China Securities was no longer consolidated in the consolidated financial statements of the Group. Relevant financial information of China Securities is as follows:

	<u>15 November 2010</u> Carrying amount
	RMB'000
Non-controlling interest	3,620,054
Fair value of remaining equity interest	2,782,049
Gain on disposal	4,273,588
Proceeds on disposal	7,290,000

Unrealised gains on revaluation of the Company's remaining equity interest in China Securities based on fair value as at 15 November 2010 was RMB 1,425 million.

	<u>1 January to</u> <u>15 November 2010</u>
Revenue and other income	5,693,469
Operating expenses	3,277,523
Profit for the period	1,794,675

On 30 November 2010, with the approval of the CSRC, Century Golden Resources Group (世紀金源投資集團有限公司) legally acquired 8 % of the equity interest of China Securities from the Company at a total consideration of RMB1,296 million in cash. The closing date of the equity interest transfer was on 16 December 2010. As a result, the Company's equity interest in China Securities decreased to 7 %.

(ii) On 20 December 2010, CITIC Private Equity Funds Management Co., Ltd. (CITIC PE Fund), a subsidiary of the Company, issued additional shares to raise capital. As a result, the Company's equity interest in CITIC PE Fund was diluted from 71 % to 35 %. Therefore, starting from the date of change in business registration (22 December 2010), CITIC PE Fund was no longer consolidated in the consolidated financial statements.

Three months ended 31 March 2011

There was no disposal of subsidiaries during the three months ended 31 March 2011.

(d) Net cash flows from disposal of subsidiaries

	<u>Year Ended 31 December</u>			<u>Three Months Ended</u> <u>31 March</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total consideration	—	7,000	7,290,000	—	—
Cash and cash equivalents received	—	7,000	6,560,000	—	—
Cash and cash equivalents in the subsidiaries disposed of	—	(3,860)	(9,884,056)	—	—
Net cash inflow/(outflow) from disposal of subsidiaries	—	3,140	(3,324,056)	—	—

II. NOTES TO FINANCIAL INFORMATION — continued

21. Investments in Associates and Jointly-Controlled Entities

Group

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets				
Associates	122,000	483,975	1,021,991	1,021,693
Jointly-controlled entities	687,637	778,640	740,272	758,427
	<u>809,637</u>	<u>1,262,615</u>	<u>1,762,263</u>	<u>1,780,120</u>

Company

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets				
Associates	110,000	351,490	849,705	848,565
Jointly-controlled entities	84	57	88	88
	<u>110,084</u>	<u>351,547</u>	<u>849,793</u>	<u>848,653</u>

Particulars of the Group's principal associates and jointly-controlled entities are as follows:

<u>Name</u>	<u>Place of incorporation/ registration</u>	<u>Registered share capital</u>	<u>Principal activities</u>	<u>Percentage of equity interest</u>	<u>Percentage of voting rights</u>
Associates:					
Directly held:					
CITIC Private Equity Funds Management Co., Ltd. 中信產業投資基金管理有限公司	Mainland China	RMB1,800 million	Investment fund management	35%	35%
Indirectly held:					
Gold Stone Agricultural Investment Fund Management Center 金石農業投資基金管理中心	Mainland China	RMB30 million	Fund management	33%	33%
Beijing Agricultural Investment Fund 北京農業產業投資基金	Mainland China	RMB434 million	Investment	32.26%	32.26%
Jointly-controlled entities:					
Directly held:					
CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. 中信標普指數信息服務(北京)有限公司	Mainland China	RMB 8 million	Financial services	50%	50%
Indirectly held:					
CITIC Securities Alpha Leaders Fund Ltd.	Cayman Islands	US\$33,862	Seed fund investment	(i)	(i)

(i) The Company has the contractual right to appoint the entity's fund managers and investment advisory managers and appoint representatives in the Board. As the Company is able to exercise significant influence, it is accounted for using the equity method.

II. NOTES TO FINANCIAL INFORMATION — continued

21. Investments in Associates and Jointly-Controlled Entities — continued

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entities:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
<u>Associates:</u>					
Assets	212,000	3,013,102	3,629,623	3,818,110	4,638,394
Liabilities	—	14,683	1,069,380	20,339	1,737,771
Net assets	212,000	2,998,419	2,560,243	3,797,771	2,900,623
Revenue	—	239,762	247,758	1,347	52,164
Net profit/(loss)	—	71,370	38,528	(50,717)	(840)
<u>Jointly-controlled entities:</u>					
Assets	1,147,477	1,848,578	1,956,804	1,856,679	1,794,399
Liabilities	305,162	900,101	880,289	906,015	797,402
Net assets	842,315	948,477	1,076,515	950,664	996,997
Revenue	9,147	174,571	46,206	14,545	63,697
Net profit/(loss)	533	98,120	(11,847)	2,601	45,036

There have been no significant changes to the particulars of the Group's principal associates and jointly-controlled entities during the Relevant Periods other than those disclosed in note 20(C) of Section II.

22. Available-for-Sale Financial Assets

GroupNon-Current

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At fair value:				
Equity investments	655,790	38,682	131,250	329,696
At cost:				
Equity investments	1,963,817	2,339,815	6,017,317	6,579,405
	2,619,607	2,378,497	6,148,567	6,909,101
Less: Allowance for impairment losses	181,581	165,931	165,931	165,931
Total	2,438,026	2,212,566	5,982,636	6,743,170
Analysed into:				
Listed	655,790	38,682	131,250	329,696
Unlisted	1,963,817	2,339,815	6,017,317	6,579,405
	2,619,607	2,378,497	6,148,567	6,909,101

II. NOTES TO FINANCIAL INFORMATION — continued

22. Available-for-Sale Financial Assets — continued

*Group — continued**Current*

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At fair value:				
Debt securities	30,508,797	26,140,670	14,818,620	11,291,594
Equity investments	2,828,253	16,431,472	22,061,299	22,044,333
Others	820,333	727,755	580,196	561,604
	34,157,383	43,299,897	37,460,115	33,897,531
Less: Allowance for impairment losses	713,970	415,320	403,850	403,271
Total	<u>33,443,413</u>	<u>42,884,577</u>	<u>37,056,265</u>	<u>33,494,260</u>
Analysed into:				
Listed	33,211,845	42,117,788	34,394,332	31,464,097
Unlisted	945,538	1,182,109	3,065,783	2,433,434
	<u>34,157,383</u>	<u>43,299,897</u>	<u>37,460,115</u>	<u>33,897,531</u>

*Company**Non-Current*

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At fair value:				
Equity investments	483,800	—	—	117,243
At cost:				
Equity investments	577,124	576,474	1,196,041	1,296,041
	1,060,924	576,474	1,196,041	1,413,284
Less: Allowance for impairment losses	152,379	151,729	151,729	151,729
Total	<u>908,545</u>	<u>424,745</u>	<u>1,044,312</u>	<u>1,261,555</u>
Analysed into:				
Listed	483,800	—	—	117,243
Unlisted	577,124	576,474	1,196,041	1,296,041
	<u>1,060,924</u>	<u>576,474</u>	<u>1,196,041</u>	<u>1,413,284</u>

II. NOTES TO FINANCIAL INFORMATION — continued

22. Available-for-Sale Financial Assets — continued

*Company — continued*Current

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
At fair value:				RMB'000
Debt securities	29,823,688	24,100,554	13,077,573	9,726,776
Equity investments	1,392,041	13,157,861	19,196,021	19,258,969
Others	819,959	687,755	308,217	289,626
	32,035,688	37,946,170	32,581,811	29,275,371
Less: Allowance for impairment losses	315,658	1,542	1,542	1,542
Total	<u>31,720,030</u>	<u>37,944,628</u>	<u>32,580,269</u>	<u>29,273,829</u>
Analysed into:				
Listed	31,115,729	37,144,028	29,849,219	27,131,127
Unlisted	919,959	802,142	2,732,592	2,144,244
	<u>32,035,688</u>	<u>37,946,170</u>	<u>32,581,811</u>	<u>29,275,371</u>

23. Refundable Deposits

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Margin trading	498,732	1,420,042	1,006,719	1,461,848
Performance bond	20,000	—	—	—
Credit deposit	—	—	30	30
Total	<u>518,732</u>	<u>1,420,042</u>	<u>1,006,749</u>	<u>1,461,878</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Margin trading	148,967	379,265	403,559	619,571
Performance bond	20,000	—	364,372	743,277
Credit deposit	—	—	30	30
Total	<u>168,967</u>	<u>379,265</u>	<u>767,961</u>	<u>1,362,878</u>

II. NOTES TO FINANCIAL INFORMATION — continued

24. Deferred Income Tax Assets and Liabilities

The Group and the Company did not have significant unrecognised deferred income tax assets and liabilities as at 31 December 2008, 2009 and 2010, and 31 March 2011.

Group

	Depreciation allowance	Change in fair value of financial assets held for trading	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Accrued staff costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:							
At 1 January 2008	590	617	100	—	256,884	2,662	260,853
Credited/(debited) to the income statement	(75)	(194)	169,566	720	297,929	(1,102)	466,844
At 31 December 2008	515	423	169,666	720	554,813	1,560	727,697
Credited/(debited) to the income statement	(10)	(34)	(85,053)	537	298,896	12,238	226,574
At 31 December 2009	505	389	84,613	1,257	853,709	13,798	954,271
Credited/(debited) to the income statement	(2)	14,687	17	(1,257)	456,172	1,125	470,742
Credited to other comprehensive income . . .	—	—	—	—	—	2,268	2,268
Other deductions	—	—	—	—	(291,234)	(7,980)	(299,214)
At 31 December 2010	503	15,076	84,630	—	1,018,647	9,211	1,128,067
Credited/(debited) to the income statement	—	(6,755)	17	—	(107,689)	276	(114,151)
Debited to other comprehensive income . . .	—	—	—	—	—	(1,062)	(1,062)
At 31 March 2011	503	8,321	84,647	—	910,958	8,425	1,012,854

II. NOTES TO FINANCIAL INFORMATION — continued

24. Deferred Income Tax Assets and Liabilities — continued

Group

	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of financial Liabilities held for trading	Change in fair value of derivatives	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities:						
At 1 January 2008	47,440	819,688	800,425	—	74	1,667,627
Credited to the income statement	(34,450)	—	(800,425)	—	—	(834,875)
Credited to other comprehensive income	—	(652,140)	—	—	—	(652,140)
At 31 December 2008	12,990	167,548	—	—	74	180,612
Debited to the income statement	3,392	—	—	—	5,380	8,772
Debited to other comprehensive income	—	223,345	—	—	—	223,345
At 31 December 2009	16,382	390,893	—	—	5,454	412,729
(Credited)/debited to the income statement.	(15,424)	—	—	99,776	609	84,961
Debited to other comprehensive income	—	335,967	—	—	—	335,967
Other Deductions	(958)	(29,065)	—	(568)	(5,908)	(36,499)
At 31 December 2010	—	697,795	—	99,208	155	797,158
(Credited)/debited to the income statement	—	—	—	(49,846)	182	(49,664)
Debited to other comprehensive income	—	112,302	—	—	—	112,302
At 31 March 2011	—	810,097	—	49,362	337	859,796

II. NOTES TO FINANCIAL INFORMATION — continued

24. Deferred Income Tax Assets and Liabilities — continued

Company

	Change in fair value of financial assets held for trading	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Accrued staff costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:						
At 1 January 2008	—	—	—	254,757	49	254,806
Credited to the income statement	—	78,915	720	285,305	—	364,940
At 31 December 2008	—	78,915	720	540,062	49	619,746
Credited/(debited) to the income statement	—	(78,571)	537	73,867	229	(3,938)
At 31 December 2009	—	344	1,257	613,929	278	615,808
Credited/(debited) to the income statement	14,461	17	(1,257)	292,660	5,471	311,352
At 31 December 2010	14,461	361	—	906,589	5,749	927,160
Credited/(debited) to the income statement	(6,465)	17	—	(105,177)	275	(111,350)
At 31 March 2011	7,996	378	—	801,412	6,024	815,810

II. NOTES TO FINANCIAL INFORMATION — continued

24. Deferred Income Tax Assets and Liabilities — continued

<i>Company</i>	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of financial liabilities held for trading	Change in fair value of derivatives	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities:						
At 1 January 2008	41,655	613,511	800,425	—	—	1,455,591
Credited to the income statement	(35,739)	—	(800,425)(i)	—	—	(836,164)
Credited to other comprehensive income	—	(487,488)	—	—	—	(487,488)
At 31 December 2008	5,916	126,023	—	—	—	131,939
Debited to the income statement	8,183	—	—	—	4,794	12,977
Debited to other comprehensive income	—	55,015	—	—	—	55,015
At 31 December 2009	14,099	181,038	—	—	4,794	199,931
(Credited)/debited to the income statement	(14,099)	—	—	99,208	(4,794)	80,315
Debited to other comprehensive income	—	183,836	—	—	—	183,836
At 31 December 2010	—	364,874	—	99,208	—	464,082
Credited to the income statement	—	—	—	(49,846)	—	(49,846)
Debited to other comprehensive income	—	96,734	—	—	—	96,734
At 31 March 2011	—	461,608	—	49,362	—	510,970

(i) The reversal amount represents the temporary differences during the year as the financial liabilities held for trading expired.

25. Margin Financing and Securities Lending

Margin financing and securities lending are secured with adequate collaterals, which are neither overdue nor impaired as at 31 December 2008, 2009 and 2010, and 31 March 2011.

26. Financial Assets Held for Trading

<i>Group</i>	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities	5,365,800	10,000,503	9,635,373	8,475,284
Equity investments	93,471	948,902	3,812,320	5,884,712
Others	545,572	937,752	408,162	164,052
Total	6,004,843	11,887,157	13,855,855	14,524,048
Analysed into:				
Listed	5,440,833	9,958,239	13,216,543	14,206,388
Unlisted.	564,010	1,928,918	639,312	317,660
	6,004,843	11,887,157	13,855,855	14,524,048

II. NOTES TO FINANCIAL INFORMATION — continued

26. Financial Assets Held for Trading — continued

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Debt securities	3,374,695	6,909,579	8,753,994	7,661,645
Equity investments	67,596	264,617	3,015,305	5,351,864
Others	545,572	937,752	408,162	164,052
Total	<u>3,987,863</u>	<u>8,111,948</u>	<u>12,177,461</u>	<u>13,177,561</u>
Analysed into:				
Listed	3,442,291	6,734,237	11,571,967	12,893,509
Unlisted	545,572	1,377,711	605,494	284,052
	<u>3,987,863</u>	<u>8,111,948</u>	<u>12,177,461</u>	<u>13,177,561</u>

27. Financial Assets Designated at Fair Value Through Profit or Loss

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments	—	—	400,294	396,748
Analysed into:				
Listed	—	—	—	—
Unlisted	—	—	400,294	396,748
	—	—	<u>400,294</u>	<u>396,748</u>

These financial assets are managed and their performance is evaluated on a fair value basis, in accordance with risk management and investment strategy, and information about the financial assets is provided internally on that basis to the Group's key management personnel, therefore they are designated at fair value through profit or loss.

28. Reverse Repurchase Agreements

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed by collateral:				
Securities	<u>3,326,521</u>	<u>1,903,140</u>	<u>1,866,466</u>	<u>156,800</u>
Analysed by counterparty:				
Banks	1,882,506	470,083	1,606,616	156,800
Other financial institutions	<u>1,444,015</u>	<u>1,433,057</u>	<u>259,850</u>	—
Total	<u>3,326,521</u>	<u>1,903,140</u>	<u>1,866,466</u>	<u>156,800</u>

II. NOTES TO FINANCIAL INFORMATION — continued

28. Reverse Repurchase Agreements — continued

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Analysed by collateral:				
Securities	—	—	1,226,616	—
Analysed by counterparty:				
Banks	—	—	1,216,616	—
Other financial institutions	—	—	10,000	—
Total	—	—	1,226,616	—

Under certain reverse repurchase agreements, the Group and the Company received no collateral that is permitted to be sold or repledged in the absence of default by the owners of the collateral as at 31 December 2008, 2009 and 2010, and 31 March 2011.

29. Other Current Assets

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Held-to-maturity debt investments due within one year	628,031	—	—	—
Interest receivable	39,013	50,058	343,978	315,154
Deferred expenses	25,736	37,039	34,815	54,011
Guaranteed deposits placed with clearing house	—	—	20,000	20,130
Other receivables	1,021,668	608,254	2,580,113	3,111,992
Less: Impairment loss	29,728	28,459	24,141	20,659
Total	1,684,720	666,892	2,954,765	3,480,628

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Interest receivable	22,965	1,294	325,451	292,329
Deferred expenses	3,891	2,004	2,356	7,516
Other receivables	530,967	37,797	2,097,523	2,137,728
Less: Impairment loss	1,610	1,023	5,234	5,274
Total	556,213	40,072	2,420,096	2,432,299

II. NOTES TO FINANCIAL INFORMATION — continued

29. Other Current Assets — continued

Company — continued

Other receivables include a receivable amounting to RMB1,056 million in respect of the increase in net asset value of China Securities between the initial valuation date and the final completion date payable by Beijing State-owned Capital Management Center to the Company (note 20 (C) of Section II), which is not overdue and non-collateralised as at 31 December 2010 and 31 March 2011.

30. Cash held on Behalf of Customers

The Group and the Company maintain segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group and the Company have classified their clients' monies as cash held on behalf of customers under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that they are liable for any loss or misappropriation of their clients' monies. In PRC, cash held on behalf of customers for clients' transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

31. Cash and Bank Balances

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Cash on hand	596	575	258	301
Deposits in banks	24,777,311	27,891,681	18,443,899	23,746,408
Total	<u>24,777,907</u>	<u>27,892,256</u>	<u>18,444,157</u>	<u>23,746,709</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Cash on hand	96	102	58	86
Deposits in banks	15,522,550	13,441,876	12,062,654	16,291,560
Total	<u>15,522,646</u>	<u>13,441,978</u>	<u>12,062,712</u>	<u>16,291,646</u>

As at 31 December 2008, 2009, 2010 and 31 March 2011, the restricted funds were RMB510.27 million, RMB759.94 million, RMB1,090.79 million and RMB1,165.15 million respectively.

The restricted funds are general reserve specified funds of fund management companies, which are deposited in special accounts in compliance with CSRC regulations and subject to regulatory restrictions.

II. NOTES TO FINANCIAL INFORMATION — continued

32. Accounts Payable

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Accounts payable to clients	61,069,719	112,477,670	62,081,222	47,920,206

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Accounts payable to clients	22,664,657	29,927,236	30,868,612	24,530,927

33. Repurchase Agreements

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Analysed by collateral:				
Securities	8,593,187	17,922,705	6,901,600	9,229,060
Analysed by counterparty:				
Banks	8,382,744	16,223,405	5,988,450	8,231,538
Other financial institutions	210,443	1,699,300	913,150	997,522
Total	8,593,187	17,922,705	6,901,600	9,229,060

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Analysed by collateral:				
Securities	5,444,523	14,469,131	6,901,600	9,229,060
Analysed by counterparty:				
Banks	5,444,523	14,469,131	5,988,450	8,231,538
Other financial institutions	—	—	913,150	997,522
Total	5,444,523	14,469,131	6,901,600	9,229,060

II. NOTES TO FINANCIAL INFORMATION — continued

34. Tax Payable

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2011</u>
Income tax	1,567,619	1,598,833	3,188,721	1,750,015
Business tax	73,272	174,392	176,904	65,046
Others	383,077	276,044	495,295	283,710
Total	<u>2,023,968</u>	<u>2,049,269</u>	<u>3,860,920</u>	<u>2,098,771</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2011</u>
Income tax	996,731	708,784	2,628,296	1,289,692
Business tax	23,315	82,964	116,098	38,485
Others	328,359	176,198	341,369	211,241
Total	<u>1,348,405</u>	<u>967,946</u>	<u>3,085,763</u>	<u>1,539,418</u>

35. Loans

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2011</u>
Analysed by nature:				
Collateralised loan	<u>—</u>	<u>88,048</u>	<u>127,640</u>	<u>462,395</u>
Analysed by term:				
Maturity within one year	<u>—</u>	<u>88,048</u>	<u>127,640</u>	<u>462,395</u>

The Group had no outstanding loan balance as at 31 December 2008. During the years ended 31 December 2009 and 2010, and the three months ended 31 March 2011, there were no defaults under or breaches of the Group's loan agreements.

II. NOTES TO FINANCIAL INFORMATION — continued

36. Other Current Liabilities

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Salaries, bonuses and allowances payables	4,356,713	5,893,886	5,057,690	4,345,329
Funds payable to securities holders	191,054	194,365	181,156	180,782
Funds payable to securities issuers	47,091	225,187	66,649	86,120
Interest payable	51,737	40,481	37,188	53,125
Accrued liabilities	1,544	56,367	19,355	19,355
Other payables	865,427	1,115,295	1,254,111	1,282,920
Total	<u>5,513,566</u>	<u>7,525,581</u>	<u>6,616,149</u>	<u>5,967,631</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Salaries, bonuses and allowances payables	2,167,698	2,764,325	3,888,371	3,303,114
Funds payable to securities holders	166,900	170,386	167,595	167,274
Funds payable to securities issuers	47,091	53,574	66,649	86,120
Interest payable	50,350	37,188	37,188	53,125
Accrued liabilities	—	—	19,355	19,355
Other payables	132,010	306,243	415,100	442,153
Total	<u>2,564,049</u>	<u>3,331,716</u>	<u>4,594,258</u>	<u>4,071,141</u>

II. NOTES TO FINANCIAL INFORMATION — continued

37. Bonds Payable

Bonds issued by the Group and the Company are as follows:

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed by maturity:				
Maturity within one year	450,000	—	—	—
Maturity over five years	1,500,000	1,500,000	1,500,000	1,500,000
	<u>1,950,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>

As at 31 December 2008

Name	Issue date	Issue price	Effective interest rate	Value date	Maturity date	Circulation date	Issue amount	Note
							RMB'000	
04 CITICS Bond	3/25/2004	RMB100	3.90%	3/25/2004	3/25/2009	Not Applicable	450,000	(i)
06 CITICS Bond	5/29/2006	RMB100	4.25%	5/31/2006	5/31/2021	8/18/2006	1,500,000	(ii)

As at 31 December 2009

Name	Issue date	Issue price	Effective interest rate	Value date	Maturity date	Circulation date	Issue amount	Note
							RMB'000	
06 CITICS Bond	5/29/2006	RMB100	4.25%	5/31/2006	5/31/2021	8/18/2006	1,500,000	(ii)

As at 31 December 2010

Name	Issue date	Issue price	Effective interest rate	Value date	Maturity date	Circulation date	Issue amount	Note
							RMB'000	
06 CITICS Bond	5/29/2006	RMB100	4.25%	5/31/2006	5/31/2021	8/18/2006	1,500,000	(ii)

As at 31 March 2011

Name	Issue date	Issue price	Effective interest rate	Value date	Maturity date	Circulation date	Issue amount	Note
							RMB'000	
06 CITICS Bond	5/29/2006	RMB100	4.25%	5/31/2006	5/31/2021	8/18/2006	1,500,000	(ii)

(i) Pursuant to approval by the CSRC, CITIC Securities issued a 5-year bond amounting to RMB450 million in 2004 which was guaranteed by CITIC Group. The bond matured on 25 March 2009 and CITIC Securities paid the bond holders all of the outstanding principal and interest on the same day.

(ii) Pursuant to approval by the CSRC, CITIC Securities issued a 15-year bond amounting to RMB1.5 billion from 25 May to 2 June 2006 which was guaranteed by CITIC Group.

II. NOTES TO FINANCIAL INFORMATION — continued**38. Issued Share Capital**

Share capital of the Group and the Company is as follows:

	31 December 2008		31 December 2009		31 December 2010		31 March 2011	
	Number of shares (Thousand)	Nominal Value RMB'000	Number of shares (Thousand)	Nominal Value RMB'000	Number of shares (Thousand)	Nominal Value RMB'000	Number of shares (Thousand)	Nominal Value RMB'000
Registered, issued and fully paid: A shares of RMB1 each	6,630,468	6,630,468	6,630,468	6,630,468	9,945,702	9,945,702	9,945,702	9,945,702

Pursuant to an ordinary resolution passed in June 2010, a bonus issue of five bonus shares for every ten shares was made, resulting in the issue of 3,315 million shares, ranking pari passu in all respects with the existing shares of the Company. An amount of RMB 3,315 million was transferred from the capital reserve to the issued share capital account accordingly.

39. ReservesGroup

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages I-6 to I-10 of Section I above.

(a) Capital reserve

Capital reserve mainly 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, expand the production and operation, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(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 PRC GAAP to its discretionary surplus reserve upon approval by the shareholders in a general meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, expand the production and operation, if any, and may be converted into capital of the Company.

II. NOTES TO FINANCIAL INFORMATION — continued

39. Reserves — continued

(c) General reserve

Pursuant to the requirements of regulatory authorities such as 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 are used to offset accumulated losses of the Company and shall not be converted into dividends or issued share capital.

(d) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

(e) Foreign currency translation reserve

The foreign currency translation reserve is the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China.

(f) Distributable profits

The Company's distributable profits are based on the retained profits of the Company as determined under PRC GAAP and IFRSs, whichever is lower.

The movements in reserves and retained profits of the Company during the Relevant Periods are set out below:

Company

	Reserves					Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2008	30,798,776	1,539,065	2,159,637	1,838,300	36,335,778	6,628,256
Profit for the year	—	—	—	—	—	6,172,564
Other comprehensive income	—	—	—	(1,460,232)	(1,460,232)	—
Total comprehensive income	—	—	—	(1,460,232)	(1,460,232)	6,172,564
Dividend — 2007	—	—	—	—	—	(1,657,617)
Appropriation to surplus reserves	—	617,256	—	—	617,256	(617,256)
Appropriation to general reserve	—	—	1,234,512	—	1,234,512	(1,234,512)
Conversion of capital reserve into issued share capital	(3,315,234)	—	—	—	(3,315,234)	—
Others	(781)	—	—	—	(781)	—
Balance as at 31 December 2008	<u>27,482,761</u>	<u>2,156,321</u>	<u>3,394,149</u>	<u>378,068</u>	<u>33,411,299</u>	<u>9,291,435</u>

II. NOTES TO FINANCIAL INFORMATION — continued

39. Reserves — continued

Company

	Reserves					Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2009	27,482,761	2,156,321	3,394,149	378,068	33,411,299	9,291,435
Profit for the year	—	—	—	—	—	6,188,718
Other comprehensive income	—	—	—	252,497	252,497	—
Total comprehensive income	—	—	—	252,497	252,497	6,188,718
Dividend — 2008	—	—	—	—	—	(3,315,234)
Appropriation to surplus reserves . . .	—	618,872	—	—	618,872	(618,872)
Appropriation to general reserve . . .	—	—	1,237,744	—	1,237,744	(1,237,744)
Balance as at 31 December 2009 . . .	<u>27,482,761</u>	<u>2,775,193</u>	<u>4,631,893</u>	<u>630,565</u>	<u>35,520,412</u>	<u>10,308,303</u>

Company

	Reserves					Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2010	27,482,761	2,775,193	4,631,893	630,565	35,520,412	10,308,303
Profit for the year	—	—	—	—	—	11,813,641
Other comprehensive income	—	—	—	564,912	564,912	—
Total comprehensive income	—	—	—	564,912	564,912	11,813,641
Dividend — 2009	—	—	—	—	—	(3,315,234)
Appropriation to surplus reserves . . .	—	1,181,364	—	—	1,181,364	(1,181,364)
Appropriation to general reserve . . .	—	—	2,362,728	—	2,362,728	(2,362,728)
Conversion of capital reserve into issued share capital	(3,315,234)	—	—	—	(3,315,234)	—
Others	(781)	1,114	—	—	333	—
Balance as at 31 December 2010 . . .	<u>24,166,746</u>	<u>3,957,671</u>	<u>6,994,621</u>	<u>1,195,477</u>	<u>36,314,515</u>	<u>15,262,618</u>

Company

Unaudited	Reserves					Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2010	27,482,761	2,775,193	4,631,893	630,565	35,520,412	10,308,303
Profit for the period	—	—	—	—	—	501,911
Other comprehensive income	—	—	—	(7,361)	(7,361)	—
Total comprehensive income	—	—	—	(7,361)	(7,361)	501,911
Balance as at 31 March 2010	<u>27,482,761</u>	<u>2,775,193</u>	<u>4,631,893</u>	<u>623,204</u>	<u>35,513,051</u>	<u>10,810,214</u>

II. NOTES TO FINANCIAL INFORMATION — continued

39. Reserves — continued

Company

	Reserves					Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as at 1 January 2011	24,166,746	3,957,671	6,994,621	1,195,477	36,314,515	15,262,618
Profit for the period	—	—	—	—	—	762,951
Other comprehensive income	—	—	—	229,931	229,931	—
Total comprehensive income	—	—	—	229,931	229,931	762,951
Balance as at 31 March 2011	<u>24,166,746</u>	<u>3,957,671</u>	<u>6,994,621</u>	<u>1,425,408</u>	<u>36,544,446</u>	<u>16,025,569</u>

40. Cash and Cash Equivalents

Cash and cash equivalents at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Cash on hand	596	575	258	301
Deposits in banks	24,267,046	27,131,737	17,353,105	22,581,259
Total	<u>24,267,642</u>	<u>27,132,312</u>	<u>17,353,363</u>	<u>22,581,560</u>

41. Commitments and Contingent Liabilities

(a) *Capital commitments*Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Contracted, but not provided for	<u>3,605</u>	<u>255,151</u>	<u>348,307</u>	<u>327,036</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Contracted, but not provided for	<u>—</u>	<u>240,954</u>	<u>331,272</u>	<u>314,043</u>

The above-mentioned capital commitments are mainly in respect of the construction of properties and purchase of equipment of the Group and the Company.

II. NOTES TO FINANCIAL INFORMATION — continued

41. Commitments and Contingent Liabilities — continued

*(b) Investment commitments*Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Contracted, but not fulfilled	<u>1,098,000</u>	<u>1,366,000</u>	<u>2,559,172</u>	<u>2,095,889</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Contracted, but not fulfilled	<u>990,000</u>	<u>770,000</u>	<u>175,000</u>	<u>125,000</u>

*(c) Operating lease commitments**(i) Operating lease commitments as a lessee*

At the end of each of the Relevant Periods, the Group and the Company leased certain office properties under operating lease arrangements, and the total future minimum lease payments of the Group and the Company under irrevocable operating lease arrangements are as follows:

Group

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Within one year	243,652	262,307	223,940	231,826
After one year but not more than two years	195,168	214,189	182,642	196,966
After two years but not more than three years	147,329	162,387	128,908	134,226
After three years	319,103	327,345	316,732	312,575
Total	<u>905,252</u>	<u>966,228</u>	<u>852,222</u>	<u>875,593</u>

Company

	As at 31 December			As at
	2008	2009	2010	31 March
	RMB'000	RMB'000	RMB'000	2011
Within one year	52,690	60,707	71,958	76,840
After one year but not more than two years	40,691	49,261	59,594	65,958
After two years but not more than three years	33,767	39,692	49,118	52,493
After three years	128,532	124,945	158,744	156,010
Total	<u>255,680</u>	<u>274,605</u>	<u>339,414</u>	<u>351,301</u>

II. NOTES TO FINANCIAL INFORMATION — continued**41. Commitments and Contingent Liabilities — continued***(c) Operating lease commitments — continued**(ii) Operating lease commitments as a lessor*

At the end of each of the Relevant Periods, the Group and the Company did not have material lease commitments as a lessor.

(d) Legal proceedings

From time to time in the ordinary course of business, the Group and the Company are subject to claims and are party to legal and regulatory proceedings. As at 31 December 2008, 2009 and 2010, and 31 March 2011, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings that if adversely determined, the Group and the Company expect would materially adversely affect their financial position or results of operations.

42. Related Party Disclosures*(1) Largest shareholder 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	Organisational code
CITIC Group	Largest shareholder	State-controlled	China	Zhenming Chang	Financial, industrial and other services	RMB55.4 billion	23.45%	23.45%	10168558-X

(2) Subsidiaries

Details of the Company's subsidiaries are disclosed in note 20 of Section II above.

(3) Associates and Jointly-controlled entities

Details of the Company's associates and jointly-controlled entities are disclosed in note 21 of Section II above.

II. NOTES TO FINANCIAL INFORMATION — continued

42. Related Party Disclosures — continued

(4) Related party transactions

(a) Shareholders with significant influence

(i) Largest shareholder of the Company — CITIC Group

Transactions during the year/period

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Fee and commission income	—	—	5,667	—	562
Underwriting income	—	30,840	123,390	—	52
Service fees received	51,388	28,919	808	—	499
Interest expense	4,225	1,520	—	—	—
Lease expenses	21,389	20,922	21,395	5,640	5,854
Service fees paid	104	25	1,113	—	507
Total	<u>77,106</u>	<u>82,226</u>	<u>152,373</u>	<u>5,640</u>	<u>7,474</u>

Balances at the end of the year/period

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Entrusted fund	<u>854,544</u>	<u>1,217,757</u>	<u>—</u>	<u>—</u>

Guarantees between related parties

On 25 March 2004, the Company issued a 5-year bond with an aggregate face value of RMB450 million. In the period of 25 May 2006 to 2 June 2006, the Company issued a 15-year bond with an aggregate face value of RMB1.5 billion. Both of the bonds were guaranteed by CITIC Group. As at 31 December 2008, 2009 and 2010, and 31 March 2011, total guarantees provided by CITIC Group amounted to RMB1.95 billion, RMB1.5 billion, RMB1.5 billion and RMB1.5 billion respectively.

II. NOTES TO FINANCIAL INFORMATION — continued

42. Related Party Disclosures — continued

(4) Related party transactions — continued

(ii) Second largest shareholder of the Company — China Life Insurance Company

Transactions during the year/period

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Service fees received	800	—	—	—	—
Lease expenses	—	—	—	—	897
Total	800	—	—	—	897

(iii) Fourth largest shareholder of the Company — Youngor Group Co., Ltd.

Transactions during the year/period

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Service fees received	2,000	—	—	—	—

(b) Subsidiaries

Transactions during the year/period

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Fee and commission income	—	4,718	8,308	797	1,174

Balances at the end of the year/period

	As at 31 December			As at 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 Unaudited	RMB'000
Deposits for investments — Stock index futures	—	—	362,806	362,806	181,246
Refundable deposits	—	—	364,372	364,372	743,277
Accounts payable	23,534	23,340	23,060	23,060	23,013
Total	23,534	23,340	750,238	750,238	947,536

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

II. NOTES TO FINANCIAL INFORMATION — continued

42. Related Party Disclosures — continued

(4) Related party transactions — continued

(c) Subsidiaries and jointly-controlled entities of the largest shareholder of the Company

Transactions during the year/period

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				Unaudited	
Lease expenses	25,355	31,745	31,086	7,985	8,160
Interest income	718,319	150,973	178,897	57,507	109,923
Interest expense	545	249	9,566	—	2,142
Underwriting income	9,000	14,715	9,270	—	—
Service fees received	78,529	99,593	40,967	459	1,305
Service fees paid	87,482	70,944	61,068	13,150	25,484
Lease fees received	—	440	119	—	6,034
Investment income-interest rate swap	5,020	5,643	7,018	1,970	3,817
Fee and commission income	—	7,809	30,405	1,407	5,409
Fee and commission expense	—	8,382	9,977	3,004	2,255
Total	924,250	390,493	378,373	85,482	164,529

Balances at the end of the year/period

	As at 31 December			As at 31 March
	2008	2009	2010	2011
Accounts receivable	6,600	68	523	523
Accounts payable	3,303	5,396	4,805	4,218
Entrusted funds	968	31,000	—	—
Entrusted products	562,892	431,812	—	—
Cash held on behalf of customers ⁽ⁱ⁾	8,345,435	19,740,877	7,468,043	4,335,477
Cash and bank balances ⁽ⁱ⁾	3,972,869	5,170,467	4,358,128	4,276,790
Total	12,892,067	25,379,620	11,831,499	8,617,008

(i) Represents bank deposits placed with subsidiary banks of the largest shareholder of the Company.

(d) Key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

The aggregate compensation for key management personnel during the Relevant Periods, other than that disclosed in note 11 of Section II above, is as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salary and other short term employment benefits	11,360	14,068	20,999	5,323	6,214

II. NOTES TO FINANCIAL INFORMATION — continued**43. Fair Value and Fair Value Hierarchy**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Refundable deposits, reverse repurchase agreements, cash held on behalf of customers, cash and bank balances, fee and commission receivables, margin financing and securities lending, accounts payable, repurchase agreements and loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of listed investments are based on quoted market prices.

The fair values of unlisted available-for-sale equity investments have been estimated using valuation techniques.

The Group enters into derivative financial instruments with various counterparties. For plain vanilla derivative financial instruments, fair values are principally determined by valuation models that are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible. The fair value of exotic structure derivatives mainly comes from counterparty quotes.

Fair value hierarchy

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

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

II. NOTES TO FINANCIAL INFORMATION — continued

43. Fair Value and Fair Value Hierarchy — continued

(a) Financial instruments recorded at fair value

<u>As at 31 December 2008</u>	<u>Level 1</u> <u>RMB'000</u>	<u>Level 2</u> <u>RMB'000</u>	<u>Level 3</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
<i>Financial assets:</i>				
Financial assets held for trading	1,001,555	5,003,288	—	6,004,843
— Debt securities	908,084	4,457,716	—	5,365,800
— Equity investments	93,471	—	—	93,471
— Others	—	545,572	—	545,572
Available-for-sale financial assets	5,003,053	29,084,493	725,627	34,813,173
— Debt securities	2,269,371	28,239,426	—	30,508,797
— Equity investments	2,733,308	25,108	725,627	3,484,043
— Others	374	819,959	—	820,333
Total	<u>6,004,608</u>	<u>34,087,781</u>	<u>725,627</u>	<u>40,818,016</u>
<i>Financial liabilities:</i>				
Derivative financial liabilities	—	2,879	—	2,879
Total	<u>—</u>	<u>2,879</u>	<u>—</u>	<u>2,879</u>
<u>As at 31 December 2009</u>	<u>Level 1</u> <u>RMB'000</u>	<u>Level 2</u> <u>RMB'000</u>	<u>Level 3</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
<i>Financial assets:</i>				
Financial assets held for trading	4,192,414	7,694,743	—	11,887,157
— Debt securities	3,243,512	6,756,991	—	10,000,503
— Equity investments	948,902	—	—	948,902
— Others	—	937,752	—	937,752
Available-for-sale financial assets	16,421,468	25,088,255	1,828,856	43,338,579
— Debt securities	2,598,870	23,541,800	—	26,140,670
— Equity investments	13,822,598	818,700	1,828,856	16,470,154
— Others	—	727,755	—	727,755
Total	<u>20,613,882</u>	<u>32,782,998</u>	<u>1,828,856</u>	<u>55,225,736</u>
<i>Financial liabilities:</i>				
Derivative financial liabilities	593	5,637	—	6,230
Total	<u>593</u>	<u>5,637</u>	<u>—</u>	<u>6,230</u>

II. NOTES TO FINANCIAL INFORMATION — continued

43. Fair Value and Fair Value Hierarchy — continued

(a) Financial instruments recorded at fair value — continued

<u>As at 31 December 2010</u>	<u>Level 1</u> <u>RMB'000</u>	<u>Level 2</u> <u>RMB'000</u>	<u>Level 3</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
<i>Financial assets:</i>				
Financial assets held for trading	7,995,039	5,826,998	33,818	13,855,855
— Debt securities	4,182,719	5,418,836	33,818	9,635,373
— Equity investments	3,812,320	—	—	3,812,320
— Others	—	408,162	—	408,162
Financial assets designated at fair value through profit or loss	—	—	400,294	400,294
Derivative financial assets	—	732,537	—	732,537
Available-for-sale financial assets	22,245,321	13,375,272	1,970,772	37,591,365
— Debt securities	2,441,089	12,377,531	—	14,818,620
— Equity investments	19,804,232	417,545	1,970,772	22,192,549
— Others	—	580,196	—	580,196
Total	<u>30,240,360</u>	<u>19,934,807</u>	<u>2,404,884</u>	<u>52,580,051</u>
<i>Financial liabilities:</i>				
Derivative financial liabilities	403	434,172	—	434,575
Total	<u>403</u>	<u>434,172</u>	<u>—</u>	<u>434,575</u>
<u>As at 31 March 2011</u>	<u>Level 1</u> <u>RMB'000</u>	<u>Level 2</u> <u>RMB'000</u>	<u>Level 3</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
<i>Financial assets:</i>				
Financial assets held for trading	9,714,532	4,775,908	33,608	14,524,048
— Debt securities	3,849,820	4,591,856	33,608	8,475,284
— Equity investments	5,864,712	20,000	—	5,884,712
— Others	—	164,052	—	164,052
Financial assets designated at fair value through profit or loss	—	—	396,748	396,748
Derivative financial assets	—	724,759	—	724,759
Available-for-sale financial assets	22,721,033	9,926,005	1,580,189	34,227,227
— Debt securities	2,180,524	9,111,070	—	11,291,594
— Equity investments	20,540,509	253,331	1,580,189	22,374,029
— Others	—	561,604	—	561,604
Total	<u>32,435,565</u>	<u>15,426,672</u>	<u>2,010,545</u>	<u>49,872,782</u>
<i>Financial liabilities:</i>				
Derivative financial liabilities	63,607	568,027	—	631,634
Total	<u>63,607</u>	<u>568,027</u>	<u>—</u>	<u>631,634</u>

II. NOTES TO FINANCIAL INFORMATION — continued

43. Fair Value and Fair Value Hierarchy — continued

(b) Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

	As at 1 January 2009	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Transfers to level 1 from level 3	As at 31 December 2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>						
Available-for-sale financial						
assets	725,627	—	726,847	516,056	(139,674)	1,828,856
— Equity investment	725,627	—	726,847	516,056	(139,674)	1,828,856
	As at 1 January 2010	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Transfers to level 1 from level 3	As at 31 December 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>						
Financial assets held for						
trading	—	831	—	32,987	—	33,818
— Debt securities	—	831	—	32,987	—	33,818
Financial assets designated at						
fair value through profit or						
loss	—	53,628	—	346,666	—	400,294
Available-for-sale financial						
assets	1,828,856	—	794,896	1,137,194	(1,790,174)	1,970,772
— Equity investment	1,828,856	—	794,896	1,137,194	(1,790,174)	1,970,772
	As at 1 January 2011	Total losses recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Transfers to level 1 from level 3	As at 31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets:</u>						
Financial assets held for						
trading	33,818	(210)	—	—	—	33,608
— Debt securities	33,818	(210)	—	—	—	33,608
Financial assets designated at						
fair value through profit or						
loss	400,294	(3,546)	—	—	—	396,748
Available-for-sale financial						
assets	1,970,772	—	33,978	714,899	(1,139,460)	1,580,189
— Equity investment	1,970,772	—	33,978	714,899	(1,139,460)	1,580,189

II. NOTES TO FINANCIAL INFORMATION — continued

43. Fair Value and Fair Value Hierarchy — continued

(b) Movements in level 3 financial instruments measured at fair value — continued

Gains/(losses) on level 3 financial instruments included in the profit or loss for the years ended 31 December 2009 and 2010, and the three months ended 31 March 2011 comprise:

	Year ended 31 December 2009			Year ended 31 December 2010			Three months ended 31 March 2011		
	Realised	Unrealised	Total	Realised	Unrealised	Total	Realised	Unrealised	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total gains/(losses) in the profit or loss for the year/period	—	—	—	—	54,459	54,459	—	(3,756)	(3,756)

(c) Transfers between level 1 and level 2

During the year ended 31 December 2008 and 2009, and the three months ended 31 March 2011, there were no transfers of fair value measurement between level 1 and level 2.

Year ended 31 December 2010	Transfer to level 2 from level 1	Transfer to level 1 from level 2
	RMB'000	RMB'000
<i>Financial assets:</i>		
Available-for-sale financial assets	—	276,653
— Debt securities	—	219,959
— Equity investments	—	56,694

(d) Financial instruments not measured at fair value

At the end of each of the Relevant Periods, the fair value of the Group's financial assets and liabilities not measured at fair value are not significantly different from their carrying amounts.

44. Financial Instruments Risk Management

In the opinion of management, effective risk management is critical to the Company's successful operation. The Company has designed a risk management and control framework to measure, monitor and manage financial risks arising from the ordinary course of business, which mainly include credit risk, market risk and liquidity risk.

Risk management initiatives

Pursuant to the applicable laws and regulations and other regulatory requirements, the Company has established a risk governance structure, in which the Risk Management Committee acts as the governing body, and relevant internal control departments and front-office internal control personnel play a supervisory role. To control the risks at the levels of governance, execution and monitoring, the Company has developed a comprehensive multi-level internal control framework, under which the control functions are primarily carried out by the Risk Management Department, the Audit Department, the Compliance Department and the Legal Department, and supported by control-focused self-monitoring posts of business departments.

At the governance level, pursuant to the *PRC Company Law*, *Guidelines for the Articles of Association of Listed Companies*, *Code of Corporate Governance for Listed Companies*, *Internal Control Guidelines for Securities*

II. NOTES TO FINANCIAL INFORMATION — continued**44. Financial Instruments Risk Management — continued**

Companies, Basic Standards for Enterprise Internal Control, and other applicable laws and regulations, the Company amended its articles of association and formulated meeting rules and procedures for shareholders, the Board of Directors and Supervisors, to form part of the corporate governance framework. The Board has set up the Audit Committee, the Strategic Planning Committee, the Risk Management Committee, the Nomination Committee and the Remuneration and Appraisal Committee to enable a more refined division of duties among the Board's members in the Board's decision-making process. The Board has strengthened relevant internal control arrangements and improved the Company's control environment and organisational structures, enabling internal control to provide a basis for the Company's overall decision-making and incorporating internal control and risk limits of various businesses into the Company's decision-making process.

In 2010, the Company adjusted the management organisational structure and set up the Executive Committee, which, as the highest management authority, is designed to implement the strategies and plans developed by the board. Members of the Executive Committee are all senior executives of the Company, comprised of the Chairman, General Manager, and managing directors of major business lines and functional departments. The Company amended the terms of the Articles of Association related to the management organisational structure, revised the *Detailed Work Rules Executed by the General Manager* and formulated the meeting rules and procedures for the Executive Committee, all of which have further improved the Company's control systems.

At the execution 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". The Company has emphasised the standardisation of research and investment processes in the securities trading and derivatives business, exercised control over non-systematic market risk, tracked and adjusted the systematic risk of the investment portfolio, and set a number of control and monitoring indicators to manage the overall market risk, liquidity risk, and operational risk of the business within a tolerable amount. In respect of the newly launched stock index futures business, the Company has established relevant risk management policies on assessment and monitoring of the capital adequacy strategy's execution, portfolio risk exposures and market volatility risk in order to identify and manage the risks in this business. The Company has further refined its existing internal control mechanisms over its asset management business, and improved the policy, process and control system for the stock index futures business and the social security fund business. The Company has implemented front office management systems for the bond sales and trading business, and further enhanced the control over derivatives. In respect of the brokerage business, the Company has combed out risks especially for the stock index futures introducing brokerage business and margin financing and securities lending while continuously maintaining the third-party custody of clients' funds and ensuring the security of clients' funds and assets. The Company has set up a credit management department which is in charge of margin financing and securities lending, and also established an organisational structure to realise the independence and proper segregation of its funds and securities transfer, client development and maintenance, as well as compliance, risk control, internal audit and settlement functions. In respect of the investment banking business, the Company has refined the roles and responsibilities of the Capital Commitment Committee, the policies and ancillary procedures for the sponsoring business, and the monitoring of investment banking projects. The related middle and back offices of the Company have also timely developed relevant supportive policies, procedures and processes in response to the development of the Company's business.

At the monitoring level, the Company has set up the Risk Management Department, which performs risk assessment on new products and new businesses, designs control mechanisms before launching of new products or businesses, sets limits and risk indicators that are applied during and after the launching process, performs risk

II. NOTES TO FINANCIAL INFORMATION — continued**44. Financial Instruments Risk Management — continued**

identification, measurement, analysis, monitoring, reporting and management of risks, analyses and assesses the Company's overall business risks and risks related to business lines, and optimises the Company's risks-based resources allocation. At present, the Risk Management Department has established a reporting system based on the business features of investment banking, brokerage, stock trading, future trading, bonds trading and asset management businesses. The Company has also established a monitoring system for brokerage, margin financing and securities lending, investment and asset management businesses to realise real-time monitoring of various types of risks. The Audit Department has the overall responsibility for internal audit, organising the comprehensive audit of all departments of the Company, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of ad-hoc events.

The Company has established the Compliance Department, which organises 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 prior compliance reviews on new internal management policies, important decisions, new products, new businesses and key business activities launched by the Company; and fulfills the regular and non-regular obligations of reporting to regulatory authorities. The Company has also set up the Legal Department, which is responsible for the oversight of legal risks of the Company and relevant businesses.

Major financial risks faced by the Company in the ordinary course of business include credit risk, liquidity risk and market risk. The Company has developed policies and procedures to identify and analyse these risks and set appropriate risk limits and internal control processes to monitor various risks continuously through reliable management and information system.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations.

The principal credit risk of the Company arises from three aspects: (a) in respect of the securities and futures brokerage business, the Company might undertake the clearing responsibility on behalf of clients in the event that the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors, and accordingly bear losses when the clients are not required to pay sufficient security deposits in advance, (b) credit risk arising from the margin financing and securities lending business, which refers to risk of losses to the Company caused by client defaults, and (c) default risk of debt securities, which refers to risk of asset losses or changes in asset yields due to defaults on payment of principal and interest payable by the issuer or the counterparty.

In order to manage the credit risk arising from the brokerage business, securities brokerage business transactions in Mainland China are all required to be settled in full by security deposit. Settlement risk associated with securities brokerage has been largely controlled by these full security deposit settlement arrangements.

Credit risk from the margin financing and securities lending business primarily includes clients' providing false information, failing to make full and timely repayment, holding positions and structures violating the underlying contracts, undertaking transactions violating the regulatory requirements, and providing collateral subject to legal disputes. Credit risk control over the margin financing and securities lending business includes customer education, credit reference checks, credit approval, daily mark to market (collect mark to market margin to

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(a) Credit risk — continued

offset losses, if any, that have already been incurred on the positions held), risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means. For credit risk associated with debt securities, the Company has established the counterparty credit approval policy and the blacklist policy, and developed certain investment restrictions based on the ratings of credit products.

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

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

Group

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	30,508,797	26,140,670	14,818,620	11,291,594
Refundable deposits	518,732	1,420,042	1,006,749	1,461,878
Financial assets held for trading	5,365,800	10,000,503	9,635,373	8,475,284
Derivative financial assets	—	—	732,537	724,759
Reverse repurchase agreements	3,326,521	1,903,140	1,866,466	156,800
Cash held on behalf of customers	60,644,924	111,150,447	61,911,465	47,323,345
Bank balances	24,777,311	27,891,681	18,443,899	23,746,408
Others	1,949,748	1,357,031	5,169,189	5,382,355
Total maximum credit risk exposure	<u>127,091,833</u>	<u>179,863,514</u>	<u>113,584,298</u>	<u>98,562,423</u>

Note: Financial assets held for trading and available-for-sale financial assets above include bonds only.

Company

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	29,823,688	24,100,554	13,077,573	9,726,776
Refundable deposits	168,967	379,265	767,961	1,362,878
Financial assets held for trading	3,374,695	6,909,579	8,753,994	7,661,645
Derivative financial assets	—	—	732,537	724,759
Reverse repurchase agreements	—	—	1,226,616	—
Cash held on behalf of customers	22,547,812	29,592,352	30,541,324	24,020,053
Bank balances	15,522,550	13,441,876	12,062,654	16,291,560
Others	561,479	73,730	4,018,886	4,140,028
Total maximum credit risk exposure	<u>71,999,191</u>	<u>74,497,356</u>	<u>71,181,545</u>	<u>63,927,699</u>

Note: Financial assets held for trading and available-for-sale financial assets above include bonds only.

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(a) Credit risk — continued

(ii) Risk concentrations

The following tables set out the breakdown of the Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

As at 31 December 2008	By geographical area		
	Mainland China	Outside Mainland China	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	30,508,797	—	30,508,797
Refundable deposits	518,732	—	518,732
Financial assets held for trading	5,365,800	—	5,365,800
Reverse repurchase agreements	3,326,521	—	3,326,521
Cash held on behalf of customers	60,058,733	586,191	60,644,924
Bank balances	23,846,423	930,888	24,777,311
Others	1,576,226	373,522	1,949,748
Total maximum credit risk exposure	<u>125,201,232</u>	<u>1,890,601</u>	<u>127,091,833</u>

Note: Financial assets held for trading and available-for-sale financial assets above include bonds only.

As at 31 December 2009	By geographical area		
	Mainland China	Outside Mainland China	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	26,140,670	—	26,140,670
Refundable deposits	1,418,321	1,721	1,420,042
Financial assets held for trading	9,615,227	385,276	10,000,503
Reverse repurchase agreements	1,903,140	—	1,903,140
Cash held on behalf of customers	110,155,117	995,330	111,150,447
Bank balances	26,302,625	1,589,056	27,891,681
Others	625,901	731,130	1,357,031
Total maximum credit risk exposure	<u>176,161,001</u>	<u>3,702,513</u>	<u>179,863,514</u>

Note: Financial assets held for trading and available-for-sale financial assets above include bonds only.

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(a) Credit risk — continued

As at 31 December 2010	By geographical area		
	Mainland China	Outside Mainland China	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	14,818,620	—	14,818,620
Refundable deposits	1,004,153	2,596	1,006,749
Financial assets held for trading	8,909,657	725,716	9,635,373
Derivative financial assets	732,537	—	732,537
Reverse repurchase agreements	1,866,466	—	1,866,466
Cash held on behalf of customers	60,541,762	1,369,703	61,911,465
Bank balances	17,676,711	767,188	18,443,899
Others	4,459,399	709,790	5,169,189
Total maximum credit risk exposure	<u>110,009,305</u>	<u>3,574,993</u>	<u>113,584,298</u>

Note: Financial assets held for trading and available-for-sale financial assets above include bonds only.

As at 31 March 2011	By geographical area		
	Mainland China	Outside Mainland China	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	11,291,594	—	11,291,594
Refundable deposits	1,458,949	2,929	1,461,878
Financial assets held for trading	7,549,226	926,058	8,475,284
Derivative financial assets	724,759	—	724,759
Reverse repurchase agreements	156,800	—	156,800
Cash held on behalf of customers	45,962,654	1,360,691	47,323,345
Bank balances	23,041,420	704,988	23,746,408
Others	4,532,545	849,810	5,382,355
Total maximum credit risk exposure	<u>94,717,947</u>	<u>3,844,476</u>	<u>98,562,423</u>

Note: Financial assets held for trading and available-for-sale financial assets above include bonds only.

(b) Liquidity risk

Liquidity risk is the risk arising from the Group's inability to meet obligations relating to financial liabilities due to shortages of capital or funds. The Group has consistently adhered to a unified liquidity management and operation policy and continues to strengthen its liquidity management system. Specifically, fund lending or borrowing, repurchase and secured loans are managed by the Treasury Department; fund financing and allocation decisions need to be countersigned by the Treasury Department and the Finance and Accounting Department; and the operation of large-scale funds needs to be decided by the Asset Allocation Committee collectively. In addition, the Group has gradually established a treasury risk assessment and monitoring system, strictly controlling its liquidity risk.

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(b) Liquidity risk — continued

The maturity profile of the Group's and the Company's financial liabilities as at the end of each of the Relevant Periods, based on their contractual undiscounted payments, is as follows:

Group

	As at 31 December 2008						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial Liabilities:							
Accounts payable	61,069,719	—	—	—	—	—	61,069,719
Repurchase agreements	—	8,596,030	—	—	—	—	8,596,030
Bonds payable	—	467,550	63,750	255,000	2,010,000	—	2,796,300
Other financial liabilities	238,145	—	—	—	28,031	—	266,176
Total	<u>61,307,864</u>	<u>9,063,580</u>	<u>63,750</u>	<u>255,000</u>	<u>2,038,031</u>	<u>—</u>	<u>72,728,225</u>
Cash flows from derivative financial instruments settled on net basis . . .	<u>—</u>	<u>822</u>	<u>2,147</u>	<u>7,373</u>	<u>—</u>	<u>—</u>	<u>10,342</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable . . .	—	—	—	—	—	—	—
Contractual amounts payable	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

*(b) Liquidity risk — continued*Group

	As at 31 December 2009						Total RMB'000
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial Liabilities:							
Accounts payable	112,477,670	—	—	—	—	—	112,477,670
Repurchase agreements	—	17,931,686	—	—	—	—	17,931,686
Loans	—	88,060	—	—	—	—	88,060
Bonds payable	—	—	63,750	255,000	1,946,250	—	2,265,000
Other financial liabilities	419,552	—	—	—	10,833	—	430,385
Total	<u>112,897,222</u>	<u>18,019,746</u>	<u>63,750</u>	<u>255,000</u>	<u>1,957,083</u>	<u>—</u>	<u>133,192,801</u>
Cash flows from derivative financial instruments settled on net basis	<u>—</u>	<u>(920)</u>	<u>(2,612)</u>	<u>10,922</u>	<u>—</u>	<u>—</u>	<u>7,390</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	—	—	—	—	—	—
Contractual amounts payable	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

*(b) Liquidity risk — continued*Group

	As at 31 December 2010						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Liabilities:							
Accounts payable	62,081,222	—	—	—	—	—	62,081,222
Repurchase agreements	—	6,911,768	—	—	—	—	6,911,768
Loans	—	127,699	—	—	—	—	127,699
Bonds payable	—	—	63,750	255,000	1,882,500	—	2,201,250
Other financial liabilities	247,805	—	—	—	10,691	—	258,496
Total	<u>62,329,027</u>	<u>7,039,467</u>	<u>63,750</u>	<u>255,000</u>	<u>1,893,191</u>	<u>—</u>	<u>71,580,435</u>
Cash flows from derivative financial instruments settled on net basis	<u>—</u>	<u>3,419</u>	<u>40,225</u>	<u>346,346</u>	<u>73</u>	<u>—</u>	<u>390,063</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	(12,459,445)	(141,279)	—	—	—	(12,600,724)
Contractual amounts payable	—	12,533,901	144,292	—	—	—	12,678,193
	<u>—</u>	<u>74,456</u>	<u>3,013</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77,469</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(b) Liquidity risk — continued

Group

	As at 31 March 2011						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Liabilities:							
Accounts payable	47,920,206	—	—	—	—	—	47,920,206
Repurchase agreements	—	9,231,599	—	—	—	—	9,231,599
Loans	—	463,449	—	—	—	—	463,449
Bonds payable	—	63,750	—	255,000	1,882,500	—	2,201,250
Other financial liabilities	266,902	—	—	—	10,691	—	277,593
Total	<u>48,187,108</u>	<u>9,758,798</u>	<u>—</u>	<u>255,000</u>	<u>1,893,191</u>	<u>—</u>	<u>60,094,097</u>
Cash flows from derivative financial instruments settled on net basis	<u>—</u>	<u>72,491</u>	<u>61,736</u>	<u>489,956</u>	<u>—</u>	<u>—</u>	<u>624,183</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	(15,712,726)	—	—	—	—	(15,712,726)
Contractual amounts payable	—	15,763,066	—	—	—	—	15,763,066
	<u>—</u>	<u>50,340</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50,340</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

*(b) Liquidity risk — continued*Company

	As at 31 December 2008						Total RMB'000
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial Liabilities:							
Accounts payable	22,664,657	—	—	—	—	—	22,664,657
Repurchase agreements	—	5,445,440	—	—	—	—	5,445,440
Bonds payable	—	467,550	63,750	255,000	2,010,000	—	2,796,300
Other financial liabilities	213,991	—	—	—	—	—	213,991
Total	<u>22,878,648</u>	<u>5,912,990</u>	<u>63,750</u>	<u>255,000</u>	<u>2,010,000</u>	<u>—</u>	<u>31,120,388</u>
Cash flows from derivative financial instruments settled on net basis . .	<u>—</u>	<u>822</u>	<u>2,147</u>	<u>7,373</u>	<u>—</u>	<u>—</u>	<u>10,342</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	—	—	—	—	—	—
Contractual amounts payable	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

*(b) Liquidity risk — continued*Company

	As at 31 December 2009						Total RMB'000
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial Liabilities:							
Accounts payable	29,927,236	—	—	—	—	—	29,927,236
Repurchase agreements	—	14,473,192	—	—	—	—	14,473,192
Bonds payable	—	—	63,750	255,000	1,946,250	—	2,265,000
Other financial liabilities	223,960	—	—	—	—	—	223,960
Total	<u>30,151,196</u>	<u>14,473,192</u>	<u>63,750</u>	<u>255,000</u>	<u>1,946,250</u>	<u>—</u>	<u>46,889,388</u>
Cash flows from derivative financial instruments settled on net basis	<u>—</u>	<u>(1,513)</u>	<u>(2,612)</u>	<u>10,922</u>	<u>—</u>	<u>—</u>	<u>6,797</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	—	—	—	—	—	—
Contractual amounts payable	—	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(b) Liquidity risk — continued

Company

	As at 31 December 2010						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Liabilities:							
Accounts payable	30,868,612	—	—	—	—	—	30,868,612
Repurchase agreements	—	6,911,768	—	—	—	—	6,911,768
Bonds payable	—	—	63,750	255,000	1,882,500	—	2,201,250
Other financial liabilities	234,244	—	—	—	—	—	234,244
Total	<u>31,102,856</u>	<u>6,911,768</u>	<u>63,750</u>	<u>255,000</u>	<u>1,882,500</u>	<u>—</u>	<u>40,215,874</u>
Cash flows from derivative financial instruments settled on net basis	<u>—</u>	<u>3,016</u>	<u>40,225</u>	<u>346,346</u>	<u>73</u>	<u>—</u>	<u>389,660</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	(12,459,445)	(141,279)	—	—	—	(12,600,724)
Contractual amounts payable	—	12,533,901	144,292	—	—	—	12,678,193
	<u>—</u>	<u>74,456</u>	<u>3,013</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77,469</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(b) Liquidity risk — continued

Company

	As at 31 March 2011						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Liabilities:							
Accounts payable	24,530,927	—	—	—	—	—	24,530,927
Repurchase agreements	—	9,231,599	—	—	—	—	9,231,599
Bonds payable	—	63,750	—	255,000	1,882,500	—	2,201,250
Other financial liabilities	253,394	—	—	—	—	—	253,394
Total	<u>24,784,321</u>	<u>9,295,349</u>	<u>—</u>	<u>255,000</u>	<u>1,882,500</u>	<u>—</u>	<u>36,217,170</u>
Cash flows from derivative financial instruments settled on net basis	<u>—</u>	<u>8,885</u>	<u>61,736</u>	<u>489,956</u>	<u>—</u>	<u>—</u>	<u>560,577</u>
Gross settled derivative financial instruments:							
Contractual amounts receivable	—	(15,712,726)	—	—	—	—	(15,712,726)
Contractual amounts payable	—	15,763,066	—	—	—	—	15,763,066
	<u>—</u>	<u>50,340</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50,340</u>

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(c) Market risk

Market risk is the risk of fluctuation in the fair value of one or more financial instruments arising from adverse movements in market prices, and it includes stock price risk, interest rate risk, currency risk and commodities price risk. Interest rate risk and stock price risk are the main risks faced by the Company.

(i) VaR

The Company adopts Value at Risk (“VaR”) as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, foreign exchange rates or prices over a specified time period and at a given level of confidence.

The calculation is based on the historical data of the Company’s VaR (confidence level of 95% and a holding period of one trading day). Although the VaR analysis is an important tool for measurement of market risk, it mainly relies on relevant historical data, so there are certain restrictions, and it may not accurately predict future changes in risk factors, making it especially difficult to reflect the market risk in the most extreme situations.

The Company’s VaR analysis by risk categories is summarised as follows:

Company

	<u>As at</u> <u>31 December 2008</u>	<u>Year ended 31 December 2008</u>		
	RMB'000	Average RMB'000	Highest RMB'000	Lowest RMB'000
Price-sensitive financial instruments	80,802	172,664	344,378	78,095
Interest rate-sensitive financial instruments	24,566	14,606	28,113	8,108
Total portfolio VaR	83,746	173,352	344,225	82,192
	<u>As at</u> <u>31 December 2009</u>	<u>Year ended 31 December 2009</u>		
	RMB'000	Average RMB'000	Highest RMB'000	Lowest RMB'000
Price-sensitive financial instruments	491,858	242,670	514,850	89,365
Interest rate-sensitive financial instruments	11,895	9,463	18,683	1,848
Total portfolio VaR	492,770	245,642	516,253	96,441
	<u>As at</u> <u>31 December 2010</u>	<u>Year ended 31 December 2010</u>		
	RMB'000	Average RMB'000	Highest RMB'000	Lowest RMB'000
Price-sensitive financial instruments	533,819	340,032	542,154	212,786
Interest rate-sensitive financial instruments	48,109	19,182	49,356	6,965
Total portfolio VaR	554,727	344,376	554,727	211,356

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(c) Market risk — continued

	As at 31 March 2011	Three months ended 31 March 2011		
	RMB'000	Average RMB'000	Highest RMB'000	Lowest RMB'000
Price-sensitive financial instruments	514,166	530,482	587,902	452,628
Interest rate-sensitive financial instruments	46,710	51,157	74,433	36,306
Total portfolio VaR	538,829	553,049	612,252	473,951

(ii) Interest rate risk

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

The Company 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 Company's total income and shareholders' equity when interest rates fluctuate reasonably and possibly. Assuming a shift in market interest rates across the board and without taking into consideration the risk management 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 Company is as follows:

Company

	Sensitivity of revenue			
	31 December 2008	31 December 2009	31 December 2010	31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Change in basis points				
+25 basis points	(36,327)	(24,466)	(214,973)	(119,375)
-25 basis points	36,921	24,476	214,985	120,298
	Sensitivity of equity			
	31 December 2008	31 December 2009	31 December 2010	31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Change in basis points				
+25 basis points	(74,322)	(79,840)	(80,988)	(57,357)
-25 basis points	74,963	79,849	80,997	58,044

II. NOTES TO FINANCIAL INFORMATION — continued**44. Financial Instruments Risk Management — continued***(c) Market risk — continued**(iii) Currency risk*

The Company's currency risk is the risk of fluctuation in the fair value of one or more 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 foreign assets and liabilities held by the Group do not pose a significant currency risk in relation to its total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions are not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities and income, as compared to the Group's total assets, liabilities and income.

(iv) Other price risk

Other price risk is the risk that the fair value of equity securities decreases due to the variance between stock index level and individual share values. If this occurs, market price fluctuations of financial instruments held for trading will impact the Group's profit on a pro rata basis; and market price fluctuations of financial instruments classified as available-for-sale will impact shareholders' equity for the Group.

Taking into account the low proportion of equity investments in the total assets of the Group and the current large unrealised gain on these equity investments, the Group considers that other price risks are currently not significant.

(d) Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of balance sheet, are:

- To comply with the capital requirements under the China Securities Regulatory Commission (CSRC) Rules;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To maintain a strong capital base to support the development of its business.

In PRC, the Risk Control Index Measures set forth the standards for securities companies to calculate their net capital and risk capital reserves and prepare net capital calculation sheets, risk capital reserves calculation sheets and risk control index supervision statements. Net capital is a measure of risk-adjusted net assets, measured by subtracting from net assets the risk adjustments that shall be made to a securities company's financial assets, other assets and contingent liabilities, and further adding or subtracting any other adjustments determined or authorised by the CSRC. A securities company is required by the Risk Control Index Measures to maintain a minimum level of

II. NOTES TO FINANCIAL INFORMATION — continued

44. Financial Instruments Risk Management — continued

(d) Capital management — continued

net capital that varies based on its business activities. In regulating the activities of China's securities companies, the CSRC has established both a warning ratio and a required ratio for certain risk control index standards. Failure to meet these ratios may cause the CSRC to take certain measures.

According to the Risk Control Index Measures, the Company is required to establish a dynamic net capital monitoring mechanism, in line with the changing business environment, to comply with the regulatory requirements for net capital, including a net capital to net assets ratio of no less than 40%, to help manage capital adequacy. In addition, the Company is required to maintain certain minimum amounts of net capital to engage in different businesses, such as margin financing, securities lending, asset management, underwriting and market-making activities. As at 31 December 2008, 2009 and 2010, the Company was in compliance with all of its capital adequacy and risk control index requirements.

The Company's net capital and key regulatory risk control indices for each of the periods presented are as follows:

	As at 31 December			Warning Ratio ⁽ⁱ⁾	Required Ratio
	2008	2009	2010		
Net capital (RMB'000) ⁽ⁱⁱ⁾	38,778,846	34,904,277	41,049,608	n/a	n/a
Net capital/total risk capital reserves (%)	709.7	491.8	524.6	≥120%	≥100%
Net capital/net assets (%)	78.6	66.5	66.7	≥48%	≥40%
Net capital/total liabilities ⁽ⁱⁱⁱ⁾ (%)	338.9	170.5	241.8	≥9.6%	≥8%
Net assets/total liabilities ⁽ⁱⁱⁱ⁾ (%)	431.2	256.2	362.3	≥24%	≥20%
Value of equity securities and derivatives					
held/net capital (%)	8.1	40.4	61.9	≤80%	≤100%
Value of fixed income securities					
held/net capital (%)	86.9	91.6	55.1	≤400%	≤500%

(i) Warning ratios are set by the CSRC as follows, according to the Risk Control Index Measures: if the risk control index is required to stay above a certain level, then the warning ratio is 120% of the stipulated minimum requirement, and if the risk control index is required to stay below a certain level, then the warning ratio is 80% of the stipulated maximum requirement.

(ii) Net capital is measured by subtracting from net assets the risk adjustments to be made to a securities company's financial assets, other assets and contingent liabilities, and further adding or subtracting any other adjustments determined or authorised by the CSRC.

(iii) For purposes of calculating the risk control index, total liabilities do not include accounts payable to clients.

III. SUBSEQUENT EVENTS

1. *Partial transfer of equity interest in China AMC*

To comply with the relevant regulatory requirements, the Company intends to transfer part of its equity interests held in China Asset Management Co., Ltd. (“China AMC”). In the second extraordinary general meeting of the Company held on 9 June 2011, a resolution relating to the proposed transfer of equity stake in China AMC was passed, pursuant to which, the shareholders approved the proposed transfer of the Company’s 51% equity interest held in China AMC through an asset and equity exchange at a sale consideration to be determined with reference to the result of an independent valuation of the stakes. Upon the completion of the transfer, the Company will hold 49% of the equity interests in China AMC. On 11 August 2011, the Beijing Financial Assets Exchange notified the Company that the bidding process of 31% of the equity interests has been completed and the respective buyers have been identified. The equity transfers are subject to approval by CSRC.

2. *Minority investments in CLSA and CA Cheuvreux*

In the Board of Directors’ meeting of the Company held on 9 June 2011, a board resolution relating to the proposed acquisition of 19.9% equity stake in each of CLSA B.V. (“CLSA”) and Crédit Agricole Cheuvreux SA (“CA Cheuvreux”) by CITIC Securities International Company Limited, a wholly owned Hong Kong subsidiary of the Company, was passed, pursuant to which the board approved the proposed acquisition at a consideration of US\$374 million. The proposed acquisition is in progress.

3. *Acquisition of the remaining equity interest in CITIC Wantong*

In the Board of Directors’ meeting of the Company held on 29 March 2010, a board resolution relating to the proposed acquisition of the remaining minority interests in CITIC Wantong Securities Co., Ltd (“CITIC Wantong”) was passed, pursuant to which the board approved the proposed acquisition of the remaining 8.6% equity interests of CITIC Wantong with its own funds so as to change CITIC Wantong as a wholly owned subsidiary. As at 19 August 2011, the Company has completed the acquisition of 3% of equity interests, as a result of which, the equity interests held in CITIC Wantong increased to 94.40% from 91.40%.

4. *Establishment of a subsidiary specialised in financial products investments*

In the Board of Directors’ meeting of the Company held on 28 July 2011, a board resolution relating to the proposed setup of a wholly owned subsidiary specialising in financial products investments was passed, pursuant to which the board approved the application for setting up a wholly owned subsidiary specialising in financial products investments with the CSRC. The initial investment amount for establishing the subsidiary will be RMB3 billion. The relevant procedures are in progress.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2011.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong