

The information set out below is the unaudited condensed consolidated financial statements of the Group for the period ended 30 June 2011 and does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong as set out in Appendix I, and is included herein for information purposes only.



18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### Report on review of interim financial information

To the board of directors of CITIC Securities Company Limited

#### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of CITIC Securities Company Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

#### Scope of review

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

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong

22 September 2011

**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
Revenue			
— Fee and commission income		4,954,901	7,613,740
— Interest income	4	994,863	1,064,042
— Investment income	5	2,342,873	447,195
		8,292,637	9,124,977
Other income		84,404	163,466
<b>Total revenue and other income</b>		<b>8,377,041</b>	<b>9,288,443</b>
Fee and commission expense	6	573,073	910,757
Finance costs	6	291,657	362,570
Staff costs	6	2,062,344	2,211,155
Depreciation		80,216	127,223
Business tax and surcharges		288,368	373,566
Other operating expenses	6	1,090,811	1,290,168
Impairment losses	7	(5,219)	(8,590)
<b>Total operating expenses</b>		<b>4,381,250</b>	<b>5,266,849</b>
<b>Operating profit</b>		<b>3,995,791</b>	<b>4,021,594</b>
Share of profits and losses of:			
— Associates		2,794	(2,014)
— Jointly-controlled entities		(1,974)	(36,895)
<b>Profit before income tax</b>		<b>3,996,611</b>	<b>3,982,685</b>
Income tax expense	8	1,013,748	927,138
<b>Profit for the period</b>		<b>2,982,863</b>	<b>3,055,547</b>
Attributable to:			
— Owners of the parent		2,973,413	2,628,487
— Non-controlling interests		9,450	427,060
		<b>2,982,863</b>	<b>3,055,547</b>
Earnings per share attributable to ordinary equity holders of the parent (in RMB yuan)			
— Basic	10	0.30	0.26
— Diluted	10	0.30	0.26

Details of the dividends payable and proposed are disclosed in note 9 below.

**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
<b>Profit for the period</b> .....	<b>2,982,863</b>	<b>3,055,547</b>
<b>Other comprehensive income</b>		
Available-for-sale financial assets:		
Changes in fair value .....	183,408	(577,437)
Income tax effect on changes in fair value .....	(49,281)	97,729
Reclassification adjustments for gains/(losses) included in the consolidated income statements, net .....	(824,175)	(289,607)
	(690,048)	(769,315)
Foreign currency translation differences .....	(87,116)	(35,298)
Other comprehensive income for the period, net of tax .....	(777,164)	(804,613)
<b>Total comprehensive income for the period</b> .....	<b><u>2,205,699</u></b>	<b><u>2,250,934</u></b>
Attributable to:		
Owners of the parent .....	2,207,541	1,837,768
Non-controlling interests .....	(1,842)	413,166
	<b><u>2,205,699</u></b>	<b><u>2,250,934</u></b>

**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**30 JUNE 2011**  
(In RMB thousands, unless otherwise stated)

	Notes	30 June 2011 (Unaudited)	31 December 2010 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	2,732,449	2,490,546
Investment properties		82,108	83,477
Goodwill		822,470	825,112
Other intangible assets		102,427	103,085
Investments in associates		1,008,248	1,021,991
Investments in jointly-controlled entities		753,561	740,272
Available-for-sale financial assets	12	7,777,311	5,982,636
Refundable deposits	13	1,016,374	1,006,749
Deferred income tax assets	14	826,044	1,128,067
Other non-current assets		209,328	206,094
<b>Total non-current assets</b>		<b>15,330,320</b>	<b>13,588,029</b>
<b>Current assets</b>			
Fee and commission receivables		329,185	392,422
Margin financing and securities lending	15	2,815,885	1,975,415
Available-for-sale financial assets	12	30,083,829	37,056,265
Financial assets held for trading	16	16,029,602	13,855,855
Financial assets designated at fair value through profit or loss	17	386,159	400,294
Derivative financial assets		787,168	732,537
Reverse repurchase agreements	18	1,932,764	1,866,466
Other current assets	19	2,243,854	2,954,765
Cash held on behalf of customers	20	40,907,468	61,911,465
Cash and bank balances	21	20,978,582	18,444,157
<b>Total current assets</b>		<b>116,494,496</b>	<b>139,589,641</b>
<b>Current liabilities</b>			
Accounts payable	22	41,781,112	62,081,222
Derivative financial liabilities		627,398	434,575
Financial liabilities designated at fair value through profit or loss		24,331	—
Repurchase agreements	23	11,130,274	6,901,600
Due to banks		1,080,000	—
Tax payable	24	1,243,751	3,860,920
Loans	25	768,987	127,640
Other current liabilities	26	5,046,687	6,616,149
<b>Total current liabilities</b>		<b>61,702,540</b>	<b>80,022,106</b>
<b>Net current assets</b>		<b>54,791,956</b>	<b>59,567,535</b>
<b>Total assets less current liabilities</b>		<b>70,122,276</b>	<b>73,155,564</b>

## CITIC SECURITIES COMPANY LIMITED

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

30 JUNE 2011

(In RMB thousands, unless otherwise stated)

	Notes	<u>30 June</u> <u>2011</u> (Unaudited)	<u>31 December</u> <u>2010</u> (Audited)
<b>Non-current liabilities</b>			
Bonds payable . . . . .		1,500,000	1,500,000
Deferred income tax liabilities . . . . .	14	542,523	797,158
Other non-current liabilities . . . . .		10,691	10,691
<b>Total non-current liabilities . . . . .</b>		<b><u>2,053,214</u></b>	<b><u>2,307,849</u></b>
<b>Net assets . . . . .</b>		<b><u>68,069,062</u></b>	<b><u>70,847,715</u></b>
<b>Equity</b>			
Equity attributable to owners of the parent			
Issued share capital . . . . .	27	9,945,702	9,945,702
Reserves . . . . .		39,202,857	39,826,980
Retained profits . . . . .		18,521,030	20,662,217
		<b><u>67,669,589</u></b>	<b><u>70,434,899</u></b>
Non-controlling interests . . . . .		399,473	412,816
<b>Total equity . . . . .</b>		<b><u>68,069,062</u></b>	<b><u>70,847,715</u></b>

**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
**(In RMB thousands, unless otherwise stated)**

	Attributable to owners of the parent						Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
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 . . . . .	—	—	—	—	—	—	2,973,413	2,973,413	9,450	2,982,863
Other comprehensive income for the period . . . . .	—	—	—	—	(678,756)	(87,116)	—	(765,872)	(11,292)	(777,164)
Total comprehensive income for the period . . . . .	—	—	—	—	(678,756)	(87,116)	2,973,413	2,207,541	(1,842)	2,205,699
Dividend — 2010 . . . . .	—	—	—	—	—	—	(4,972,851)	(4,972,851)	—	(4,972,851)
Appropriation to general reserve . . . . .	—	—	—	141,749	—	—	(141,749)	—	—	—
Capital increase/ (decrease) by shareholders — Capital contribution by shareholders . . . . .	—	—	—	—	—	—	—	—	2,259	2,259
Dividends to non-controlling shareholders . . . . .	—	—	—	—	—	—	—	—	(13,760)	(13,760)
At 30 June 2011 (Unaudited) . . . . .	<u>9,945,702</u>	<u>24,199,570</u>	<u>4,679,619</u>	<u>9,215,295</u>	<u>1,437,856</u>	<u>(329,483)</u>	<u>18,521,030</u>	<u>67,669,589</u>	<u>399,473</u>	<u>68,069,062</u>

**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — continued**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
(In RMB thousands, unless otherwise stated)

	Attributable to owners of the parent						Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Reserves			Foreign currency translation reserve					
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve						
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 . . .	—	—	—	—	—	—	2,628,487	2,628,487	427,060	3,055,547
Other comprehensive income for the period . . . . .	—	—	—	—	(755,421)	(35,298)	—	(790,719)	(13,894)	(804,613)
Total comprehensive income for the period . . . . .	—	—	—	—	(755,421)	(35,298)	2,628,487	1,837,768	413,166	2,250,934
Dividend — 2009 . . . . .	—	—	—	—	—	—	(3,315,234)	(3,315,234)	—	(3,315,234)
Appropriation to general reserve . . . . .	—	—	—	151,683	—	—	(151,683)	—	—	—
Capital increase/ (decrease) by shareholders										
— Capital contribution by shareholders . . . . .	—	—	—	—	—	—	—	—	47,168	47,168
— Others . . . . .	—	(781)	—	—	—	—	—	(781)	—	(781)
Dividends to non-controlling shareholders . . . . .	—	—	—	—	—	—	—	—	(16,480)	(16,480)
Conversion of capital reserve into issued share capital . . . . .	3,315,234	(3,315,234)	—	—	—	—	—	—	—	—
At 30 June 2010										
(Unaudited) . . . . .	<u>9,945,702</u>	<u>24,199,508</u>	<u>3,723,989</u>	<u>7,074,623</u>	<u>391,568</u>	<u>(148,177)</u>	<u>14,933,976</u>	<u>60,121,189</u>	<u>3,658,797</u>	<u>63,779,986</u>

**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax . . . . .	3,996,611	3,982,685
Adjustments for:		
Interest expense on bonds issued . . . . .	31,875	31,875
Share of profits and losses of associates and jointly-controlled entities . . . . .	(820)	38,909
Dividend income and interest income from available-for-sale financial assets . . . . .	(320,808)	(418,124)
Net loss/(gain) on disposal of available-for-sale financial assets . . . . .	(1,966,615)	600,537
Gain on disposal of property, plant and equipment and other assets . . . . .	(736)	(40,980)
Fair value loss/(gain) on financial instruments at fair value through profit or loss . . .	322,832	(52,722)
Depreciation . . . . .	81,584	129,658
Amortisation . . . . .	51,312	59,571
Impairment on other assets . . . . .	(5,219)	(8,590)
	<b><u>2,190,016</u></b>	<b><u>4,322,819</u></b>
<b>Net (increase)/decrease in operating assets</b>		
Financial assets held for trading . . . . .	(2,244,822)	(3,950,826)
Cash held on behalf of customers . . . . .	21,003,997	13,316,976
Other assets . . . . .	(3,105,017)	(6,097,419)
	<b><u>15,654,158</u></b>	<b><u>3,268,731</u></b>
<b>Net increase/(decrease) in operating liabilities</b>		
Accounts payable . . . . .	(20,292,083)	(13,386,624)
Repurchase agreements . . . . .	4,228,674	(8,579,641)
Other liabilities . . . . .	1,148,439	859,908
	<b><u>(14,914,970)</u></b>	<b><u>(21,106,357)</u></b>
<b>Net cash inflow/(outflow) from operating activities before tax . . . . .</b>	<b><u>2,929,204</u></b>	<b><u>(13,514,807)</u></b>
Income tax paid . . . . .	(3,245,022)	(2,135,010)
<b>Net cash outflow from operating activities . . . . .</b>	<b><u>(315,818)</u></b>	<b><u>(15,649,817)</u></b>



**CITIC SECURITIES COMPANY LIMITED**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS — continued**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited)
<b>Cash flows from investing activities</b>			
Dividend income and interest income from available-for-sale financial assets .....		320,808	418,124
Net cash flows from purchases, leases and sales of property, plant and equipment and other assets .....		(382,818)	(124,126)
Net cash flows from investments in associates and jointly-controlled entities .....		10,068	93,631
Net cash flows from disposal or purchase of available-for-sale financial assets .....		6,273,867	4,035,727
Other net cash flows from investing activities .....		940,715	—
<b>Net cash inflow from investing activities .....</b>		<b><u>7,162,640</u></b>	<b><u>4,423,356</u></b>
<b>Cash flows from financing activities</b>			
Cash inflows from financing activities .....		667,476	47,349
Payment of debts .....		—	(87,239)
Dividends and interest expense .....		(5,050,361)	(3,395,464)
Other cash outflows from financing activities .....		—	(782)
<b>Net cash outflow from financing activities .....</b>		<b><u>(4,382,885)</u></b>	<b><u>(3,436,136)</u></b>
Net increase/(decrease) in cash and cash equivalents .....		2,463,937	(14,662,597)
Cash and cash equivalents at the beginning of the period .....		17,353,363	27,132,312
Effect of exchange rate changes on cash and bank balances .....		(84,107)	(25,411)
<b>Cash and cash equivalents at the end of the period .....</b>	28	<b><u>19,733,193</u></b>	<b><u>12,444,304</u></b>
Cash and bank balances .....	21	20,978,582	13,376,425
Less: Restricted funds .....	21	(1,245,389)	(932,121)
<b>Cash and cash equivalents .....</b>		<b><u>19,733,193</u></b>	<b><u>12,444,304</u></b>

**CITIC SECURITIES COMPANY LIMITED**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**30 JUNE 2011**

**(In RMB thousands, unless otherwise stated)**

**1. CORPORATE INFORMATION**

CITIC Securities Company Limited (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC” or “Mainland China”, which excludes for the purpose of the financial statements, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) on 25 October 1995. Pursuant to 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. 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.

The Company and its subsidiaries (hereinafter collectively referred to as 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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2010.

**2.2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

The Group has not adopted any other standard, interpretation or amendment that was issued but is not yet effective.

**CITIC SECURITIES COMPANY LIMITED**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS — continued**  
**30 JUNE 2011**  
**(In RMB thousands, unless otherwise stated)**

**3. 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.

**CITIC SECURITIES COMPANY LIMITED**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS — continued**

**30 JUNE 2011**

**(In RMB thousands, unless otherwise stated)**

**3. 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>Six months ended 30 June 2011</u> <u>(Unaudited)</u>	<u>Investment</u> <u>banking</u>	<u>Brokerage</u>	<u>Trading</u>	<u>Asset</u> <u>management</u>	<u>Others</u>	<u>Total</u>
Segment revenue and other						
income . . . . .	717,928	3,155,869	1,567,621	1,694,983	1,240,640	8,377,041
— Fee and commission income . . . .	717,012	2,558,720	—	1,634,177	44,992	4,954,901
— Interest income . . . . .	27	551,745	417,374	14,929	10,788	994,863
— Investment income . . . . .	30	23,556	1,138,820	14,765	1,165,702	2,342,873
— Other income . . . . .	859	21,848	11,427	31,112	19,158	84,404
Operating expenses . . . . .	423,823	1,808,532	859,780	1,121,419	167,696	4,381,250
Including: Finance costs . . . . .	—	126,289	161,781	—	3,587	291,657
Impairment losses . . . . .	—	(2,625)	—	—	(2,594)	(5,219)
Operating profit . . . . .	294,105	1,347,337	707,841	573,564	1,072,944	3,995,791
Share of profits and losses of						
associates and jointly-controlled						
entities . . . . .	—	—	—	—	820	820
Profit before income tax . . . . .	294,105	1,347,337	707,841	573,564	1,073,764	3,996,611
Income tax expense . . . . .	—	—	—	—	—	1,013,748
Profit for the period . . . . .	<u>294,105</u>	<u>1,347,337</u>	<u>707,841</u>	<u>573,564</u>	<u>1,073,764</u>	<u>2,982,863</u>
Other segment information:						
Depreciation and amortisation . . . . .	1,276	82,321	2,100	12,547	34,652	132,896
Capital expenditure . . . . .	<u>56,374</u>	<u>143,627</u>	<u>128,008</u>	<u>48,076</u>	<u>8,031</u>	<u>384,116</u>

**CITIC SECURITIES COMPANY LIMITED**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS — continued**

**30 JUNE 2011**

(In RMB thousands, unless otherwise stated)

**3. OPERATING SEGMENT INFORMATION — continued**

Six months ended 30 June 2010 (Unaudited)	Investment banking	Brokerage	Trading	Asset management	Others	Total
Segment revenue and other						
income . . . . .	1,130,100	5,383,925	526,451	2,012,983	234,984	9,288,443
— Fee and commission income . . . .	1,130,014	4,598,042	—	1,861,147	24,537	7,613,740
— Interest income . . . . .	84	763,006	209,757	11,688	79,507	1,064,042
— Investment income . . . . .	2	390	316,694	83,134	46,975	447,195
— Other income . . . . .	—	22,487	—	57,014	83,965	163,466
Operating expenses . . . . .	625,725	3,087,709	320,771	1,142,372	90,272	5,266,849
Including: Finance costs . . . . .	—	212,271	148,470	—	1,829	362,570
Impairment losses . . . . .	—	(8,678)	—	—	88	(8,590)
Operating profit . . . . .	504,375	2,296,216	205,680	870,611	144,712	4,021,594
Share of profits and losses of associates and jointly-controlled entities . . . . .	—	—	—	—	(38,909)	(38,909)
Profit before income tax . . . . .	504,375	2,296,216	205,680	870,611	105,803	3,982,685
Income tax expense . . . . .	—	—	—	—	—	927,138
Profit for the period . . . . .	<u>504,375</u>	<u>2,296,216</u>	<u>205,680</u>	<u>870,611</u>	<u>105,803</u>	<u>3,055,547</u>
Other segment information:						
Depreciation and amortisation . . . . .	20,077	113,480	8,356	15,924	31,392	189,229
Capital expenditure . . . . .	<u>37,426</u>	<u>153,681</u>	<u>7,447</u>	<u>14,747</u>	<u>4,028</u>	<u>217,329</u>

**4. INTEREST INCOME**

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Bank interest income . . . . .	873,040	976,976
Interest income on margin and other financing . . . . .	118,673	63,790
Others . . . . .	3,150	23,276
Total . . . . .	<u>994,863</u>	<u>1,064,042</u>

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**5. INVESTMENT INCOME**

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Net gains/(losses) from disposal of available-for-sale financial assets . . . . .	1,966,615	(600,537)
Dividend income and interest income from available-for-sale financial assets . . . . .	320,808	418,124
Net gains/(losses) from financial assets held for trading . . . . .	(553,263)	509,367
Net gains/(losses) from financial assets designated at fair value through profit or loss . . . . .	(14,135)	—
Others . . . . .	622,848	120,241
Total . . . . .	<u>2,342,873</u>	<u>447,195</u>

**6. PROFIT BEFORE INCOME TAX**

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Fee and commission expense:		
— Commission expense . . . . .	560,435	902,836
— Others . . . . .	12,638	7,921
Total . . . . .	<u>573,073</u>	<u>910,757</u>

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Finance costs:		
— Accounts payable to clients . . . . .	126,289	212,271
— Due to banks and other financial institutions . . . . .	130,077	116,595
— Bonds issued . . . . .	31,875	31,875
— Others . . . . .	3,416	1,829
Total . . . . .	<u>291,657</u>	<u>362,570</u>

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Interest on bank loans		
— wholly repayable within five years . . . . .	<u>3,094</u>	<u>1,786</u>

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**6. PROFIT BEFORE INCOME TAX — continued**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Staff costs:		
— Salaries and bonuses .....	1,780,390	1,919,094
— Staff benefits .....	130,755	163,280
— Contributions to defined contribution schemes .....	151,199	128,781
<b>Total .....</b>	<b><u>2,062,344</u></b>	<b><u>2,211,155</u></b>

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Other operating expenses:		
— Fund distribution and marketing expenses .....	214,426	221,452
— Minimum lease payments under operating leases in respect of land and buildings ..	183,541	198,634
— Business travel expenses .....	81,108	79,766
— Miscellaneous expenses .....	76,047	129,862
— Electronic device operating costs .....	57,567	61,834
— Consulting fees .....	56,603	59,416
— Postal and communication expenses .....	56,551	76,317
— Securities investor protection fund .....	54,035	84,586
— Business entertainment expenses .....	52,734	73,862
— Marketing, advertising and promotion expenses .....	41,810	21,478
— Auditors' remuneration .....	—	1,100
— Others .....	216,389	281,861
<b>Total .....</b>	<b><u>1,090,811</u></b>	<b><u>1,290,168</u></b>

**7. IMPAIRMENT LOSSES**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Impairment loss on other receivables .....	<u>(5,219)</u>	<u>(8,590)</u>

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**8. INCOME TAX EXPENSE**

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Current income tax expense .....	771,822	918,728
— Mainland China .....	760,707	907,628
— Hong Kong .....	11,115	11,100
Deferred income tax expense .....	241,926	8,410
Total .....	<u>1,013,748</u>	<u>927,138</u>

**9. DIVIDENDS**

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Dividends on ordinary shares paid .....	<u>4,972,851</u>	<u>3,315,234</u>
Dividends on ordinary shares proposed for approval .....	<u>—</u>	<u>—</u>

**10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent .....	<u>2,973,413</u>	<u>2,628,487</u>
Shares:		
Weighted average number of ordinary shares in issue (thousand) .....	<u>9,945,702</u>	<u>9,945,702</u>
Basic and diluted earnings per share (RMB yuan) .....	<u>0.30</u>	<u>0.26</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 period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue.

There were no dilutive events during the six months ended 30 June 2011 and 30 June 2010.



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**11. PROPERTY, PLANT AND EQUIPMENT**

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic device	Others	Subtotal	Construction in progress	Total
<b>30 June 2011(Unaudited)</b>										
Cost										
At 1 January 2011 (Audited) . . . . .	376,437	2,834	69,580	71,926	4,774	579,173	63,630	1,168,354	1,926,559	3,094,913
Additions . . . . .	—	207	9,928	1,872	164	56,156	1,385	69,712	278,684	348,396
Decreases . . . . .	323	—	4,704	22	13	6,406	842	12,310	25,010	37,320
At 30 June 2011 (Unaudited) . . . . .	376,114	3,041	74,804	73,776	4,925	628,923	64,173	1,225,756	2,180,233	3,405,989
Accumulated depreciation										
At 1 January 2011 (Audited) . . . . .	115,523	1,685	37,114	32,182	1,861	368,428	47,574	604,367	—	604,367
Additions . . . . .	4,710	217	8,182	5,732	418	57,781	3,155	80,195	—	80,195
Decreases . . . . .	144	—	4,226	22	11	6,032	587	11,022	—	11,022
At 30 June 2011 (Unaudited) . . . . .	120,089	1,902	41,070	37,892	2,268	420,177	50,142	673,540	—	673,540
Net carrying amount										
At 30 June 2011 (Unaudited) . . . . .	256,025	1,139	33,734	35,884	2,657	208,746	14,031	552,216	2,180,233	2,732,449
<b>31 December 2010 (Audited)</b>										
Cost										
At 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 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

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12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

*Non-Current*

	<u>30 June</u> <u>2011</u> (Unaudited)	<u>31 December</u> <u>2010</u> (Audited)
At fair value:		
Equity investments .....	299,014	131,250
At cost:		
Equity investments .....	7,644,228	6,017,317
	7,943,242	6,148,567
Less: Allowance for impairment losses .....	165,931	165,931
Total .....	<u>7,777,311</u>	<u>5,982,636</u>
Analysed into:		
Listed .....	238,233	131,250
Unlisted .....	7,705,009	6,017,317
	<u>7,943,242</u>	<u>6,148,567</u>

*Current*

	<u>30 June</u> <u>2011</u> (Unaudited)	<u>31 December</u> <u>2010</u> (Audited)
At fair value:		
Debt securities .....	10,416,472	14,818,620
Equity investments .....	19,050,148	22,061,299
Others .....	1,019,615	580,196
	30,486,235	37,460,115
Less: Allowance for impairment losses .....	402,406	403,850
Total .....	<u>30,083,829</u>	<u>37,056,265</u>
Analysed into:		
Listed .....	29,238,301	34,394,332
Unlisted .....	1,247,934	3,065,783
	<u>30,486,235</u>	<u>37,460,115</u>

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**13. REFUNDABLE DEPOSITS**

	<u>30 June</u> <u>2011</u>	<u>31 December</u> <u>2010</u>
	(Unaudited)	(Audited)
Margin trading .....	1,016,244	1,006,719
Credit deposit .....	130	30
Total .....	<u>1,016,374</u>	<u>1,006,749</u>

**14. DEFERRED INCOME TAX ASSETS AND LIABILITIES**

The Group did not have significant unrecognised deferred income tax assets and liabilities as at 30 June 2011 and 31 December 2010.

	<u>Depreciation allowance</u>	<u>Change in fair value of financial assets held for trading</u>	<u>Allowance for impairment losses on available-for-sale financial assets</u>	<u>Accrued staff costs</u>	<u>Others</u>	<u>Total</u>
Deferred income tax assets:						
At 1 January 2011 (Audited) .....	503	15,076	84,630	1,018,647	9,211	1,128,067
Credited/(debited) to the income statement .....	—	(9,752)	16	(291,052)	(625)	(301,413)
Debited to other comprehensive income .....	—	—	—	—	(610)	(610)
At 30 June 2011 (Unaudited) .....	<u>503</u>	<u>5,324</u>	<u>84,646</u>	<u>727,595</u>	<u>7,976</u>	<u>826,044</u>

	<u>Depreciation allowance</u>	<u>Change in fair value of financial assets held for trading</u>	<u>Allowance for impairment losses on available-for-sale financial assets</u>	<u>Change in fair value of derivatives</u>	<u>Accrued staff costs</u>	<u>Others</u>	<u>Total</u>
Deferred income tax assets:							
At 1 January 2010 (Audited) .....	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 (Audited) .....	<u>503</u>	<u>15,076</u>	<u>84,630</u>	<u>—</u>	<u>1,018,647</u>	<u>9,211</u>	<u>1,128,067</u>

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**14. DEFERRED INCOME TAX ASSETS AND LIABILITIES — continued**

	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
Deferred income tax liabilities:				
At 1 January 2011 (Audited) . . . . .	697,795	99,208	155	797,158
Credited to the income statement . . . . .	—	(59,332)	(155)	(59,487)
Credited to other comprehensive income . . . . .	(195,148)	—	—	(195,148)
At 30 June 2011 (Unaudited) . . . . .	<u>502,647</u>	<u>39,876</u>	<u>—</u>	<u>542,523</u>

	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 derivatives	Others	Total
Deferred income tax liabilities:					
At 1 January 2010 (Audited) . . . . .	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 (Audited) . . . . .	<u>—</u>	<u>697,795</u>	<u>99,208</u>	<u>155</u>	<u>797,158</u>

**15. MARGIN FINANCING AND SECURITIES LENDING**

Margin financing and securities lending are secured with adequate collaterals, which are neither overdue nor impaired as at 30 June 2011 and 31 December 2010. The Group's 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 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.

**16. FINANCIAL ASSETS HELD FOR TRADING**

	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Debt securities . . . . .	12,044,011	9,635,373
Equity investments . . . . .	3,659,591	3,812,320
Others . . . . .	326,000	408,162
Total . . . . .	<u>16,029,602</u>	<u>13,855,855</u>
Analysed into:		
Listed . . . . .	15,280,539	13,216,543
Unlisted . . . . .	749,063	639,312
	<u>16,029,602</u>	<u>13,855,855</u>

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**17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>30 June</u> <u>2011</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2010</u> <u>(Audited)</u>
Equity investments .....	386,159	400,294
Analysed into:		
Listed .....	—	—
Unlisted .....	386,159	400,294
	<u>386,159</u>	<u>400,294</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.

**18. REVERSE REPURCHASE AGREEMENTS**

	<u>30 June</u> <u>2011</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2010</u> <u>(Audited)</u>
Analysed by collateral:		
Securities .....	1,932,764	1,866,466
Analysed by counterparty:		
Banks .....	1,893,164	1,606,616
Other financial institutions .....	39,600	259,850
Total .....	<u>1,932,764</u>	<u>1,866,466</u>

Under certain reverse repurchase agreements, the Group received no collateral that is permitted to be sold or repledged in the absence of default by the owners of the collateral as at 30 June 2011 and 31 December 2010.

**19. OTHER CURRENT ASSETS**

	<u>30 June</u> <u>2011</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2010</u> <u>(Audited)</u>
Interest receivable .....	376,952	343,978
Deferred expenses .....	47,517	34,815
Guaranteed deposits placed with clearing house .....	20,159	20,000
Other receivables .....	1,817,279	2,580,113
Less: Impairment loss .....	18,053	24,141
Total .....	<u>2,243,854</u>	<u>2,954,765</u>

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**19. OTHER CURRENT ASSETS — 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, which is not overdue and non-collateralised as at 30 June 2011 and 31 December 2010.

**20. CASH HELD ON BEHALF OF CUSTOMERS**

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Group has 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.

**21. CASH AND BANK BALANCES**

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	(Unaudited)	(Audited)
Cash on hand .....	320	258
Deposits in banks .....	<u>20,978,262</u>	<u>18,443,899</u>
Total .....	<u><u>20,978,582</u></u>	<u><u>18,444,157</u></u>

As at 30 June 2011 and 31 December 2010, the restricted funds were RMB1,245.39 million and RMB1,090.79 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.

**22. ACCOUNTS PAYABLE**

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	(Unaudited)	(Audited)
Accounts payable to clients .....	<u><u>41,781,112</u></u>	<u><u>62,081,222</u></u>

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**23. REPURCHASE AGREEMENTS**

	<u>30 June</u> <u>2011</u> (Unaudited)	<u>31 December</u> <u>2010</u> (Audited)
Analysed by collateral:		
Securities .....	11,130,274	6,901,600
Analysed by counterparty:		
Banks .....	7,842,555	5,988,450
Other financial institutions .....	3,287,719	913,150
Total .....	<u>11,130,274</u>	<u>6,901,600</u>

**24. TAX PAYABLE**

	<u>30 June</u> <u>2011</u> (Unaudited)	<u>31 December</u> <u>2010</u> (Audited)
Income tax .....	715,522	3,188,721
Business tax .....	32,824	176,904
Others .....	495,405	495,295
Total .....	<u>1,243,751</u>	<u>3,860,920</u>

**25. LOANS**

	<u>30 June</u> <u>2011</u> (Unaudited)	<u>31 December</u> <u>2010</u> (Audited)
Analysed by nature:		
Collateralised loan .....	387,273	127,640
Unsecured loan .....	381,714	—
	<u>768,987</u>	<u>127,640</u>
Analysed by term:		
Maturity within one year .....	<u>768,987</u>	<u>127,640</u>

During the six months ended 30 June 2011, there were no defaults under or breaches of the Group's loan agreements (Six months ended 30 June 2010: none).

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**26. OTHER CURRENT LIABILITIES**

	<u>30 June</u> <u>2011</u>	<u>31 December</u> <u>2010</u>
	(Unaudited)	(Audited)
Salaries, bonuses and allowances payables .....	3,430,409	5,057,690
Funds payable to securities holders .....	181,292	181,156
Funds payable to securities issuers .....	74,866	66,649
Interest payable .....	5,313	37,188
Accrued liabilities .....	19,355	19,355
Other payables .....	1,335,452	1,254,111
Total .....	<u>5,046,687</u>	<u>6,616,149</u>

**27. ISSUED SHARE CAPITAL**

Share capital of the Group is as follows:

	<u>30 June 2011</u>		<u>31 December 2010</u>	
	<u>Number of shares (Thousand)</u>	<u>Nominal Value</u>	<u>Number of shares (Thousand)</u>	<u>Nominal Value</u>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Registered, issued and fully paid:				
A shares of RMB1 each .....	<u>9,945,702</u>	<u>9,945,702</u>	<u>9,945,702</u>	<u>9,945,702</u>

**28. CASH AND CASH EQUIVALENTS**

	<u>30 June</u> <u>2011</u>	<u>30 June</u> <u>2010</u>
	(Unaudited)	(Unaudited)
Cash on hand .....	320	858
Deposits in banks .....	19,732,873	12,443,446
Total .....	<u>19,733,193</u>	<u>12,444,304</u>

**29. COMMITMENTS AND CONTINGENT LIABILITIES**

(a) *Capital commitments*

	<u>30 June</u> <u>2011</u>	<u>31 December</u> <u>2010</u>
	(Unaudited)	(Audited)
Contracted, but not provided for .....	<u>292,761</u>	<u>348,307</u>

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



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**29. COMMITMENTS AND CONTINGENT LIABILITIES — continued**

(b) *Investment commitments*

	<u>30 June</u> <u>2011</u>	<u>31 December</u> <u>2010</u>
	(Unaudited)	(Audited)
Contracted, but not fulfilled .....	<u>422,840</u>	<u>2,559,172</u>

(c) *Operating lease commitments*

(i) *Operating lease commitments as a lessee*

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

	<u>30 June</u> <u>2011</u>	<u>31 December</u> <u>2010</u>
	(Unaudited)	(Audited)
Within one year .....	253,552	223,940
After one year but not more than two years .....	188,437	182,642
After two years but not more than three years .....	140,185	128,908
After three years .....	<u>307,773</u>	<u>316,732</u>
Total .....	<u>889,947</u>	<u>852,222</u>

(ii) *Operating lease commitments as a lessor*

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

(d) *Legal proceedings*

From time to time in the ordinary course of business, the Group is subject to claims and is party to legal and regulatory proceedings. As at 30 June 2011, the Group was not involved in any material legal, arbitration or administrative proceedings that if adversely determined, the Group expects would materially adversely affect its financial position or results of operations.

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**30. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

(1) *Shareholders with significant influence*

(a) Largest shareholder of the Company — CITIC Group

(i) Transactions during the period

	<u>Six months ended 30 June</u>	
	<u>2011</u>	<u>2010</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Fee and commission income .....	993	—
Underwriting income .....	51	39,550
Service fees received .....	499	791
Service fees paid .....	752	—
Lease expenses .....	9,934	10,552
Total .....	<u>12,229</u>	<u>50,893</u>

(ii) Guarantees between related parties

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, which guaranteed by CITIC Group. As at 30 June 2011, total guarantee provided by CITIC Group was amounted to RMB1.5 billion (31 December 2010: RMB 1.5 billion).

(b) Second largest shareholder of the Company – China Life Insurance Company

Transactions during the period

	<u>Six months ended 30 June</u>	
	<u>2011</u>	<u>2010</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Lease expenses .....	1,795	—
Total .....	<u>1,795</u>	<u>—</u>

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**30. RELATED PARTY TRANSACTION — continued**

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

(a) *Transactions during the period*

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Lease expenses . . . . .	15,867	15,861
Interest income . . . . .	248,752	98,484
Interest expense . . . . .	4,368	—
Underwriting income . . . . .	—	9,270
Service fees received . . . . .	2,582	4,157
Service fees paid . . . . .	39,279	26,927
Lease fees received . . . . .	14,047	36
Investment income-Interest rate swap . . . . .	5,571	4,247
Fee and commission income . . . . .	14,922	5,048
Fee and commission expense . . . . .	6,672	5,395
Other income . . . . .	—	16,465
Capital expenditure . . . . .	3,318	—
Total . . . . .	<u>355,378</u>	<u>185,890</u>

(b) *Balances at the end of the year/period*

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
Accounts receivable . . . . .	7,811	523
Accounts payable . . . . .	4,394	4,805
Cash held on behalf of customers <sup>(i)</sup> . . . . .	2,848,974	7,468,043
Cash and bank balances <sup>(i)</sup> . . . . .	<u>6,692,948</u>	<u>4,358,128</u>
Total . . . . .	<u>9,554,127</u>	<u>11,831,499</u>

Note:

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

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**31. 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, due to banks 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).

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**31. FAIR VALUE AND FAIR VALUE HIERARCHY — continued**

(a) *Financial instruments recorded at fair value*

<u>30 June 2011 (Unaudited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets:</i>				
Financial assets held for trading .....	8,416,685	7,579,744	33,173	16,029,602
— Debt securities .....	4,757,094	7,253,744	33,173	12,044,011
— Equity investments .....	3,659,591	—	—	3,659,591
— Others .....	—	326,000	—	326,000
Financial assets designated at fair value through profit or loss .....	—	—	386,159	386,159
Derivative financial assets .....	774	786,394	—	787,168
Available-for-sale financial assets .....	20,411,074	8,915,042	1,459,133	30,785,249
— Debt securities .....	2,102,865	8,313,607	—	10,416,472
— Equity investments .....	17,801,709	88,320	1,459,133	19,349,162
— Others .....	506,500	513,115	—	1,019,615
Total .....	<u>28,828,533</u>	<u>17,281,180</u>	<u>1,878,465</u>	<u>47,988,178</u>
<i>Financial liabilities:</i>				
Derivative financial liabilities .....	613	626,785	—	627,398
Financial liabilities designated at fair value through profit or loss .....	24,331	—	—	24,331
Total .....	<u>24,944</u>	<u>626,785</u>	<u>—</u>	<u>651,729</u>
<u>31 December 2010 (Audited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>

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**31. 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 2011 (Audited)	Total losses recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Transfers to level 1 from level 3	As at 30 June 2011 (Unaudited)
<u>Financial assets:</u>						
Financial assets held for trading . . . . .	33,818	(645)	—	—	—	33,173
— Debt securities . . . . .	33,818	(645)	—	—	—	33,173
Financial assets designated at fair value						
through profit or loss . . . . .	400,294	(14,135)	—	—	—	386,159
Available-for-sale financial assets . . . . .	1,970,772	—	(15,575)	850,696	(1,346,760)	1,459,133
— Equity investment . . . . .	1,970,772	—	(15,575)	850,696	(1,346,760)	1,459,133

	As at 1 January 2010 (Audited)	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 (Audited)
<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

Gains/(losses) on level 3 financial instruments included in the profit or loss for the period comprise:

	Six months ended 30 June 2011			Year ended 31 December 2010		
	Realised	(Unaudited) Unrealised	Total	Realised	(Audited) Unrealised	Total
Total gains/(losses) in the profit or loss for the year/period . . . . .	—	(14,780)	(14,780)	—	54,459	54,459

*(c) Transfers between level 1 and level 2*

During the six months ended 30 June 2011, there were no transfers of fair value measurement between level 1 and level 2 (For the year ended 31 December 2010, transfers to level 1 from level 2: RMB277 million).

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**31. FAIR VALUE AND FAIR VALUE HIERARCHY — continued**

(d) *Financial instruments not measured at fair value*

As at 30 June 2011, the fair value of the Group's financial assets and liabilities not measured at fair value are not significantly different from their carrying amounts.

**32. LIQUIDITY RISK**

The maturity profile of the Group's financial liabilities as at 30 June 2011, based on their contractual undiscounted payments, is as follows:

	30 June 2011 (Unaudited)						
	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 . . . . .	41,781,112	—	—	—	—	—	41,781,112
Financial liabilities designated at fair value through profit or loss . . . . .	—	—	24,331	—	—	—	24,331
Repurchase agreements . . . . .	—	11,145,422	—	—	—	—	11,145,422
Due to banks . . . . .	1,080,154	—	—	—	—	—	1,080,154
Loans . . . . .	—	769,257	—	—	—	—	769,257
Bonds payable . . . . .	—	—	63,750	255,000	1,818,750	—	2,137,500
Other financial liabilities . . . . .	256,157	—	—	—	10,691	—	266,848
<b>Total . . . . .</b>	<b>43,117,423</b>	<b>11,914,679</b>	<b>88,081</b>	<b>255,000</b>	<b>1,829,441</b>	<b>—</b>	<b>57,204,624</b>
Cash flows from derivative financial instruments settled on net basis . . . . .							
	—	10,519	115,844	507,515	—	—	633,878
Gross settled derivative financial instruments:							
Contractual amounts receivable . . . . .	—	(11,813,776)	(39,814)	—	—	—	(11,853,590)
Contractual amounts payable . . . . .	—	11,840,739	40,213	—	—	—	11,880,952
	—	26,963	399	—	—	—	27,362

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**32. LIQUIDITY RISK — continued**

The maturity profile of the Group's financial liabilities as at 31 December 2010, based on their contractual undiscounted payments, is as follows:

	31 December 2010 (Audited)						Total
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
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
<b>Total . . . . .</b>	<b>62,329,027</b>	<b>7,039,467</b>	<b>63,750</b>	<b>255,000</b>	<b>1,893,191</b>	<b>—</b>	<b>71,580,435</b>
Cash flows from derivative financial instruments settled on net basis . . . . .							
	—	3,419	40,225	346,346	73	—	390,063
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
	—	74,456	3,013	—	—	—	77,469

**33. 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.

*(a) 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.



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**33. MARKET RISK — continued**

*(a) VaR — continued*

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

<u>Company</u>	As at 30 June 2011	Six months ended 30 June 2011		
		Average	Highest	Lowest
(Unaudited)				
Price-sensitive financial instruments . . . . .	387,595	435,129	587,902	283,976
Interest rate-sensitive financial instruments . . . . .	15,373	35,687	74,433	13,055
Total portfolio VaR . . . . .	376,965	449,290	612,252	292,547
	As at	Six months ended 30 June 2010		
(Unaudited)	30 June 2010	Average	Highest	Lowest
Price-sensitive financial instruments . . . . .	253,790	291,364	498,743	212,786
Interest rate-sensitive financial instruments . . . . .	18,233	14,033	23,541	6,965
Total portfolio VaR . . . . .	258,758	290,160	499,871	211,356

*(b) 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:

<u>Company</u>	Sensitivity of revenue	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
Change in basis points		
+25 basis points . . . . .	(114,088)	(136,068)
-25 basis points . . . . .	116,989	137,306
	Sensitivity of equity	
	30 June 2011	31 December 2010
	(Unaudited)	(Audited)
Change in basis points		
+25 basis points . . . . .	(58,561)	(80,988)
-25 basis points . . . . .	59,466	80,997

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**33. MARKET RISK — continued**

*(c) 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.

*(d) 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.

**34. OTHER SIGNIFICANT EVENTS**

*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.

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**35. SUBSEQUENT EVENTS AFTER REPORTING PERIOD**

*(a) 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.

*(b) 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%.

*(c) 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.