
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in CSC Financial Co., Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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中信建投証券股份有限公司

CSC Financial Co., Ltd.

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

(Stock Code: 6066)

- (1) 2017 WORK REPORT OF THE BOARD OF DIRECTORS**
- (2) 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE**
- (3) 2017 FINAL FINANCIAL ACCOUNTS PLAN**
- (4) 2017 ANNUAL REPORT**
- (5) RELATED PARTY TRANSACTION WITH INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED**
- (6) EXPECTED RELATED PARTY TRANSACTIONS IN 2018**
- (7) PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION FOR THE A SHARE OFFERING AND LISTING**
- (8) PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION FOR THE AUTHORIZATION TO THE BOARD AND PERSONS AUTHORIZED BY THE BOARD TO DEAL WITH MATTERS RELATING TO THE A SHARE OFFERING AND LISTING**
- (9) REAPPOINTMENT OF 2018 EXTERNAL AUDITORS**
- (10) 2017 WORK REPORT OF INDEPENDENT NON-EXECUTIVE DIRECTORS**
- (11) NOTICE OF THE ANNUAL GENERAL MEETING, NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING AND NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

A letter from the Board is set out on pages 1 to 26 of this circular. Please refer to pages 61 to 70 of this circular for the notices convening Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

Please complete and return the applicable reply as soon as possible in accordance with the instructions on the applicable return if you would like to attend the Annual General Meeting, the Domestic Shareholders' Class Meeting and/or the H Shareholders' Class Meeting, but in any event no later than Friday, May 18, 2018.

Please complete and return the applicable proxy form in accordance with the instructions printed thereon, if the Shareholders are to appoint a proxy to attend the Annual General Meeting, the Domestic Shareholders Class Meeting and/or the H Shareholders' Class Meeting.

For H Shareholders, the proxy form and any authorization instruments should be returned to Computershare Hong Kong Investor Services Limited (whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong) as soon as possible, but in any event not less than 24 hours before the time appointed for holding the Annual General Meeting and the H Shareholders' Class Meeting. For the Domestic Shareholders, the proxy form and any authorization instruments should be returned to the Company's board office in the PRC (whose address is at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC) as soon as possible, but in any event not less than 24 hours before the time appointed for holding the Annual General Meeting and the Domestic Shareholders' Class Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting or at any adjourned meetings should you so wish.

April 23, 2018

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Note: In the event of any discrepancy between the English and Chinese versions of this circular, the Chinese version shall prevail.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2016 Shareholders’ Meetings”	collectively the 2016 Shareholders’ annual general meeting, the Domestic Shareholders’ class meeting and the H Shareholders’ class meeting all held on Thursday, June 8, 2017
“AGM” or “Annual General Meeting”	the annual general meeting or any adjournment thereof of the Company to be held at 9:00 a.m. on Thursday, June 7, 2018 at Multi-function Hall, B1/F Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China
“A Share(s)”	the ordinary shares with a nominal value of RMB1.00 each proposed to be issued by the Company under the A Share Offering, to be listed on the Shanghai Stock Exchange and traded in RMB
“A Share Offering”	the proposed initial public offering of not more than 400,000,000 A Shares in the PRC by the Company
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“Board Meeting”	the board meeting convened on Monday, April 16, 2018
“Company”	CSC Financial Co., Ltd. (中信建投証券股份有限公司), a joint stock company incorporated in the People’s Republic of China with limited liability, the H Shares of which have been listed and traded on the main board of the Hong Kong Stock Exchange (stock code: 6066)
“Company Law”	the Company Law of the People’s Republic of China
“connected person”	has the meaning ascribed to such term under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary shares of RMB1.00 each issued by the Company in the PRC, which are subscribed for and fully paid up in RMB
“Domestic Shareholders”	holders of Domestic Shares
“Domestic Shareholders’ Class Meeting”	the Domestic Shareholders’ class meeting or any adjournment thereof to be convened at 10:00 a.m. on Thursday, June 7, 2018 at Multi-function Hall, B1/F Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China or immediately after the end of the Annual General Meeting, whichever is the later
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary shares of RMB1.00 each in the share capital of the Company which are listed and traded on the Hong Kong Stock Exchange, and traded in Hong Kong dollars
“H Shareholders”	holders of H Shares
“H Shareholders’ Class Meeting”	the H Shareholders’ class meeting or any adjournment thereof to be convened at 11:00 a.m. on Thursday, June 7, 2018 at Multi-function Hall, B1/F Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China or immediately after the end of the Domestic Shareholders’ Class Meeting, whichever is the later
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

DEFINITIONS

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Director(s)” or “Independent Director(s)”	the independent non-executive Director(s) of the Company
“Independent Third Party(ies)”	persons who, to the best of the Directors’ knowledge having made all reasonable enquiries, are not connected persons of the Company
“NEEQ”	the National Equities Exchange and Quotations Co., Ltd.
“Non-executive Director(s)”	non-executive director(s) of the Company
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Meeting”	the Annual General Meeting, the Domestic Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“%”	Percentage

LETTER FROM THE BOARD



中信建投証券股份有限公司

CSC Financial Co., Ltd.

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

(Stock Code: 6066)

Mr. Wang Changqing (*Chairman, Executive Director*)
Mr. Yu Zhongfu (*Vice Chairman, Non-executive Director*)
Mr. Dongshi (*Vice Chairman, Non-executive Director*)
Mr. Li Geping (*Executive Director*)
Ms. Zhang Qin (*Non-executive Director*)
Ms. Zhu Jie (*Non-executive Director*)
Mr. Wang Hao (*Non-executive Director*)
Mr. Wang Bo (*Non-executive Director*)
Mr. Xu Gang (*Non-executive Director*)
Mr. Feng Genfu (*Independent Non-executive Director*)
Ms. Zhu Shengqin (*Independent Non-executive Director*)
Mr. Dai Deming (*Independent Non-executive Director*)
Mr. Bai Jianjun (*Independent Non-executive Director*)
Mr. Liu Qiao (*Independent Non-executive Director*)

Registered office in the PRC:

Unit 4, No. 66 Anli Road
Chaoyang District
Beijing
PRC

Principal place of business in the PRC:

No. 188 Chaonei Avenue
Dongcheng District
Beijing
PRC

Principal place of business in Hong Kong:

18/F, Two Exchange Square,
Central, Hong Kong

April 23, 2018

To the Shareholders:

Dear Sir or Madam,

- (1) 2017 WORK REPORT OF THE BOARD OF DIRECTORS**
- (2) 2017 WORK REPORT OF THE SUPERVISORY COMMITTEE**
- (3) 2017 FINAL FINANCIAL ACCOUNTS PLAN**
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- (7) PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION FOR THE A SHARE OFFERING AND LISTING**
- (8) PROPOSED EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTION FOR THE AUTHORIZATION TO THE BOARD AND PERSONS AUTHORIZED BY THE BOARD TO DEAL WITH MATTERS RELATING TO THE A SHARE OFFERING AND LISTING**
- (9) REAPPOINTMENT OF 2018 EXTERNAL AUDITORS**
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LETTER FROM THE BOARD

1. INTRODUCTION

On behalf of the Board, I would like to invite you to attend the AGM to be held at 9:00 a.m. on Thursday, June 7, 2018 at Multi-function Hall, B1/F, Office, Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China.

2. BUSINESS TO BE CONSIDERED AT THE AGM AND/OR THE DOMESTIC SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

Resolutions will be proposed at the AGM to approve: (1) the *2017 Work Report of the Board of Directors*; (2) the *2017 Work Report of the Supervisory Committee*; (3) the *2017 Final Financial Accounts Plan*; (4) the 2017 annual report; (5) the related party transactions with the Industrial and Commercial Bank of China Limited; (6) the expected related party transaction in 2018; (7) the proposed extension of the validity period of the resolution for the A Share Offering and Listing; (8) the proposed extension of the validity period of the resolution for the authorization to the Board and Persons authorized by the Board to deal with matters relating to the A Share Offering and listing; and (9) the reappointment of 2018 external auditors.

The above resolutions (7) and (8) are subject to the approval by the Shareholders at the Annual General Meeting by way of special resolutions, while the above resolutions from (1) to (6) and (9) are subject to approval by the Shareholders at the Annual General Meeting by way of ordinary resolutions.

The resolutions (7) and (8) are also respectively subject to approval by the Domestic Shareholders at the Domestic Shareholders' Class Meeting, and by the H Shareholders at the H Shareholders' Class Meeting.

The purpose of this circular is to provide you with the information on the above resolutions (1) to (9) to enable you to vote for or against the proposed resolutions at the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting under fully informed condition.

The resolution to be proposed at the AGM for Shareholders' consideration includes (10) the *2017 Work Report of Independent Non-executive Directors*.

LETTER FROM THE BOARD

(1) **2017 Work Report of the Board of Directors**

The *2017 Work Report of the Board of Directors* was considered and approved by the Board on Monday, April 16, 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix I to this circular.

(2) **2017 Work Report of the Supervisory Committee**

The *2017 Work Report of the Supervisory Committee* was considered and approved by the Supervisory Committee on Monday, April 16, 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix II to this circular.

(3) **2017 Final Financial Accounts Plan**

The *2017 Final Financial Accounts Plan* prepared in accordance with the China Accounting Standards for Business Enterprises was considered and approved by the Board on Monday, April 16, 2018 and is hereby proposed at the AGM for consideration and approval, details of which are set out in Appendix III to this circular.

(4) **2017 Annual Report**

The 2017 annual report was considered and approved by the Board on Monday, April 16, 2018 and is hereby proposed at the AGM for the Shareholders' consideration and approval. The annual report has been published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (www.csc108.com) on Friday, April 20, 2018, and has been despatched to the Shareholders.

(5) **Related party transaction with the Industrial and Commercial Bank of China Limited**

Pursuant to the Listing Rules of the Shanghai Stock Exchange and the Guidelines for the Implementation of Related Party Transactions of Listed Companies on the Shanghai Stock Exchange (the "**SSE Listing Rules**"), as Mr. Dong Shi also serves as director of the Industrial and Commercial Bank of China Limited (the "**ICBC**"), the ICBC has become a related party of the Company under the the SSE Listing Rules since the date Mr. Dong Shi started to perform his duties (i.e. 11 December 2017). After thorough communication between the two parties, the ICBC intends to enter into *the Related Party Transactions Agreement* (the "**Agreement**") with the Company, and a summary of the Agreement is as follows:

LETTER FROM THE BOARD

I. Summary of the related party transactions

To the extent permitted under the laws and regulations, requirements of regulatory authorities and internal management system, the ICBC (including its group companies) and the Company (including its group companies) will enter into related party transactions, and the types of related party transactions that are expected to occur are as follows:

Business types	Specific classification
Credit business	Including but not limited to bond lending, bond repurchases, capital and precious metals lending and other businesses
Non-credit business	Including but not limited to bond trading, precious metal trading, asset management, asset custody, spot sales and other businesses

II. Pricing principle

The related party transactions under the Agreement shall comply with the general commercial principles and on conditions no less favourable than those in non-related party transaction. The pricing of the transactions shall be fair and compliant with relevant laws, regulations, rules and relevant regulations of regulatory systems.

III. Total transaction amount

The annual cumulative cap on the related party transactions under the Agreement is RMB30 billion, of which the annual cap on credit-type transactions is RMB20 billion and the annual cap on non-credit-type transactions is RMB10 billion. The above caps on transaction amount are calculated per annum from 1 January 2018. If the actual transaction amount exceeds the above caps, the Company shall review and disclose the amounts in excess in accordance with the relevant regulatory requirements and internal requirements of both parties.

IV. Term of Agreement

The Agreement is subject to the approval of the general meeting and will take effect from the date when both parties sign and complete their respective internal approval procedures, with a term ending 31 December 2020. During the term, if the parties are no longer regarded as related parties under the regulatory provisions, the Agreement will automatically terminate.

LETTER FROM THE BOARD

The above resolution was considered and approved by the Board on Monday, April 16, 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval. When the proposal is considered at the general meeting, shareholders who have conflicts of interests in relation to the above related party transaction cannot vote on the related party transaction.

(6) Expected related party transactions in 2018

To further standardize the management on related party transactions, the Company made a reasonable forecast on the related party transactions to be entered into by the Company in 2018 based on the industry practices, details of which are as follows:

I. General information of related party transactions

(I) Overview of related party transactions

Pursuant to the Listing Rules of Shanghai Stock Exchange (the “**SSE Listing Rules**”) and the Guidelines for the Implementation of Related Party Transactions of Listed Companies on Shanghai Stock Exchange and other regulations (applicable upon the listing of A Shares), the Articles of Association of CSC Financial Co., Ltd. and other internal systems, and the requirements of the Management Systems on Related Party Transactions of CSC Financial Co., Ltd., the Company made a reasonable forecast on its related party transactions for 2018 and submitted to the Board and the general meeting for consideration and approval. The related party transactions of the Company falling within the scope of forecast will not be separately proposed to the Board and shareholders' general meetings for consideration.

(II) Approval procedures of related party transactions

When the proposal was voted at the Board, Mr. Dong Shi, director of Industrial and Commercial Bank of China Limited (“**ICBC**”) and former director of China Construction Bank Corporation (“**CCB**”), Mr. Dai Deming, director of Zheshang Bank Co., Ltd. (“**CZBANK**”), Ms. Zhu Shengqin, former director of V-Fund Management Co., Ltd. (“**V-Fund**”), Mr. Liu Qiao, director of Beijing Capital Corporation Limited (“**Beijing Capital**”), and Mr. Feng Genfu, director of Datang International Power Generation Co., Ltd. (“**Datang International**”) were required to refrain from voting on the related party transactions in the proposal.

LETTER FROM THE BOARD

The Audit Committee of the Board has reviewed the expected related party transactions considered in this resolution, and reported to the Supervisory Committee. The expected related party transactions considered in this resolution was approved in the Approval Opinion on the Expected Related Party Transactions of the Company for 2018 issued by the Independent Directors.

(III) *Expected amount of related party transactions for 2018 and the implementation of related party transactions for 2017*

1. Expected related party transactions with CITIC Securities Co., Ltd. (“**CITIC Securities**”)

CITIC Securities holds 5.89% of the total shares of the Company, and constitutes a related party under the SSE Listing Rules. The related party transactions between the Company and CITIC Securities are as follows:

Type of related party transactions	Description of related party transactions	Expected amount for 2018 (RMB'0,000)	Actual amount for 2017 (RMB'0,000)	Proportion of similar business ¹
Securities and financial products transactions	Over-the-counter interchangeable financial derivatives business, distribution trading, spot trading, repurchase transactions, etc.	Subject to actual amount ²	-	-

Note 1: Refers to the proportion the actual amount for 2017 over the transactions in similar business.

Note 2: As the securities market conditions are unpredictable, leading to difficulties in estimation of trading volume. By referencing the market practice, the trading volume of securities and financial products is calculated by the actual amount (the same below).

LETTER FROM THE BOARD

2. Expected related party transactions with other related parties

According to the SSE Listing Rules, in addition to CITIC Securities, enterprises where the directors, supervisors and senior management of the Company, and directors, supervisors and senior management of the Company in the past or following 12 months are also serving as directors and senior management, are related parties of the Company. Expected other related parties of the Company for 2018 are as follows:

No.	Name of related parties	Related relations
1	Industrial and Commercial Bank of China Limited	A Director serves as director of ICBC
2	China Construction Bank Corporation	A Director served as director of CCB
3	China Zheshang Bank Co., Ltd.	An Independent Director serves as independent director of CZBANK
4	V-Fund Management Co., Ltd.	An Independent Director serves as independent director of V-Fund
5	Beijing Capital Corporation Limited	An Independent Director serves as independent director of Beijing Capital Corporation Limited
6	Datang International Power Generation Co., Ltd.	An Independent Director serves as independent director of Datang International

LETTER FROM THE BOARD

Related party transactions between the Company and the above related parties are as follows:

- (1) Expected related party transactions with Industrial and Commercial Bank of China Limited

After the Company's reasonable estimation and friendly negotiation with ICBC, the Company plans to sign the Related Party Transactions Agreement (the "**Agreement**") with ICBC. Pursuant to the Agreement, the types of related party transactions expected to occur between the Company and its direct or indirect controlled subsidiaries and ICBC are as follows:

Business types	Specific classification
Credit business	Including but not limited to bond lending, bond repurchases, capital and precious metals lending and other businesses
Non-credit business	Including but not limited to bond trading, precious metal trading, asset management, asset custody, spot sales and other businesses

Pursuant to the Agreement, the annual cumulative cap on the above related party transactions is RMB30 billion, of which, the annual cap on credit-type transactions is RMB20 billion and the annual cap on non-credit-type transactions is RMB10 billion. The above caps on transaction amount are calculated per annum from 1 January 2018.

LETTER FROM THE BOARD

(2) Expected related party transactions with other related parties

Related parties	Type of related transactions	Description of related party transactions	Expected amount for 2018 <i>(RMB'0,000)</i>	Actual amount for 2017 <i>(RMB'0,000)</i>	Proportion of similar business ³
China Construction Bank Corporation ⁴	Trading of securities and financial products	Borrowing, bond lending, gold lending and swaps, spot trading, repurchase transactions, interbank lending	Subject to actual amount	–	–
	Fees income	Interest income, sponsorship underwriting fee income, etc.	16,909.24	1,415.51	0.27%
	Fees expenditure	Interest expense of repurchase business, borrowing interest expense, etc.	5,584.98	64.15	0.02%
China Zheshang Bank Co., Ltd.	Trading of securities and financial products	Borrowing, bond lending, gold lending and swaps, spot trading, repurchase transactions, interbank lending	Subject to actual amount	–	–
V-Fund Management Co., Ltd.	Trading of securities and financial products	Distribution sales, spot trading, pledged repurchases, etc.	Subject to actual amount	–	–
	Fees income	Fees for provision of custodial services, etc.	150.00	0.00	0.00%
Beijing Capital Corporation Limited	Fees income	Sponsorship underwriting fee	2,959.00	0.00	0.00%
Datang International Power Generation Co., Ltd.	Fees income	Sponsorship underwriting fee	700.00	0.00	0.00%

Note 3: Refers to the proportion the actual amount for 2017 over the transactions in similar business.

Note 4: The Company and CCB have become related parties under SSE Listing Rules since 11 December 2017, so the actual amount for 2017 was calculated based on the amount occurring after both parties became related parties.

LETTER FROM THE BOARD

II. Description of major related parties and related relations

- (I) CITIC Securities: CITIC Securities holds 5.89% of the total shares of the Company. It is a listed company on the Shanghai Stock Exchange, with stock code of 600030. For basic information of CITIC Securities, please refer to its announcements.
- (II) ICBC: Mr. Dong Shi, director of the Company, serves as director of ICBC. ICBC is a listed company on the Shanghai Stock Exchange, with stock code of 601398. For basic information of ICBC, please refer to its announcements.
- (III) CCB: Mr. Dong Shi, director of the Company, served as director of CCB up until 16 June 2017. CCB is a listed company on Shanghai Stock Exchange, with stock code of 601939. For basic information of CCB, please refer to its announcements.

III. Summary and pricing principle of related party transactions

Related party transactions of the Company are priced based on market price level and industry practice. The pricing is fair and there is no detriment to the interests of the Company and its shareholders.

IV. Purpose of related party transactions and the effect on the Company

- (I) The above related party transactions are priced based on market prices. The pricing principle is reasonable and fair and there is no detriment to the interests of the non-related party shareholders of the Company. The relations between the Company and related parties are equal and mutually beneficial and there is no detriment to the rights and interests of the Company.
- (II) The above related party transactions occur in the normal course of business operation of the Company, which facilitate the business development of the Company and the improvement of its overall competitiveness.
- (III) The above related party transactions have no effect on the independence of the Company. The primary businesses of the Company does not rely on related parties by virtue of the above related party transactions.

LETTER FROM THE BOARD

Thus, the following resolutions are hereby proposed for Shareholders' consideration and approval:

1. Expected related party transactions with CITIC Securities Company Limited in 2018;
2. Expected related party transactions with Industrial and Commercial Bank of China Limited in 2018;
3. Expected related party transactions with China Construction Bank Corporation in 2018;
4. Expected related party transactions with China Zheshang Bank Co., Ltd. in 2018;
5. Expected related party transactions with V-Fund Management Co., Ltd. in 2018;
6. Expected related party transactions with Beijing Capital Corporation Limited in 2018;
7. Expected related party transactions with Datang International Power Generation Co., Ltd. in 2018;

The above resolution was considered and approved by the Board on Monday, April 16, 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval. When the proposals are considered at the general meeting, shareholders who have conflicts of interests in relation to the above related party transaction cannot vote on the related party transaction.

(7) Proposed extension of the validity period of the resolution for the A Share Offering and Listing

At the 2016 Shareholders' Meetings, the Shareholders passed resolution to approve the proposed A Share Offering. The resolution is valid for a period of 12 months commencing from June 8, 2017, being the date of the 2016 Shareholders' Meetings.

LETTER FROM THE BOARD

There have been no material changes in terms of the proposed A Share Offering since it was approved by the Shareholders on June 8, 2017 (including but not limited to use of proceeds, relevant undertakings made by the Company and relevant parties, etc.). Details of the resolution are set out below.

Proposed Initial Public Offering and the Listing of A Shares of the Company

Currently, the Company has been working on various preparation work for the initial public offering and the listing of A Shares. Pursuant to the provisions under the Company Law, the Securities Law, the *Measures for the Administration of Initial Public Offering and Listing of Stocks* (《首次公開發行股票並上市管理辦法》), and the *Opinions of the China Securities Regulatory Commission on Further Promoting the IPO System Reform* (《中國證監會關於進一步推進新股發行體制改革的意見》) and other relevant laws, administrative regulations, department rules and normative documents, and according to the *Plan for Initial Public Offering and the Listing of Shares*, the Company further formulated the following offering plan for the initial public offering and the listing of A Shares:

A. *Class and nominal value of shares to be issued*

RMB ordinary shares (A Shares), RMB1.00 per share.

B. *Place of listing*

Shanghai Stock Exchange

C. *Offering size*

In compliance with the minimum issuance ratio required for listing and other regulatory requirements, the number of A Shares to be issued will be no more than 400,000,000 Shares (being approximately 5.23% of the total Shares of the Company after the A Share Offering). The actual issuance size and the proportion of placement will be determined by the Board pursuant to the authorization at the Shareholders' meeting, in consultation with the sponsor and the lead underwriter, and in accordance with the Company's capital requirements, the communication with domestic and overseas regulatory authorities and the conditions of the capital market.

LETTER FROM THE BOARD

D. Target subscribers

The target subscribers are natural persons and institutional investors who satisfy the relevant requirements (except for investors who are prohibited by the laws, regulations, regulatory documents and other applicable regulatory rules of the PRC).

If any of the above target subscribers is a connected (related) person of the Company, the Company will take every reasonable measure to comply with the relevant requirements under the listing rules of the place of listing.

E. Strategic placement

Under the premise of compliance with laws, regulations and regulatory requirements, the A Share Offering may adopt strategic placement. In accordance with the needs of the business cooperation and financing scale as well as the actual conditions of the Company, parts of the Shares may be issued by placement to strategic investors who satisfy the requirements of the laws and regulations as well as the requirements of the Company. The specific proportion of the placement will be determined according to the requirements of laws and regulations and market conditions at the time of placement.

F. Pricing methodology

The issue price of the A Shares will be determined by legal and feasible methods including by making enquiries with offline investors, or by direct negotiation between the lead underwriter(s) and the Company, taking into account the conditions of domestic and overseas capital markets and the actual conditions of the Company at the time of the A Share Offering, the interests of the Shareholders as a whole, and the compliance with relevant laws and regulations and the listing rules of the Stock Exchanges. The final issue price shall be subject to the relevant listing rules and, in principle, shall not be less than the latest audited net asset value per share of the Company prior to the A Share Offering. For reference only, the audited net asset value per share of the Company as at December 31, 2016 and December 31, 2017 was RMB5.72 and RMB6.04⁽¹⁾, respectively (the net asset value per share as of December 31, 2016 and December 31, 2017 after deducting the two tranches of perpetual subordinated bonds issued by the Company in 2015 was RMB5.03 and RMB5.35, respectively). In addition, according to Article 127 of the Company Law, shares may not be issued at a price below par value. As the par value of the new A Shares to be issued by the Company under the A Share Offering is RMB1.00, the issue price of the A Shares will not be lower than RMB1.00 per share.

Note (1): In calculating the audited net asset value per share of the Company as at December 31, 2016 and December 31, 2017, the two tranches of perpetual subordinated bonds issued by the Company in 2015 were taken into account.

LETTER FROM THE BOARD

G. Method of offering

The A Share Offering will include a combination of offline placements to inquiring subscribers and online fund applications or other methods approved by the CSRC.

H. Conversion into a joint stock limited company with domestic and overseas listed shares

According to the plan of the A Share Offering and taking into account the fact that the Company had issued H Shares, the Company will apply for conversion into a joint stock company with limited liability with domestic and overseas listed shares.

I. Transfer of state-owned shares

Pursuant to the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49) (《國務院關於印發劃轉部分國有資本充實社保基金實施方案的通知》(國發[2017]49號)), from the publication date of such plan, the implementation of the Notice of the State Council on Issuing the Provisional Measures to Reduce the State-Owned Shares for Raising the Fund of Social Security (Guo Fa [2001] No. 22) (《國務院關於印發減持國有股籌集社會保障資金管理暫行辦法的通知》(國發[2001]22號)), the Notice of the Ministry of Finance, State-owned Assets Supervision and Administration Commission, China Securities Regulatory Commission and National Council for Social Security Fund on Issuing the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund (Cai Qi [2009] No. 94) (《財政部國資委證監會社保基金會關於印發〈境內證券市場轉持部分國有股充實全國社會保障基金實施辦法〉的通知》(財企[2009]94號)) and other policies in effect on the transfer and reduction of state-owned shares were suspended. According to the abovementioned requirements, the Offering and Listing, the holders of state-owned shares of the Company will no longer transfer the underlying shares of the Company pursuant to the Notice on Issuing the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund (Cai Qi [2009] No. 94).

The holders of state-owned shares of the Company will perform relevant obligations pursuant to the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49) (《國務院關於印發劃轉部分國有資本充實社保基金實施方案的通知》(國發[2017]49號)) and relevant subordinate rules subsequently promulgated.

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J. Distribution of retained profit

Prior to the completion of the A Share Offering, the Company may distribute its profits according to the resolutions of the relevant Shareholders' meeting, and all retained undistributed profits will be shared by the existing and new Shareholders after the A Share Offering in proportion to their respective shareholdings.

K. Validity period of the resolution

Validity period of the resolution on the initial public offering and the Listing of A Shares of the Company is 12 months from the date when such resolution was approved at the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

The Directors are of the view that the extension the validity period for 12 months of the resolution on the proposed A Share Offering is necessary, due to the uncertainties regarding the time required for the approval of the A Share Offering by the CSRC and other regulatory authorities in the PRC. If the A Share Offering cannot be completed during the validity period of 12 months, the Company will seek the approval by the Shareholders to continue the proposed A Share Offering unless the Board subsequently decides not to proceed with the A Share Offering. To the best knowledge of the Company and in accordance with the approval procedures of the relevant regulatory authorities, the Company is expected to complete the A Share Offering within two years.

The A Share Offering is subject to the approval of the CSRC and other regulatory authorities of the PRC. The Company will announce detailed terms and conditions (including the price and offer size) on the proposed A Share Offering as and when appropriate once such details become available.

As noted in the Company's announcement dated April 3, 2018, the Issuance Approval Committee of the CSRC has reviewed and approved the Company's application for the A Share Offering. However, a series of follow-up procedures are still pending fulfillment by the Company, such as sealing of application materials, supplementing financial data for the first quarter of 2018, and obtaining approval on issuance from the CSRC. The abovementioned procedures shall only be taken upon instructions from the CSRC, and there have been multiple precedents of significant delay in the process. Considering that the current resolution in respect of the proposed A Share Offering will lapse on June 8, 2018, leaving only two months for follow-up procedures and issuance, the Board deems it necessary and beneficial to extend the validity period of such resolution, as failing to launch the A Share Offering before the expiry date of resolution could significantly hinder the Company's A Share financing progress, and affect Shareholders' benefits.

LETTER FROM THE BOARD

Therefore, in view of the expiry of the validity period of the A Share Offering proposal considered and approved at the 2016 Shareholders' Meetings (i.e. expiry on June 7, 2018), in order to ensure the smooth progress of the proposed A Share Offering and subsequent listing, the Board resolved to seek the Shareholders' approval at the AGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively of the proposed further extension of the validity period of the resolution for 12 months, meaning that the validity period of the resolution will be extended to June 7, 2019. The other contents of the resolution remain unchanged.

(8) Proposed extension of the validity period of the resolution for the authorization to the Board and persons authorized by the Board to deal with all matters relating to the A Share Offering and listing

At the 2016 Shareholders' Meetings, the Shareholders passed resolution to approve the authorization to the Board to deal with matters relating to the proposed A Share Offering and listing. The resolution is valid for 12 months commencing from June 8, 2017, being the date of the 2016 Shareholders' Meetings.

Details of the resolution are set out below.

Authorisation to the Board and Authorised Persons of the Board to deal with matters relating to the Initial Public Offering and the Listing of A Shares

According to the working needs of the initial public offering and the listing of A Shares of the Company (the "Offering and Listing"), the Shareholders passed a resolution at the 2016 Shareholders' Meetings to authorize the Board and the authorized persons of the Board to deal with the specific matters relating to the Offering and Listing:

1. To modify, improve and implement the proposal of the Offering and Listing as considered and approved by the Shareholders' Meetings, in accordance with the relevant laws, administrative regulations, departmental rules, normative documents and opinions of the securities regulatory institutions, and taking into account the market environment, which include but is not limited to:
 - (1) to determine matters such as the offering size, the issue price (including the price range and final pricing), the time of issuance, the method of issuance, the target subscribers, the strategic placement plan (including placement proportion, placement target, etc.), and the over-allotment, and other matters related to the implementation of Offering and Listing plan;

LETTER FROM THE BOARD

- (2) to decide and adjust the investment and utilization plan of the proceeds within the scope of utilization of the proceeds as approved by the Shareholders' Meetings;
 - (3) to sign, execute, modify, and complete applications, related reports or materials relating to the Offering and Listing submitted to the relevant domestic and foreign government agencies, regulators (including but not limited to the State-owned Assets Supervision and Administration, the CSRC and its local offices, the Hong Kong Stock Exchange, and China Securities Depository and Clearing Co., Ltd.) and other agencies, handle the procedures such as approval, registration, filing, approval, and consent, and take actions that it considers necessary, appropriate or reasonable in relation to the Offering and Listing;
 - (4) to draft, modify, approve, sign, submit and publish prospectus and other filing documents as it deems necessary or appropriate; to formulate, amend, sign, execute, suspend and terminate any agreement, contract, prospectus or other document relating to the Offering and Listing.
2. In accordance with changes in relevant laws, regulations and normative documents, the regulatory requirements and recommendations of the relevant domestic and foreign government agencies and regulators, and the actual conditions of the Offering and Listing, to adjust or modify the Articles of Association and other corporate governance documents which are modified due to the requirements relating to the Offering and Listing and are approved by the Board and the Shareholders' Meetings (including but not limited to the wording, chapters, terms, conditions of entry into force, registered capital, etc. of the Articles); after the completion of the Offering and Listing, to make corresponding amendments to the Articles of Association in relation to the registered capital of the joint-stock company and the shareholding structure, conduct approval, change, filing and other related matters with the relevant company registration agencies and other government departments.
3. To handle matters related to the application for the listing of the A Shares of the Company on the relevant stock exchange.
4. In the case of changes in the laws, regulations or normative documents relating to the A Share Offering and listing or changes in the policy of regulatory institutions relating to A Share Offering and listing or changes in market conditions, to adjust the plan of the offering accordingly (including the suspension, discontinuance and termination of the implementation of the issuance plan), except for matters that should be voted at the Shareholders' Meeting in accordance with relevant laws, regulations, departmental documents and the Articles of Association.

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5. Base on the actual conditions of the Offering, to conduct approval, filing and registration and other matters relating to the change of registered capital of the Company, with the relevant departments of industry and commerce and other regulatory institutions.
6. Pursuant to the requirements under the relevant laws, regulations and any other normative documents, to handle relevant matters relating to the conversion of state-owned shares.
7. To determine the selection and opening of a designated account for the proceeds raised from the A Share Offering and other matters.
8. To hire sponsors, underwriters, lawyers, accountants, receiving banks and other intermediaries, etc. relating to the A Share Offering and listing, to decide and pay for relevant expenses for the Offering and Listing.
9. To handle other matters which the Board thinks are necessary, appropriate or reasonable for this offering without violating relevant domestic and foreign laws and regulations.

The above authorization shall be effective for a period of 12 months commencing on the date when it is approved at the AGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

In view of the expiry of the validity period of the authorization proposal considered and approved at the 2016 Shareholders' Meetings (i.e. expiry on June 7, 2018), in order to ensure the smooth progress of the proposed A Share Offering and subsequent listing, the Board resolved to seek the Shareholders' approval at the AGM, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively of the proposed further extension of the validity period of the resolution for 12 months, meaning that the validity period of the resolution will be extended to June 7, 2019. The other contents of the resolution remain unchanged.

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(9) Reappointment of 2018 External Auditors

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers are proposed to be re-appointed as the external auditors of the Company for 2018, respectively, to provide relevant audit and review services in accordance with China Accounting Standards for Business Enterprises and International Financial Reporting Standards. The total fees of the audit and review services for 2018 shall not exceed RMB3.6 million (excluding audit fees for subsidiaries). It is proposed at the AGM to authorize the Board to adjust and determine the specific audit and review fees based on the actual situation where the cap of the fees is exceeded as a result of modification of the scope and content of the audit and review services or other changes.

The above resolution was considered and approved by the Board on Monday, April 16, 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval.

To receive the relevant report:

(10) 2017 Work Report of Independent Non-executive Directors

The *2017 Work Report of the Independent Non-executive Directors of the Company* will be submitted to the AGM for consideration but no resolution is required to be made thereat. Details of the report are set out in Appendix IV to this circular for Shareholders' reference.

LETTER FROM THE BOARD

3. IMPACT OF THE A SHARE OFFERING ON THE COMPANY'S SHAREHOLDING STRUCTURE

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the A Share Offering and that a maximum of 400,000,000 A Shares are issued under the A Share Offering (which represents approximately 5.52% of the total issued share capital of the Company as at the date of this circular and approximately 5.23% of the total issued share capital of the Company as enlarged by the issue of the A Shares under the A Share Offering); the shareholding structure of the Company immediately before and after completion of the A Share Offering is set out as follows:

	Immediately before completion of the A Share Offering		Immediately after completion of the A Share Offering	
	Number of Shares	Approximate percentage of the Company's total issued share capital	Number of Shares	Approximate percentage of the Company's total issued share capital
Domestic Shares				
Issued Domestic Shares	5,985,361,476	82.60%	5,985,361,476	78.28%
New A Shares to be issued under the A Share Offering	—	—	400,000,000	5.23%
Sub-total of Domestic Shares:	<u>5,985,361,476</u>	<u>82.60%</u>	<u>6,385,361,476</u>	<u>83.51%</u>
H Shares	<u>1,261,023,762</u>	<u>17.40%</u>	<u>1,261,023,762</u>	<u>16.49%</u>
Total:	<u><u>7,246,385,238</u></u>	<u><u>100%</u></u>	<u><u>7,646,385,238</u></u>	<u><u>100%</u></u>

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At the time of the listing of the H Shares on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange has granted the Company, a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of: (1) 15% of the total issued share capital of the Company; (2) such percentage of H Shares of the total issued share capital of the Company to be held by the public immediately after completion of the Global Offering (assuming the over-allotment Option is not exercised); or (3) such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public after the exercise of the Over-allotment Option. Immediately after the issue and allotment of the over-allotment Shares, the number of H Shares in public hands represents not less than 17.40% of the total issued Share. Pursuant to the public information available to the Company and to the best knowledge of the Directors as at the date of this circular, 17.40% of the total issued share capital of the Company is held by the public.

As a result of the proposed A Share Offering and assuming a maximum of 400,000,000 A Shares are issued which are expected to be all held by Independent Third Parties and counted as public float, the Company's public float (including H Shares and A Shares) will be approximately 21.72%. The Company would still be able to meet the minimum requirement on public float percentage as imposed by the Hong Kong Stock Exchange at the time of the Company's listing of H Shares. The Company will closely monitor its public float percentage to make sure its compliance, at all time, with relevant requirements on public float as stipulated under the Listing Rules and will promptly notify the Hong Kong Stock Exchange of any changes in the Company's public float.

4. REASONS FOR AND BENEFITS OF THE PROPOSED A SHARE OFFERING

As the securities industry in China adopts a risk control index system centered on net capital, the business scale of a securities company is directly dependent on its capital scale. Therefore, various securities companies are proactively adopting different methods to expand their capital scale, and certain industry-leading securities companies have successively raised capital by methods such as listing to increase their capital strength, expand their business size, constantly optimize their income structure and vigorously develop innovative businesses. The Company is of the view that the A Share Offering will help meet the long-term capital requirements for the sustainable development of the Company's business, facilitate the smooth implementation of the development strategies of the Company as well as enrich the channels for capital replenishment of the Company.

The Directors consider that the A Share Offering is in the interests of the Company and the Shareholders as a whole. The above resolutions are required for the proposed A Share Offering. In the event that any resolution is not approved by the Shareholders at the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, the Company will not proceed with the proposed A Share Offering and will consider revising the A Share Offering terms and have these re-submitted for Shareholders' approval.

LETTER FROM THE BOARD

5. USE OF PROCEEDS FROM THE PROPOSED A SHARE OFFERING

The proceeds raised from the A Share Offering after deducting issuance costs will be used to increase the Company's capital.

The Company will be guided by its strategic planning to strengthen the construction of sales channels, enhance product advantages, develop innovative businesses, expand international business, enhance the Company's return on capital, and maximize the interests of Shareholders. According to the Company's development goals, the use of proceeds will include but are not limited to the following aspects:

- (I) **Investment Banking:** Substantiate the investment banking team, strengthen the capacity building of investment banking services, develop new types of investment banking services outside the traditional investment banking business, and invest in the development of NEEQ market making services, trading services, and direct investment services.
- (II) **Wealth Management:** Accelerate the pace of the construction of the C-type business department, adjust and optimize the distribution of branches, expand the coverage of branches; improve the Internet business platform, optimize online transactions and service systems; actively expand capital intermediary services to meet the increasing investment and financing needs of customers; and upgrade customer management systems.
- (III) **Trading and Institutional Client Services:** Properly expand the scale of investment in FICC, stocks and derivatives, enhance institutional trading services and market-making capabilities; improve the primary brokerage service platform and upgrade trading and risk management systems.
- (IV) **Investment Management:** Improve the asset management product system and improve asset portfolio management capabilities; increase the return on investment management business; increase investments in funds, futures and direct investment subsidiaries to enhance profitability; actively nurture innovative business such as alternative investment business to develop new profiting models; when the market matures, consider choosing opportunities to acquire securities related institutions and assets to accelerate the expansion of business scale and expand market share.

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- (V) International Development: Further expand overseas investment, develop transaction business and asset management business, enhance Company's cross-border business capacity and international competitiveness, build an international investment banking brand, and increase the proportion of overseas assets and income.
- (VI) Establishment of Middle and Back Office: Comply with the development of technology and business needs, invest in information technology, build and upgrade technical architecture and operation management platform; carry out systems optimization in back offices such as operations management, risk management, legal, compliance, audit, and human resources; provide better support for the company's business development.

After consummation of the A Share Offering, the Company will make timely adjustments to the use of proceeds arrangements according to changes in market conditions and development strategy.

6. CAPITAL RAISING ACTIVITIES

As at the date of this circular, the Company has not conducted any fund-raising activities in relation to the issue of the equity securities in the 12 months immediately preceding the date of this circular.

For the upcoming 12 months starting from the date of this circular, based on its asset-liability management, liquidity management and business needs and in compliance with the regulatory requirements, the Company will flexibly raise capital through issuing onshore and/or offshore debt financing instruments, including corporate bonds, short-term corporate bonds, short-term financing bonds, and subordinated bonds (excluding perpetual subordinated bonds) etc., in order to satisfy the Company's operational needs, adjust the Company's debt structure, replenish working capital and/or invest in projects. The aggregate issue size (in terms of the outstanding amount after issuance) will be no more than three times the latest audited net asset value of the Company (after deducting the outstanding amount of the perpetual subordinated bonds). As at the latest practicable date of this circular, which is April 16, 2018, no specific fund-raising plan has been made by the Company.

In addition, for the upcoming 12 months starting from the date of this circular, the Company does not have any funding need apart from its general need for working capital, and except for capital raising activities to meet such general need for working capital, the Company has no plans for any additional capital raising activities.

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7. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that, as far as they are aware and are satisfied that the information contained in this circular is accurate and complete in all material respects, there is no misleading or fraudulent material and no omission of any of the information contained in this circular or other matters which are misleading.

8. ANNUAL GENERAL MEETING, THE DOMESTIC SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

The Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting will be held on Thursday, June 7, 2018 at Multi-function Hall, B1/F Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China. The notices of these meetings are set out on pages 61 to 70 of this circular.

A form of proxy to be used at the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting (if applicable) is enclosed. If you intend to appoint a proxy to attend the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form or any other authorization documents should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, whereas holders of Domestic Shares should return the proxy form to the Company's Board office, in person or by post no later than 24 hours before the time appointed for convening the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or at any adjourned meeting if you so wish.

If you intend to attend the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting in person or by proxy, you are required to return the completed and signed reply slip to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), or to the Company's Board office (for holders of Domestic Shares), on or before Friday, May 18, 2018 in person, by mail or by fax.

LETTER FROM THE BOARD

The location of the Company's Board office is 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (Telephone: (86) 10 8513 0716, Fax: (86) 10 6518 6399). Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, is located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555).

In order to determine the list of Shareholders who are entitled to attend the Annual General Meeting and the H Shareholders' Class Meeting, the Company will close the register of members of H Shares during the period from Tuesday, May 8, 2018 to Thursday, June 7, 2018 (both days inclusive), during which no registration of Shares will be made. Shareholders who wish to attend the Annual General Meeting are required to send all the transfer documents together with the relevant Shares to Computershare Hong Kong Investor Services Limited which is at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the office of the Board of the Company which is at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 of Chaonei Street, Dongcheng District, Beijing, the PRC (for Domestic Shareholders) to register before 4:30 p.m. of Monday, May 7, 2018. At the close of business of the aforementioned date, H Shareholders and Domestic Shareholders registered in Computershare Hong Kong Investor Services Limited or the office of the Board of the Company (if applicable) are entitled to attend the Annual General Meeting.

9. VOTING BY POLL

In accordance with rule 13.39 (4) of the Hong Kong Listing Rules, any vote made by the Shareholders at a Shareholders' general meeting shall be conducted by way of poll unless the chairman of the meeting so requests in good faith to allow a vote by hand to vote solely on resolutions relating to procedural or administrative matters. Accordingly, the resolutions proposed at the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting will be voted by way of poll.

LETTER FROM THE BOARD

10. RECOMMENDATIONS

The Directors consider that all resolutions proposed above are in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be submitted at the Annual General Meeting, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 23, 2018

2017 Work Report of the Board of Directors

The major tasks for 2017 and work arrangement for 2018 of the Board of Directors of the Company are as follows:

1. COMMENCEMENT OF MAJOR TASKS OF THE BOARD OF DIRECTORS FOR 2017

In 2017, the Board of the Company convened five shareholders' general meetings for the consideration and adoption of 40 resolutions and hearing of one report; and held 8 Board meetings for the consideration and approval of 52 resolutions and hearing of one report.

The Board of the Company has four special committees. In 2017, the Development Strategy Committee of the Board convened one meeting for the consideration and discussion of two resolutions; the Risk Management Committee of the Board convened five meetings for the consideration and discussion of eight resolutions and hearing of one report; the Audit Committee of the Board convened five meetings for the consideration and discussion of 12 resolutions; and the Remuneration and Nomination Committee of the Board convened four meetings for the consideration and discussion of five resolutions.

In 2017, the Board of the Company focused its efforts on the following aspects:

(I) Commencement of the Company's A-Share IPO Application

In 2017, the Company actively took various preparations for initial public offering and listing of A Shares ("A Shares Offering") based on the listing of H Shares. The Company officially launched work for A Shares Offering in March 2017, made its initial application for the A Shares Offering in June 2017. On April 3, 2018, the A Shares Offering of the Company was approved by the Stock Issuance Examination and Verification Committee of the CSRC.

Proactively preparing for the A Shares Offering and listing will allow the Company to create the right conditions for relinquishment of the capital required for business development, improvement of capital structure, and implementation of its international strategies and is of great significance to the long-term sustainable development of the Company. After the A Shares Offering and listing, the Company will become a listed company for "A+H" Shares and will reach a higher level of integrated competitiveness, value creation capability and operation and management capability. The Company will take this as a new starting point to keep moving forward and pursue excellent performance.

(II) Debt financing to support our business development

In 2017, pursuant to the mandate granted at the shareholders' general meeting, the Company initiated public offering of two tranches of RMB-denominated corporate bonds with an issue size of RMB7,000 million in aggregate; non-public offering of two tranches of RMB-denominated corporate bonds with an issue size of RMB8,000 million in aggregate; non-public offering of six tranches of short-term corporate bonds of a securities company with an issue size of RMB21,500 million in aggregate (outstanding balance amounted to RMB15,500 million as of the end of 2017); and issued 1,221 tranches of income receipts with an issue size of approximately RMB42,100 million in aggregate (outstanding balance amounted to RMB14,900 million as of the end of 2017). The accumulated issue size of debt financing instruments of the Company for the year amounted to RMB78,600 million in aggregate. The financial leverage multiple was 3.74x, representing an increase from 3.04x at the beginning of the year. Through rational design of the maturity structure, the Company carried out debt financing by means of diverse variety and flexible strategies, thereby providing guarantee of stable capital for development of various business and effectively minimizing its financial cost.

(III) Reinforcing the capital strengths of subsidiaries to push forward the sound and rapid development of subsidiaries

On March 17, 2017, at the 62nd meeting of the first session of the Board of the Company, the Resolution on the Proposal on Capital Increase in China Securities (International) Finance Holding Company Limited was considered and adopted for the increase in capital of HKD1,000 million or RMB equivalent for a wholly-owned subsidiary, giving impetus to expansion and enhancement of China Securities International; on June 2, 2017, at the 64th meeting of the first session of the Board of the Company, the Resolution on the Proposal on Capital Increase in China Securities Funds Management Limited and Resolution on the Establishment of China Securities Investment Company Limited were considered and adopted for the increase in capital of RMB1,000 million for China Securities Funds Management Limited, satisfying the need for rapid development of China Securities Funds; in the meantime, as required by the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》) and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) and other regulations, the Company approved, by use of its own funds, the establishment of China Securities Investment Company Limited, a wholly-owned subsidiary to be engaged in investment in financial products, securities investment, investment consulting, equity investment and other investment business in compliance with rules and regulations, with an initial registered capital of RMB1,000 million. Apart from developing the capital strengths of subsidiaries and supporting their business development, the Company also further improved the management of consolidated supervision compliance of its subsidiaries by focusing on risk management.

(IV) Adjustment to the composition of members of the Board

In 2017, the Company adjusted the composition of members of the Board and nominated Mr. Dong Shi, Mr. Wang Hao and Mr. Xu Gang as Non-executive Directors of the Company at the shareholders' general meeting. On June 8, 2017, at the 2016 annual general meeting of the Company, Ms. Xu Gang was appointed as Non-executive Director of the Company; on 11 December, 2017, at the 2017 second extraordinary general meeting of the Company, Mr. Dong Shi and Mr. Wang Hao were appointed as Non-executive Directors of the Company. Due to the change in Directors, the Board adjusted the composition of members of Board Committees accordingly.

(V) Strengthening and improving the basic management system of the Company

In 2017, in order to standardize the operation of the Company, improve the governance structure and ensure that the governance of the Company is in compliance with relevant requirements after the issuance of A Shares, the Company had prepared and/or amended the Articles of Association and Rules of Procedure for Meetings of the Development Strategy Committee of the Board (《公司董事會發展戰略委員會議事規則》), Rules of Procedure for Meetings of the Risk Management Committee of the Board (《公司董事會風險管理委員會議事規則》), Rules of Procedure for Meetings of the Audit Committee of the Board (《公司董事會審計委員會議事規則》), Rules of Procedure for Meetings of the Remuneration and Nomination Committee of the Board (《公司董事會薪酬與提名委員會議事規則》), Administration Measures for Connected Transactions (《公司關連交易管理辦法》), Administrative Measures on Disclosure of Company Information (《公司信息披露事務管理辦法》), Working System for Independent Directors (《公司獨立董事工作制度》), Detailed Working Rules for General Manager (《公司總經理工作細則》), Detailed Working Rules for Company Secretary (《公司董事會秘書工作細則》), Administration Measures on External Guarantee (《公司對外擔保管理辦法》), Administration Measures on External Investment (《公司對外投資管理辦法》), Internal Reporting System on Material Information (《公司重大信息內部報告制度》), Administration Measures on Use of Proceeds (《公司募集資金管理辦法》), Administration Measures on Investor Relations (《公司投資者關係管理辦法》), Administration Measures on Shareholding and Changes in Shareholding of Directors, Supervisors and Senior Management (《公司董事、監事及高級管理人員持有及變動本公司股份管理辦法》), Management System for Regulating Capital Flow with Related Parties (《規範與關聯方資金往來的管理制度》), Accountability System for Material Errors in Information Disclosure in the Annual Report (《公司年報信息披露重大差錯責任追究制度》),

Management System for Registration and Filing for Persons Informed of Inside Information (《公司內幕信息知情人登記備案管理制度》) and other relevant systems applicable upon the listing of A Shares in accordance with domestic listing regulatory requirements including the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), which were considered and adopted by the Board and have become effective since the listing date of the Company's A Shares for initial public offering on the Shanghai Stock Exchange.

(VI) Implementing risk management, compliance management and internal control assessment

On March 17, 2017, at the 62nd meeting of the first session of the Board of the Company, the Proposal on Reviewing the Company's Work Plan for Implementation of Comprehensive Risk Management Requirements (《關於審議公司落實全面風險管理要求工作方案的議案》) was considered and adopted. Based on regulatory requirements, the Board optimized the Company's comprehensive risk management system which effectively improved the risk identification, monitoring, assessment, response mechanism and technical standard, and practically raised the Company's ability in risk management. The Proposal on Reviewing the Company's Work Plan for Implementation of Comprehensive Risk Management Requirements was adopted.

On April 20, 2016, at the 63rd meeting of the first session of the Board of the Company, the Resolution on the 2016 Internal Control and Self-assessment Report of the Company was considered and adopted in favor of the findings of the self-assessment of the Internal Control Department after self-assessment and daily assessment and special assessment of Internal Audit Department that the Company has established an internal control system for the business and matters that are included in the scope of assessment, and the system has been effectively implemented to achieve the objectives of internal control of the Company with no significant and material deficiencies. The internal control of the business lines of the Company is generally effective and business risks are controlled at a measurable, controllable and acceptable level.

On June 2, 2017, at the 64th meeting of the first session of the Board of the Company, the Resolution on the 2017 Risk Management Policy of the Company was considered and adopted. The Board defined the risk appetite and tolerance that match the development strategies and objectives of the Company by taking consideration the risk management structure of the Company. The Risk Management Committee of the Board reviewed the risk report of the Company regularly to keep track of and assess the risk management of the Company in a timely manner.

On April 20, 2017 and August 30, 2017, the Board considered and adopted the 2016 Compliance Report and 2017 Interim Compliance Report of the Company, respectively, and fully implemented and assessed the compliance management of the Company in a timely manner.

(VII) Fulfilling the obligation of information disclosure and strengthening investor relations maintenance

In 2017, the Company has carried out information disclosure in a true, accurate, complete and timely manner, effectively safeguarding the legitimate interest of Shareholders in strict accordance with the laws and regulations, the provisions of the Articles of Association and the Administrative Measures on Management of Information Disclosure Affairs of the Company (《公司信息披露事務管理辦法》). In 2017, the Company has disclosed a total of approximately 105 documents on the website of Hong Kong Exchanges and Clearing Limited and the official website of the Company, including prospectus documents, corporate governance documents, monthly return of equity issuer on movements in securities, announcements related to resolutions of the Board, one-off announcements on issuance and redemption of bonds, annual reports, results announcements and voluntarily announcements, etc.

The Company attaches great importance to maintaining good investor relations. In 2017, it has established a good mechanism for communicating with domestic and overseas investors, fund managers, institution analysts, etc. by means of reception of visitors, one-to-one or one-to-many conference calls or telephone interviews, and email communications etc., and proactively performed investor relations maintenance as required under law and in a compliant manner.

(VIII) Making diligent efforts to convene shareholders' general meetings and fully implementing the resolutions of shareholders' general meetings

The Board has diligently fulfilled its duty as a convener of shareholders' general meetings in accordance with the provisions of the Articles of Associations. In 2017, the Board convened five shareholders' general meetings in total for consideration and adoption of 40 resolutions and hearing of one report. The Board actively organized the implementation of the resolutions of shareholders' general meetings and smoothly completed the A Shares Offering application, the issuance of a variety of debt financing instruments, profit distribution, adjustment of the Directors and other works.

(IX) Actively performing corporate social responsibilities in response to the call of regulatory authorities

In 2017, the Board attached great importance to the performance of corporate social responsibility of the Company, bearing in mind the mission of “gathering talents to serve customers in order to create values and make contribution to the society”. The Board, being a participant, promoter and beneficiary of capital market building and national economic development, conscientiously implemented the guiding principle relating to the strategy of poverty alleviation advocated by CPC Central Committee, the State Council and the CSRC, in response to the calling of the securities industry in China, and fully performed its corporate social responsibility by giving great impetus to joint supportive measures of “One Company, One County” and “One County, One Enterprise”. Currently, the Company has established joint supportive relationships with three deprived counties at national level, namely Ji County of Shanxi Province, Anyuan County of Jiangxi Province and Li County of Gansu Province, as well as 10 corporations therein to underpin the development in impoverished areas, and various measures yielded relatively satisfactory results. In 2017, CSC Financial set October 17 (National Poverty Alleviation Day) each year as the Company’s “Social Welfare Day”, and resolved to organize public welfare donations and other events on this day every year from now on. On the “Social Welfare Day” of 2017, the Company raised charitable donations of more than RMB1.57 million in total, with staff participation rate up to 91.86%. All of the funds raised will be used for the development of related public welfare undertakings such as poverty alleviation.

(X) Strengthening self-improvement to enhance capability of duty performance

The Board of the Company is aware of the importance of providing training and continuing professional development of its Directors to assist them in mastering the relevant laws and regulations, becoming familiar with business of the Company and undertaking the Company’s obligations arising from its governance policies, which in turn helps ensure that the Directors may fulfill their duties effectively. In 2017, the Board of the Company arranged sponsors, local and overseas lawyers, auditors and other parties to provide trainings to the Directors in relation to the laws and regulations applicable to the duties of directors of A-Share listed companies, including information disclosure and investor relations management, obligations and standardized guidelines for directors, supervisors and senior management, corporate governance, duties of directors, supervisors and senior management of A-Share listed companies and basic standards for corporate internal control, changes in and impacts of accounting standards for business enterprises, and identification and recognition of relationship of related parties, etc. All Directors have participated in relevant trainings as mentioned above.

II. PERFORMANCE OF DUTIES OF THE BOARD

In 2017, all Directors fulfilled their duties with due diligence, and prudently considered each topic at the meetings of the Board and the Board Committees in accordance with domestic and overseas laws and regulations, regulatory requirements and the provisions of the Articles of Association. They provided valuable advices and suggestions in terms of strategy and development planning, basic management system, business development, risk management and compliance management, social responsibility and other aspects, effectively safeguarding the interest of Shareholders and promoting the sustainable and sound development of the Company.

During the year, executive Directors diligently performed the dual roles in decision making as well as policy implementation, actively implemented the resolutions of shareholders' general meetings and the Board, conducted in-depth study of development strategy and business strategy of the Company and drove the Company to achieve good business performance. Non-executive Directors attended the Board meetings and the meetings of Board Committees as prescribed by the rules, to timely understand the operation development of the Company and realized scientific and prudent decisions by way of the consideration of meeting documents, hearing of special reports, carrying out research and review of the management documents of the Company. Independent Non-executive Directors have persistently delivered personal opinions in an independent and objective manner, provided advices and suggestions for the development of the Company by leveraging their professional strengths, faithfully performed their duties and safeguarded the interests of the Company and Shareholders, especially for the legitimate interest of minority Shareholders.

The attendance of Directors at Board meetings for 2017 was as follows:

Name	Positions	Number of Board meetings to be attended	Number of meetings attended in person	Number of meetings attended by proxy	Absence
Wang Changqing	Chairman of the Board and Executive Director	8	6	2	0
Yu Zhongfu	Vice Chairman of the Board and Non-executive Director	8	8	0	0
Hu Donghui	Vice Chairman of the Board and Non-executive Director	8	8	0	0
Qi Liang	Executive Director	8	8	0	0
Wang Chenyang	Non-executive Director	8	7	1	0
Wang Shouye	Non-executive Director	8	7	1	0
Dong Shi	Non-executive Director	0	0	0	0
Wang Hao	Non-executive Director	0	0	0	0
Xu Gang	Non-executive Director	4	4	0	0
Feng Genfu	Independent Non-executive Directors	8	8	0	0
Zhu Shengqin	Independent Non-executive Director	8	7	1	0
Dai Deming	Independent Non-executive Director	8	8	0	0
Bai Jianjun	Independent Non-executive Director	8	8	0	0
Liu Qiao	Independent Non-executive Director	8	8	0	0
Liu Dingping	Former Non-executive Director	8	8	0	0
Wang Shumin	Former Non-executive Director	8	8	0	0
Qiu Jianyang	Former Non-executive Director	1	1	0	0

III. PERFORMANCE OF DUTIES OF THE SENIOR MANAGEMENT

In 2017, the executive management of the Company fully implemented each resolution and request of the Board, and, in view of the implementation of “Three Major Strategies”, suggested a strategy for balanced development of asset-light business and asset-heavy business, online business and offline business, domestic business and overseas business, and traditional business and innovative business in order to strengthen the business portfolio management. The executive management also actively offered suggestions for advancement and improvement on material issues affecting the development of the Company and put it into place, which has generated the remarkable results.

Faced with the complicated and dynamic market trend, the executive management of the Company has devoted continuous efforts to improve the internal control system and risk management mechanism of the Company and enhanced the compliance level of risk control. In addition to grasping opportunities and facilitating innovation, the Company ensured its strict compliance with laws and regulations in operation and was rated as one of the three “Class A Grade AA” securities companies at the classified supervision assessment made by China Securities regulatory Commission for eight consecutive years.

Notwithstanding the severe market environment and the intense competition within the same industry, the executive management of the Company has played a key role and achieved both good operating results and improved execution of management tasks handed down from the Board.

IV. OPERATION OF THE COMPANY FOR 2017

According to the Accounting Standards for Business Enterprises in the PRC, in 2017 the Company achieved a consolidated operating revenue of RMB11,303 million, representing a YoY decrease of 14.75%; realized net profit attributable to equity holders of the Company of RMB4,015 million, representing a YoY decrease of 23.65%. As of the end of 2017, the consolidated total asset value of the Company was RMB205.883 billion, representing a YoY increase of 13.31%; the equity attributable to equity holders of the Company was RMB43.754 billion, representing a YoY increase of 6.55%. After disregarding the effect of perpetual debt securities, the revenue on equity ratio was 9.90%, higher than the industry average.

In 2017, the Company continued to adhere to the core value of “recognition for achievement, ability and status”, and the the concepts of “risk management as priority” and “healthy development” to strive for better service for existing customers and realize mutual growth with the enterprise. In the meantime, the Company cultivated its domestic business while expanding into international market to explore potential quality customers. The Company aimed to leverage its competitive edge in the investment banking business to steadily develop innovative business, became a large best-in-class full-service investment bank based in the PRC with global vision and benefit from the development trends in the PRC and global capital market.

In terms of key business indicators, the investment banking business of the Company continued to lead the industry. In 2017, the number of equity financing projects underwritten by us as a lead underwriter and the amount of lead underwriting ranked third and fourth in the industry, respectively. The number of bond business underwritten by us as a lead underwriter ranked second and the amount of lead underwriting ranked second in the industry, and in particular, both the number of projects underwritten by us as a lead underwriter and the amount of lead underwriting of corporate bonds ranked first. The equity financing business of the Company recorded remarkable development in 2017. The Company completed a total of 53 equity financing deals, including 5 deals worth over RMB10,000 million each and ranked third in the industry. The aggregate amount of equity offerings underwritten by the Company as a lead underwriter was approximately RMB97,212 million, ranked fourth in the industry. In particular, the number of IPOs underwritten by us as a lead underwriter was 25, ranked fifth in the industry; the amount of IPOs underwritten by us as a lead underwriter was approximately RMB14,444 million, ranked fourth in the industry. The number of refinancing projects underwritten by us as a lead underwriter ranked first in the industry for 5 consecutive years. The number of M&A projects completed was 28, ranking first in the industry, and the aggregate transaction amount was RMB114.5 billion, ranking second in the industry. The number of innovative enterprises on NEEQ quotations completed ranked second in the industry. During the Reporting Period, the Company completed a total of 448 underwriting projects as a lead underwriter, comprising corporate bonds, enterprise bonds, convertible bonds, financial bonds, other debt financing instruments of non-financial enterprises and asset-backed securitization, with an aggregate total size of projects underwritten as a lead underwriter of RMB1,051,078 million. Among the above, the number of corporate bonds projects in which the Company acted as a lead underwriter was 167, with the total size of projects in which the Company acted as a lead underwriter of RMB282,110 million. The Company ranked first in the industry in terms of both the amount underwritten as a lead underwriter for corporate bonds and the number of corporate bond projects in which the Company acted as a lead underwriter. In 2017, China Securities International completed six IPOs in Hong Kong. The equity financing proceeds totaled HK\$32,600 million, ranked No. 6 among Chinese securities brokers in Hong Kong, and completed 12 public bond issuance transactions in Hong Kong, with total project amounts of approximately HK\$72,900 million, ranked No. 9 among Chinese securities brokers in Hong Kong.

Wealth management business of the Company remained among the top players in the industry. In 2017, the net income from the securities brokerage business of the Company recorded a market share of 3.20%, ranking tenth in the industry. Trading volume of the agency sales of equity funds amounted to RMB6.91 trillion with a market share of 3.01%, ranking ninth in the industry. The net income from the distribution of financial products secured a market share of 3.51%, ranking fifth in the industry. The number of new capital accounts was 1.62 million. The new trading client assets amounted to RMB249.4 billion. As of the end of 2017, the number of capital accounts of the Company was 6.86 million in total, and the market value of securities under custody was RMB2,003.5 billion with a market share of 4.97%, ranking fifth in the industry. As of the end of 2017, the Company's margin financing and securities lending amounted to RMB46,409 million with a market share of 4.52%, increased by 1.34 percentage points as compared to that of last year, ranking ninth in the industry. China Securities Futures completed an amount of agency transactions of RMB5.92 trillion with a market share of 1.58%, increasing by 0.18 percentage point, ranking the ninth in the industry in terms of net profit. It was rated as a "Class A Grade AA" company in the futures industry for the second consecutive year.

The performance of trading and institutional customer service business of the Company remained at a leading position. For fixed income business, the sales size of corporate bonds ranked first in the industry, and the bond investment return on annual basis surpassed the major bond indices. With respect to the equity trading business, the Company maintained a prudent investment strategy, and provided market-making services to 91 companies listed on NEEQ for the year. With respect to the derivatives trading business, the Company consistently developed channels for cooperation, optimized algorithmic trading, and improved trading strategies. For investment research, the research team of the Company ranked first on "15th New Fortune" in two industries, namely, communications and military industry, and ranked ninth and eighth in the categories of "Best Domestic Research Team" and "Most Influential Research Institution". In 2017, the total assets under the custody and outsourcing business of the Company amounted to RMB138.1 billion, representing an increase of 7%, ranking one of the tops in the industry.

The asset management structure of the Company is under ongoing optimization. As of the end of 2017, the asset under management ("AUM") of the Company reached approximately RMB639.3 billion. Among these, the AUM of actively managed products reached approximately RMB154.3 billion, representing an increase of 5% of the AUM of total assets as compared to that at the end of 2016. The AUM of China Securities Funds as of the end of year amounted to RMB137.7 billion. Among these, the AUM of mutual fund was RMB8,600 million, and segregated fund products, including that of Yuandaxin Capital Management (Beijing) Company Limited (元達信資本管理(北京)有限公司), were RMB129.099 billion. As at the end of 2017, China Securities Capital completed 100 investment projects, including 7 main board listings, 22 NEEQ quotations, and 12 whole and partial exit projects, with average investment yield of 306%. As of the end of 2017, China Securities Funds has a total of 24 funds and the total AUM was RMB18,626 million, representing an increase of 330.66% compared with the total AUM as at the end of 2016.

V. MAJOR WORK ARRANGEMENT FOR 2018

Moving forward to 2018, under the current trend, the PRC economy will maintain stability while making progress, and capital markets will further solidify their important roles in serving the real economy. Hence, there will be enormous room for the securities industry to make remarkable achievements, though a variety of challenges will arise in the short-term. The Company will further facilitate and implement the “Three Major Strategies” and “Four Transformations”, and focus on the implementation of key programs in the following aspects, through comprehensively implementing the general idea of “strategy for balanced synergic development of asset-heavy business and asset-light business” and adhering to the general requirement of weakness improvement, advantage reinforcement, development expansion and risk prevention:

(I) Re-election of the Board

On February 27, 2018, the Company convened the 70th meeting of the first session of the Board, during which the Company considered and resolved to nominate the following candidates as Directors of the second session of the Board:

Executive Director: Mr. Wang Changqing and Mr. Li Geping;

Non-Executive Director: Mr. Yu Zhongfu, Mr. Dongshi, Ms. Zhang Qin, Ms. Zhu Jia, Mr. Wang Hao, Mr. Wang Bo and Mr. Xu Gang;

Independent Non-Executive Director Mr. Feng Genfu, Ms. Zhu Shengqin, Mr. Dai Deming, Mr. Bai Jianjun and Mr. Liu Qiao.

On April 16, 2018, the Board submitted by way of an ordinary resolution the appointment of the above director candidates to the 2018 first extraordinary general meeting of the Company for consideration and approval.

The abovementioned candidates will officially assume office as the directors of the Second Session of the Board when the resolution on election of the Second Session of the Board is approved at the extraordinary general meeting and the Second Session of the Board is established, with a term of office expiring when the term of the Second Session of the Board (namely 3 years) ends.

(II) Proactively pushing Forward the Listing of A Shares

In June 2017, the Company submitted the application for its A Shares Offering to regulatory institutions, which was approved by the Stock Issuance Examination and Verification Committee of the CSRC in April 2018. In 2018, the Company will carry out various tasks in furtherance of the A Shares Offering and listing to proactively take the process forward.

(III) Improving risk management and compliance management

In 2018, the Company will attach greater importance to the prevention and control of financial risk, and continue to adhere to a risk management philosophy of “priority of risk control and all participation in risk control” with the risk management objective of keeping all risks relating to various businesses measurable and controllable and ensuring that the risk-to-income ratio is reasonable, and continuously improve the comprehensive risk management system from management system, organizational structure, information technology system, risk index systems, talented team, risk response mechanism and other aspects. In addition, the Company will review the effectiveness of the compliance management in all respects. The Company will proactively promote the ideology of compliance management and cultivate the compliance culture in the ordinary course of business. Through improving the quality management of the intermediate level staff in business lines, the Company will facilitate the implementation of regulatory measures including management of investor suitability.

(IV) Further deepening the research of development strategy and business philosophy

The Company will: firstly, strive for broadening each of the businesses, and constantly raise its market position with each of the business departments and subsidiaries actively following market development rules, improve quality and increase efficiency, constantly accelerate client development and business expansion, with an endeavor to enhance the market position; secondly, strengthen risk control in all aspects, and adhere to the basis of compliant operation, constantly attaching much importance to reinforcing the compliant management and taking strict precautions against operational risks, by enforcing the obligation of compliance risk control, actively managing credit risks, and preventing liquidity risks and moral risks; thirdly, prioritize client development and services by building awareness of client-orientation, utilizing customer development as a starting point, concentrating resources on provision of good customer integrated services, thereby consistently expanding the client base, boosting brand influence, attracting and gathering more excellent customers; fourthly, enhance strategic research and planning and firmly grasp its proper direction for moving forward. Each of the business lines and each of the subsidiaries will keep track of development trend of the industry, clearly formulate specific development strategies and implementation steps, and further reinforce the strategic research, planning and layout of finance technology, international business and general purchaser’s business; fifthly,

thoroughly carry out cost-effective tasks on a yearly basis in order to effectively control operating costs, striking a good balance over increasing revenue and reducing expenses to build a sense of cost consciousness, improve the management standard by requesting for efficiency of the management, developing the concept of “cost control for all employees” and forming a good culture of cost management; sixthly, make their efforts in better poverty alleviation and promote the Company to join hand in hand with primary and secondary schools, elderly care institutions in counties providing support, in order to ensure more targeted poverty alleviation can be achieved.

In 2018, the Company will strive to achieve the A Shares Offering and listing and become a “A+H” listed securities company. The Company will make concerted efforts as usual to struggle and continuously drive a sound, steady development of all businesses. They will consistently maintain and enhance the leading-edge value creation capability to reward the trust and support of the Shareholders with excellent operational results.

Board of Directors
CSC Financial Co., Ltd.

2017 Work Report of the Supervisory Committee of the Company

The major tasks for 2017 and work arrangement for 2018 of the Supervisory Committee of the Company are as follows:

I. IMPLEMENTATION OF MAJOR TASKS OF THE SUPERVISORY COMMITTEE FOR 2017

In 2017, the Supervisory Committee of the Company performed its responsibility of supervision and participated in the review of the material decisions of the Company with strict compliance with relevant provisions of the Company Law, Securities Law and the Articles of Association. It regularly inspected the operations of the Company as well as each of its businesses, effectively supervised the performance of the Board, operation management and their respective members, actively safeguarding the legitimate interests of the Company, the shareholders, employees and other stakeholders, fully performing the Supervisory Committee's role of checking and balancing, and supervising the Company's corporate governance.

In 2017, the Supervisory Committee of the Company held four Supervisory Committee meetings, during which six resolutions were considered and passed and three reports were heard. The Supervisory Committee attended all shareholders' general meetings and Board meetings for 2017 and considered resolutions proposed at the meetings. In 2017, the Supervisory Committee of the Company focused on the following tasks:

(I) Fully performing its supervisory duty in order to facilitate the standard operation of the Company

The Supervisory Committee organized and guided the internal audit department in its conduct of a comprehensive auditing exercise over the major businesses of the Company, so as to facilitate the improvement of the internal control process of the Company the management mechanism.

The Supervisory Committee focused on key regulatory and risk compliance issues, and organized and carried out special audit on the suitability management of brokerage line investors, urging the implementation of the new provisions and supporting guidelines on the Suitability Management Measures on Securities and Futures Investors published by the China Securities Regulatory Commission, and actively fulfilled suitability obligations of investors to prevent compliance risks. The Supervisory Committee organized and carried out audit and supervision over the conduct of employees and brokers in relation to business exhibitions by investigating crucial processes including exhibition sites selection, account opening process, office equipment and employees' mobile phones, thus deterring against potential illegal behaviors by employees so as to ensure a healthy development of businesses. The Supervisory Committee organized and implemented the audit supervision over the risk management and control of financing businesses by requiring relevant divisions to devote greater attention

on the businesses with high leverage ratio and large financing amount and to continually manage and control risks, guaranteeing the safe and efficient operation of the Company. With respect to the sale of mutual funds and anti-money laundering procedures, areas which regulatory authorities are particularly concerned with, the Supervisory Committee arranged for a major audit and inspection by the internal audit department to effectively enhance the standardization of the relevant business. In response to the recent trend of provision of financial services to clients increasingly by the internet, the Supervisory Committee arranged the conduct of a special audit on the compliance management of online businesses by inspecting four types of major online businesses which the Company has achieved, including business license application, contract signing, account opening for new business and basic business of account, so as to standardize the approval and handling processes for online businesses and facilitate the upgrade and reform of system function. With respect to the supervision on subsidiaries, the Supervisory Committee arranged for audit and inspection work on China Fund Management Co., Ltd. and China Futures Co., Ltd. by focusing on the inspection on the establishment of internal control system and the implementation of risk control procedures on a basis of fully sorting out businesses of the subsidiaries with a higher risk, so as to promote improvement by the subsidiaries of their internal control, business specification, risk management and compliance and financial management and other procedures. With respect to the supervision on branches, the Supervisory Committee arranged for a wide-ranging audit and supervision by the internal audit department on branches and business departments at all levels, and conducted a comprehensive inspection on the efficiency and effectiveness of operating management of branches at all levels with respect to functional positioning, market strategy, business promotion, sales and marketing standardization, human resources, branches management, compliance supervision and other aspects, so as to facilitate the conduct of business branches in accordance with the applicable laws as well as to effectively prevent various operation risks.

(II) Arranging for audit and evaluation on risk compliance management to enhance the level of risk compliance management of the Company

The Supervisory Committee focused on key regulatory and risk compliance issues. In accordance with relevant provisions relating to compliance management as prescribed by the CSRC and the comprehensive risk management standards prescribed by Securities Association of China, the Supervisory Committee organized and guided the internal audit department to strengthen the audit and supervision over the risk control and compliance management system of the Company and arranged for the internal audit department to carry out the special audit on comprehensive risk management of the Company and the effective evaluation on the annual compliance management of the Company to fully inspect and evaluate the operation of risk control and compliance management of the Company, so as to ensure that the framework implementation for risk control and compliance management of the Company is sensible, standardized in system, well-established in organization, smooth in flow and timely in response. The Supervisory Committee imposed definite requirements on the internal audit department to adopt compliance risk as a guideline and pay particular attention to the

implementation of compliance management such as sensitive information management, blacklist management, black-out period management and “wall-crossing” management, to evaluate the effectiveness of compliance management of the Company as well as the new businesses commenced in all business lines. The Supervisory Committee performed inspection on, among others, systemic updates of all business departments, implementation of new compliance policies, disclosure of investment advisory information, internal approval mechanism for participating in media programs, implementation of reporting mechanism, and compliance management of customer service in the asset management business. After the evaluation, the Company established a comprehensive compliance management framework, and clearly defined the compliance responsibilities of the staff at all levels. The Company proactively cultivated the culture of encouraging compliance by setting up the principle of compliant operations and improving the self-restraint mechanism. The Company formulated a series of compliance management system, and conducted compliance reviews, compliance consultation, compliance supervision, compliance inspection, and other compliance management measures, so as to clearly define the management processes of anti-money laundering and information barriers, as well as the means for reporting violations of laws and regulations, compliance accountability and compliance assessment. The Supervisory Committee is of the view that the Company has set up a sound internal control system with defined responsibility and the division of responsibility and powers, and the establishment of the compliance management system of the Company is in line with the regulatory requirements, and the Company has implemented compliance management throughout the entire business operation process of the operating management of the Company with well-prepared internal control measures for all businesses. The Company has established and effectively implemented a corresponding management system for business and matters included in the scope of the evaluation. The objective of compliance management was achieved and no material compliance risk occurred. The level of compliance management has been steadily enhanced.

(III) Paying attention to material issues on the development of the Company and making deep investigation and survey on front-line business to fully perform the functions of supervision, support, and services provision

In 2017, the Supervisors of the Company attended the shareholders’ general meetings and Board meetings while the chairman of the Supervisory Committee of the Company attended daily meetings of the executive committee of the Company, actively performing its roles of support, supervision and safeguarding in Company’s operation. The Supervisory Committee carefully supervised the implementation of resolutions adopted at shareholders’ general meetings by the Board as well as the senior management of the Company in their performance of duties. The Supervisory Committee also paid attention to the entire process of the executive management in implementing work arrangements and realizing task objectives, actively safeguarding the legitimate interest of the shareholders. The Supervisory Committee actively assisted the Company in enhancing communications with regulatory authorities and industry associations, providing advice and suggestions for the standardization of

development in the industry. In 2017, the Company actively pushed forward the listing of its A shares, and the Supervisory Committee made amendments to the applicable Rules of Procedures for Supervisory Committee Meetings after the issuance of A shares. The Supervisors of the Company attended the board meetings and participated in the preparation and review of the prospectus.

In 2017, the Supervisory Committee of the Company commenced investigation and survey in the business departments of the Beijing Dongzhimen Center and the Beijing Alilu Center, the securities business department in Beijing Financial Street, Economic Management Committee Middle- and Small-sized Enterprises Financial Institution of the Company and China Fund Management Co., Ltd. in order to have a comprehensive understanding of operation and development and internal control system of front-line business and the execution of risk management and control measures. In addition, the Supervisory Committee also sought to better understand problems and challenges front-line units encounter during the operation and development and listen to their opinion and suggestions on work improvement of the Company. The investigation and survey allowed the Supervisory Committee to further enrich its experience in performing duties, which helped the Supervisory Committee to better perform its role of support, supervision and safeguarding.

II. MEETINGS OF SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES OF THE SUPERVISORS

In 2017, the Supervisory Committee of the Company held four meetings in aggregate and the details of which are as follows:

1. On April 20, 2017, the Company convened the 14th meeting of the first session of the Supervisory Committee of the Company, during which the 2016 Work Report of the Supervisory Committee of the Company, the 2016 Internal Audit Working Report and 2017 Auditing Plan of the Company, the resolution in relation to the 2016 Annual Report of CSC Financial Co., Ltd. and the resolution on Amending Rules of Procedures of Supervisory Committee with Respect to the Initial Public Offering of A Shares and Listing Matters were considered and approved, and the reporting regarding the 2016 Compliance Report of the Company and the 2016 Internal Control and Self-assessment Report of the Company were heard.
2. On August 21, 2017, the Company convened the 15th meeting of the first session of the Supervisory Committee of the Company, during which the 2017H1 Internal Audit Working Report and 2017H2 Auditing Plan of the Company was considered and approved.
3. On October 18, 2017, the Company convened the 16th meeting of the first session of the Supervisory Committee of the Company, during which the Proposal on Amending Rules of Procedures of Supervisory Committee of the Company was considered and approved.

4. On November 8, 2017, the Company convened the 17th meeting of the first session of the Supervisory Committee of the Company, during which the 2017 Special Report on the Company's Risks was delivered.

The attendance of meetings of the Supervisory Committee by the supervisors were as follows:

Name	Position	Number of Supervisory Committee meetings to be attended	Number of meetings attended in person	Number of meetings attended by proxy	Absence
LI Shihua	Chairman of the Supervisory Committee	4	4	0	0
WANG Jing	Supervisor	4	4	0	0
AI Bo	Supervisor	4	4	0	0
LIU Hui	Supervisor	4	4	0	0
LU Ya	Employee supervisor	4	4	0	0
WU Lili	Employee supervisor	4	4	0	0

III. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE

In 2017, the Supervisors of the Company attended the shareholders' general meetings and board meetings and considered the resolutions of meetings. The Supervisory Committee conducted supervision and inspection on operating management, material decision-making and material operating activities as well as the financial condition of the Company, and expressed independent opinions on the above basis:

- (I) The Company was able to conduct its operations in strict compliance with the Company Law, the Securities Law, the Articles of Association and regulatory requirements, had lawful decision-making processes and a sound internal control system. The Supervisory Committee of the Company had no objection to the supervisory matters during the reporting period.
- (II) The Company was in good financial condition. The financial report for 2017 was audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, who issued an standard unqualified opinion and stated that the financial report a true and fair representation of the financial condition and operating results of the Company.

- (III) In 2016, the Company raised HKD7.331 billion from public issuance of H shares, equivalent to RMB6.519 billion. On January 5, 2017, the Company exercised part of the over-allotment options and raised net capital of HKD464 million, equivalent to RMB415 million. As of December 31, 2017, the Company's total actual investment in projects which involved the proceeds of fund amounted to RMB5.243 billion. In 2017, the Company initiated public offering of two tranches of RMB-denominated corporate bonds with an issue size of RMB7 billion in aggregate, and non-public offering of two tranches of RMB-denominated corporate bonds with an issue size of RMB8 billion in aggregate, all of which were used to supplement the working capital of the Company. The Company also non-publicly issued six tranches of short-term corporate bonds of a securities company with an issue size of RMB21.5 billion, and issued 1,221 tranches of income receipts with an issue size of approximately RMB42.1 billion, all of which were used to supplement the liquidity of the Company. The uses of raised funds are consistent with those disclosed in the prospectus.
- (IV) In 2017, the Administration Measures on Information Disclosure Affairs of the Company (公司信息披露事務管理辦法), Management System on Related-party Transactions of the Company and the relevant systems were under effective implementation. This safeguarded the legitimate interests of shareholders and stakeholders. In addition, the reporting, transmission, review and disclosure procedures of material events of the Company were clearly defined in the above systems and other internal systems of the Company, and the implementation was satisfactory.
- (V) The written opinion of the Supervisory Committee upon review the annual report of the Company is as follows: the preparation and consideration process of the annual report complied with laws and regulations and the provisions of the Articles of Association; the content and format of the annual report complied with the requirements of the regulatory authorities; the contents of the annual report were able to truly reflect the operating management, financial condition and other important matters of the Company, and the Supervisory Committee had no objection to the annual report. The Supervisory Committee also reviewed the 2017 Compliance Report, 2017 Internal Control and Self-assessment Report of the Company, the Report on the Entering Into the Related Party Transactions Agreement between the Company and the Industrial and Commercial Bank of China Limited, the Report on the Projection of Related Party Transactions of the Company in 2018, and had no objection to the above reports.

IV. MAJOR WORK ARRANGEMENT FOR 2018

- (I) The Supervisory Committee will continue to hold Supervisory Committee meetings from time to time, according to work needs, to study and discuss material issues, compliance and risk conditions and other major issues encountered by the Company during its development which Supervisory Committee focuses on. The Supervisory Committee will proactively support and coordinate the initial public offering of A shares of the Company, carefully examine and solve the issues involving the Supervisory Committee during the listing of A+H shares, and consistently enhance the quality of supervision of Supervisory Committee and the abilities to perform its duties.
- (II) The Supervisory Committee will continue to carry out supervision on the material decision-making of operating management of the Company by attending Board meetings and meetings of the executive committee of the Company, and urge the executive management of the Company to persist on the implementation of all resolutions adopted at the shareholders' general meetings and Board meetings. They will earnestly perform their responsibilities as stipulated under the Articles of Association and require each of the business departments and management departments of the Company to comply with the provisions of regulatory authorities and self-regulatory organizations, and the internal policy of the Company.
- (III) The Supervisory Committee will continue to organize and guide the supervision and inspection of various business activities and management activities of the Company conducted by the internal audit department, evaluate the operation of the Company as required by laws and regulations, supervise the measures on the prevention of operating risks and their effectiveness, and conduct evaluation on internal control and compliance effectiveness. Through considering the internal audit work report, monitoring the rectification and implementation status and by other means, the Supervisory Committee will perform its responsibilities of supervision and inspection persistently. In 2018, the audit works will place its base on risk prevention according to the requirement of "seeking for a simultaneous development of brand and quality and bringing a steady progress". The audit works will be likened to "general practitioner" as well as "specialist practitioner" to combine supervision with service and combine inspection and assistance and ensure that the audit work can enable the Company to optimize internal control and improve efficiency, facilitating a steady development of various businesses of the Company.

- (IV) The Supervisory Committee will continue to strengthen its works in investigation and survey. Through investigation and survey, it will keep abreast of the needs of business development, identify potential risks in business development, grasp the development trends of industry and key concerned items, and continue to enhance its supervision and management capabilities.

Supervisory Committee
CSC Financial Co., Ltd.

The external auditors have verified and approved the Annual Financial Statement of the Company for 2017, and issued an audit report with unqualified opinion for the Annual Financial Statement of the Company for 2017. According to their opinion, the company's financial report has been prepared in accordance with the provisions of the Chinese Accounting Standards for Business Enterprises and has fairly reflected its financial position as of 31 December 2017 and its operating results and cash flows in 2017 in all major aspects. The report of financial position, operating results and other related matters of the Company are presented below for your consideration.

I. GENERAL INFORMATION

China's economy picked up steam in 2017, with the GDP growing by 6.9%. The secondary stock market witnessed steady and positive growth. The SSE Composite Index closed the year by 3,307, recording an increase of 6.6%. The SZSE Component Index closed the year by 8.5% of growth to stand at 11,040. The average daily trading volume in the market was RMB502.5 billion, booking a decrease of 11.7%. With a faster pace in issuing, the IPO market saw a total of 438 deals and RMB230.1 billion of fundraising throughout the year, growing by 93.0% and 53.8% respectively. However, the re-financing sector recorded a significant decline. The year saw 986 equity financing deals valued RMB1,536.9 billion, representing decrease of 7.3% and 24.4% respectively. 8,439 bonds were issued, and the total value amounted to RMB8.97 trillion, representing decrease of 14.3% and 17.5%. China's securities industry recorded RMB6.14 trillion of total assets in 2017, representing growth of 6.0%. Net asset of the securities industry at the end of the year reached RMB1.85 trillion, growing by 12.8%. The securities industry realized RMB311.3 billion of revenue and RMB113.0 billion of net profit, which represented decrease of 5.1% and 8.5% respectively.

Under the complicated and ever-changing market environment, leaders and staffs of the Company faced the difficulties and strove for satisfactory operating results with all their might. The Company carried out sound business operation in compliance with laws and regulations, and was rated "Class A Grade AA" at the classified supervision assessment made by the CSRC for eight consecutive years in recognition of its excellent financial indicators. As of the end of 2017, total assets of the Company on consolidated basis amounted to RMB205,883 million, representing a YoY increase of 13.31%; equity attributable to equity holders of the parent company was RMB43,754 million, representing a YoY increase of 6.55%; net capital of the Company amounted to RMB37,025 million, representing a YoY increase of 2.29%; consolidated realized operating revenue of the Group for the year amounted to RMB11,303 million, representing a YoY decrease of 14.75%; realized net profit attributable to equity holders of the parent company amounted to RMB4,015 million, representing a YoY decrease of 23.65%; realized basic earnings per share was RMB0.51,

representing a YoY decrease of 37.04%. Excluding the impact of perpetual bonds, the core return on net assets was 9.90%; the leverage multiple was 3.74x; risk coverage ratio was 217.63%; liquidity coverage ratio was 173.80%, and the net stable funding ratio was 136.24%. All risk control indicators have met the regulatory requirements.

II. ASSETS AND LIABILITIES

(1) Asset Structure

As of the end of 2017, total assets of the Company on consolidated basis amounted to RMB205,883 million, representing a YoY increase of 13.31%. Excluding accounts payable to brokerage clients, total assets of the Company on consolidated basis amounted to RMB164,467 million, representing a YoY increase of 31.62%, the breakdown of which is as follows:

1. Monetary funds, clearing settlement funds and trading deposits amounted to RMB53,198 million, accounting for 25.84% of the total assets, representing a YoY decrease of 30.07%, which was mainly due to the decrease in clients' transaction settlement funds.
2. Held-for-trading financial assets amounted to RMB39,582 million, accounting for 19.23% of the total assets, comprising bonds of RMB25,674 million, fixed income products of RMB3,840 million, stocks of RMB1,576 million and others of RMB8,492 million including special accounts (the accounts, which are opened for the investment of the Company and several other securities companies in China Securities Finance Co., Ltd., are jointly operated), ABS, interbank deposit, funds and trust schemes.
3. Margin accounts amounted to RMB47,821 million, accounting for 23.23% of the total assets.
4. Financial assets at fair value the fluctuation in which has been reflected in the profit/loss for the same period amounted to RMB32,649 million, accounting for 15.86% of the total assets, comprising bonds of RMB21,282 million, stocks of RMB4,300 million, funds of RMB1,044 million and others of RMB6,023 million.
5. Financial assets held under resale agreements amounted to RMB26,065 million, accounting for 12.66% of the total assets, among which, margin accounts of the contractual repurchase and stock repurchase amounted to RMB13,539 million, while others were capital operations of the Company in the market among exchanges and banks.

6. Held-to-maturity investments amounted to RMB579 million, which were mainly bond investments.
7. Net fixed assets amounted to RMB515 million, accounting for 0.25% of the total assets, comprising business premises of RMB321 million, electronic and communication equipment and office equipment of RMB179 million and others of RMB15 million.
8. Net receivables amounted to RMB1,370 million, accounting for 0.67% of the total assets.
9. Net amount of investment properties amounted to RMB50 million, accounting for 0.02% of the total assets, which are properties owned and leased by the Company.
10. Other assets amounted to RMB4,055 million, mainly comprising interest receivable of RMB2,223 million, deferred income tax of RMB796 million, and others including long-term pre-paid expenses, other receivables, long-term equity investment, intangible assets and other assets.

(2) Liabilities and Equity Structure

As of the end of 2017, total liabilities of the Company on consolidated basis amounted to RMB161,885 million, representing a YoY decrease of 15.28%. Excluding clients' deposits of accounts payable to brokerage clients, total liabilities of the Company on consolidated basis amounted to RMB120,468 million, representing a YoY increase of 43.94%. The composition of total liabilities is as follows:

1. Accounts payable to brokerage clients amounted to RMB41,417 million, accounting for 25.58% of the total liabilities, representing a YoY decrease of 27.00%.
2. External financing amounted to RMB74,565 million in aggregate, accounting for 46.06% of the total liabilities, comprising borrowings under margin refinancing and securities refinancing of RMB9,000 million, placements from banks and other financial institutions of RMB5,000 million, bonds payable of RMB30,873 million (including RMB7,000 million of bonds due within one year), income receipts payable of RMB12,350 million, short-term corporate bonds of RMB15,291 million and short-term borrowings of RMB2,051 million.

3. Amount from financial assets sold under repurchase agreements amounted to RMB29,147 million, accounting for 18.00% of the total liabilities, among which, transfer and repurchase financing of beneficial rights over margin financing and securities lending amounted to RMB4,000 million, the financing from collateralized repurchase business amounted to RMB3,740 million, while others were repurchase financing of the Company in the market among exchanges and banks.
4. Payables amounted to RMB3,004 million, comprising: settlement deposits payable of RMB443 million, swap between beneficial rights of RMB1,435 million, futures settlement risk funds payable of RMB72 million, securities investor protection fund payable of RMB26 million and others such as routine current payables.
5. Other liabilities amounted to RMB13,751 million, which was mainly attributable to amounts due to other holders of consolidated structured entities of RMB8,247 million, financial liabilities at fair value the fluctuation in which has been reflected in the profit/loss for the same period of RMB138 million (which mainly involved bonds borrowing business), salaries, bonuses and allowances payable of RMB2,592 million, interest payable of RMB1,435 million, accounts payable to underwriting clients of RMB32 million, tax payable of RMB346 million and other liabilities.

As of the end of 2017, equity attributable to equity holders of the Company on consolidated basis amounted to RMB43,999 million, among which, equity attributable to equity holders of the parent company amounted to RMB43,754 million, which consisted of share capital of RMB7,246 million, capital reserve of RMB7,085 million, perpetual subordinated bonds of RMB5,000 million, undistributed profits of RMB15,018 million, other comprehensive income of RMB-228 million, surplus reserves and risk reserves of RMB9,633 million.

(3) Major Risk Control Indicators

In 2017, the Company strictly controlled the risks. All risk control indicators met the standard during the year. At the year end, net capital of the Company amounted to RMB37,025 million, with a risk coverage ratio of 217.63%. Proprietary equity securities accounted for 12.64% of the net capital. Proprietary non-equity securities and derivatives accounted for 145.12% of the net capital. In 2017, the Company properly used the financial leverage, achieving a leverage multiple of 3.74x. In general, the assets of the Company are of high quality, and all risk control indicators met the regulatory requirements. Details of which are set out below:

Unit: RMB'00 million

Items	End of period	Beginning of period	Warning level	Required level
Net capital	370.25	361.98		
Net assets	424.72	400.68		
Total risk capital reserves	170.13	157.78		
Risk coverage ratio (%)	217.63	229.43	≥120.00	≥100.00
Capital leverage ratio (%)	21.80	27.83	≥9.60	≥8.00
Liquidity coverage ratio (%)	173.80	172.00	≥120.00	≥100.00
Net stable funding ratio (%)	136.24	154.52	≥120.00	≥100.00
Net capital/net asset (%)	87.18	90.34	≥24.00	≥20.00
Net capital/liabilities (%)	34.71	52.92	≥9.60	≥8.00
Net assets/liabilities (%)	39.81	58.58	≥12.00	≥10.00
Proprietary equity securities and derivatives/net capital (%)	12.64	14.02	≤80.00	≤100.00
Proprietary non-equity securities and derivatives/net capital (%)	145.12	127.56	≤400.00	≤500.00

III. OPERATING REVENUE AND EXPENSES

(1) Operating revenue

In 2017, the consolidated operating revenue of the Company amounted to RMB11,303 million, representing a YoY decrease of 14.75%. The breakdown of the operating revenue is as follows:

- Net commission income from brokerage business (inclusive of net income from margin financing and securities lending fee) amounted to RMB3,046 million, representing a YoY decrease of 21.82% and accounting for 26.94% of the total operating revenue (indicating decrease of 2.44% as compared with the proportion of the previous year). Net commission income from brokerage business of the Company recorded a decrease in 2017. The analysis of the factors in such changes below showed that the commission income of the Company decreased by RMB351 million due to the decrease in market trading volume (excluding transaction seat leasing); decreased by RMB49 million due to the shrinkage of direct market share; and decreased by RMB392 million due to the decline in average commission rate. In 2017, the commission income from brokerage business of the parent accounted for 3.22% of the total commission income in the market, representing a YoY decrease of 0.10 percentage point.

Unit: RMB'00 million

Influencing Factors	2017	2016	Change	Impact on the trading volume of the Company	Impact on the commission income
Market stock and fund trading volume	1,225,519	1,388,168	-11.72%	-8,654.78	-3.51
Direct Market share in terms of trading volume	2.61%	2.66%	-1.86%	-1,211.47	-0.49
Average commission rate (%)	0.34448	0.40566	-15.08%	-	-3.92
Total					-7.92

2. The net revenue of investment banking business amounted to RMB3,348 million, representing a YoY decrease of 19.58% and accounting for 29.62% of the total operating revenue (indicating decrease of 1.78% as compared with the proportion of the previous year). The securities underwriting business of the Company maintained a stable development. In 2017, according to the statistics published by Wind, the Company completed 711 stock and bond underwriting projects as a lead underwriter with an aggregated amount of RMB552,900 million, ranking No. 2 in the industry. The net income from investment banking business of the Company accounted for approximately 6.36% of the total income in the industry, representing a YoY increase of 0.36%.
3. Investment income (inclusive of changes in fair value) amounted to RMB2,420 million, accounting for 21.41% of the total operating revenue (indicating increase of 3.25% as compared with the proportion of the previous year) and representing a YoY increase of 0.49%.
4. Net interest income amounted to RMB1,325 million, representing a YoY decrease of 16.76% and accounting for 11.72% of the total operating revenue (indicating decrease of 0.28% as compared with the proportion of the previous year). Net interest income from margin financing and securities lending and other financing businesses amounted to RMB2,946 million in aggregate, representing a YoY increase of 21.88%; net interest income from client deposits amounted to RMB931 million, representing a YoY decrease of 15.13%; net interest income from its own funds amounted to RMB443 million, representing a YoY decrease of 4.67%. In 2017, as a result of the increase in external financing costs, interest expenses of short-term borrowings, refinancing funds, corporate bonds, subordinated bonds, short-term commercial papers and financial assets sold under repurchase agreements amounted to RMB3,739 million in aggregate, representing a YoY increase of 42.65%.
5. Net income from asset management business amounted to RMB838 million representing a YoY increase of 42.65% and accounting for 7.41% of the total operating revenue (indicating increase of 1.94 percentage points as compared with the proportion of the previous year)

(2) Operating expenses

In 2017, the consolidated operating expenses of the Company amounted to RMB5,941 million, comprising operating costs of RMB5,773 million (inclusive of securities investor protection fund of RMB47 million), tax and surcharges of RMB87 million, impairment losses of assets of RMB76 million and other business expenses of RMB4 million.

In 2017, the Company adhered to its established practice of economization. While developing new clients and maintaining and improving the market position of the Company in all business areas, the Company strictly controlled management fees and expenses. The operating expenses for the year decreased by 2.54% YoY. Among them, staff costs decreased by RMB153 million, or 3.50%, which was mainly attributable to the decrease in performance-based remuneration and commission; fixed costs increased by RMB50 million, or 6.86%, which was mainly due to the newly established branches and the expansion of the operation places; costs of change decreased by RMB47 million with the decrease of revenue.

(3) Profit

In 2017, the Company recorded total realized profit on consolidated basis of RMB5,355 million, representing a YoY decrease of 24.12%; realized net profit of RMB4,062 million, representing a YoY decrease of 23.56%; return on weighted average net assets of 9.90%, far surpassing the average industry level of 6.49%; and net profit margin on revenue of 35.93%, which was slightly lower than the average industry level of 36.29%. Upon incorporating other comprehensive income, the Company realized RMB3,921 million of total comprehensive income on consolidated basis, representing a YoY decrease of 20.40%.

In light of the above analysis, the Company overcame all difficulties and recorded satisfactory operating results in tough market conditions, which lays a solid foundation for sustained and sound development in the future.

Performance of duties of the Independent Non-executive Directors of the Company in 2017 is reported as follows:

I. GENERAL INFORMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

As of the end of 2017, the first session of the board of the Company comprised, among others, five Independent Non-executive Directors, namely Mr. Feng Genfu, Ms. Zhu Shengqin, Mr. Dai Deming, Mr. Bai Jianjun and Mr. Liu Qiao. Mr. Feng Genfu and Ms. Zhu Shengqin were appointed at the general meeting in April 2015, and Mr. Dai Deming, Mr. Bai Jianjun and Mr. Liu Qiao were appointed at the general meeting in August 2016.

II. PERFORMANCE OF DUTIES OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

(I) Positions held in the Board committees

The Independent Non-executive Directors of the Company actively attended every general meetings, Board meetings as well as Board committee meetings. Every Board committees included Independent Non-executive Directors as members. The convener of both the Audit Committee and the Remuneration and Nomination Committee were served by an Independent Non-executive Director, and more than half of the members of both the aforesaid Board committees consisted of independent non-executive directors.

As of the end of 2017, the positions held by Independent Non-executive Directors of the Company in the Board committees were as follows:

Name	Positions held in the Board committees
Feng Genfu	Member of the Development Strategy Committee and member of the Audit Committee
Zhu Shengqin	Member of the Audit Committee and member of the Remuneration and Nomination Committee
Dai Deming	Chairman of the Audit Committee and member of the Remuneration and Nomination Committee
Bai Jianjun	Chairman of the Remuneration and Nomination Committee and member of the Risk Management Committee
Liu Qiao	Member of the Risk Management Committee and member of the Remuneration and Nomination Committee

(II) Attendance of meetings**1. Attendance of Independent Non-executive Directors at Board meetings**

In 2017, the Company held 8 board meetings, and the attendance of the Independent Non-executive Directors at the board meetings was as follows:

Name	Number of Board meetings to be attended	Number of meetings attended in person	Number of meetings attended by proxy
Feng Genfu	8	8	0
Zhu Shengqin	8	7	1
Dai Deming	8	8	0
Bai Jianjun	8	8	0
Liu Qiao	8	8	0

2. Attendance of Independent Non-executive Directors at Board committee meetings

The Board of the Company has established four special committees. In 2017, the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee respectively held one, five, five and four meeting(s). The attendance of Independent Non-executive Directors at the meetings was as follows:

Name	Development Strategy Committee	Risk Management Committee	Audit Committee	Remuneration and Nomination Committee
Feng Genfu	1/1	–	5/5	–
Zhu Shengqin	–	–	5/5	3/4
Dai Deming	–	–	5/5	4/4
Bai Jianjun	–	5/5	–	4/4
Liu Qiao	–	5/5	–	4/4

Notes: The above table shows “the actual attendance/number of meetings to be attended”.

3. *Attendance of independent non-executive directors at general meetings*

In 2017, the Company held 5 general meetings, and the attendance of independent non-executive directors at the meetings was as follows:

Name	Number of general meetings to be attended	Number of meetings attended
Feng Genfu	5	5
Zhu Shengqin	5	4
Dai Deming	5	4
Bai Jianjun	5	5
Liu Qiao	5	4

(III) **Independent opinions issued and major concerns raised**

On June 2017 and August 2017, the Independent Non-executive Directors of the Company issued independent opinions on related-party transactions for two periods from 1 January 2014 to 31 December 2016 and from 1 January 2014 to 30 June 2017. According to the Independent Non-executive Directors of the Company, the related-party transactions during the aforesaid periods had fulfilled relevant procedures as required by the then effective Articles of Association of CSC Financial Co., Ltd., Management System on Related-party Transactions of Association of CSC Financial Co., Ltd. and other governance documents of the Company; the transactions follow the principle of fairness and voluntariness, the prices are fair and there is no harm to the interests of the Company and other non-affiliated shareholders.

In addition, in 2017, the Audit Committee, its convener being an Independent Non-executive Director and more than half of its members being Independent Non-executive Directors, heard and considered the Resolution on the 2016 External Audit Plan of the Company, the Report on the 2016 Internal Audit Work and the 2017 Work Plan, the Report by External Auditors on the 2016 External Audit of the Company in accordance with the International Financial Reporting Standards and the Accounting Standards for Business Enterprises in the PRC, and the Resolution on the Re-appointment of Auditor of the Company, and had no objections to the above matters. In 2017, the Remuneration and Nomination Committee, its convener being an Independent Non-executive Director and more than half of its members being Independent Non-executive Directors, considered the Proposal on the Remuneration Policy of the Operation and Management Team of the Company and the Proposal on the Reward of the Operation and Management Team of the Company for 2016, and has no objections to the above matters.

III. SELF-APPRAISAL FOR 2017

In 2017, during their term of office, the Independent Non-executive Directors were able to devote adequate time and efforts to their duties in strict compliance with the relevant laws, regulations, regulatory rules and the Articles of Associations, giving a full play to their professional advantages, engaging in all decision-making of the Board in an independent and prudent manner and exercising independent judgement so as to effectively safeguard the interests of the Company as a whole, especially the legitimate interests of minority shareholders, and contributed their efforts on the sustainable and sound development of the Company.

All independent directors
CSC Financial Co., Ltd.

NOTICE OF THE ANNUAL GENERAL MEETING



中信建投証券股份有限公司

CSC Financial Co., Ltd.

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

(Stock Code: 6066)

NOTICE OF THE 2017 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2017 annual general meeting (the “AGM”) of CSC Financial Co., Ltd. (the “Company”) will be held at 9:00 a.m. on Thursday, June 7, 2018 at the Multi-function Hall, B1/F Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China, to consider and, if thought fit, approve the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated April 23, 2018.

SPECIAL RESOLUTIONS

To consider and approve:

- (1) the resolution on the proposed extension of the validity period of the resolution for the A Share Offering and listing;
- (2) the resolution on the proposed extension of the validity period of the resolution for the authorization to the Board and persons authorized by the Board to deal with matters relating to the A Share Offering and listing;

ORDINARY RESOLUTIONS

To consider and approve:

- (3) the *2017 Work Report of the Board of Directors* of the Company;
- (4) the *2017 Work Report of the Supervisory Committee* of the Company;
- (5) the *2017 Final Financial Accounts Plan* of the Company;
- (6) the 2017 annual report of the Company;
- (7) the related party transaction with the Industrial and Commercial Bank of China Limited;

NOTICE OF THE ANNUAL GENERAL MEETING

- (8) the expected related party transactions in 2018;
- (8.1) Expected related party transactions with CITIC Securities Company Limited in 2018;
- (8.2) Expected related party transactions with Industrial and Commercial Bank of China Limited in 2018;
- (8.3) Expected related party transactions with China Construction Bank Corporation in 2018;
- (8.4) Expected related party transactions with China Zheshang Bank Co., Ltd. in 2018;
- (8.5) Expected related party transactions with V-Fund Management Co., Ltd. in 2018;
- (8.6) Expected related party transactions with Beijing Capital Corporation Limited in 2018;
- (8.7) Expected related party transactions with Datang International Power Generation Co., Ltd. in 2018;
- (9) the re-appointment of 2018 external auditors of the Company and the auditor fees thereof, and authorize the Board to adjust and determine the specific audit and review fees based on the actual situation.

AS REPORTING DOCUMENTS

To review:

- (10) the 2017 Work Report of the Independent Non-executive.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 23, 2018

NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

1. Eligibility for Attending the AGM and Closure of Register of Members

The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the AGM from Tuesday, May 8, 2018 to Thursday, June 7, 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend the AGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the Company's Board Office at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (for holders of Domestic Shares), no later than 4:30 p.m. on Monday, May 7, 2018 to complete registration. Holders of H Shares and Domestic Shares who are registered with Computershare Hong Kong Investor Services Limited or the Company's Board Office (where appropriate) at the close of business on the aforementioned date are entitled to attend the AGM.

Where there are joint holders of any shares, the one whose name stands first on the register of members shall be entitled to attend and vote at the AGM in respect of such shares.

2. Proxy

- (1) Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a Director or a duly authorized attorney.

To be valid, the proxy form together with the notarized power of attorney or other documents of authorization, if any, must be completed and delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the Company's Board office at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (for holders of Domestic Shares), no later than 24 hours before the time fixed for the AGM (i.e. 9:00 a.m. on Wednesday, June 6, 2018) or 24 hours before the time of any adjournment thereof. The proxy form for the AGM is enclosed herewith.

Completion and return of the proxy form will not preclude the Shareholders from attending and voting at the AGM or at any adjourned meeting if they so wish.

3. Registration Procedures for Attending the AGM

- (1) Shareholder or his/her proxy shall produce proof of identity when attending the AGM:
 - (a) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives of the legal person shareholders according to laws.
 - (b) Individual Shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual Shareholders shall produce effective proof of identity and form of proxy.

NOTICE OF THE ANNUAL GENERAL MEETING

- (2) Shareholders intending to attend the AGM in person or by their proxies should return the completed and signed reply slip for attending the AGM in person, by post or by fax to Computershare Hong Kong Investor Services Limited (for H Shareholders), or to the Company's Board office (for holders of Domestic Shares) on or before Friday, May 18, 2018.

4. Voting by Poll

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the AGM will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.csc108.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the AGM.

5. Miscellaneous

- (1) The duration of the AGM is expected not to exceed half a day. Shareholders who attend the AGM shall arrange for their own transportation and accommodation at their own expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (3) The location of the Company's Board office is at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (Telephone: (86) 10 8513 0716, Fax: (86) 10 6518 6399).



中信建投証券股份有限公司

CSC Financial Co., Ltd.

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

(Stock Code: 6066)

**NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS'
CLASS MEETING IN 2018**

NOTICE IS HEREBY GIVEN that the domestic shareholders' class meeting of CSC Financial Co., Ltd. (the "**Company**") will be held at 10:00 a.m. on Thursday, June 7, 2018 (or immediately after the 2017 annual general meeting) at the Multi-function Hall, B1/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China, to consider and, if thought fit, approve the following resolution. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated April 23, 2018.

SPECIAL RESOLUTIONS

To consider and approve:

- (1) The resolution on the proposed extension of the validity period of the resolution for the A Share Offering and listing;
- (2) the resolution on the proposed extension of the validity period of the resolution for the authorization to the Board and persons authorized by the Board to deal with matters relating to the A Share Offering and listing.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 23, 2018

NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING

Notes:

1. Eligibility for Attending the Domestic Shareholders' Class Meeting and Closure of Register of Members

The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the domestic shareholders' class meeting from Tuesday, May 8, 2018 to Thursday, June 7, 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend the domestic shareholders' class meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Board Office at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC, no later than 4:30 p.m. on Monday, May 7, 2018 to complete registration. Holders of Domestic Shares who are registered with Computershare Hong Kong Investor Services Limited or the Company's Board Office (where appropriate) at the close of business on the aforementioned date are entitled to attend the domestic shareholders' class meeting.

Where there are joint holders of any shares, the one whose name stands first on the register of members shall be entitled to attend and vote at the domestic shareholders' class meeting in respect of such shares.

2. Proxy

- (1) Any Shareholder entitled to attend and vote at the domestic shareholders' class meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a Director or a duly authorized attorney.

To be valid, the proxy form together with the notarized power of attorney or other documents of authorization, if any, must be completed and delivered to the Company's Board office at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC, no later than 24 hours before the time fixed for the domestic shareholders' class meeting (i.e. 10:00 a.m. on Wednesday, June 6, 2018) or 24 hours before the time of any adjournment thereof. The proxy form for the domestic shareholders' class meeting is enclosed herewith.

Completion and return of the proxy form will not preclude the Shareholders from attending and voting at the domestic shareholders' class meeting or at any adjourned meeting if they so wish.

3. Registration Procedures for Attending the Domestic Shareholders' Class Meeting

- (1) Shareholder or his/her proxy shall produce proof of identity when attending the domestic shareholders' class meeting:
 - (a) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives of the legal person shareholders according to laws.
 - (b) Individual Shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual Shareholders shall produce effective proof of identity and form of proxy.
- (2) Shareholders intending to attend the domestic shareholders' class meeting in person or by their proxies should return the completed and signed reply slip for attending the domestic shareholders' class meeting in person, by post or by fax to the Company's Board office on or before Friday, May 18, 2018.

NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING

4. Voting by Poll

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the domestic shareholders' class meeting will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.csc108.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the domestic shareholders' class meeting.

5. Miscellaneous

- (1) The duration of the domestic shareholders' class meeting is expected not to exceed half a day. Shareholders who attend the domestic shareholders' class meeting shall arrange for their own transportation and accommodation at their own expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (3) The location of the Company's Board office is at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (Telephone: (86) 10 8513 0716, Fax: (86) 10 6518 6399).

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING



中信建投証券股份有限公司

CSC Financial Co., Ltd.

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

(Stock Code: 6066)

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING IN 2018

NOTICE IS HEREBY GIVEN that the 2018 first H shareholders' class meeting of CSC Financial Co., Ltd. (the "**Company**") will be held at 11:00 a.m. on Thursday, June 7, 2018 (or immediately after the first domestic shareholders' class meeting in 2018) at the Multi-function Hall, B1/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, China 100005, to consider and, if thought fit, approve the following resolution. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated April 23, 2018.

SPECIAL RESOLUTIONS

To consider and approve:

- (1) The resolution on the proposed extension of the validity period of the resolution for the A Share Offering and listing;
- (2) the resolution on the proposed extension of the validity period of the resolution for the authorization to the Board and persons authorized by the Board to deal with matters relating to the proposed A Share Offering and listing.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 23, 2018

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

Notes:

1. Eligibility for Attending the H Shareholders' Class Meeting and Closure of Register of Members

The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the H shareholders' class meeting from Tuesday, May 8, 2018 to Thursday, June 7, 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend the H shareholders' class meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, May 7, 2018 to complete registration. Holders of H Shares who are registered with Computershare Hong Kong Investor Services Limited or the Company's Board Office (where appropriate) at the close of business on the aforementioned date are entitled to attend the H shareholders' class meeting.

Where there are joint holders of any shares, the one whose name stands first on the register of members shall be entitled to attend and vote at the H shareholders' class meeting in respect of such shares.

2. Proxy

- (1) Any Shareholder entitled to attend and vote at the H shareholders' class meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a Director or a duly authorized attorney.

To be valid, the proxy form together with the notarized power of attorney or other documents of authorization, if any, must be completed and delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time fixed for the H shareholders' class meeting (i.e. 11:00 a.m. on Wednesday, June 6, 2018) or 24 hours before the time of any adjournment thereof. The proxy form for the H shareholders' class meeting is enclosed herewith.

Completion and return of the proxy form will not preclude the Shareholders from attending and voting at the H shareholders' class meeting or at any adjourned meeting if they so wish.

3. Registration Procedures for Attending the H Shareholders' Class Meeting

- (1) Shareholder or his/her proxy shall produce proof of identity when attending the H shareholders' class meeting:
 - (a) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives of the legal person shareholders according to laws.
 - (b) Individual Shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual Shareholders shall produce effective proof of identity and form of proxy.
- (2) Shareholders intending to attend the H shareholders' class meeting in person or by their proxies should return the completed and signed reply slip for attending the H shareholders' class meeting in person, by post or by fax to Computershare Hong Kong Investor Services Limited on or before Friday, May 18, 2018.

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

4. Voting by Poll

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the H shareholders' class meeting will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.csc108.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the H shareholders' class meeting.

5. Miscellaneous

- (1) The duration of the H shareholders' class meeting is expected not to exceed half a day. Shareholders who attend the H shareholders' class meeting shall arrange for their own transportation and accommodation at their own expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (3) The location of the Company's Board office is at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (Telephone: (86) 10 8513 0716, Fax: (86) 10 6518 6399).