中信证券
CITIC SECURITIES

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

CITIC SECURITIES

2018 ANNUAL REPORT

中信证券
CITIC SECURITIES

IMPORTANT NOTICE

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

This report was considered and approved at the 38th Meeting of the Sixth Session of the Board. All Directors attended this meeting of the Board. No Director raised any objection to this announcement.

The Company's domestic and international financial statements for the year were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong, respectively. Auditor's reports with unqualified audit opinions were issued accordingly.

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

The Company's 2018 profit distribution plan as considered and approved by the Board is to distribute a cash dividend of RMB3.50 (tax inclusive) for every 10 shares. This proposal is subject to the approval of the General Meeting of the Company.

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

There was no appropriation of funds of the Company by controlling Shareholder(s) or its/their related parties for non-operating purposes.

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

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

Contents

Definitions

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

"A Share(s)"	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 600030)
"A Shareholder(s)"	holder(s) of A Shares
"Board"	the board of directors of the Company
"China AMC"	China Asset Management Company Limited (華夏基金管理有限公司)
"China CITIC Bank"	China CITIC Bank Corporation Limited (中信銀行股份有限公司)
"China Securities"	CSC Financial Co., Ltd. (中信建投證券股份有限公司)
"CITIC Corporation Limited"	CITIC Corporation Limited (中國中信有限公司)
"CITIC Futures"	CITIC Futures Company Limited (中信期貨有限公司)
"CITIC Global Trade"	CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿(上海)有限公司)
"CITIC Group"	CITIC Group Corporation (中國中信集團有限公司)
"CITIC Holdings"	CITIC Holdings Limited (中信控股有限責任公司)
"CITIC Limited"	CITIC Limited (中國中信股份有限公司)
"CITIC Pacific"	CITIC Pacific Limited (中信泰富有限公司)
"CITIC PE Fund"	CITIC Private Equity Funds Management Company Limited (中信產業投資基金管理有限公司)
"CITIC Securities (Shandong)"	CITIC Securities (Shandong) Co., Ltd. (中信証券(山東)有限責任公司)
"CITIC Securities Finance 2013"	CITIC Securities Finance 2013 Co., Ltd. (中信証券財務2013有限公司)
"CITIC Securities Finance MTN"	CITIC Securities Finance MTN Co., Ltd.
"CITIC Securities Investment"	CITIC Securities Investment Limited (中信証券投資有限公司)
"CITIC Trust"	CITIC Trust Co., Ltd. (中信信託有限責任公司)

"CLSA"	the brand name of the offshore business of the Company
"CLSA B.V."	Crédit Agricole Securities Asia B.V., a private limited company incorporated under the laws of the Netherlands and becoming a wholly-owned subsidiary of CSI on 31 July 2013
"Company" or "CITIC Securities"	CITIC Securities Company Limited (中信証券股份有限公司)
"Company Law"	the Company Law of the People's Republic of China
"connected transaction(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
"CSDCC"	China Securities Depository and Clearing Corporation Limited
"CSI"	CITIC Securities International Co., Ltd. (中信証券國際有限公司)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Financial Holdings Limited"	Guangzhou Yuexiu Financial Holdings Group Limited (廣州越秀金融控股集團有限公司)
"GoldStone Investment"	GoldStone Investment Co., Ltd. (金石投資有限公司)
"GoldStone Zexin"	GoldStone Zexin Investment Management Co., Ltd. (金石澤信投資管理有限公司)
"Group"	the Company and its subsidiaries
"Guangzhou Securities"	Guangzhou Securities Company Limited (廣州證券股份有限公司)
"H Share(s)"	the overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6030)
"H Shareholder(s)"	holder(s) of H Shares
"HKEx"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Definitions

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jiantou Zhongxin"	Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司)
"Jindingxin Microfinance"	Qingdao Jindingxin Microfinance Company Limited (青島金鼎信小額貸款股份有限公司)
"Kington Securities"	Kington Securities Limited Liability Company (金通證券有限責任公司)
"Ministry of Finance"	the Ministry of Finance of the People's Republic of China
"New OTC" or "NEEQ"	National Equities Exchange and Quotations
"NSSF"	National Social Security Fund of the PRC
"PRC" or "China"	the People's Republic of China
"PwC"	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers
"PwC Hong Kong"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP
"related party transaction(s)"	for the purpose of Section 6 "Significant Events" and Section 9 "Corporate Governance Report" only. has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time
"Reporting Period"	the twelve months ended 31 December 2018
"SAIC"	the State Administration for Industry & Commerce of the People's Republic of China
"Securities Law"	the Securities Law of the People's Republic of China
"Senior Management"	the senior management of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Clearing House"	Interbank Market Clearing House Co., Ltd.
"Share(s)"	A Share(s) and H Share(s)

"Shareholder(s)"	holder(s) of the domestic Share(s) or the overseas-listed foreign Share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and the Hong Kong Stock Exchange, respectively
"Shenzhen Bureau of the CSRC"	the Shenzhen Securities Regulatory Bureau of the CSRC
"SOE"	state-owned enterprise
"SSE"	Shanghai Stock Exchange
"SSE Listing Rules"	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"SZSE"	Shenzhen Stock Exchange
"Wind Info"	Wind Information Co., Ltd.
"Yuexiu Financial Holdings"	Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司)

Material Risk Factors

The Group's business is highly dependent on the macroeconomic and market conditions of China and other areas in which the Company operates its business. Therefore, fluctuation in the Chinese and international capital markets will have material impact on the operating results of the Group.

The major risks exposed to by the Group mainly: legal and compliance risk caused by possible failure of the business management and standards to align in a timely manner with changes in national laws and the regulations and rules promulgated by the regulatory authorities; strategic risk where the Group may not be able to determine the strategic plan in response to the profound changes in the domestic and overseas capital markets; internal operations and management risks arising from the transformation of the Company's business model and the emergence of new businesses and new technologies; market risk that may arise from the fluctuating market price of the securities held by the Group; credit risk that may arise from the default of its borrower or trading counterparty; liquidity risk where the Group may encounter a shortage of fund in fulfillment of payment obligations; operational risk that may arise from the negligence or omission of the internal process management, information system failure or personnel misconduct; risks such as currency exchange risk that may arise from the operation of international businesses and financial innovative businesses. In particular, credit risk and liquidity risk are the major risks currently being faced by the Group.

To cope with the above risks, the Group takes preventive measures through its organizational structure, management system, information technology, and other aspects, while at the same time, optimizes its business process and focuses on strengthening the management of credit risk and liquidity risk.

Company Information

Profile

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

Registered Capital and Net Capital

In RMB Yuan

	As at the end of the Reporting Period	As at the end of last year
Registered Capital	**12,116,908,400.00**	12,116,908,400.00
Net Capital (Parent Company)	**91,996,332,088.63**	86,708,268,168.49

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

Business Qualifications for Individual Business of the Company

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

In addition, the Company possesses the following business qualifications:

1. Business qualifications approved or certified by the CSRC: online trading; entrusted wealth management; operation of overseas securities investment management business by qualified domestic institutional investors (QDII); direct investment; inter-bank market interest rate swap; stock index futures trading in proprietary business and asset management business; stock repo business; pilot business of stock return swap; treasury bonds futures trading in proprietary business and securities asset management business; pilot business of agency services for gold and other precious metal spot contracts and proprietary trading for spot gold contracts; custodian business for securities investment funds; and credit risk mitigation instruments selling business.

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

Company Information

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

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

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

Contact Person and Methods

	Secretary to the Board, Company Secretary
Name	ZHENG Jing
Contact Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province (Note: This is a postal address and is in the same building as that of the registered address of the Company. The registered address of the Company corresponds to the name of the building registered with the Shenzhen Real Estate Ownership Registration Centre) CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Telephone	0086-755-2383 5383, 0086-10-6083 6030
Facsimile	0086-755-2383 5525, 0086-10-6083 6031
Email	ir@citics.com

Basic Information

Registered Address of the Company	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Postal Code of Registered Address of the Company	518048
Office Address of the Company	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Postal Code of Office Address of the Company	518048, 100026
Business Address in Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Website of the Company	http://www.cs.ecitic.com
Email	ir@citics.com
Telephone	0086-755-2383 5888, 0086-10-6083 8888
Facsimile	0086-755-2383 5861, 0086-10-6083 6029
Customer Service Hotline for Brokerage and Asset Management Business	95548, 4008895548
Investor Relations Hotline	0086-755-2383 5383, 0086-10-6083 6030
United Social Credibility Code	914403001017814402

Information Disclosure and Availability Places

Media designated for information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times
The websites designated for publication of the Annual Reports	Website designated by CSRC: http://www.sse.com.cn (website of SSE) Website designated by the Hong Kong Stock Exchange: http://www.hkexnews.hk (HKExnews website of HKEx)
Places where Annual Reports of the Company are available	16/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province; 10/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing; 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Company Information

Brief Information of the Shares of the Company

Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code
A Shares	SSE	CITIC Securities	600030
H Shares	Hong Kong Stock Exchange	CITIC SEC	6030

Other Information of the Company

History of the Company

The Company was incorporated in Beijing on 25 October 1995, under the name of CITIC Securities Limited, with registered capital of RMB300,000,000. The principal Shareholder of the Company was CITIC Group which directly held 95% of share capital of the Company.

On 29 December 1999, CITIC Securities Limited completed the increase in share capital and was converted into a joint stock limited company known as CITIC Securities Company Limited. The registered capital was increased to RMB2,081,500,000 and the direct shareholding of CITIC Group decreased to 37.85%.

On 6 April 2000, with the approval of CSRC and SAIC, the registered address of the Company was changed to Shenzhen.

In December 2002, the Company conducted the initial public offering of 400,000,000 A Shares at the price of RMB4.50 per share, and such Shares were listed on the SSE on 6 January 2003. Upon completion of the offering, the total number of Shares of the Company was increased to 2,481,500,000 shares and the direct shareholding of CITIC Group decreased to 31.75%.

On 15 August 2005, the Company carried out the non-tradable shares reform. As a result, holders of non-tradable shares paid consideration to holders of tradable shares in exchange for listing and trading rights of non-trading shares at a ratio of 10:3.5, pursuant to which holders of tradable shares received 3.5 shares for every 10 tradable shares. In addition, a total of 30,000,000 shares were provided by all the holders of non-tradable shares as the shares for the Company's first share incentive scheme. Upon completion of the non-tradable shares reform, the total number of issued Shares of the Company remained at 2,481,500,000 and all such Shares were tradable shares, of which, 1,941,500,000 shares were subject to trading moratorium, accounting for 78.24% of the total issued Shares of the Company, and the direct shareholding of CITIC Group decreased to 29.89%. On 15 August 2008, all Shares held by the promoters which were previously subject to trading moratorium became tradable on the market.

On 27 June 2006, the 500,000,000 A Shares issued by the Company to China Life Insurance (Group) Company and China Life Insurance Company Ltd. by private placement at the price of RMB9.29 per share were listed and traded on SSE. The total number of issued Shares of the Company increased from 2,481,500,000 to 2,981,500,000 and the direct shareholding of CITIC Group decreased to 24.88%.

On 4 September 2007, the 333,733,800 A Shares issued by Company by public offering at the price of RMB74.91 per share were listed and traded on SSE. The total number of issued Shares of the Company increased from 2,981,500,000 to 3,315,233,800 and the direct shareholding of CITIC Group decreased to 23.43%.

In April 2008, the Company completed the 2007 profit distribution and capitalization issue plan, whereby the Company distributed a cash dividend of RMB5 (tax inclusive) for every 10 Shares, and completed a capitalization issue of 10 bonus Shares for every 10 Shares. Following the capitalization issue, the total number of issued Shares of the Company increased from 3,315,233,800 to 6,630,467,600.

In June 2010, the Company completed the 2009 profit distribution and capitalization issue plan, whereby the Company distributed a cash dividend of RMB5 (tax inclusive) for every 10 Shares, and completed a capitalization issue of 5 bonus Shares for every 10 Shares. Following the capitalization issue, the total number of issued Shares of the Company increased from 6,630,467,600 to 9,945,701,400.

In September and October 2011, the Company conducted the initial public offering of 1,071,207,000 H Shares (inclusive of the H Shares issued upon partial exercise of the over-allotment option) at the offering price of HK$13.30 per share. All such Shares were ordinary shares, with a par value of RMB1 per share. According to the Administrative Measures for Reducing the State-owned Shares to Raise Social Security Funds and with the approval from MOF, the 13 State-owned Shareholders of the Company transferred their 107,120,700 State-owned shares (inclusive of the shares reduced as a result of partial exercise of over-allotment option) to the NSSF and converted them into H Shares. The 1,094,830,000 H Shares issued and converted pursuant to the global offering (including the H Shares converted from corresponding State-owned shares), the 75,907,000 H Shares issued upon the partial exercise of the over-allotment option and the 7,590,700 H Shares converted from the corresponding State-owned shares, respectively, were listed and traded on the Main Board of the Hong Kong Stock Exchange on 6 October 2011, 1 November 2011 and 7 November 2011. Upon completion of the offering, the total number of issued Shares of the Company increased from 9,945,701,400 to 11,016,908,400, of which 9,838,580,700 Shares were A Shares and 1,178,327,700 Shares were H Shares, and the direct shareholding of CITIC Group decreased to 20.30%.

On 27 December 2011, the first majority Shareholder of the Company, CITIC Group, was restructured into a wholly Stated-owned company and changed its name to “CITIC Group Corporation”, which took over all of the business and assets of CITIC Group. According to the restructuring plan, CITIC Group together with Beijing CITIC Enterprise Management Co., Ltd. established CITIC Limited (renamed as CITIC Corporation Limited in 2014) on 27 December 2011 by contributing to it substantially all of its operating net assets (inclusive of its 20.30% Shares in the Company). With the approval of CSRC, CITIC Group and CITIC Corporation Limited completed the procedures for the transfer of shareholding on 25 February 2013. The first majority Shareholder of the Company was changed to CITIC Corporation Limited and its direct shareholding in the Company is 20.30%. On 16 April 2014, CITIC Group and Beijing CITIC Enterprise Management Co., Ltd., the Shareholders of CITIC Corporation Limited, entered into a share transfer agreement with CITIC Pacific, pursuant to which they agreed to transfer their 100% equity interest held in CITIC Corporation Limited to CITIC Pacific. The relevant equity transfer was completed on 25 August 2014, and CITIC Pacific became the sole and direct Shareholder of CITIC Corporation Limited, the first majority Shareholder of the Company. On 27 August 2014, CITIC Pacific changed its name to CITIC Limited.

On 23 June 2015, upon the listing and trading on the Hong Kong Stock Exchange of the 1,100,000,000 H Shares issued by the Company to 10 investors, including Kuwait Investment Authority, by private placement at the price of HK$24.60 per

Share, the total number of issued Shares of the Company increased from 11,016,908,400 to 12,116,908,400, of which 9,838,580,700 Shares were A Shares and 2,278,327,700 Shares were H Shares. Following completion of the issuance, the direct shareholding of CITIC Corporation Limited decreased to 15.59%.

On 26 February 2016 and 29 February 2016, CITIC Corporation Limited, through its own stock account, increased its shareholding in the Company by an aggregate of 110,936,871 A Shares. Upon the completion of the increase in shareholding, the total number of Shares of the Company directly held by CITIC Corporation Limited increased from 1,888,758,875 shares to 1,999,695,746 shares, and the direct shareholding increased from 15.59% to 16.50%.

After its listing on SSE, the Company has since been included in the SSE 180 Index, SSE 50 Index, CSI 300 Index, SSE Corporate Governance Index, FTSE/Xinhua A50 China Index, Dow Jones China 88 Index, and SSE Social Responsibility index, etc. After its listing on the Hong Kong Stock Exchange, the Company has since been included in constituent stocks of indices such as the Hang Seng China H-Financials Index, Hang Seng China AH Index Series, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index — Financials and Hang Seng Composite MidCap Index, Hang Seng China Enterprises Index, Hang Seng Mainland 100 Index, Hang Seng CSI Shanghai-Hong Kong AH Smart Index, SSE SH Equities Index, FTSE China 25 Index and MSCI China Index, which greatly enhanced the prestige of the Company. Since the launch of Shanghai-Hong Kong Stock Connect on 17 November 2014, the Shares of the Company have been included in its northbound trading list and southbound trading list respectively. Upon the launch of Shenzhen-Hong Kong Stock Connect on 5 December 2016, H Share of the Company has become an eligible stock of Shenzhen-Hong Kong Stock Connect.

Changes in registration status during the Reporting Period: None

Information of first registration:
Date of First Registration: 25 October 1995

First Registered Address: Capital Mansion, No. 6 Xinyuan South Road, Chaoyang District, Beijing Registration Number of Corporate Legal Person Business License: 10001830

Certificate of Organization Code: 10178144-0

Please refer to "1. Company Information" of the 2002 Annual Report of the Company for the information on the first registration of the Company.

Changes in the businesses

The Company was established against the background of increasing development and maturity of the securities market in China. Since its establishment, the Company has actively operated its businesses following the principle of "standardized operation and stable and healthy development". At the end of 1996, the Company became one of the first ten securities houses whose stock underwriting qualification was re-approved by CSRC; in October 1999, the Company became one of the first batch of comprehensive securities companies approved by CSRC and one of the first batch of securities houses whose qualification as a lead underwriter for equity product was re-approved by CSRC. The Company is one of the supervisor members of SAC, one of the first batch of securities companies to enter into the national interbank lending market, and one of the first batch of securities companies authorized to engage in stock-secured loans. In 2002, the Company obtained the qualifications to engage in entrusted investment management and fund sales agency services.

In 2006, the Company became the first (the only) securities company to obtain the qualification as a lead underwriter of commercial papers. In 2007, the Company obtained the qualifications for the trial business of direct investment and overseas securities investment management as a qualified domestic institutional investor (QDII). In 2008, the Company became a Class-A clearing participant of CSDCC, and obtained the qualification for the provision of brokerage services to futures companies. In 2009, the Company obtained the qualification to manage the transfer of converted shares to NSSF. In 2010, the Company obtained the qualifications for margin financing and securities lending business, stock index futures trading in proprietary business and assets management business. In the same year, it became a domestic investment manager for the NSSF. In 2011, the Company became one of the first companies to obtain the stock repo trading qualification. In 2012, the Company obtained the qualifications for underwriting of private placement of SME bonds, entrusted management of insurance funds, distribution of financial products, pilot businesses of total return swap and refinancing, and consultancy services relating to secrecy-involved business of the military industry. In 2013, the Company obtained the qualifications for sideline insurance agency business, and treasury futures trading in proprietary business and the securities assets management business. It was among the first batch of companies to obtain the qualifications for membership of Shanghai Clearing House on RMB interest rate swaps to conduct the clearing agency business and one of the first batch of companies to become a general clearing member in 2014. In 2014, the Company obtained the qualifications for agency services business for gold and other precious metal spot contracts and proprietary business for spot gold contracts, OTC option business, Internet-based securities business, New OTC Market market making business, securities investment fund custody business, Southbound Trading Link business, credit risk mitigation instruments selling business and financing business with respect to exercising rights under share incentive schemes of listed companies, and was qualified as an primary dealer of open market. In 2015, the Company obtained the qualification of the stock options market making business, and was approved to commence SSE 50 ETF options market making business; the Company was admitted as a stock options trading participant on the SSE and obtained the trading permission to commence the stock options brokerage and proprietary trading business. In 2016, the Company was accepted as a non-bank member on the Shanghai Bill Exchange Co., Ltd., and obtained the trading permission to commence the rediscount, pledged repurchase, outright repurchase and other transactions of bills. In 2018, the Company obtained the qualifications for investment in overseas financial products or instruments that other QDIIs are allowed to invest in using its proprietary capital.

Changes of principal Shareholders

Since the establishment of the Company, CITIC Group or its subsidiaries has/have been the largest Shareholder of the Company. Please refer to “History of the Company” under this section for details.

Results of the regulator’s classification of the Company

In the 2018 Classification and Evaluation of Securities Companies, the Company, together with CITIC Securities (Shandong) and Kington Securities, securities subsidiaries in which the Company has a controlling interest, were rated AA in the category A of the Chinese securities industry.

The organization status of the Company

The Company currently has four principal wholly-owned subsidiaries, namely CITIC Securities (Shandong), CSI, GoldStone Investment and CITIC Securities Investment, and two principal non wholly-owned subsidiaries, namely CITIC Futures and China AMC. Please refer to “Analysis of principal subsidiaries and non-controlling companies” of this report for details.

Company Information

Number and network of branches of the Company

As at the end of the Reporting Period, the Company, CITIC Securities (Shandong), CITIC Futures and Kington Securities have 77 branch offices, 278 outlets in Mainland China (including 273 outlets for securities operations and 5 outlets for futures operations).

The number and network of domestic securities branch offices of the Group are as follows:

Province, city or area	Number of branch offices	Province, city or area	Number of branch offices	Province, city or area	Number of branch offices
Zhejiang	7	Hubei	1	Shaanxi	1
Shandong	5	Jiangxi	1	Shanxi	1
Guangdong	2	Liaoning	1	Anhui	1
Shanghai	2	Henan	1	Chongqing	1
Jiangsu	1	Sichuan	1	Jilin	1
Beijing	1	Hebei	1	Hunan	1
Fujian	1	Tianjin	1	Inner Mongolia	1
Heilongjiang	1	Yunnan	1	Guangxi	1
Hainan	1	Gansu	1	Ningxia	1

The number and network of domestic securities outlets of the Group are as follows:

Province, city or area	Number of securities outlets	Province, city or area	Number of securities outlets	Province, city or area	Number of securities outlets
Zhejiang	64	Hubei	8	Shaanxi	3
Shandong	57	Jiangxi	7	Shanxi	2
Guangdong	26	Liaoning	6	Anhui	2
Shanghai	23	Henan	7	Chongqing	1
Jiangsu	21	Sichuan	5	Jilin	1
Beijing	21	Hebei	5	Hunan	1
Fujian	8	Tianjin	4	Inner Mongolia	1

As at the end of the Reporting Period, CITIC Futures holds 43 branches, including 38 branch offices and five futures outlets (one in Shanghai and four in Zhejiang), the number and network of which are as follows:

Province, city or area	Number of branches	Province, city or area	Number of branches	Province, city or area	Number of branches
Zhejiang	7	Hubei	1	Shaanxi	1
Shandong	3	Jiangxi	1	Shanxi	1
Guangdong	2	Liaoning	2	Anhui	1
Shanghai	4	Henan	1	Chongqing	1
Jiangsu	2	Sichuan	1	Guizhou	1
Beijing	2	Hebei	1	Hunan	1
Fujian	1	Tianjin	1	Inner Mongolia	1
Heilongjiang	1	Yunnan	1	Guangxi	1
Xinjiang	1	Gansu	1	Ningxia	1
Hainan	1				

In addition, CSI holds four branches in Hong Kong through its subsidiary.

Other Relevant Information

Auditors engaged by the Company	Domestic	Name	PwC Zhong Tian
		Office Address	11/F, Pricewaterhouse-Coopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
		Name of the signing accountant	HAN Dan, LIU Wei
	Overseas	Name	PwC Hong Kong
		Office Address	22/F, Prince's Building, Central, Hong Kong
		Name of the signing accountant	Ho Shuk Ching Margarita
Legal Advisers as to PRC Laws		Name	Beijing Jiayuan Law Firm
Legal Advisers as to Hong Kong Laws		Name	Linklaters
A Share Registrar		Name	CSDCC, Shanghai Branch
		Office Address	36/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
H Share Registrar		Name	Computershare Hong Kong Investor Services Limited
		Office Address	17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Company Information

Awards in 2018

The Company

Issued by: *Euromoney*

China's Best Investment Bank 2018

Issued by: *FinanceAsia*

Best Broker, Best Bank of "the Belt and Road", Best Security Underwriter, Best Equity Security Issuer, Best Award for Multinational Merger and Acquisition Trading, Best Award for Corporate Bonds

Issued by: *Asiamoney*

Best Green Financial Broker

Issued by: *National Interbank Funding Centre*

Core Dealer, Excellent Dealer in the Bond Market, Excellent Dealer in the Derivatives Market, Outstanding Contribution in Opening Up

Issued by: *Caixin Capital Market Achievement Awards for 2017 of Caixin Media*

Best Broker in Chinese Domestic Bond Market, Best Underwriter in Equity Capital Markets for Chinese Issuers (In terms of Underwriting Amount), Best Investment Bank in Chinese Market, Best Investment Bank in Financial Institution Industry of Chinese Market, Best Chinese A-Share Capital Market Underwriter, Best Chinese A-Share IPO Underwriter, Best Chinese Green Bond Underwriter, Best Chinese Financial Bond Underwriter

Issued by: *New Fortune*

Best Local Investment Bank, Best Investment Bank in Equity Underwriting, Best Investment Bank in Debt Underwriting, Best Investment Bank in Merger and Acquisition, Best Investment Bank in Energy Sector, Best Investment Bank in Modern Logistics Sector, Best IPO Investment Bank, Best Investment Bank in Serving Overseas Markets, Best Investment Bank in Aerospace and Military Industry, Best Investment Bank in Finance & Real Estate Industry, Best Refinancing Investment Bank

Issued by: *Securities Times*

2018 Five-star Green Bond Underwriter in China, 2018 Jun Ding Award for Full-Service Investment Bank in China, 2018 Jun Ding Award for Top 10 Financial Advisors in China, 2018 Jun Ding Award for Asset Management Broker in China, 2018 Jun Ding Award for Equity Investment Team in China

Issued by: *Securities Daily*

Golden Horse Award in Chinese Securities Market (Award for High Quality Services for Real Economy)

Issued by: *League of American Communications Professionals*

2017 Vision Awards Annual Report Competition: 2017 Annual Report Gold Award, Top 80 Annual Reports in Asia-Pacific Region (#57), Top 60 Chinese Annual Reports, Technical Achievement Award

Issued by: *Hong Kong Exchanges and Clearing Limited*

2017 Top Shanghai Connect Trading Award — Chinese Broker

Issued by: *SSE*

2017 Investor Education and Protection Series Campaign Contest: I am the Shareholder Organization (Silver) 2017 Outstanding Member in International Market Exploration, Excellent Participant in Product Innovation, Excellent Underwriter of Local Government Bonds

Issued by: *SAC, China Futures Association*

Outstanding Contribution Award for Poverty Alleviation; Excellent Award for Financing of Poverty Alleviation, Project Award for "One Company to One County" Poverty Alleviation, Best Project Award for IPO Financing for Enterprise Serving in Poor Region

Issued by: *SZSE*

Excellent Innovation Institution for Fixed Income Business, Outstanding Underwriter Award in Interest Rate Bonds

Issued by: *China Development Bank*

Excellent Underwriter, Excellent Market Maker, Financial Bond Innovation Award

Issued by: *Center for Bank Credit Assets Registration and Transfer*

Professional Service Award for Credit Assets Registration and Transfer Business

Issued by: *China Foreign Exchange Trade System*

Best Participating Dealers of Bond Connect

Issued by: *ChinaBond Financial Pricing Center*

Outstanding Contribution Award for Innovation of ChinaBond Financial Pricing Center Limited Company

Issued by: *China Central Depository & Clearing Co., Ltd.*

Outstanding Underwriter Award, Best Contribution Underwriter Award of Local Municipal Bonds (non-bank institutions), Outstanding Underwriter in Aligned Bonds of ChinaBond Green Bond Index

Issued by: *China Financial Futures Exchange*

Best Contribution Award for Treasury Bonds and Futures in Five Years

Issued by: *China Securities Journal · jnlc.com*

Three-Year Golden Bull Broker's Collective Asset Manager, Three-Year Golden Bull Broker's Collective Asset Management Plan, 2017 Golden Bull Broker's Collective Asset Management Plan

Issued by: *Chinafund News*

Chinese Best Asset Management Broker, Fixed-income Award for Chinese Asset Management Broker, Equity Award for Chinese Asset Management Broker, Asset-backed Security Award for Chinese Asset Management Broker

Issued by: *China Asset Securitization Research Institute*

Huijing Award — Best Research Institution

Issued by: *Caixin Insight*

Caixin Capital Market Achievement Award for 2018: Best Chinese Broker in Domestic Bond Market, Best Investment Bank of Chinese Market, Best Investment Bank of Financial Institution Industry in Chinese Market, Best Corporate Bond Underwriter in China, Best Asset Securitization Underwriter in China

Issued by: *Agricultural Development Bank of China*

Outstanding Broker, Best Broker Institution Award

Issued by: *Futian District Government of Shenzhen*

Top 100 enterprise taxpayer

CLSA

Asiamoney Brokers Poll 2018

Issued by: Asiamoney

No. 1 Overall Combined Regional Research & Sales (Asia, Ex Australia, China A&B, Japan), No. 1 Overall Combined Research & Sales in Australia, No. 1 Overall Combined Research & Sales in Japan, No. 2 Overall Combined Research & Sales in China (A & B Shares), No. 1 Overall Regional Research As Voted By Most Active Traders (Asia, ex Australia & Japan), No. 1 Overall Regional Research (Asia, ex Australia & Japan), No. 1 Overall Regional Sales As Voted By Most Active Traders (Asia, ex Australia & Japan), No. 1 Overall Regional Sales (Asia, ex Australia & Japan)

Awards in Asia (Excluding Japan):

Research : No. 1 Best Strategist, No. 1 Best Economist (Best Quantitative), No. 1 Technical Analyst (Best Quantitative), No. 2 Technical Analyst, No. 1 Best Analyst for Automobiles & Components, No. 1 Best Analyst for Banks, No. 2 Best Analyst for Casinos & Gaming, No. 1 Best Analyst for Consumer Discretionary, No. 1 Best Analyst for Consumer Staples, No. 1 Best Analyst for Industrials, No. 1 Best Analyst for Diversified Financials, No. 2 Best Analyst for Energy, No. 1 Best Analyst for Healthcare, No. 1 Best Analyst for Insurance, No. 3 Best Analyst for Materials, No. 1 Best Analyst for Real Estate, No. 1 Best Analyst for Semiconductors & Semiconductor Equipment, No. 1 Best Analyst for Software & Internet Services, No. 2 Best Analyst for Technology Hardware & Equipment, No. 3 Best Analyst for Telecommunication Services Rank, No. 3 Best Analyst for Transportation

Sales: No. 3 Regional Best Overall Services to Hedge Funds, No. 3 Regional Best Overall Services in Prime Broking, No. 1 Best Regional Salesperson, No. 2 Best Regional Salesperson No. 3 Best Regional Salespersons, No. 3 Best Regional Sales Trader

Japan:

Research: No. 1 Best for Overall Country Research, No. 1 Best Strategist, No. 1 Best Economist, No. 1 Best Analyst for Banks, No. 1 Best Analyst for Consumer Discretionary, No. 1 Best Analyst for Consumer Staples, No. 1 Best Analyst for Industrials, No. 1 Best Analyst for Energy, No. 1 Best Analyst for Healthcare, No. 1 Best Analyst for Insurance, No. 1 Best Analyst for Semiconductors & Semiconductor Equipment, No. 1 Best Analyst for Technology Hardware & Equipment

Sales: No. 1 Best Overall Sales Services, No. 2 Best Country Salesperson, No. 1 Best Country Sales Trader

Australia:

Research: No. 1 Best For Overall Country Research, No. 1 Best Strategist, No. 1 Best Analyst for Small Cap, Best Analyst for Banks, Best Analyst for Casinos & Gaming, No. 1 Best Analyst for Consumer Discretionary, No. 1 Best Analyst for Consumer Staples, No. 1 Best Analyst for Industrials, No. 1 Best Analyst for Diversified Financials, No. 1 Best Analyst for Energy, No. 1 Best Analyst for Healthcare, No. 1 Best Analyst for Materials, No. 1 Best Analyst for Real Estate, No. 1 Best Analyst for Software & Internet Services, No. 1 Best Analyst for Technology Hardware & Equipment, No. 1 Best Analyst for Telecommunication Services, No. 1 Best Analyst for Transportation, No. 1 Best Analyst for Utilities

Sales: No. 1 Best Overall Sales Services, No. 1 Best Country Salesperson, No. 1 Best Country Sales Trader

Issued by: *FinanceAsia*

Country Awards for Achievement 2018

Awards in Hong Kong: Best investment bank in Hong Kong amongst Chinese Financial Institutions, Best broker in Hong Kong amongst Chinese Financial Institutions

Issued by: *The Asset*

The Asset Triple A Country Awards 2018:

China:

Best equity-linked in China: China Shipbuilding Industry Corporation zero-coupon US$1 billion exchangeable bond into Postal Savings Bank of China shares (CLSA as one of the global coordinators and bookrunners)

Best bank capital in China: China CITIC Bank International US$1.8 billion multi-tranche senior bond (CLSA as one of the global coordinators)

Indonesia:

Best high yield bond in Indonesia: Medco Energi US$500 million senior notes (CLSA as one of the Bookrunners)

The Philippines:

Best FIG bond in the Philippines: Security Bank US$300 million senior unsecured notes (CLSA as one of the lead managers and bookrunners)

Bangladesh:

Best M&A in Bangladesh: Shenzhen Stock Exchange and Shanghai Stock Exchange US$119 million acquisition of a 25% stake in the Dhaka Stock Exchange (CLSA as the sole financial advisory)

India:

Best IPO in India: HDFC Standard Life Insurance US$1.3 billion IPO (CLSA as one of the global coordinators, bookrunners and lead managers)

Best new bond in India: YES Bank US$600 million fixed rate notes (CLSA as one of the bookrunners and lead managers)

CITIC Securities (Shandong)

Issued by: *SSE*

2017 Investor Education and Protection Series Campaign Contest: I am a Shareholder Organization Award (Gold), Most Creative Award (Bronze)

GoldStone Investment

Issued by: *China Securities Journal*

Golden Bull Broker's Equity Investment Institutions

Issued by: *Zero2IPO Group*

No.17 2018 Top 50 Best Private Equity Investment Institutions in China (No.1 in securities industry)

CITIC Futures

Issued by: *Dalian Commodity Exchange*

2017: Outstanding Member (Gold), Best Industry Service Award, Best Agricultural Product Service Award, Best Industry Exploration Award, Best Industrial Service Award, Best Innovative Service Award, Best Technical Support Award, Best Institutional Service Award

Issued by: *China Financial Futures Exchange*

2017: Platinum Award, Product Development Award (Stock Index Futures, Treasury Bonds and Futures), Technology Management Award

Issued by: *Shanghai Futures Exchange*

2017: Top 30 Outstanding Members, Industry Service Award (bronze, fuel oil, asphalt, zinc, lead, steel, tin, gold, silver, aluminum, natural rubber, nickel), Excellent Member in Industry Service

Issued by: *SAC, China Futures Association, Security Times*

2018 China Securities and Futures Outstanding Poverty Alleviation Innovation Award

Issued by: *Futures Daily, Securities Times*

Best Futures Company in China, Best Service Award for Commodities Futures Industry, Best Service Award for Financial Futures, Best Targeted Poverty Alleviation Commonweal Award, Best Asset Management Business Award, Best Futures Private Equity Incubation Award, Annual Best Investment Education Work Award, Best Futures IT System Construction Award, Best Futures Derivatives Innovative Business Development Award, Best Integrity and Self-discipline Futures Company, Best Branding Promotion Award, Most Popular Public Account for Futures Institutions, Best Risk Management Subsidiary Award (CITIC Securities Capital Management Co., Ltd.), Best Overseas Futures Business Service Award (CITIC Futures International Co., Ltd.), Best Futures Operation Branch in China (CITIC Futures South China Branch Office), Excellent Futures Asset Management Product of the Year Award (CITIC Wings — Guodao Ruijin No. 1), China Golden Futures Research Institute (Research Consulting Department of CITIC Futures)

China AMC

Issued by: *Asia Asset Management*

Best China Fund House

Issued by: *Chinafund*

Top 10 Fund Companies in Product Innovation, Best Index Quantitative Innovative Product Award, Best Overseas Cross-border Innovative Products Award, Best Alternative Portfolio Innovative Product Award, Top 10 Best Fund Managers, Best Active Equity Fund Manager, Best Index and Quantitative Fund Manager

Issued by: *National Business Daily*

Best Corporate Annuities Management Fund Company, Most Competitive Fund Company, Best Team for Overseas Investment Research, Best Equity Products

Issued by: *Shanghai Securities News*

Golden Fund TOP Fund Company Award for the 20th Anniversary of Public Funds, ChinaAMC CSI 300 Index ETF — The 15th Golden Fund — Index Fund Award (One-year), ChinaAMC SSE 50 Index ETF — The 15th Golden Fund — Index Fund Award (Three-year)

Issued by: *China Securities Journal*

The Outstanding Contribution Enterprise in China's Fund Industry in 20 Years, Golden Bull Award for Passive Investment Fund Managers

Financial Summary

Financial Summary

Key Financial Data
Key accounting data

In RMB million

Items	2018	2017	Variance in comparison with last year (%)	2016
Total revenue and other income	**51,061**	56,960	-10.36	50,067
Operating profit	**11,734**	15,570	-24.64	13,913
Profit before income tax	**12,466**	16,174	-22.93	14,263
Net profit attributable to owners of the parent	**9,390**	11,433	-17.87	10,365
Net cash inflow/(outflow) from operating activities	**57,619**	-66,703	N/A	-35,715

Items	31 December 2018	31 December 2017	Variance in comparison with last year (%)	31 December 2016
Total assets	**653,133**	625,575	4.41	597,439
Total liabilities	**496,301**	472,432	5.05	451,650
Equity attributable to owners of the parent	**153,141**	149,799	2.23	142,696
Issued share capital	**12,117**	12,117	—	12,117

Key financial indicators

Items	2018	2017	Variance in comparison with last year (%)	2016
Basic earnings per share (RMB yuan/share)	**0.77**	0.94	-18.09	0.86
Diluted earnings per share (RMB yuan/share)	**0.77**	0.94	-18.09	0.86
Return on weighted average equity (%)	**6.20**	7.82	Decreased by 1.62 percentage points	7.36

Financial Summary

Items	31 December 2018	31 December 2017	Variance in comparison with last year (%)	31 December 2016
Net assets per share attributable to owners of the parent (RMB yuan/share)	**12.64**	12.36	2.27	11.78
Gearing ratio (%)[Note]	**71.76**	70.87	Increased by 0.89 percentage point	68.51

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

Net capital and relevant risk control indices of the parent company

Items	31 December 2018	31 December 2017
Net capital (RMB million)	**91,996**	86,708
Net assets (RMB million)	**125,476**	123,217
Total risk capital reserves (RMB million)	**50,019**	52,136
Risk coverage ratio (%)	**183.92**	166.31
Capital leverage ratio (%)	**16.22**	16.67
Liquidity coverage ratio (%)	**247.92**	290.32
Net stable funding ratio (%)	**156.16**	122.03
Net capital/net assets (%)	**73.32**	70.37
Net capital/liabilities (%)	**28.91**	29.49
Net assets/liabilities (%)	**39.44**	41.91
Value of proprietary equity securities and derivatives held/net capital (%)	**28.91**	33.23
Value of proprietary non-equity securities and derivatives held/net capital (%)	**230.75**	124.35

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

Financial Data for the Last 5 Years

Operating results

In RMB million

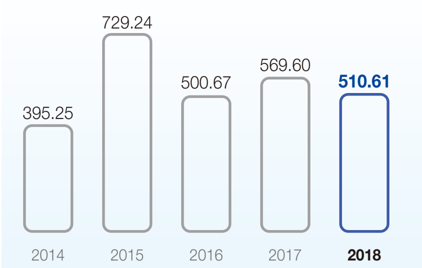
Items	2018	2017	2016	2015	2014
Total revenue and other income	**51,061**	56,960	50,067	72,924	39,525
Operating expenses	**39,327**	41,390	36,154	46,282	24,732
Share of profits and losses of associates and joint ventures	**732**	604	350	645	629
Profit before income tax	**12,466**	16,174	14,263	27,287	15,422
Net profit attributable to owners of the parent	**9,390**	11,433	10,365	19,800	11,337

Financial position

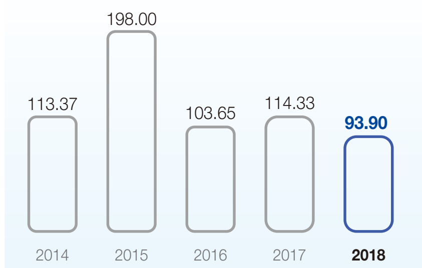
In RMB million

Items	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Issued share capital	**12,117**	12,117	12,117	12,117	11,017
Total equity	**156,832**	153,143	145,789	141,737	101,131
Equity attributable to owners of the parent	**153,141**	149,799	142,696	139,138	99,099
Total liabilities	**496,301**	472,432	451,650	474,371	378,495
Customer brokerage deposits[Note 1]	**97,774**	99,855	134,398	150,457	101,846
Total assets	**653,133**	625,575	597,439	616,108	479,626

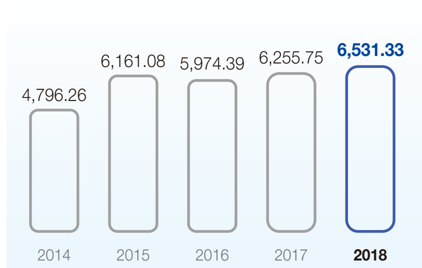
Total revenue and other income
In RMB100 million



Net profit attributable to owners of the parent
In RMB100 million



Total assets
In RMB100 million



Financial Summary

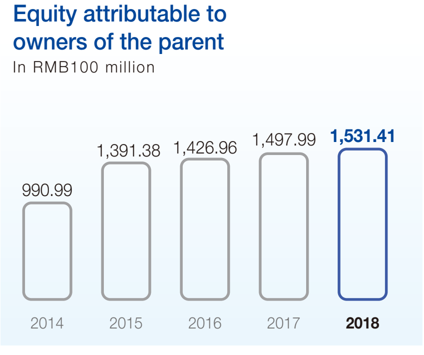
Key financial indicators

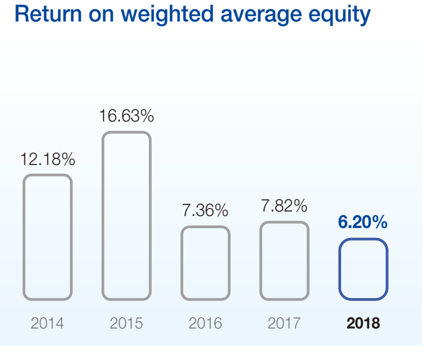
Items	2018	2017	2016	2015	2014
Dividends per share (RMB yuan/share)	**0.35**	0.40	0.35	0.50	0.28
Basic earnings per share (RMB yuan/share)	**0.77**	0.94	0.86	1.71	1.03
Diluted earnings per share (RMB yuan/share)	**0.77**	0.94	0.86	1.71	1.03
Return on weighted average equity (%)	**6.20**	7.82	7.36	16.63	12.18
Gearing ratio (%)[Note 2]	**71.76**	70.87	68.51	69.56	73.23

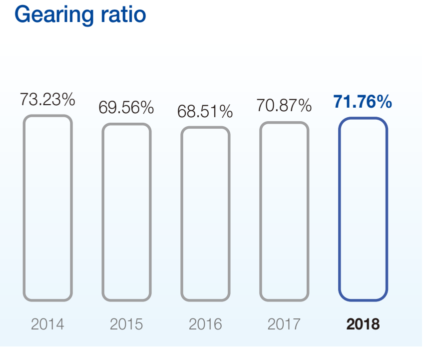
Notes:

1 Customer brokerage deposits above represent the amount received from and repayable to clients arising from the normal courses of the Group's securities brokerage business. The fund is restricted and governed by the relevant third-party deposit institutions.

2 Gearing ratio = (total liabilities - customer brokerage deposits)/(total assets - customer brokerage deposits)







Chairman's Statement

Dear Shareholders,

The year of 2018 was a year further implementing the spirit of the 19th CPC National Congress under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, as well as the 40th anniversary of the reform and opening up. Over the past 40 years after the reform and opening up, our country has been changing rapidly, with millions of people thriving and the pace of capital market reform more determined.

To CITIC Securities, 2018 was an unusual, tough and challenging year.

Over the year, we actively implemented our national strategy and served the real economy. The Company firmly established the concept of symbiosis and co-prosperity with the real economy, and effectively implemented the national strategy into its own operations. We helped large central SOEs to optimize resource allocation, actively promoted pilot mixed ownership reform projects such as CRRC Industry Investment and Air China Cargo, and supported SOEs to introduce high-quality capital and experience; implemented the deployment of the supply-side structural reform, actively promoted debt-to-equity swaps and innovative asset securitization and other businesses, and expanded the financing channels for enterprises; vigorously supported Chinese enterprises to go global, completed the private financing of Ant Financial, the Hong Kong IPO of Xiaomi Group and other projects, and got deeply involved in the global market. In 2018, the Company's domestic equity business underwriting size amounted to RMB178.3 billion with a market share of 14.75%, and the bond underwriting size amounted to RMB765.9 billion, with a market share of 5.11%, both ranking first in the industry.

Chairman's Statement

During the year, we strictly controlled financial risks and strengthened risk disposition. With the change of business model and the expansion of product coverage, our business has expanded from domestic market to overseas market, and the risk impact has also extended from domestic market to the financial markets of major countries and regions in the world. We continued to learn from the risk management practices of international advanced investment banks, and strived to create a competitive advantage in risk management which is suitable for the domestic financial market and covers global financial services. Through reform and exploration, we have had refined management of various risks in place. With model systems and professional teams covering complex global products, we have developed a risk management system in line with international standards. Thanks to our robust risk management capability, the Company got AA-rating in securities regulatory classification, BBB+ by Standard & Poor's, and Baa1 by Moody's in 2018.

In the year, we consistently regarded development as the eternal theme of the Company. We changed the name of "the brokerage business development and management committee" to "wealth management committee", shifted from being business-oriented to customer-oriented, and initiated the transformation to wealth management. The Company strengthened the joint development of regional markets, enlarged customer coverage and launched the acquisition of 100% equity interest in Guangzhou Securities, striving to enhance its competitiveness, influence and leadership in South China. We continued to promote business synergy and provide comprehensive services to customers, with joint efforts from different departments completing projects such as the Hong Kong listing of Xiaomi Group, the overseas acquisition of Shenzhen Investment Holdings, and SOE structural adjustment ETF. The Company gave full play to its dominant position as a PRC securities company having most local branches, sales networks and clearing and settlement facilities in the "Belt and Road" region, to provide the best services to PRC companies for their cross-border mergers and acquisitions and market development in Asia. The Company maintained its leading position in principal businesses in the industry, with its asset size and profitability staying on top in the industry.

Over the year, we fulfilled our social responsibilities by making full use of our financial advantages. The Company was founded with its social responsibility in mind. From natural disasters to major diseases, from poverty-stricken mothers to left-behind children, from Hope Primary School to financial aid for high school students, from Tibet construction aid to helping the old revolutionary base areas in Southern Jiangxi, the Company diligently fulfilled its social responsibilities. In the "One Company to One County" campaign of poverty alleviation, as one of securities and futures companies, in addition to the two poverty-stricken counties in Shenzha County, Tibet and Wuyuan County, Hebei Province, the Company paired up with Huichang County, Ganzhou City, Jiangxi Province, while CITIC Futures with Poyang County, Jiangxi Province. The Company took advantage of its systemized and multi-channel financial services to provide industrial assistance to poor areas through innovative methods, such as asset securitization and "insurance + futures". As a microcosmic part of national economy, the survival and development of CITIC Securities depends on national policies, market environment and support from all circles of the society. We can only achieve harmonious coexistence and sustainable development by contributing to the society with what is gained from it.

2019 marks the 70th anniversary of the founding of the PRC. We will continue to go all out, rolling up our sleeves to work even harder, with an aim to deliver satisfactory results to all shareholders and investors in celebrating the 70th anniversary of the founding of the PRC.

Standing on a new starting point, we will continue to work hard in becoming a world-class investment bank. With the deepening of the reform and opening up, China's comprehensive national strength is growing and the pace of opening up the capital market is accelerating. It is a rare opportunity in history for local brokerages to build a world-class investment bank. Through enhancing its capability in global asset allocation, business planning and customer service, continuously improving domestic and overseas management and strengthening international talent training, the Company will endeavor to become a domestic leading, world-class investment bank which is most trusted by global clients.

ZHANG Youjun
Chairman
21 March 2019

Management Discussion and Analysis

Corporate Strategy and Long-term Operation Model

Landscape and trend of the industry

In the 40 years of China's reform and opening up, China's capital market has been making every progress from zero and developed a multi-level market system with international influence that covers stocks, bonds, futures and options. It was proposed at the Central Economic Work Conference that capital market has a far-reaching impact on financial operation and should be developed into a more regulated, transparent, open, vigorous and resilient system through intensified reforms. A series of new reform policies have been rolled out, such as the launch of a science and technology innovation board, experimentation of registration system, and establishment of systematically important securities firms, which will make our capital market increasingly more open, inclusive and competitive.

New regulatory policies have a far-reaching impact on the securities industry

Firstly, new regulatory policies will exert a material impact on the operation of securities companies. In 2018, adhering to the law-based, comprehensive and strict regulation principle, regulatory authorities successively issued a range of more rigorous and detailed basic new regulatory policies, including guidelines for the internal control of investment banking, assets management regulations, bond trading regulations, regulations on management of overseas subsidiaries, exerting a material impact on business management of securities companies. The promulgation of a series of new anti-money laundering regulations by the PBOC points to stricter regulation on anti-money laundering and increased penalties.

Secondly, securities companies are included in the list of systematically important financial institutions for the first time. To improve the regulation on systematically important financial institutions, regulatory authorities labelled securities traders as systematically important financial institutions for the first time with definite market and financial positions and affirmed the importance of securities companies, especially large comprehensive securities companies, to real economy and operation of financial system, providing policy guideline and support for developing a world-class investment bank.

Thirdly, implementation of registration system will present a significant challenge to the comprehensive capability of securities companies. The Central Comprehensively Deepening Reforms Commission has approved the overall implementation plan of launch of a science and technology innovation board on the SSE and experimentation of registration system, a significant step to implement innovation-driven development strategies and intensify the capital market reform. Under the registration system, issuance standard will no longer concentrate on the scale of corporate profits, and front-end factors will be given more importance in selecting a project, leading to greater difference in market pricing and increased sale difficulty. This poses higher requirements to securities companies in respect of industry research capability, pricing capability, institutional sale capability, client development capability, and overall coordination capability, etc.

The securities industry will face more intense competition

Firstly, with the industry's accelerated pace of opening up, foreign-invested enterprises speed up application for establishment of their holding securities companies. UBS, Nomura and J.P. Morgan submitted their applications for establishing foreign-controlling securities companies in succession, and UBS's application has been approved by the CSRC. Meanwhile, joint-venture securities companies step up the process of setting up fully licensed companies to actively develop businesses in China. Foreign-holding securities companies will become viable competitors in terms of overseas client, domestic institutional clients, high-net-worth clients and talents.

Secondly, the competition pattern in the asset management sector will change as many commercial banks have set up wealth management subsidiaries. As of 31 December 2018, 28 commercial banks had announced establishment of wealth management subsidiaries as a way of fully engaging in asset management. Since commercial banks have marked strengths in customers and channels, particularly in wealth management, their engagement will reshape the competition landscape in the asset management sector. The relationship among wealth management segments of the banks, securities companies and fund companies will gradually evolve to frienemies from pure partners in the past. Securities companies will also face talent outflow when their traditional entrusted investment business comes under pressure.

Thirdly, increasing industry concentration signals escalated competition among leading securities companies. Resources, customers and profits of the securities industry all incline to leading securities companies. Large securities companies built up their capital strength by means of issuance of additional shares and introduction of strategic investors. Besides, they kept innovating, improved trading capability, promoted overseas strategies and enhanced their comprehensive service capability. As leading securities companies have become more homogenized, their competition for business, clients and talents will escalate.

Development strategy of the Company

The development vision and goal of the Company is to become a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world. It strives to maintain the leading position in China and amongst the top in Asia for its principal businesses, while fully optimizing and enhancing its business layout, management structure, operation mechanism and appraisal system. Through benchmarking with world-class investment banks, the Company will continue to address its shortcomings and aim to outperform them by pursuing business diversification, broader customer base and higher competitiveness in the overseas market.

Business plan for 2019

In 2019, the Company will continue to thoroughly study and implement the spirit of the 19th CPC National Congress of the CPC and further integrate the CPC's role as the core of leadership and corporate governance to promote party construction works throughout business operation and management. It will further strengthen big client strategy and consolidate its leading strength in domestic market. It will reinforce top-level design of international strategy and promote implementation of the regime of one country, one policy. Efforts will be made to enhance the regional market coverage to further improve the regional market share. An all-round business transformation toward wealth management will be made on a customer-oriented basis. Meanwhile, the Company will strengthen its asset-liability management capability to increase its return on assets. It will enhance compliance management and risk prevention, properly disposing of non-performing assets. It will also improve informatization construction and promote its transition toward digitalization.

Please refer to "Business Overview" of this report.

Capital requirement

In 2018, the Company conducted all businesses in an orderly manner. The businesses including bond market-making, margin financing and securities lending business and stock-pledged financing business are all capital intensive and have high capital requirements. During the Reporting Period, in domestic market, the Company cumulatively issued corporate bonds, subordinated bonds and commercial papers of RMB70.5 billion and beneficiary certificates of RMB49.1 billion, and raised US$1,466 million from overseas market through Eurocommercial papers, private placement bonds and gold lease. The Company's cost was on a downward trend on the whole.

Possible risks exposure

External environment becomes complicated and harsh as global economy is experiencing a synchronized slowdown and trade protectionism is gaining ground; meanwhile, domestic demand wanes. In this context, the economy will see changes amid overall stability with downward pressure. The outstanding structural problem of overcapacity and demand and aggravated financial risks will bring corresponding risks to the Company. Against the backdrop of changing regulatory policies and external environment, the growth in credit derivatives, commodities, foreign exchange and other new businesses will increase market risks correspondingly. Financing business and fixed income product investment are exposed to changes in credit risk and counterparty risk. Therefore, efforts should be made to ensure risks are detectable and controllable amid business expansion.

Please refer to "Material Risk Factors" in this report. Please refer to "Risk Management" in this report for overall risk management, compliance and risk control and IT input.

Business Overview

Analysis of principal businesses

The investment banking business of the Group consists of equity financing, debt financing and asset-backed securitization as well as financial advisory services. The Group provides fund raising and financial advisory services to a wide range of enterprises and other institutional clients in China and globally.

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

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

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

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

The Group provides services such as custody and research.

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

Investment banking

Domestic equity financing

Market conditions

In 2018, IPOs and refinancing issuances paced down and the issuance size staged a sharp drop. The A-share equity financing size amounted to RMB1,208,512 million (including private placements for asset transactions), representing a year-on-year decrease of 29.85%, of which, the proceeds from IPOs amounted to RMB138,662 million, representing a year-on-year decrease of 39.82%, and the equity refinancing size amounted to RMB1,069,850 million, representing a year-on-year decrease of 28.31%.

In 2018, the market share of the top ten securities companies in A-share equity underwriting (including private placements for asset transactions) and A-share equity underwriting (for cash) amounted to 71.40% and 71.19%, respectively, both representing a significant increase as compared to the market share of the top ten securities companies in 2017.

Actions and achievements

CITIC Securities' equity financing team continued to expand its client base by targeting key industry players as well as influential and high growth companies in regional markets. In 2018, the company focused on developing its business by supporting overseas listings of Chinese companies in the new economy sector, mixed-ownership reform of state-owned enterprises and debt-reduction and restructuring for debt-ridden private Chinese companies. Meanwhile, the Company continuously improved the project quality control system to put relevant risks under strict control, thereby increasing its comprehensive competitive strength.

In 2018, the Company completed a total of 54 A-share lead underwriting projects with an aggregate lead underwriting amount of RMB178,300 million (including private placements for asset transactions), accounting for a market share of 14.75%, ranking the first in the market. Among them, 11 were IPOs, with an aggregate lead underwriting amount of RMB12,776 million; 43 were refinancing issuance projects, with a total lead underwriting amount of RMB165,524 million.

Projects	2018 Lead Underwriting Amount (RMB million)	2018 Number of Issuances	2017 Lead Underwriting Amount (RMB million)	2017 Number of Issuances
IPOs	**12,776.47**	**11**	21,098.80	31
Refinancing issuances	**165,523.60**	**43**	194,056.58	54
Total	**178,300.07**	**54**	215,155.38	85

Source: Wind Info and the Company's internal statistics

Notes: (1) When compiling the above table, the date of completion of an IPO, a public equity issuance, an issuance of convertible bonds/exchangeable bonds, a private placement, an issuance of preference shares and a rights issue is the listing date.

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

Outlook for 2019

In 2019, the Company will further expand its coverage of domestic and overseas clients and improve the client coverage effectiveness; strengthen industry, customer and product research; actively optimize its business structure according to market development client needs, obtain key transactions from important clients and enhance its market influence; act in line with policy changes and continue to promote the launch of innovative businesses such as the New High-Tech Board and the listing of innovative enterprises on domestic and overseas platforms; and provide clients with integrated investment banking services by fully leveraging its platform strength.

Domestic debt and structured financing

Market conditions

The bond market diverged in 2018 as high-grade bonds experienced a drop in yield rate and a noticeable year-on-year growth in issuance size but low-grade bonds frequently came under pressure or even defaulted during the year, with market risk appetite further waning. China's bond market recorded a total issuance size of RMB22.67 trillion (excluding interbank certificates of deposit), representing a year-on-year increase of 9.82%. The aggregate issuance size of debenture (net of treasury bonds, policy bank financial bonds and local government bonds) amounted to RMB11.44 trillion, representing a year-on-year increase of 27.16%.

Actions and achievements

In 2018, the Company undertook a total of 1,391 lead underwriting projects relating to different debenture, with a lead underwriting amount of RMB765,913 million, representing 5.11% of the market share. The Company ranked the first in the industry in terms of both the underwriting amount and the number of underwriting projects, maintaining its leading position in bond underwriting market.

Projects	2018 Lead Underwriting Amount (RMB million)	2018 Number of Issuances	2017 Lead Underwriting Amount (RMB million)	2017 Number of Issuances
Enterprise bonds	**38,034**	**28**	30,247	21
Corporate bonds	**141,076**	**189**	33,405	49
Financial bonds	**218,760**	**83**	200,014	87
Medium-term notes	**38,829**	**59**	44,341	61
Short-term commercial papers	**13,632**	**23**	9,850	12
Asset-backed securities	**243,936**	**428**	151,579	280
Convertible bonds/exchangeable bonds	**7,423**	**5**	34,413	10
Local government bonds	**64,223**	**576**	7,778	206
Total	**765,913**	**1,391**	511,628	726

Source: Wind Info and the Company's internal statistics

Outlook for 2019

In 2019, the Company will continue to increase its inputs in underwriting direct debt financing business, enhance coverage of important enterprises and regional clients and internal synergy, capitalize its overall business advantages, provide clients with comprehensive and integrated debt financing services, consolidate and enhance the competitive edge for traditional bond underwriting business, step up product and business innovation and focus on exploring business opportunities with local state-owned enterprises and high quality private enterprises. The Company will further improve its market share and influence in asset-backed securitization business and increase innovation inputs mainly in consumer finance and securitization of supply chain finance. The Company will strengthen project risk management to effectively control operational risks, credit risks and issuance risks.

Besides, with the further opening up of the domestic financial market and domestic enterprises' persistent adoption of globalization strategies, financing opportunities including panda bonds, overseas US$-denominated bonds and "Belt and Road" bonds will gradually increase. The Company will further integrate its domestic and foreign client resources to explore cross-border business opportunities, and enhance its ability to serve diversified financing needs from clients, both domestically and internationally.

Financial advisory services

Market conditions

The total value of global merger and acquisition transactions announced in 2018 reached US$4.15 trillion and the number of announced transactions amounted to 34,525. On a sector basis, the computer and electronics sector was the most active with the value of merger and acquisition transactions amounting to US$677.8 billion, which accounted for 16.34% of the total value of merger and acquisition transactions announced; followed by the healthcare and oil and gas sectors with transaction amounts of US$507.2 billion and US$356.4 billion, accounting for 12.23% and 8.59% of the amount of merger and acquisition transactions announced, respectively.

In 2018, the number of announced merger and acquisition transactions involving Chinese enterprises was 6,105, involving transaction size of approximately US$607.1 billion, of which, 938 were cross-border transactions, involving a total transaction size of approximately US$148.7 billion.

Actions and achievements

In 2018, the size of A-share material assets restructuring transactions completed by the Company amounted to approximately RMB72.3 billion and ranked the second in the industry. The Company continued to enhance the coverage of key clients, kept up on market and policy trends and completed a number of innovative merger and acquisition transactions in fields of internal restructuring of central enterprises, industry merger and acquisition, market-oriented merger and acquisition and cross-border merger and acquisition with market influence, including the debt-to-equity project of China Shipbuilding, absorption and merger of Chiwan Base by Nanshan Holdings and acquisition of China Merchants Port Holdings by Shenzhen Chiwan Wharf, which continuously built up the Company's market competitiveness in the merger and acquisition field.

In 2018, the Company continued to actively carry out cross-border merger and acquisition business and ranked the second among Chinese brokers in the world in terms of the transaction amount of the announced merger and acquisition transactions involving Chinese enterprises. Under the guidance of the "Belt and Road" Initiative, the Company assisted Sinocare Inc. to complete the acquisition of the overseas company PTS (Polymer Technology Systems, Inc.) and BY-HEALTH to complete the cash acquisition of Life-Space (Life-Space Group Pty Ltd.) and actively pushed forward the realization of technological advancement and profit growth of domestic companies by cross-border merger and acquisition.

Outlook for 2019

In 2019, the Company will keep close track of market movements and enhance analysis and judgment of client demand and industry trend. It will actively formulate plans in relation to market-oriented debt-to-equity swap, industry merger and acquisition, return of China concept stocks, and transfer of controlling interest in listed companies, etc., grasp business opportunities and continuously improve its ability to provide integrated merger and acquisition services. Furthermore, the Company will continue to leverage its global network resources and strengthen its coverage of high quality enterprises. It will further study enterprises' needs for cross-border industry merger and acquisition and seize relevant business opportunities to provide domestic and overseas clients with integrated solutions for cross-border merger and acquisition.

The business of New OTC Market

Market conditions

As at the end of the Reporting Period, the number of companies listed on the New OTC Market amounted to 10,691, with a total share capital of 632,453 million shares and a total capitalization of RMB3,448,726 million. In 2018, the total trading volume of the New OTC Market amounted to RMB88,801 million, and the total funds raised from the issuance of shares amounted to RMB60,443 million. As at the end of the Reporting Period, the NEEQ component index closed at 954.8, representing a decrease of 25.13% compared to the end of 2017; the NEEQ market-making component index closed at 718.94, representing a decrease of 27.65% compared to the end of 2017.

Actions and achievements

In 2018, the New OTC Market business of the Company continued to expand the client coverage with a focus on value realization and actualization. On the one hand, it made active adjustments to the unfavourable market environment, optimized the portfolio positions for market making and enhanced the coverage of high quality enterprises. On the other hand, it placed great emphasis on quality control and effectively controlled business risks.

As at the end of the Reporting Period, as the sponsorship broker, the Company conducted continuous supervision over a total of 26 listed enterprises, rated as the first level in the evaluation of sponsorship brokers for listed companies in terms of practice quality in 2018. In 2018, the Company provided market-making services for 161 listed companies, among which, 98 companies entered the innovative layer.

Outlook for 2019

In 2019, the Company will continue to improve the business management system and market development system with value realization and actualization as the core, to drive the development of other relevant business and provide quality integrated services in the New OTC Market. It will select high quality enterprises, and deepen the exploration of enterprise value, in order to create good returns.

Brokerage (Onshore, same for the relevant business below; offshore business set out separately)

Market conditions

In 2018, affected by factors such as liquidity and international trade, the retracement of domestic secondary market exceeded expectation, with SSE Composite Index declining by 24.59%, SSE SME Composite falling by 35.3% and ChiNext Composite Index dropping by 31.1%. The overall market trading and commission rate declined as compared to 2017.

Actions and achievements

In 2018, the brokerage business of the Group implemented the client-oriented operation strategy and pushed forward the institutional business, wealth management business and individual business. It optimized customer exploration service process, upgraded transaction and asset allocation service capability, enhanced branch management and improved employees' overall quality to expand client base.

In 2018, the brokerage business of the Company maintained a leading position in the industry, with a total trading volume of stock and funds amounting to RMB11.05 trillion (excluding trading volume of exchange-traded monetary funds) and a market share of 6.09%, representing a year-on-year increase of 7% and ranking the second in the industry. Distribution of financial products by the Company and CITIC Securities (Shandong) amounted to RMB875.5 billion, outperforming other industry peers in terms of product sales capability. As at the end of the Reporting Period, the number of retail customers of the brokerage business amounted to approximately 8.2 million and the number of general legal person clients reached 34,000. Customer asset under custody totaled RMB4.1 trillion. The number of QFII and RQFII clients of the Company was 134 and 59, respectively, accounting for 43% and 26% of such investors in the market, respectively, both of which were among the highest in the market.

The number of investment advisors of the Company and CITIC Securities (Shandong) amounted to 2,851, representing an increase of 46% as compared to 2017, with staff's professional level quickly upgraded.

Outlook for 2019

In 2019, the brokerage business of the Company will be transformed toward wealth management. Under the customer-oriented operating philosophy and business goal of helping clients preserve and enhance their assets, branches will serve as the regional platform for all businesses of the Company to continuously expand client market.

Trading

Market conditions

In 2018, the SSE Composite Index of A-share companies declined by 24.59% and the SZSE Component Index decreased by 34.42%, with an overall downward trend. Except for the short-term rise in January, the subsequent months were generally in a continuous downward trend, and there was little sustained rebound, with key sectors all experiencing significant decline. Economic growth waned of late, as evidenced by a drop in relevant tracking data, and overall market valuation trended downwards to the historical bottom, but the leading players in various sectors remained resilient to the decline. Overall, macroeconomic resilience was strong and relevant macroeconomic policies were fine-tuned in a timely and pre-cyclical manner, basically signalling the policy bottom. This, coupled with successive rollout of various policies supportive of capital market development, gradually helped ease market risks. The guidance of regulatory authorities and change of investor mix drove the shift of A share investments towards a more mature capital market.

Actions and achievements

Flow-based business

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

In respect of the fixed income business, the Company made good use of its customer resources and enhanced its integrated customer service capabilities. Through strengthening cooperation among various business segments and enriching transaction categories, it covered various fixed income products, markets and customers. In 2018, the Company ranked the first in the industry in terms of the total sales of interest rate products. It devoted more efforts in bond and derivative market-making and received Bond Connect's award for excellence in domestic quotation. With further expansion in OTC options business, it carried out credit risk protection agreement and credit risk mitigation warrant businesses. It improved market and credit research and enhanced its ability of risk management. Moreover, the Company actively promoted the investment advisory services for financial institutions such as joint-stock banks and urban commercial banks, and its investment advisory business steadily developed.

In respect of the commodities business, the Company focused on commodities derivatives and provided such services as commodity allocation, hedging and risk management for onshore and offshore corporate and institutional investors, implemented the concept of finance serving the real economy, continued to conduct trading business, and strengthened the profitability and customer coverage of commodities swap and commodities OTC option businesses. This initially formed a business model where commodities derivatives trading and quotation and market-making businesses developed together. Through which, the Company is expected to further offer customized and professional financial services related to commodities to a wide range of domestic and foreign industry and corporate customers.

In respect of securities financing business, while maintaining an industry leadership in business scale, the Company implemented the requirements for intensive professional management of financing business, conducted unified management over such financing businesses as margin financing and securities lending, stock-pledged repo and stock repo securities trading, improved business process and prevented business risks, in order to provide customized comprehensive solutions for corporate customers' financing needs at different stages and different levels.

Proprietary trading

In 2018, in respect of the stock proprietary business, the Company timely adjusted investment strategies, prudently deployed funds, strengthened position management and strictly managed market risks according to changes in the market environment. Meanwhile, the Company enhanced research system construction and fundamental research and proactively grasped market opportunities, achieving a higher rate of return than the market level.

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

Outlook for 2019

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

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

In the securities financing sector, the Company will further enhance unified and standardized management of financing business, and keep optimizing the development structure of different types of financing businesses while improving credit risk management and pricing management; display the cross-service function of various financing tools, expand the service boundaries, and develop transactional customers, shareholders of listed companies and other entrepreneur customers and large industry M&A customers, so as to gradually form a professional financing service sector and improve the Company's revenue from financing business.

Regarding stock proprietary business, the Company will continue to strengthen building of investment research system, to make substantial progress in research and implementation of insurance strategy for reducing portfolio volatility risks; and reasonably adjust position and proactively capture the investment opportunities according to the possible active changes in risk-to-reward ratio in the market.

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

Asset management

Market conditions

In 2018, the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions and the supporting policies thereof (the "**New Regulations on Asset Management**") were rolled out in succession, which built a framework for standardized development of asset management industry in the future, established a long-term mechanism for sustainable development of the industry, guided businesses to return to active management and complete net worth-oriented transformation and encouraged asset management institutions to improve asset allocation and risk pricing ability, so as to actually serve the investment and financing needs of real economy. In the new era of industry transformation, asset management institutions should fully integrate their own resources, give prominence to their strengths and reshape their core competitiveness.

Actions and achievements

Asset management business of the Company

In 2018, for asset management business, the Company continued to adhere to the overall development idea of "serving both institutional and retail clients", endeavoured to improve its professional level in investment research, actively promoted transformation of investment research achievements, sped up business transformation in response to regulatory changes, took the initiative to develop traditional businesses such as social insurance, basic old-age insurance, corporate annuities and retail collection, vigorously expanded occupational annuity business and reduced the scale of channel business in an orderly way.

The business closed the year with total AUM of RMB1,343,120 million, a market share of 10.40%, and the assets under active management of RMB552,770 million, making the company the industry leader in both measures. The size of CAM, TAM (including those of corporate annuities and National Social Security Fund) and SAM were RMB133,879 million, RMB1,207,931 million and RMB1,311 million, respectively.

	AUM *(RMB million)*		**Management fees *(RMB million)***	
Type	**31 December 2018**	31 December 2017	**2018**	2017
CAM	**133,879**	161,332	**511.51**	547.57
TAM	**1,207,931**	1,504,140	**1,205.58**	1,376.19
SAM	**1,311**	1,862	**18.54**	23.71
Total	**1,343,120**	1,667,335	**1,735.63**	1,947.47

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

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

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

Outlook for 2019

In 2019, for asset management business, the Company will continue to adhere to the overall development idea of "serving both institutional and retail clients", endeavour to improve its professional level in investment research, actively promote transformation of investment research achievements and constantly expand active management; improve its services for institutional customers such as social insurance, basic old-age insurance, annuity and insurance institutions and promote steady increase in long-term fund management size; promote systematized and regionalized customer development, and keep expanding customer channels, enriching product category and improving product structure.

China AMC

In 2018, China AMC comprehensively enhanced its investment research strength, firmly grasped various market opportunities, launched a number of new funds, kept improving its product lines, energetically promoted sales of public funds, constantly developed institutional business, properly arranged old-age insurance business, deeply developed international businesses, and improved risk management. As a result, all work was under sound operation and the company's comprehensive strength was further enhanced.

As at the end of the Reporting Period, the AUM of China AMC was RMB879,723 million, of which, the AUM of public funds reached RMB450,560 million, representing an increase of 12.98% as compared with the end of 2017, the AUM of equity funds ranked the first in the industry, and the AUM of institutional business reached RMB429,163 million (excluding investment consultancy business, etc.), maintaining a leading position.

Outlook for 2019

In 2019, China AMC will continue to strengthen its active management and asset allocation capability, optimize index product management mechanism and efficiency, grasp the opportunities in geriatric business, keep improving product lines, capture various business opportunities by strengthening its own comprehensive strength, and promote technology-based investment, marketing, service and management, in order to further improve its own comprehensive competitive edges.

Custody

Market conditions

In 2018, the overall risk in asset management industry was effectively controlled with the introduction of the New Regulations on Asset Management, which is more favourable to the industry's long-term development.

According to the statistics of Asset Management Association of China, the AUM of public funds and private funds as at the end of 2018 both increased as compared with the same period of 2017, amounting to approximately RMB13 trillion and approximately RMB50.5 trillion, respectively. With regard to the private funds registered with the Asset Management Association of China, the private securities investment fund (including investment consultancy) amounted to approximately RMB2.2 trillion, while the private equity and venture capital funds significantly rose to RMB8.6 trillion.

Actions and achievements

In 2018, the Company further improved the risk control system according to the New Regulations on Asset Management and enhanced access examination, in-process monitoring and post-investment supervision to effectively prevent the compliance risk and operation risk of services and products. In the year, the upgrading of iService platform, introduction of customer service hotline and launch of innovative services such as virtual valuation and interbank agency clearing played an important role in promoting steady growth of the Company's asset management and fund service size. As at the end of the Reporting Period, the Company had provided 4,138 asset management service products and 5,126 fund service products.

Outlook for 2019

In 2019, by taking advantage of its transformation to wealth management business and giving full play to its advantages in comprehensive financial service platform and centred on improving customer satisfaction, the Company will continue to improve the customer service system, actively pursue service innovation, increase investment in building of information technology system, strengthen talent team building and maintain sustained growth in market share.

Investment

Market conditions

In 2018, given continuously strengthened financial regulation, constantly expanding equity investment market and increasingly fierce competition in the fundraising market, various PE institutions witnessed slowing fundraising on the whole and a marked year-on-year decrease in the overall fundraising scale. Against the backdrop of constantly tightened funds and reduced fundraising scale, private equity investment slowed down. Meanwhile, valuation in the primary market stayed firmly high and the head effect became increasingly evident.

In 2018, the private equity investment market faced challenges. Available statistics of Zero2IPO Group indicated that the investable capital in the private equity market was RMB2,003,528 million as at the end of 2018, representing an increase of 8.6% as compared to the same period of last year, with a rebounding growth rate. In 2018, a total of RMB1,011,055 million was raised through the private equity funds, representing a year-on-year decrease of nearly 30%. In respect of investment, the private equity market recorded a total investment of RMB852,764 million, representing a year-on-year decrease of 14.2%. As for withdrawal, 1,441 private equity investment institutions withdrew their investment in 2018, representing a year-on-year decrease of 20.2%.

Actions and achievements

CITIC Securities Investment

At present, CITIC Securities Investment has formed six major industry categories, including TMT, consumption upgrading, advanced manufacturing, healthcare, financial, environmental protection and logistics, and integrated finance, with investment projects relating to a wide range of domestic and international businesses. As the platform for equity investment with proprietary funds, CITIC Securities Investment actively participates in support for the development of innovative business. In 2018, it invested in a number of enterprises with international and national leading technologies in such fields as artificial intelligence, new energy, smart city and gene sequencing.

GoldStone Investment

In 2018, GoldStone Investment completed an external investment of more than RMB2 billion, involving such fields as big consumption, artificial intelligence, advanced manufacturing and new energy. As at the end of the Reporting Period, there were 15 private equity investment funds under GoldStone Investment's management, with an amount of approximately RMB40 billion.

CITIC GoldStone Fund Management Company Limited (hereinafter referred to as "**CITIC GoldStone Fund**"), a wholly-owned subsidiary of GoldStone Investment, collected and managed customers' funds for real estate equity investment and provided financial consultancy, investment management and relevant consultancy services for equity investment. Since its establishment in 2013, CITIC GoldStone Fund has been committed to fund management, policy consultancy and research of Real Estate Investment Trusts (REITs) in China. From establishment of the first fund similar to REITs in China in 2014 to the end of the Reporting Period, CITIC GoldStone Fund set up funds similar to REITs with an amount of RMB20 billion in total, making CITIC GoldStone Fund the private equity fund manager that has managed the most funds similar to REITs in China.

Outlook for 2019

In 2019, CITIC Securities Investment will follow the national development strategy and keep monitoring innovative sectors represented by integrated circuit, mobile communication, artificial intelligence, high-end equipment and biomedical industries, and lending support to the development of innovative enterprises. Meanwhile, it continues to push forward the structural reform of SOEs through mixed ownership reform of SOEs, debt-to-equity swaps and deleveraging. In respect of management, CITIC Securities Investment will continue to strengthen construction of system, staff, management and information system; further enhance post-investment management for investment projects and select diversified exit ways such as IPO, M&A and restructuring and equity transfer according to market conditions.

GoldStone Investment will continue to adhere to the development strategy of giving priority to growth of management scale. On one hand, it will expand fundraising scale by multiple channels and systematically develop banks, insurance, social security fund and corporate annuity institutions, to expand its client base. On the other hand, it will take the initiative to discuss with the governments or various local investment platforms on establishment of a fund of funds, to enrich its investor group and expand resource influence.

GoldStone Investment aims to create excellent returns for fund investors and realize management fee revenues and performance rewards for the Company. On one hand, GoldStone Investment will focus on industry integration and upgrading, give full play to its resource advantages as a leading enterprise in the industry and conduct cooperation in an all-round way to improve its project resource development ability and industry integration ability. On the other hand, it will strengthen research in the fields of emerging economies and hot industries and pay attention to VC projects with development potentials.

Research

In 2018, the Company determined the comprehensive transformation strategy for seller research business, adjusted and improved researcher evaluation and incentive mechanism and encouraged researchers to give priority to improving market reputation and creating more values. In 2018, the Company's research business covered nearly 1,100 A share top listed companies and 169 overseas China concept stocks. Besides, the Company provided research services to approximately 1,700 key institutional customers in an all-round way. Meanwhile, the Research Department emphasized internal business collaboration and provided nearly 2,000 services for various business lines of the Company. In addition, it conducted comprehensive cooperation with CLSA's research team in conference planning and issuance of research reports.

In 2019, the Research Department will focus on corporate customers and business lines, deepen the industry research system, substantially improve research coverage and customer service coverage and collaborate with various internal business lines to jointly serve customers and actively develop business opportunities with an aim to create more values for the Company. The Research Department will strengthen stock coverage in an all-round way and endeavour to provide research services for 80% of A share listed companies held by institutions, 80% of the key institutional customers and over 200 China concept stocks and various industry leading companies in the world. Moreover, the Research Department will continue to focus on improving their influence among listed companies and domestic and overseas institutional customers and strive to maintain its top two ranking in relevant overseas research evaluation. In the meantime, the Research Department will continue to strengthen collaboration with CLSA in research business, expand the scope of exchange personnel and speed up integration between business and staff, so as to gradually achieve integration between domestic and overseas research and service.

International business

During 2018, CLSA had maintained or advanced its market positions in all its principal business areas including Brokerage, Investment Banking, FICC and Asset Management, and had achieved breakthroughs in various aspects. The offshore teams of CLSA have remained stable and had on that basis started to attract new talents in conjunction with its future development needs. CLSA had also been increasingly benefited from synergies coming from cross-border collaboration and integration with CITIC Securities. The resources and capabilities of its offshore platform in CLSA continue to significantly out-pace those of its competitors at other Chinese investment banks and brokerages. At the same time, operational and cost controls at CLSA remained vigilant and will pave the way for its solid and sustainable further developments.

CLSA completed 31 cases of IPOs around the world during 2018. In Hong Kong, it ranked second in terms of the total volume of IPOs that it sponsored, and was top-ranked with 16 IPOs that it participated as global coordinator on the Main Board of the Hong Kong Stock Exchange. Its market share increased from 3.5% in 2017 to 9.3% in 2018. Through its involvement in the IPO of Softbank Group's domestic telecom business, which was the largest in the history of Japan by way of its fund raising size of over US$20 billion, and was second only to the world record made by the IPO of Alibaba during its IPO in 2014, it made an inroad into the Japanese ECM market. In addition, CLSA had also been active in the IPO markets of India and Indonesia, and achieved a ranking of the third and the fifth respectively in these markets in terms of funds raising size.

During 2018 CLSA also completed 8 cases of follow-on ECM transactions, 40 cases of DCM transactions and 9 cases of M&A transactions. A new business line of equity-linked products was launched during the year with 3 transactions successfully closed. Income for the whole Investment Banking business had doubled that of 2017 and achieved a historical high.

Global equity markets had generally been dragged by slowing economies around the world, and had exhibited different degrees of market weaknesses, creating some dark clouds for its institutional broking business. CLSA had planned in advance to cope with such challenges, and managed to maintained or even increased its market share in most of the markets it operate, and also solidified its strongholds in terms of its share of commission income as well as clients' feedback on its overall service capabilities. In Europe, the implementation of MiFID II regulations put pressure on research pricing and brokerage commission. CLSA had well managed the related impacts, with its market share of commission income coming from European buy-side clients increased from 11% to 18% and also won various positive evaluations about its comprehensive service capabilities. In Asia Money's 2018 global brokers poll as voted by buy-side clients, CLSA did not only maintain its top rank for the overall Asia Pacific markets (ex-Japan and Australia), but also achieved for the first time top ranks respectively in Japan and Australia which are two important markets in the region.

Fixed income has faced possibly the toughest environment for credit since the global financial crisis in 2008, conditions still continue to be challenging, with liquidity being thin and sparse. There are many cross currents on the macro front with lots of uncertainties: escalating trade war between China and the U.S., Quantitative Easing ("QE") unwinding, China deleveraging etc. CLSA's FICC business had maintained our ranking within the top three among all commercial banks and brokerage houses in respect of trading in offshore Renminbi-denominated investment grade and high yield bonds. Structured products had also witnessed a rapid growth with strong and steady increase in trading volume. However, FICC business was also hit by certain credit events during the year, which had adversely affected its overall performance relative to that of the prior year.

FICC is repositioning its business focuses, with more attention being paid to client oriented opportunities and a reduction of its own balance sheet risks. One of the key development areas is structured products, with a view to enriching its products (interest rates, forex, funding) and expanding its clienteles (Taiwan, Korea, high-net-worth). Another focus is to intensify the linkage between its structured finance teams with investment banking activities, concentrating on syndicated deals and proprietary investments. Credit market making will be right-sized in order to better align with its targeted market segments and avoid unnecessary risk exposures.

Benefited from increased cross border equity deal flows between China and other global markets, the Equity Derivatives business of CLSA had an auspicious year in 2018. However, escalating competition in this area also means that the focuses will turn to new product areas such as Prime Brokerage and DMA swaps, as well as its capabilities in developing new products to capture market volatilities. This will necessitate investments in technologies and human resources. Its sales teams will continue to centre around offshore clients who are interested in China related products, which is a market segment that we are fully confident of engaging in head-to-head competition with global players.

Our Retail Brokerage business successfully managed and endured a difficult market environment during 2018, with healthy growth in both our business scale and profitability. It intends to make some strategic changes to this platform in 2019, with a view to diversifying its commission and financing income to other wealth management products and services, including funds and structured notes products. It will invest in new technologies and recruit new teams for the sake of ensuring that it continues to provide the best product and service offerings to its clients.

On the front of Asset Management, CLSA Capital Partners (private equity and real estate investment funds) expanded during 2018, with the additions of two new funds focusing on credit strategies. The goal for 2019 is to continue increasing its AUM from third party investors by US$20 billion for existing funds as well as further new funds. Prospective new funds under consideration include infrastructure, merchant banking and pan-European real estate investment funds.

Financial Statements Analysis

Financial statement summary

Profitability analysis

In 2018, although the securities market correction exceeded expectations affected by factors such as liquidity and international trade, the Group continued to rank top among domestic securities companies, retaining a leading position in the market on all fronts. In 2018, the Group recognized total revenue and other income of RMB51,061 million, representing a year-on-year decrease of 10.36%. Net profit attributable to owners of the parent amounted to RMB9,390 million, representing a year-on-year decrease of 17.87%. Basic earnings per share amounted to RMB0.77, representing a year-on-year decrease of 18.09%. Return on weighted average equity was 6.20%, representing a year-on-year decrease of 1.62 percentage points.

Assets structure and assets quality

In 2018, total assets and total liabilities of the Group increased by different margins. In 2018, the Group continued to optimize the state of assets, maintaining high asset quality and sound financial status.

As of 31 December 2018, the Group's total assets amounted to RMB653,133 million, representing a year-on-year increase of RMB27,558 million or 4.41%. Excluding customer brokerage deposits, the Group's total assets amounted to RMB555,359 million, representing a year-on-year increase of RMB29,639 million or 5.64%. As of 31 December 2018, the Group's total liabilities amounted to RMB496,301 million, representing a year-on-year increase of RMB23,869 million or 5.05%. Excluding customer brokerage deposits, the Group's total liabilities amounted to RMB398,527 million, representing a year-on-year increase of RMB25,950 million or 6.97%. As of 31 December 2018, equity attributable to owners of the parent amounted to RMB153,141 million, representing a year-on-year increase of RMB3,342 million or 2.23%.

A stable asset and liability structure was maintained. As of 31 December 2018, excluding customer brokerage deposits, the Group's total assets amounted to RMB555,359 million, among which, investments, which mainly included investments in associates/joint ventures and investments in financial assets, accounted for 57.57% of the total assets; margin accounts and reverse repurchase agreements accounted for 22.43% of the total assets; cash and bank balances accounted for 9.40% of the total assets; fixed assets, constructions in progress, intangible assets, land-use rights and investment properties in aggregate accounted for 2.28% of the total assets.

As of 31 December 2018, excluding customer brokerage deposits, the Group's total liabilities amounted to RMB398,527 million with a major proportion of short-term liabilities, among which repurchase agreements were RMB121,669 million, accounting for 30.53% of the total liabilities; debt instruments issued and long-term loans were RMB89,011 million, accounting for 22.33% of the total liabilities; short-term loans, due to banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year were RMB72,102 million, accounting for 18.09% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities were RMB56,958 million, accounting for 14.29% of the total liabilities; and other liabilities were RMB58,787 million in total, accounting for 14.76% of the total liabilities.

The gearing ratio slightly increased. As of 31 December 2018, excluding customer brokerage deposits, the gearing ratio of the Group was 71.76%, representing a year-on-year increase of 0.89 percentage point.

Cash flow status

Excluding customer brokerage deposits, the Group's net increase in cash and cash equivalents was RMB15,073 million in 2018, compared with net decrease of RMB945 million in 2017, which was mainly due to an increase in net cash inflow from operating activities.

From a structural perspective, the net cash inflow from operating activities in 2018 was RMB57,619 million, compared with an outflow of RMB66,703 million in 2017, which was mainly attributable to the increase in the net cash inflows from reverse repurchase agreements.

Net cash outflow from investing activities in 2018 was RMB20,795 million, compared with an inflow of RMB28,273 million in 2017, which was mainly attributable to the increase in financial assets at fair value through other comprehensive income.

Net cash outflow from financing activities in 2018 was RMB21,751 million, compared with an inflow of RMB37,485 million in 2017, which was mainly attributable to a decrease in issuance of short-term financing instruments during the Reporting Period.

Access to and ability of financing

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

In addition, the Company may, subject to market conditions and its own demands, finance by way of re-financing issuance, rights issue, issuance of bonds, convertible bonds, subordinated bonds, and private placement bonds and other financing methods as approved by the competent authorities. The Company may issue USD-denominated MTNs and Eurocommercial papers through overseas subsidiaries to obtain foreign funds to support the Company's overseas business development.

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

Please refer to Note 46 "Short-term loans", Note 47 "Short-term financing instruments payable", Note 49 "Debt instruments issued" and Note 50 "Long-term loans" to the consolidated financial statements in this report for the information on the debt financing instruments and liquidity of the Company in 2018.

Management Discussion and Analysis

Analysis on income statement

Financial highlights

In 2018, the Group accomplished a profit before income tax of RMB12,466 million, representing a decrease of 22.93%. Major financial highlights of the Group are as follows:

In RMB million

Items	2018	2017
Fee and commission income	**20,295**	22,665
Interest income	**13,654**	12,807
Investment income	**8,046**	12,713
Other income	**9,066**	8,775
Operating expenses	**39,327**	41,390
Share of profits and losses of associates/joint ventures	**732**	604
Profit before income tax	**12,466**	16,174
Income tax expenses	**2,589**	4,196
Profit attributable to owners of the parent	**9,390**	11,433

Note: Due to the change of accounting policies, the Group elected not to restate comparative figures in the analysis of financial statements. Therefore, the related items are not comparable.

Structure of the revenue

In 2018, the total revenue and other income of the Group amounted to RMB51,061 million, representing a year-on-year decrease of 10.36%. Structure of the revenue was relatively stable. The following table sets out the revenue structure of the Group in the past 5 years:

Items	2018	2017	2016	2015	2014
Fee and commission income	**39.75%**	39.79%	51.48%	46.97%	47.86%
Interest income	**26.74%**	22.48%	22.44%	21.42%	19.86%
Investment income	**15.76%**	22.32%	16.51%	26.75%	25.82%
Other income	**17.75%**	15.41%	9.57%	4.86%	6.46%
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%

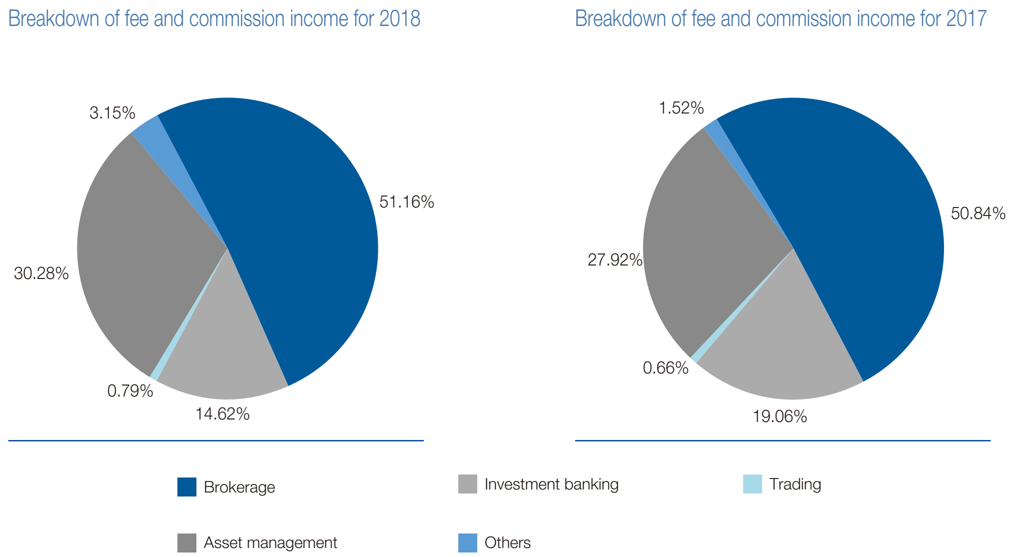
Fee and commission income

In 2018, the net fee and commission income of the Group amounted to RMB17,427 million, representing a year-on-year decrease of 8.07%, which was mainly attributable to a decrease in revenue from brokerage and investment banking business. The breakdown of fee and commission income of the Group during 2017 and 2018 is as follows:

In RMB million

Items	2018	2017	Variance in amount	Variance in percentage
Fee and commission income				
Brokerage	**10,382**	11,523	-1,141	-9.90%
Investment banking	**2,968**	4,320	-1,352	-31.30%
Trading	**160**	150	10	6.67%
Asset management	**6,146**	6,327	-181	-2.86%
Others	**639**	345	294	85.22%
Fee and commission expenses	**2,868**	3,708	-840	-22.65%
Net fee and commission income	**17,427**	18,957	-1,530	-8.07%

The breakdown of fee and commission income during 2017 and 2018 is as follows:



The fee and commission income from brokerage decreased by RMB1,141 million, representing a year-on-year decline of 9.90%. In 2018, affected by factors such as liquidity and international trade, the retracement of domestic secondary market exceeded expectation, with decrease of 24.59% in SSE Composite Index. The overall trading activity and commission rate of the market decreased compared with 2017.

The fee and commission income from investment banking decreased by RMB1,352 million, representing a decrease of 31.30%. In 2018, the issuance of IPO and refinancing slowed down and the issue size experienced a relatively large decline.

The fee and commission income from trading increased by RMB10 million year-on-year, which was relatively stable.

The fee and commission income from asset management decreased by RMB181 million representing a year-on-year decrease of 2.86%. As of 31 December 2018, the Company's size of AUM was RMB1,343,120 million, with a inter-industry market share of 10.40%, of which the assets under active management amounted to RMB552,770 million, both ranking first in the industry.

Interest income

In 2018, the net interest income of the Group amounted to RMB2,422 million, representing a year-on-year increase of 0.71%. The table below sets out the major composition of the net interest income during the period:

In RMB million

Items	2018	2017	Variance in amount	Variance in percentage
Interest income				
— Bank interest income	**3,867**	3,911	-44	-1.13%
— Interest income on margin and other financing	**8,771**	8,833	-62	-0.70%
— Financial assets at fair value through other comprehensive income	**855**	N/A	N/A	N/A
— Others	**161**	63	98	155.56%
Interest expenses				
— Customer brokerage deposits	**340**	338	2	0.59%
— Due to banks and other financial institutions	**3,897**	3,659	238	6.50%
— Debt instruments issued and short-term financing instruments payable	**6,028**	5,365	663	12.36%
— Others	**967**	1,040	-73	-7.02%
Net interest income	**2,422**	2,405	17	0.71%

Bank interest income decreased by RMB44 million, representing a year-on-year decrease of 1.13%, mainly due to a decrease in client deposits and reserves with the brokerage segment resulting from securities market conditions. Consequently, the average daily balance of the funds during the year decreased as compared to last year.

Interest income from margin and other financing decreased by RMB62 million, representing a year-on-year decrease of 0.70%, which was basically stable compared to the same period of 2017.

Interest expenses increased by RMB830 million, representing a year-on-year increase of 7.98% year-on-year, mainly due to the increase in interest expenses from debt instruments issued by the Group during the Reporting Period.

Investment income

In 2018, the investment income of the Group amounted to RMB8,046 million, representing a year-on-year decrease of 36.71%. The table below sets out the major composition of the investment income of the Group during the period:

In RMB million

Items	2018	2017
Net gains from available-for-sale financial assets	**N/A**	7,255
Net gains from financial instruments held for trading and financial instruments designated as at fair value through profit or loss	**N/A**	9,268
Net gains from financial assets at fair value through other comprehensive income	**1,394**	N/A
Net losses from financial instruments at fair value through profit or loss	**-2,187**	N/A
Others	**8,839**	-3,810
Total	**8,046**	12,713

The net gains from financial assets at fair value through other comprehensive income is RMB1,394 million, attributable to the investment income from the disposal assets of RMB55 million and the investment income from assets held of RMB1,339 million.

The net losses from financial instruments at fair value through profit or loss is RMB2,187 million. In 2018, investment income arising from the holding and disposal of such assets by the Group was RMB2,444 million and the losses arising from changes in the fair value was RMB4,631 million.

Other investment income was RMB8,839 million, representing a year-on-year increase of RMB12,649 million, which was mainly attributable to changes in fair value of derivative financial instruments.

Operating expenses

In 2018, operating expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB25,227 million, representing a year-on-year decrease of RMB2,053 million or 7.53%. The table below sets out the major composition of the operating expenses of the Group during the period:

In RMB million

Items	2018	2017	Variance in amount	Variance in percentage
Staff costs	**10,525**	12,141	-1,616	-13.31%
Depreciation	**420**	503	-83	-16.50%
Tax and surcharges	**255**	256	-1	-0.39%
Other operating expenses and costs	**11,816**	12,659	-843	-6.66%
Impairment losses on assets	**N/A**	1,721	N/A	N/A
Expected credit losses	**2,187**	N/A	N/A	N/A
Impairment losses on other assets	**24**	N/A	N/A	N/A
Total	**25,227**	27,280	-2,053	-7.53%

During the year, staff costs of the Group decreased by RMB1,616 million, representing a year-on-year decrease of 13.31%, mainly due to a decrease in staff remuneration.

During the year, depreciation decreased by RMB83 million, representing a year-on-year decrease of 16.50%, mainly due to a decrease in depreciation of equipment.

During the year, tax and surcharges decreased by RMB1 million, representing a year-on-year decrease of 0.39%, which was basically stable compared to the same period last year.

In 2018, expected credit losses amounted to RMB2,187 million and impairment losses on other assets amounted to RMB24 million, mainly due to the impact of the new financial instrument standards.

The following table sets out the major composition of the impairment losses of the Group during the period:

In RMB million

Items	2018
Expected credit losses	**2,187**
Among which: Reverse repurchase agreements	**1,623**
Margin account	**58**
Financial assets at fair value through other comprehensive income (Debt instruments)	**116**
Other current assets	**390**
Impairment losses on other assets	**24**

Analysis on financial position

As of 31 December 2018, the total assets of the Group were RMB653,133 million, representing a year-on-year increase of 4.41%. Excluding the effect of the customer brokerage deposits, the total assets of the Group amounted to RMB555,359 million as of 31 December 2018, representing a year-on-year increase of 5.64%.

Major changes in the total assets of the Group were as follows:

In RMB million

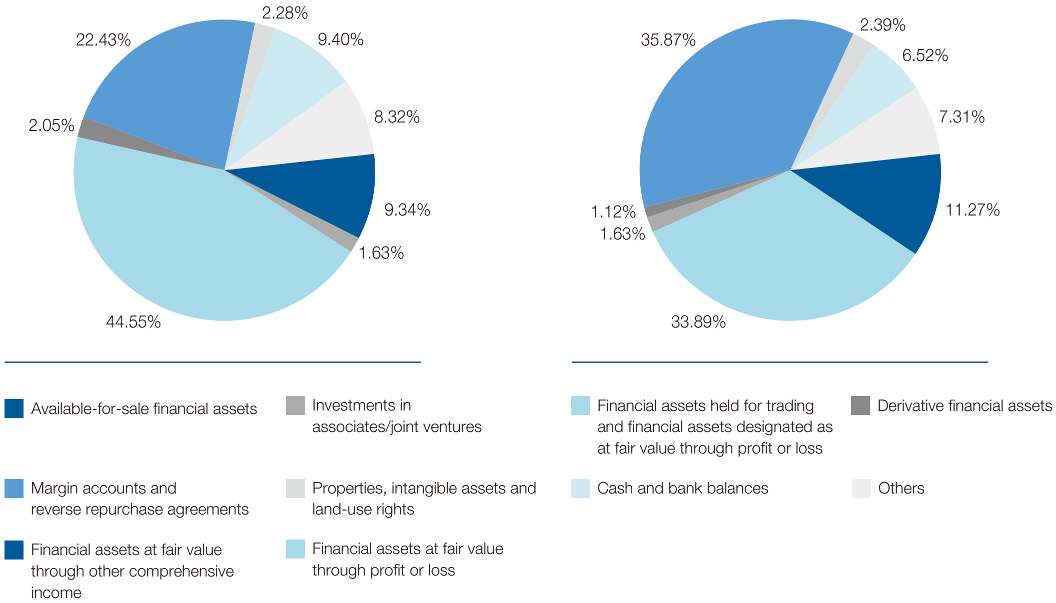
Items	31 December 2018	31 December 2017	Variance in amount	Variance in percentage
Available-for-sale financial assets	**N/A**	59,227	N/A	N/A
Financial assets at fair value through other comprehensive income	**51,860**	N/A	N/A	N/A
Investments in associates/joint ventures	**9,038**	8,586	452	5.26%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	**N/A**	178,154	N/A	N/A
Financial assets at fair value through profit or loss	**247,437**	N/A	N/A	N/A
Derivative financial assets	**11,388**	5,901	5,487	92.98%
Margin accounts and reverse repurchase agreements	**124,568**	188,575	-64,007	-33.94%
Properties, intangible assets and land-use rights	**12,648**	12,583	65	0.52%
Cash and bank balances	**52,227**	34,303	17,924	52.25%
Others	**46,193**	38,391	7,802	20.32%
Total	**555,359**	525,720	29,639	5.64%

Note: Due to the change of accounting policies, the Group elected not to restate the comparative figures in the analysis of financial statements. Therefore, the related items are not comparable.

The following chart sets forth the composition of the total assets of the Group as of the dates indicated:

Analysis of the components of the Group's assets for 2018

Analysis of the components of the Group's assets for 2017



Investment

The investment of the Group primarily comprises financial assets at fair value through other comprehensive income, investments in associates/joint ventures, financial assets at fair value through profit or loss, derivative financial assets, etc.

As of 31 December 2018, the total investments of the Group were RMB319,723 million, representing a year-on-year increase of RMB67,855 million or 26.94% as compared to the end of 2017. Its total investments accounted for 57.57% of the total assets, representing a year-on-year increase of 9.66 percentage points.

The following table sets out, as of the dates indicated, the investments of the Group and its percentage to the total assets by category:

In RMB million

Items	31 December 2018 Amount	31 December 2018 Percentage to total assets	31 December 2017 Amount	31 December 2017 Percentage to total assets
Available-for-sale financial assets	**N/A**	**N/A**	59,227	11.27%
Financial assets at fair value through other comprehensive income	**51,860**	**9.34%**	N/A	N/A
Investments in associates/joint ventures	**9,038**	**1.63%**	8,586	1.63%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	**N/A**	**N/A**	178,154	33.89%
Financial assets at fair value through profit or loss	**247,437**	**44.55%**	N/A	N/A
Derivative financial assets	**11,388**	**2.05%**	5,901	1.12%
Total	**319,723**	**57.57%**	251,868	47.91%

Financial assets at fair value through other comprehensive income

As of 31 December 2018, the Group's financial assets at fair value through other comprehensive income were RMB51,860 million, accounted for 9.34% of the total assets of the Group. The following table sets forth the components of the Group's financial assets at fair value through other comprehensive income:

In RMB million

Items	31 December 2018 Amount	31 December 2018 Percentage to financial assets at fair value through other comprehensive income
Debt instruments	**36,328**	**70.05%**
Equity instruments	**15,532**	**29.95%**
Total	**51,860**	**100.00%**

Investments in associates/joint ventures

In RMB million

Items	31 December 2018	31 December 2017	Variance in amount	Variance in percentage
Investment in associates	**8,638**	8,581	57	0.66%
Investments in joint ventures	**400**	5	395	7,900.00%
Total	**9,038**	8,586	452	5.26%

As of 31 December 2018, investments in associates and joint ventures of the Group increased by RMB452 million or 5.26% year-on-year, mainly due to an increase in investments in joint ventures.

Financial assets at fair value through profit or loss

As of 31 December 2018, the Group's financial assets at fair value through profit or loss were RMB247,437 million, accounted for 44.55% of the total assets of the Group.

The following table sets forth the components of the Group's financial assets at fair value through profit or loss:

In RMB million

Item	31 December 2018
Debt instruments	**149,172**
Investment in equity instruments	**62,637**
Financial assets designated as at fair value through profit or loss	**1,191**
Others	**34,437**
Total	**247,437**

Properties, intangible assets and land-use rights

As of 31 December 2018, properties, intangible assets and land-use rights of the Group were RMB12,648 million, representing a year-on-year increase of 0.52%. The following table sets forth the properties, intangible assets and land-use rights of the Group as of the dates indicated:

In RMB million

Items	31 December 2018	31 December 2017	Variance in amount	Variance in percentage
Property, plant and equipment	**8,046**	8,265	-219	-2.65%
Investment properties	**1,333**	872	461	52.87%
Land-use rights and other intangible assets	**3,269**	3,446	-177	-5.14%
Total	**12,648**	12,583	65	0.52%

Liabilities

As of 31 December 2018, the total liabilities of the Group amounted to RMB496,301 million, representing an increase of RMB23,869 million or 5.05% as compared to 2017. Excluding the effect of customer brokerage deposits, total liabilities of the Group would have amount to RMB398,527 million as at 31 December 2018, representing a year-on-year increase of 6.97%.

The following table sets forth the breakdown of the total liabilities of the Group as of the dates indicated:

In RMB million

Items	31 December 2018	31 December 2017	Variance in amount	Variance in percentage
Customer brokerage deposits	**97,774**	99,855	-2,081	-2.08%
Short-term loans, due to banks and other financing institutions, short-term financing instruments payable and non-current liabilities due within one year	**72,102**	77,980	-5,878	-7.54%
Financial liabilities at fair value through profit or loss and derivative financial liabilities	**56,958**	59,753	-2,795	-4.68%
Repurchase agreements	**121,669**	111,620	10,049	9.00%
Debt instruments issued and Long-term loans	**89,011**	78,727	10,284	13.06%
Others	**58,787**	44,497	14,290	32.11%
Total	**496,301**	472,432	23,869	5.05%

As of 31 December 2018, the customer brokerage deposits of the Group amounted to RMB97,774 million, representing a year-on-year decrease of 2.08%. It accounted for 19.70% of the total liabilities of the Group. The following table sets forth the Group's customer brokerage deposits as categorized by geographical locations and types of customers as of the dates indicated:

In RMB million

Items	31 December 2018	31 December 2017	Variance in amount	Variance in percentage
Mainland China	**81,563**	82,669	-1,106	-1.34%
— Individual	**39,676**	47,326	-7,650	-16.16%
— Corporate	**41,887**	35,343	6,544	18.52%
Outside Mainland China	**16,211**	17,186	-975	-5.67%
Total	**97,774**	99,855	-2,081	-2.08%

As of 31 December 2018, short-term loans, due to banks and other financing institutions, short-term financing instruments payable and non-current liabilities due within one year amounted to RMB72,102 million, representing a decrease of 7.54% year-on-year, mainly attributable to a decrease in short-term financing instruments payable.

As of 31 December 2018, financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB56,958 million, mainly attributable to the changes in fair value.

As of 31 December 2018, amounts from repurchase agreements increased by RMB10,049 million or 9.00% year-on-year, which was mainly attributable to the increase in pledge-style repo business.

As of 31 December 2018, amounts from debt instruments issued and long-term loans increased by RMB10,284 million or 13.06% year-on-year, which was mainly attributable to a year-on-year increase of RMB10,415 million or 13.41% in debt instruments issued at the end of the reporting period.

Equity

As of 31 December 2018, the total equity of the Group amounted to RMB156,832 million, representing a year-on-year increase of 2.41%, mainly attributable to the increase in net profit and dividend distribution in 2017.

The following table sets out forth the components of the Group's total equity as of the dates indicated:

In RMB million

Items	31 December 2018	31 December 2017
Share capital	**12,117**	12,117
Capital reserve	**54,426**	54,449
Surplus reserve	**8,410**	8,165
General reserve	**22,811**	20,827
Investment revaluation reserve	**-455**	2,132
Foreign currency translation reserve	**634**	102
Retained profits	**55,198**	52,007
Non-controlling interests	**3,691**	3,344
Total	**156,832**	153,143

Fair value measurement

During the Reporting Period, the principle for valuation of fair value is: the fair value of the relevant assets or liabilities of the Group is measured based on prices in principal markets. In the absence of a principal market, the fair value of the relevant assets or liabilities will be measured based on the prices in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets or financial liabilities in active markets of the Group are based on quoted market prices. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, the Group uses observable inputs. Unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

Analysis of principal subsidiaries and non-controlling companies

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

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

Note: For other first-level subsidiaries and non-controlling companies of the Company, please refer to Note 25 to the Consolidated Financial Statements in this report.

(1) CITIC Securities (Shandong) is a wholly-owned subsidiary of the Company with a registered capital of RMB2,500 million. As at the end of the Reporting Period, the total assets and net assets of CITIC Securities (Shandong) amounted to RMB16,901.36 million and RMB6,040.98 million, respectively, and the operating revenue, gross profit and net profit realized in 2018 amounted to RMB1,187.62 million, RMB450.10 million and RMB329.06 million, respectively. CITIC Securities (Shandong) had 70 securities branches and 2,407 staffs (brokers and dispatched staffs inclusive).

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

(2) CSI is a wholly-owned subsidiary of the Company with paid-up capital of HK$6,516.05 million. As at the end of the Reporting Period, the total assets and net assets of CSI amounted to approximately RMB103,476.93 million and approximately RMB8,218.87 million, respectively; the operating revenue, gross profit and net profit realized in 2018 amounted to approximately RMB4,354.38 million, approximately RMB681.90 million and approximately RMB614.28 million, respectively. CSI had 4 branches in Hong Kong and 2,048 staffs (brokers inclusive).

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

(3) GoldStone Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB3.0 billion. As at the end of the Reporting Period, the total assets and net assets of GoldStone Investment amounted to RMB19,588.72 million and RMB8,820.04 million, respectively; the operating revenue and net profit realized in 2018 amounted to RMB-53.36 million and RMB-46.54 million, respectively. GoldStone Investment had 87 staffs (6 dispatched staffs inclusive).

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

(4) CITIC Securities Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB14 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC Securities Investment amounted to RMB21,568.93 million and RMB16,034.73 million, respectively; the operating revenue, gross profit and net profit realized in 2018 amounted to RMB7,125.30 million, RMB795.52 million and RMB602.73 million, respectively. CITIC Securities Investment had 28 staffs.

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

(5) CITIC Futures is held as to 93.47% by the Company with a registered capital of RMB1,604,792,982. As at the end of the Reporting Period, the total assets and net assets of CITIC Futures amounted to RMB35,319.32 million and RMB4,100.84 million, respectively; the operating revenue, gross profit and net profit realized in 2018 amounted to RMB2,371.10 million, RMB533.40 million and RMB403.69 million, respectively. CITIC Futures had 43 branches and 1,043 staffs.

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

(6) China AMC is held as to 62.20% by the Company with a registered capital of RMB238 million. As at the end of the Reporting Period, the total assets and net assets of China AMC amounted to RMB10,341.72 million and RMB8,099.25 million, respectively; the operating revenue, gross profit and net profit realized in 2018 amounted to RMB3,733.19 million, RMB1,445.70 million and RMB1,140.02 million, respectively. China AMC had 989 staffs (dispatched staffs inclusive).

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

(7) CITIC PE Fund is held as to 35% by the Company with a registered capital of RMB1.8 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC PE Fund amounted to RMB4,987.27 million and RMB4,397.92 million, respectively; the net profit realized in 2018 amounted to RMB343.88 million.

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

(8) Jiantou Zhongxin is held as to 30% by the Company with a registered capital of RMB1.9 billion. As at the end of the Reporting Period, the total assets and net assets of Jiantou Zhongxin amounted to RMB2,149.27 million and RMB1,953.96 million, respectively; the net profit realized in 2018 amounted to RMB43.45 million (unaudited).

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

Securities branch offices of the Company

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

No.	Branch Office	Responsible Officer	Place of Business	Contact Method
1	Beijing Branch Office	ZHANG Qing	4/F, 5 Jinchengjianguo, No. 5 Jianguomen Beidajie, Dongcheng District, Beijing	010-65128320
2	Shanghai Branch Office	Wang Lihua	Units 06, 07, 8/F (Actual Floor: 7/F), and Units 01–03A and 07, 10/F (Actual Floor: 9/F), 1568 Century Avenue, Shanghai	021-61768697
3	Guangzhou Branch Office	HU Xingyi	Rooms 01–08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou	020-66609919
4	Hubei Branch Office	SHI Xiangrong	Level 51, Guangdong Development Bank Building, No. 737 Jianshe Avenue, Jianghan District, Wuhan	027-85355366
5	Jiangsu Branch Office	FENG Enxin	Level 1, Area B and Level 10, Phase II of Sunny World, No. 168 Lushan Road, Jianye District, Nanjing	025-83282416
6	Shanghai Pilot Free Trade Zone Branch Office	ZHENG Yonghan	19/F and 20/F, No. 1568 Century Avenue, Pilot Free Trade Zone, Shanghai	021-20262006
7	Shenzhen Branch Office	LIANG Qi	12/F and 20/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian Street, Futian District, Shenzhen	0755-23911668
8	Northeast Branch Office	LI Zhe	Level 30, Tower A, China Resources Building, No. 286 Qingnian Avenue, Heping District, Shenyang, Liaoning	024-23972693
9	Zhejiang Branch Office	CHEN Gang	Units 1902, 2201, 2202, 2203, 2204, 2301, 2303 and 2304 of Dikai Yinzuo, Jianggan District, Hangzhou, Zhejiang	0571-85783714
10	Jiangxi Branch Office	ZHANG Xinqing	28/F, Lianfa Plaza, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi	0791-83970561
11	Fujian Branch Office	SUI Yanping	Units 1901, 1902, 1905A and 1907 of Sino Plaza, No. 137 Wusi Road, Gulou District, Fuzhou, Fujian	0591-87905705
12	Ningbo Branch Office	YAO Feng	Block 2 (15-1), No. 235 Heji Street, Jiangdong District, Ningbo, Zhejiang	0574-87033718
13	Wenzhou Branch Office	PAN Ye	Rooms 701, 702 and 703, 7/F, Fortune Center, No. 577 Station Avenue, Wenzhou, Zhejiang	0577-88107230
14	Sichuan Branch Office	HONG Wei	1/F, West Wing, La Defense Building, No. 1480 North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, Sichuan	028-65728888
15	Shaanxi Branch Office	SHI Lei	Room 11301, Building 1, E-Yang International Building, No. 27 Keji Road, Hi-tech Zone, Xi’an, Shaanxi Province	029-88222554
16	Tianjin Branch Office	LIU Jinkun	Level 7, Tianjin Technology Building, No. 23 Youyi Road, Hexi District, Tianjin	022-28138825

No.	Branch Office	Responsible Officer	Place of Business	Contact Method
17	Inner Mongolia Branch Office	HAN Rui	2/F and 3/F, CITIC Building, No. 42 Ruyihe Street, Saihan District, Hohhot, Inner Mongolia	0471-5982233
18	Anhui Branch Office	WU Jianfeng	Rooms 1-Shang-101 and 1-701-708, Block A, Jinding International Square, No. 287 Suixi Road, Luyang District, Hefei, Anhui Province	0551-65662889
19	Shanxi Branch Office	ZHENG Wenhui	Shop 1, Northeast Corner of Hongsheng Times Financial Plaza, No. 1 Jifu Road, Jinyuan District, Taiyuan, Shanxi Province	0351-6191968
20	Yunnan Branch Office	ZHANG Rui	11/F, Block 2, Huahai Xinjingjie Commercial Building, Milesi New Village, Huancheng West Road, Xishan District, Kunming, Yunnan Province	0871-68353618
21	Hunan Branch Office	CHEN Keke	2/F, New Century Building, No. 198 Second Section of Furong Middle Road, Tianxin District, Changsha, Hunan	0731-85363199
22	Hebei Branch Office	ZHANG Xinyu	3501–3504, 35/F, Tower B, Letai Center, No. 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei Province	0311-66188908
23	Chongqing Branch Office	HAN Han	208, Block E, Fortune Building, 11 East Honghu Road,Yubei District, Chongqing	023-63025786
24	Hainan Branch Office	YAN Changsheng	1–2/F, Block B, East Area of Sheng Da Jing Du, No. 65 Guoxing Avenue, Meilan District, Haikou, Hainan	0898-65361268
25	Guangxi Branch Office	CHEN Xiao	Room 1805, 18F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Qingxiu District, Nanning	0771-2539031
26	Gansu Branch Office	TIAN Chuanjin	Level 2, Jiangong Times Building, No. 575 East Xijin Road, Qilihe District, Lanzhou, Gansu	0931-2146560
27	Ningxia Branch Office	REN Gaopeng	Room 301, Complex Commercial Building, No. 16 (formerly No. B4) Yuehai Xintiandi, East Side of Yinjiaqu and South Side of Zhenshui Road, Jinfeng District, Yinchuan, Ningxia	0951-5102568
28	Jilin Branch Office	LIU Mingxu	C101 on 1–2/F, C301–302 on 3/F, Tower C, Pearl Plaza, No. 8988 Renmin Avenue, Nanguan District, Changchun, Jilin Province	0431-81970899
29	Heilongjiang Branch Office	LIU Rong	21/F, No. 236 Hongqi Avenue, Nangang District, Harbin	0451-51990358
30	Jiaxing Branch Office	WU Jinglan	North Side of 1/F, 6/F and 7/F of Commercial and Office Complex at the Intersection of Zhongshan Road and Jishui Road, Nanhu District, Jiaxing, Zhejiang Province	0573-82069341
31	Jinhua Branch Office	XU Honglai	Ocean Tower, No. 331 Zhongshan Road, Jinhua, Zhejiang Province	0579-82337102
32	Shaoxing Branch Office	TONG Weijia	1/F and 2/F, Block A, Yuewangcheng Cultural Industry Building, No. 117 Pianmenzhi Street, Yuecheng District, Shaoxing, Zhejiang Province	0575-88096598
33	Taizhou Branch Office	LIN Binxian	19/F and 20/F, Development and Investment Mansion, No. 188 Fuzhong Road, Taizhou, Zhejiang Province	0576-88896598

Structured vehicles controlled by the Company

Please refer to Note 25 to the financial report for details of structured vehicles controlled by the Company.

Explanation of change in scope of statement consolidation

During the Reporting Period, the Company liquidated one off-shore fund, CITICS Global Special Situation Fund. The number of structured entities which were included in the consolidation of the Company's financial statements was five. The number of first-level units included in the consolidation of the Company's financial statements changed to 21.

No change in the income tax policy of the Company during the Reporting Period

From 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) became effective for the Company. The enterprise income tax computation and payment are governed by the requirements of the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《國家稅務總局關於印發<跨地區經營匯總納稅企業所得稅徵收管理辦法>的公告》) (Public Notice of the State Administration of Taxation [2012] No. 57). The enterprise income tax rate applicable to the Company is 25%.

Contingent liabilities

The Company made a provision of RMB436 million of accrued liabilities in 2015 with reference to the trading accounts being inspected during the investigation into the Company initiated by the CSRC in that year. On 5 November 2018, regarding the above-mentioned investigation, the Company received the notification of case termination (Jie An Zi [2018] No. 18) from the CSRC, which stated that, upon investigations, the CSRC considered that the Company's suspected breach of the relevant regulation was not established and decided to close the case. The Company has reversed the provision in full accordingly.

Analysis on the reason and influence of changes in accounting policies

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

Core Competitiveness Analysis

In 2018, steadfastly focusing on the work policy of "implementing the national strategy and serving the real economy", the Company effectively promoted the development of various businesses and maintained its strong core competitiveness. Of which, the domestic equity business underwriting size amounted to RMB178.3 billion with a market share of 14.75%, ranking the first in the industry; the bond business underwriting size amounted to RMB765.9 billion, with a market share of 5.11%, ranking the first in the industry; the transaction size of domestic merger and acquisition (the channel-type business of the CSRC) amounted to RMB72.3 billion, ranking the second in the industry. The total trading volume of domestic equity funds was RMB11.05 trillion (trading volume of exchange-traded monetary funds exclusive), with a market share of 6.09%, remaining the second in the industry. The AUM was RMB1.34 trillion, with a market share of 10.40%, of which the assets under active management amounted to RMB552.8 billion, both ranking the first in the industry. The balance of margin financing and securities lending, stock pledge and agreed repurchase ranked at the forefront of the industry. The size of exchange, OTC options, structured products and beneficiary certificates under contract amounted to RMB120 billion, remaining the first in the market.

Risk Management

Overview

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

The Company has established an overall risk management system led by the Chief Risk Officer, in the charge of the Risk Management Department and involving its departments/business lines, branches, subsidiaries and all the staff, and is committed to building risk management as its core competitiveness. In 2018, based on external regulatory requirements and driven by its internal management, the Company continued to optimize the risk management system, enhanced the organizational structure for risk management, strengthened the establishment of the information technology system for risk management, improved the risk control indicator system, promoted team building for professional talents, reinforced the risk response mechanism, and focused on stepping up consolidated risk management for various onshore and offshore subsidiaries, including deepening the vertical management measures for subsidiaries, enhancing the data frequency and quality of subsidiaries, optimizing the functions of its overall risk management system, establishing a group-based risk management and control mechanism, etc., so as to further maximize the Group's risk management coverage and secure the steady and sustainable business development of itself and even the Group.

The Company is well aware that excellent overall risk management system and advanced information technology platform are essential to achieve the development vision of "becoming global customers' most trustworthy PRC investment bank with leading position in the PRC and high ranking in the world". Therefore, in recent years, the Company continued to increase its resource contributions into compliance and risk control and information technology, intensified efforts for recruitment of relevant professionals, and strengthened the development of financial technology platforms and the application of new technologies such as big data and artificial intelligence. In 2018, the Company further enhanced and expanded its IT team in risk compliance, increased contributions into independent research and development, and built and optimized the compliance and risk control module in the professional compliance and risk control system and business system to achieve the systematic calculation and monitoring of various internal control indicators and the standardized and efficient management of various risks.

Structure of risk management

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

Level 1: The Board

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

Level 2: Operation Management

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

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

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

The Company has appointed the Chief Risk Officer to be responsible for coordinating the overall risk management work.

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

Level 3: Division/Business Lines

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

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

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

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

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

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

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

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

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

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

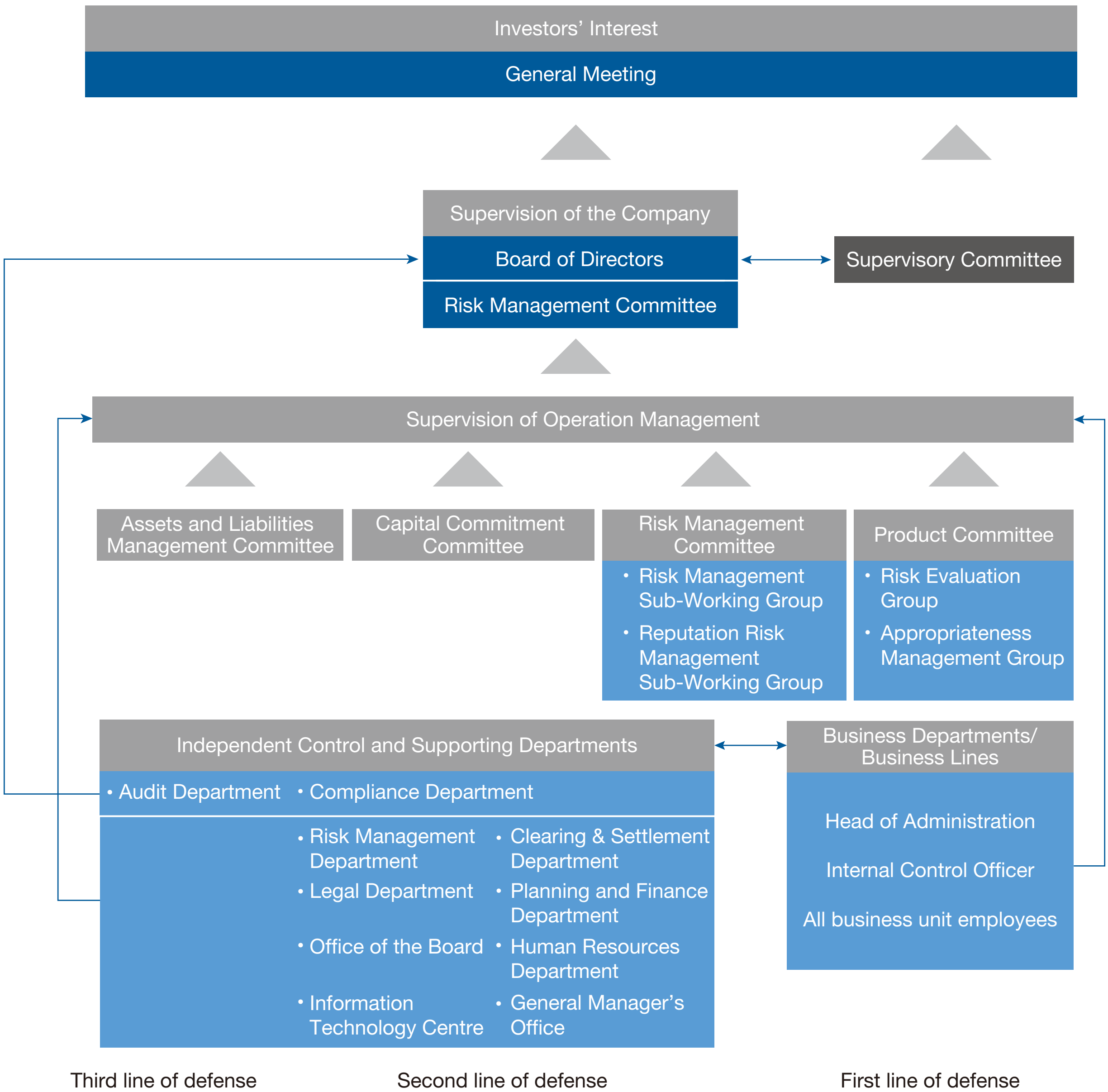


Chart: Structure of the Risk Management

Market risk

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

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

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

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

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

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company with full position upon the concurrence of different events under a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management of the Company. Through stress tests, the Company could focus more on the possible losses to the Company, analyze its risk return and compare its risk resistant capacities, and evaluate whether the overall market risk portfolio of the Company is within its expected limits. In view of the market condition and risk characteristics in 2018, the Company further enhanced the research and optimization of stress test methodology by adding more stress tests under specific scenarios such as new stress test for options business under extreme circumstances, and by adding new stress test for liquidity adjustment across various businesses given the actual rhythm and liquidity of its business, in order to better evaluate and manage its possible material loss under extreme circumstances.

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

The Company continues to modify the risk limits system, defines a unified limit management measures and a hierarchical authorization mechanism, and on the basis of such authorization mechanism, reorganizes the measures for the management of the system with different levels of risk limit indicators for the Company, its respective business departments/business lines and investment accounts.

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

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

Please refer to Note 60 to the financial report for details of the market risk of the Group.

Credit risk

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

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

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

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

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

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

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

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

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

In RMB ten thousand

Investment Rating	31 December 2018	31 December 2017
China's Sovereign Credit Rating	**2,817,028**	1,348,987
AAA	**6,249,261**	839,799
AA	**1,052,249**	257,874
A	**39,612**	—
A-1	**477,858**	208,498
Others	**1,876,051**	809,407
Total exposure	**12,512,059**	3,464,565

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

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

In RMB ten thousand

Investment Rating	31 December 2018	31 December 2017
A	**11,591**	-9,599
B	**458,622**	198,896
C	**913,890**	1,116,996
D	**5,388**	75,645
NR	**-973,088**	205,840
Total exposure	**416,403**	1,587,778

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

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

As at the end of the Reporting Period, the Group maintained an average margin ratio of 248% for the Group's margin financing and securities lending clients with outstanding liabilities; an average ratio of 197% for the Group's stock repo clients with outstanding liabilities; a guarantee ratio was 200% for the Group's stock-pledged repo clients with outstanding liabilities.

Liquidity risk

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

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

In 2018, in view of a market condition characterized by reasonably adequate liquidity, the Group strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards. On the other hand, the Group evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

Operational risk

Operational risk is the risk of losses for the Company arising from flawed internal processes, breakdown of information system, fault or misconduct of staff, external factors and other reasons.

During the Reporting Period, all the established management tools were on continuous effective operation. The Company carried out assessment on new businesses, streamlined business processes and reviewed rules and regulations to ensure that its internal control procedures were comprehensive and to prevent risks from occurring; made early warning of the operational risk in time through key risk indicator (KRI) monitoring; investigated and reported on risk events and followed corrective measures so as to mitigate risks in a timely manner. Both the frequency of risk events and the amount of losses incurred declined as compared with the past, which was the result of a constantly enhanced operational risk management system, an increasingly refined monitoring process and the improving universal trainings for and risk awareness among employees. With the implementation of the Guidelines for the Management of Operational Risk for Subsidiaries (Trial), the above management tools have been applied among each direct subsidiary. The Company upgraded the operational risk management system synchronously and used automated devices to better support the management and monitoring of headquarters and subsidiaries.

Report of the Board

Review of Business

Business review

The Group is principally engaged in providing securities brokerage, investment banking, assets management, trading and other related financial services.

The Securities Association of China has conducted statistics on the operating data of domestic securities companies in 2018. According to the unaudited financial statements of the securities companies, 131 domestic securities companies realized operating income of RMB266.287 billion for the current period, including RMB62.342 billion net income from securities trading brokerage (including seat leasing), RMB25.846 billion net income from securities underwriting and sponsorship, RMB11.15 billion from financial advisory service, RMB3.152 billion net income from investment consultancy, RMB27.5 billion net income from asset management, RMB80.027 billion securities investment income (including fair value changes), RMB21.485 billion net interest income, and realized net profit of RMB66.62 billion for the current period. 106 companies recorded profit. Statistics showed that as at 31 December 2018, 131 securities companies recorded total assets of RMB6.26 trillion, net assets of RMB1.89 trillion, net capital of RMB1.57 trillion, balance of clients' trading settlement funds (including credit transaction funds) of RMB937.891 billion, market value of securities under custody of RMB32.62 trillion, and total principal amount of custodian funds of RMB14.11 trillion.

Please refer to "Corporate Strategy and Long-term Operation Model" of this report for the industrial landscape and development strategies of the Group.

In 2018, the Company recognized total revenue and other income of RMB51.061 billion and net profit attributable to owners of the parent of RMB9.39 billion, and continued to rank the first among the domestic securities companies and all of its businesses stayed ahead of the market. In respect of the investment banking business, the Company extended its coverage of key customers and high-growth customers with regional influence to consolidate and expand its basic customer base, made an active role in business innovation by expanding the domestic & overseas listing of innovative enterprises, the mixed ownership reform of state-owned enterprises and the bailout for private enterprises, as well as continuously improved the project quality control system to put relevant risks under strict control so as to increase its comprehensive competitive strength. Regarding the brokerage business, by focusing on the customer-oriented operation strategy, the Company vigorously developed its institutional business, wealth management business and individual business, optimized customer exploration service process, upgraded transaction and asset allocation service capability, enhanced branch management and improved employees' overall quality to expand client base. For stock proprietary business, the Company adjusted its investment strategy in a timely manner according to the changing market environment, allocated funds with discretion, strengthened position management, and managed market risks in a strict manner; made greater efforts in the construction of research system and fundamental analysis and tapped on market opportunities, achieving an yield rate higher than the market. With respect to the asset management business, by adhering to the development path of "serving both institutional and retail clients", the Company strived to improve the specialization of research and investment and actively promoted the transformation of relevant achievements thereof, accelerated business transformation in response to regulatory changes, actively developed traditional businesses such as social security and basic pension, enterprise annuity and retail collection, vigorously developed occupational annuity business, and downscaled channel-type business in order. At the same time, the synergies brought by the greater integration of the cross-border business lines of overseas platforms with the head office and group companies have also become increasingly prominent. The Company continued to lead Chinese peers in its resource advantage in terms of Belt and Road initiative and service capability.

During the Reporting Period, the business and operating conditions of the Group were set out in "Business Overview" of this report.

Principal risks and uncertainties

Principal risks to which the Company is exposed include market risk, credit risk, liquidity risk and operational risk. For the objectives and policies of risk management of the Company, please refer to "Risk Management" of this report. For major risks and uncertainties to which the Company is exposed in 2018, please refer to "Possible risks exposure" in this report.

Relevant laws and regulations with significant impact

Adhering to the philosophy of operating in compliance with laws and regulations for a long time, the Company complies with the national laws, administrative regulations and various rules and normative documents promulgated by regulatory authorities. In 2018, in accordance with regulatory provisions and business management requirements of the Company, the Company formulated and revised a series of internal management systems to enhance its internal control and management level and improve compliance management systems; formulated and improved business management systems and processes to timely implement all the requirements of regulatory authorities and self-regulatory organizations in all of its business lines; continuously strengthened the publicity and training of laws and compliance culture to enhance the awareness of active prevention from compliance risks in the course of business operations among business lines. The compliance and risk management mechanism of the Company runs well and no material systematic compliance risks have been detected.

Environmental policies and performance

Through its important achievements in promoting the green development of the real economy through financial services, the Company has achieved significant economic, social and environmental effects, benefitting the national interest and people's livelihood. In 2018, through its domestically leading investment banking team, the Company assisted and served China Three Gorges Corporation to issue two green corporate bonds. The Company responded to the pilot scheme of Belt and Road Initiative bonds actively, and sponsored the 2018 corporate bonds (tranche 2) publicly issued by China Triumph International Engineering Co.,Ltd. (中國建材國際工程集團有限公司) as the leading sponsor, the proceeds of which will be used for projects under the Belt and Road Initiative. The Company responded to the Village Service Strategy of China actively, and made full use of the product design and transaction pricing advantages to provide price falling protections for agricultural products.

For other information relating to environmental policies and performance, please refer to the 2018 Social Responsibility Report disclosed by the Company separately on the same date of the 2018 Annual Results Announcement of the Company.

Future development/forward-looking

Please refer to "Development strategy of the Company" and "Business plan for 2019" of this report on prospects of the Company's future development.

Profit Distribution and Proposed Dividend

Formulation, implementation or adjustment of cash dividend policy

The Articles of Association of the Company specify that the profit distribution plans, particularly the decision-making procedures and mechanisms for the cash dividend plans, clarify the priority of cash dividend in the profit distribution, and state that "the Company shall do its best to ensure that the annual profit distribution scale is not less than 20% of the net profit attributable to owners of the parent company for the year."

The formulation of and amendments to the profit distribution policy of the Company are transparent and are in compliance with the laws and regulations, the Articles of Association of the Company and the requirements on the reviewing process. The Company has a definite and clear criteria and ratio of the cash dividends distribution and a sound decision-making procedure and mechanism.

On 26 June 2018, the 2017 profit distribution plan was considered and approved at the 2017 Annual General Meeting of the Company to distribute a cash dividend of RMB4.00 (tax inclusive) for every 10 shares. The implementation of the plan was completed on 24 August 2018. The aforesaid cash dividend paid by the Company, representing 42.39% of the net profit attributable to the owners of the parent for 2017, was in compliance with the related provisions in Guidelines on Distribution of Cash Dividends by Listed Companies of SSE and the Articles of Association of the Company. The Company's independent non-executive Directors have issued independent opinions in respect of the 2017 profit distribution plan which stated that the plan is beneficial for the long-term development of the Company and is in the best interests of the Shareholders as a whole.

Profit distribution plans/proposals for the past three years

The profit distribution plan of the Company is subject to the consideration and approval by the general meeting after preliminarily considered and approved by the Board and the Supervisory Committee. In the process of preliminary consideration by the Board, the independent non-executive Directors of the Company shall provide objective and independent opinions based on the protection of interests of investors. During the consideration process of the general meeting, minority Shareholders of the Company will be provided with sufficient opportunities to express their views and claims to protect their legitimate rights.

The Company has distributed cash dividends every year since its incorporation. In each year of 2016 to 2018, the amount of cash dividends distributed/declared by the Company represented over 30% of the net profit attributable to owners of the parent company, which are in compliance with regulatory requirements and the profit distribution policy of the Company, details of which are as follows:

In RMB Yuan

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax inclusive)	Capitalization shares for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to holders of ordinary shares of the listed Company as shown in the consolidated financial statements for the year of distribution	Percentage of net profit attributable to holders of ordinary shares of the listed Company as shown in the consolidated financial statements (%)
2018	—	3.5000	—	4,240,917,940.00	9,389,895,989.94	45.16
2017	—	4.0000	—	4,846,763,360.00	11,433,264,545.60	42.39
2016	—	3.5000	—	4,240,917,940.00	10,365,168,588.41	40.92

Proposed profit distribution plan for 2018:

The Company's profits available for distribution for the year of 2018 amounted to RMB33,502,565,832.05, which was calculated based on the retained profits of the Company at the beginning of 2018, which amounted to RMB30,342,489,557.59, and deduction of RMB207,553,875.73 due to the adoption of IFRS 9 at transferred date, plus the net profit of RMB8,214,393,510.19 realized by the Company in 2018 and further deduction of the cash dividends of RMB4,846,763,360.00 distributed in 2018.

Pursuant to the Company Law, Securities Law, Financial Rules for Financial Enterprises, Interim Measures on Supervision and Administration of the Provisions of Risk of Public Offering of Securities Investment Funds, Guiding Opinions on Regulating Asset Management Business of Financial Institutions and the Articles of Association of the Company, the net profits of the Company for 2018 are proposed to be appropriated in the following sequences:

1. no relevant provision to be made this year as the Company's accumulated amount of the statutory reserve has reached 50% of its registered capital;

2. to appropriate RMB821,439,351.02 to the general provisions of risk calculated on the basis of 10% of the net profit realized by the parent company for 2018;

3. to appropriate RMB821,439,351.02 to the provisions of risk for transactions calculated on the basis of 10% of the net profit realized by the parent company for 2018;

4. to appropriate RMB9,199,918.63 to the provisions of risk calculated on the basis of 2.5% of the revenue of trustee fee in 2018; and

5. to appropriate RMB5,352,013.24 to the provisions of risk calculated on the basis of 10% of the revenue of collective asset management business in 2018.

The above withdrawals amount to RMB1,657,430,633.91 in total.

Net of the above withdrawals, the profits of the parent company available for distribution to the investors for the year of 2018 amount to RMB31,845,135,198.14.

In consideration of composite factors such as the future development of the Company and the interests of the Shareholders, the Company proposed the profit distribution plan of 2018 as follows:

1. The Company will adopt cash dividend payment method for its 2018 profit distribution (i.e. 100% cash dividend) and proposes to distribute a total cash dividend of RMB4,240,917,940.00 (tax inclusive), representing 45.16% of the net profit attributable to the owners of the parent as shown in the 2018 consolidated financial statements, to the A Shareholders and H Shareholders whose names appear on the register of members of the Company on the Record Date for distribution of the 2018 cash dividend. The outstanding balance of the retained profits distributable for 2018 amounted to RMB27,604,217,258.14 and will be carried forward to the next year. Based on the number of total issued Shares of the Company as at 31 December 2018, a cash dividend of RMB3.50 (tax inclusive) for every ten Shares is proposed to be distributed. If the Company completes the acquisition of Guangzhou Securities by issuance of new A Shares by the Record Date for distribution of the 2018 cash dividend, the cash dividend for every Share will be adjusted according to the approximate total distribution amount of RMB4,240,917,940.00 (tax inclusive) and the number of total issued Shares of the Company upon completion of the aforesaid issuance of new A Shares (i.e. the total cash dividend to be distributed finally may slightly deviate from the above-mentioned figure due to rounding).

2. Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in HKD to the H Shareholders. The actual amounts to be paid in HKD will be calculated based on the average benchmark exchange rate for Renminbi to HKD as announced by the People's Bank of China for the five business days before the date of the 2018 Annual General Meeting of the Company.

After the 2018 profit distribution proposal of the Company is considered and approved at the 2018 Annual General Meeting, the Company will distribute the 2018 cash dividend before 30 August 2019. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to H Shareholders, as well as the record date and the date for the payment of the dividends to A Shareholders.

Tax Deduction and Exemption

A Shareholders

Pursuant to Notice on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) issued by the MOF, the State Administration of Taxation and the CSRC, for dividends obtained from listed companies by individual investors, if the holding period between the date of the individual investor obtaining the Company's Share and the record date is more than one year, individual income tax shall be exempted; if the holding period between the date of the individual investor obtaining the Company's Shares and the record date is less than one year (inclusive), listed companies temporarily are not required, in respect of their individual income tax, to pay withholding tax, subject to corresponding adjustment to be made in accordance with the aforementioned Notices at the time when the individual investors transferred their respective Shares.

For Shareholders who are resident enterprises, the income tax on their cash dividends shall be payable by themselves.

For Qualified Foreign Institutional Investors (QFII), listed companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII of the State Administration of Taxation (Guo Shui Han [2009] No. 47). Shareholders who are QFII and who wish to enjoy the treatment of tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends.

Pursuant to the requirements of the Notice of the MOF, the State Administration of Taxation, and the CSRC on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for dividends derived by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on SSE, and prior to Hong Kong Securities Clearing Company Ltd. is able to furnish the identity, holding period and other detailed data of investors in the Hong Kong market to CSDCC, the differentiated tax policy based on the holding period of shares will temporarily not be implemented. Listed companies shall withhold income tax at a tax rate of 10% and make withholding and payment filings with their competent tax authorities. For those investors in Hong Kong who are tax residents of other countries and the income tax rate applicable to dividends is lower than 10% under the tax treaties between China and their residence countries, enterprises or individuals may by themselves or ask the withholding and payment agent to act on their behalf to apply to the competent tax authorities of the listed companies for the application of preferential treatment under the tax treaties. With the approval of the competent tax authorities, the difference between the tax paid and the payable tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

H Shareholders

Pursuant to the requirements of the Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the dividends received by overseas resident individual shareholders from the shares issued by domestic non foreign-invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld and paid by the withholding and payment agents according to the relevant laws. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The relevant dividend tax rate under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax collection and administration, domestic non foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold and pay individual income tax at the rate of 10%, and are not obligated to file an application. In circumstances where the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements subject to tax rates lower than 10%, the withholding and payment agents may file applications on their behalf to seek entitlement to the relevant agreed preferential treatments, and upon approval by the competent tax authorities, excessive withheld and paid tax amounts will be refunded; (2) for citizens from countries under agreements subject to tax rates higher than 10% but lower than 20%, the withholding and payment agents shall withhold and pay individual income tax at the agreed effective tax rate at the time of distribution of dividends (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or under other circumstances, the withholding and payment agents shall withhold and pay individual income tax at a tax rate of 20% at the time of distribution of dividends.

Pursuant to the requirements of the Notice on the Issues Concerning Withholding and Paying the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Shareholders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, a PRC resident enterprise, when distributing dividends for the year 2008 and the years thereafter to H Shareholders who are overseas non-resident enterprises, shall be subject to enterprise income tax withheld and paid at a uniform rate of 10%.

Pursuant to the requirements of the Notice of MOF, the State Administration of Taxation, and the CSRC on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) and Notice on Taxation Policy concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127), for dividends derived by Mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For dividends derived by Mainland securities investment funds from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. For dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the company of such H shares will not withhold the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. For dividends derived by Mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon will be exempt according to the laws and regulations.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company are taxed and/or enjoy tax relief in accordance with the aforementioned regulations.

Use of Proceeds

During the Reporting Period, the Company publicly issued two tranches of corporate bonds with a total issuance amount of RMB4.7 billion, privately issued five tranches of corporate bonds with a total issuance amount of RMB17.3 billion, privately issued two tranches of subordinated bonds with a total issuance amount of RMB9 billion, and issued one tranche of the lending creditor asset-backed plan with a total issuance amount of RMB1.4 billion, all of which were used to replenish working capital of the Company; the Company also issued 11 tranches of short-term commercial papers and 1,048 tranches of beneficiary certificates to replenish the liquidity of the Company.

In accordance with the relevant requirements of the Administrative Measures for the Issuance and Transaction of Corporate Bonds, the Company established special accounts for the proceeds from issuance of each tranche of corporate bonds and subordinated bonds for the collection, storage and transfer of proceeds, and the collection and management of the payment of interest and redemption of principal.

As at the end of the Reporting Period, proceeds of each tranche of bonds were completely used and all were used to replenish the working capital of the Company, which was in line with the usage, using plan and other agreements in the prospectuses.

Purchase, Sale or Redemption of the Company's Securities

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Biographical Details of the Directors, Supervisors and Senior Management

Biographical details of the Directors, Supervisors and Senior Management are set out in "Major working experience of the current Directors, Supervisors and Senior Management" of this report.

Directors' and Supervisors' Service Contracts

An appointment letter was entered into by the Company with each of the Directors of the Sixth Session of the Board. The term of office of the Directors commenced from the date of election by the Shareholders at a general meeting of the Company and the obtaining of the relevant qualifications for the appointment until the expiry date of the term of office of the Sixth Session of the Board. (The appointment letter sets out the Directors' responsibilities during their terms of office, termination of the appointment, undertakings and the Directors' fee).

In addition, none of the Directors or Supervisors entered into a service agreement with the Company or its subsidiaries which could not be terminated within one year without paying compensation (other than statutory compensation).

Permitted Indemnity Provisions

In 2018, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors or any directors of the associated companies of the Company (if made by the Company).

The Company has purchased insurance for the Directors against legal liabilities arising from performance of their duties. The governing law of relevant insurance policies was PRC law. The Company reviews the coverage of such insurance each year. During the year, there were no claims for compensation against the Directors or Senior Management.

Management Contracts

During the Reporting Period, no management and administrative contracts were entered into or subsisting in respect of the whole or a substantial part of any business of the Company.

Remuneration Policies

The details of remuneration policies and share incentive scheme in respect of the Directors, Supervisors and Senior Management are set out in "Remuneration of Directors, Supervisors and Senior Management for the year" and "Share incentives regarding Directors, Supervisors and Senior Management" of this report.

Details of the Company's employee remuneration policies and employee compensations are set out in "Remuneration policy" and Note 11 to the Consolidated Financial Statements of this report.

Directors' and Supervisors' Interests in Material Contracts

The Company or its subsidiaries did not enter into any contract of significance in which the Directors or Supervisors had a material interest, whether directly or indirectly, during the Reporting Period.

Directors' Interests in Businesses Competing with the Company

None of the Directors has interests in any business which competes with businesses of the Company.

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

As at 31 December 2018, the following persons had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of the its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows.

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

Pursuant to the Securities and Futures Ordinance, the chief executive who was required to disclose his interests to the Hong Kong Stock Exchange was the General Manager and did not include other Senior Management personnel. For details of the shareholdings of other Senior Management, please refer to "Changes in the Shares held and information on remuneration" of this report. In addition, as of 31 December 2018, no other Directors, Supervisors or Senior Management or their respective spouses or children under 18 years of age had been granted equity securities or warrants of the Company.

Pre-emptive Rights

The Company was incorporated in accordance with the PRC laws with no arrangement regarding pre-emptive rights.

Reserves and Distributable Reserves

Please refer to "the Consolidated Statement of Changes in Equity of Shareholders" and Note 53 to the Consolidated Financial Statements in this report for details of changes in the reserves and the reserves of distributable profits of the Company.

Fixed Assets

Please refer to Note 21 to the Consolidated Financial Statements in this report for details of the Group's fixed assets as at 31 December 2018.

Major Clients and Suppliers

The Company serves institutional and individual clients in various sectors. The Company's clients range from multinational corporations and SMEs to high-net-worth clients and retail customers. The clients are primarily located in China. The Company expects to serve more overseas clients as the Company taps into overseas market in the future. In 2018, the revenue from rendering services attributable to the Group's five largest clients accounted for less than 30% of the total revenue of the Group.

The top five major clients of the Company include CITIC Corporation Limited, the largest Shareholder of the Company, and its Shareholder, CITIC Group and CITIC Limited.

Save as disclosed above, none of the Directors, Supervisors and their respective associates as well as Shareholders holding more than 5% of the issued share capital of the Company has any interest in any of the five largest clients of the Company. The Company has no major supplier due to the nature of its business.

Relationship with Employees, Clients, Suppliers and Persons Who are Materially Related

Employees' remuneration of the Company consists of base annual salary, performance-based annual salary, special rewards and insurance benefits. The Company continues to promote and implement staff training programs with comprehensive planning, implementation by levels and clear purposes. For details about the remuneration and training plans for employees of the Company, please refer to "Remuneration policy" and "Training program" of this report. As at 31 December 2018, the Company and CITIC Securities (Shandong) had 159 securities brokers, of which 124 were brokers of the Company. For information on relationship between the Company and its securities brokers, please refer to "Information on brokers" of this report. For information on relationship between the Company and its major clients and suppliers, please refer to "Major Clients and Suppliers" of this report.

Sufficient Public Float

At the time of listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, accepting the minimum public float of the Company for the H Shares to be the higher of: (i) 10% of the total issued share capital; or (ii) the percentage of H Shares held by the public immediately after the completion of the global offering (including the H Shares issued pursuant to the exercise of the over-allotment option and the transfer and conversion of the relevant State-owned shares into H Shares pursuant to the PRC regulations on reduction of State-owned shares). Upon the completion of the global offering and based on the minimum public float granted by the Hong Kong Stock Exchange, the minimum public float of the Company for the H Shares is not lower than 10.70%.

As at the date of 2018 Annual Results Announcement, based on the information available to the public and the knowledge of the Directors, the Directors believe the public float of the Company is in compliance with Rule 8.08 of the Hong Kong Listing Rules and the requirements for minimum public float as set out in the waiver granted by the Hong Kong Stock Exchange at the time of listing.

Donations

During the Reporting Period, the Group's charitable and other donations amounted to approximately RMB10.95 million in total.

Other sections, chapters or notes of the report as mentioned in this section (Report of the Board) shall constitute part of the Report of the Board.

By Order of the Board
ZHANG Youjun
Chairman

Beijing, 21 March 2019

Significant Events

Performance of undertakings

Undertakings of the Company, Shareholders, de facto controller, acquirer, Directors, Supervisors, Senior Management or other related parties made or subsisting during the Reporting Period

Undertakings of Shareholders and related/connected parties and their performance

Undertaking in respect of the share reform

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

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

Undertaking in respect of non-competition

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

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

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

Appointment or Termination of Service of Accounting Firms

In RMB ten thousand

	Current appointment
Name of the domestic accounting firm	PwC Zhong Tian
Remuneration for the domestic accounting firm	161.51
Duration of service of the domestic accounting firm	4 Years
Name of the overseas accounting firm	PwC Hong Kong
Remuneration for the overseas accounting firm	31.06
Duration of service of the overseas accounting firm	4 Years

Note: The above is the audit fee of the financial statements of Company for the year, which does not include the audit fees for subsidiaries of the Company.

	Name	Remuneration
Accounting firm for internal control audit	PwC Zhong Tian	37.26

Significant Events

Explanation on Appointment or Termination of Service of Accounting Firms

As approved by the 2017 Annual General Meeting of the Company, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong were reappointed as the external auditors of the Company for 2018 to be responsible for the provision of the relevant annual audit and interim review services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; and PricewaterhouseCoopers Zhong Tian LLP was reappointed as the auditor for the internal control audit of the Company for 2018.

Material Litigation and Arbitration

During the Reporting Period, the Group had not been involved in any material litigation or arbitration with an involved amount of over RMB10 million and accounting for over 10% of the absolute value of the audited net assets as shown in the latest audited accounts of the Company, which is required to be disclosed pursuant to the SSE Listing Rules.

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

Dispute Between the Company and CHENG Yu on Securities Transaction Agency Contract

CHENG Yu filed a lawsuit with the People's Court of Futian District of Shenzhen (hereinafter referred to as the "**Futian Court**") against the Company in respect of the failure of completion of the block trading of sale of his ChiNext shares, requesting the Company to compensate for his damage of RMB11,906,695 and the corresponding interests, and pay for the litigation fees. On 22 June 2017, the Company received the summons from the Futian Court. Thereafter, the case was transferred to the People's Court of Chaoyang District of Beijing (hereinafter referred to as the "**Chaoyang Court**") (relevant information of this case is contained in the Company's 2018 Third Quarterly Report). Two trials of the case were held in the Chaoyang Court on 21 November 2017 and 25 October 2018. Thereafter, the plaintiff, CHENG Yu, filed an application for withdrawal of the lawsuit, and the Chaoyang Court issued a civil ruling to permit the withdrawal on 14 December 2018.

Labor Dispute between the Company and YANG Hui

On 12 June 2017, YANG Hui, a former employee of the Company, applied to Beijing's Chaoyang District Labor and Personnel Dispute Arbitration Commission (hereinafter referred to as the "**Chaoyang Labor Arbitration Commission**") for labor arbitration on disputes over labor contract, requesting the Company to pay a total of RMB14,572,600 for his salary, bonus and compensations for illegal termination of labor relationship, which was later changed to RMB15,172,600. Chaoyang Labor Arbitration Commission accepted the case on 19 June 2017. On 13 November 2017, Chaoyang Labor Arbitration Commission overruled all arbitration claims submitted by YANG Hui, and the Company won in the arbitration. Unsatisfied with the above arbitration decision, YANG Hui filed a lawsuit to the Chaoyang Court on 29 November 2017. On 23 May 2018, Chaoyang Court heard the case (relevant information of this case is contained in the Company's 2018 Interim Report). On 25 February 2019, YANG Hui applied to the Chaoyang Court for withdrawal of the lawsuit. On 6 March 2019, the Chaoyang Court permitted the withdrawal, and the case was thereby closed.

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

On 29 April 2015, the Company initiated an arbitration at the China International Economic and Trade Arbitration Commission (hereinafter referred to as the "**CIETAC**") against Suqian Zhifu Leather Industry Co., Ltd. (hereinafter referred to as the "**Zhifu Leather**") in relation to the default on private bonds, requesting Zhifu Leather to settle the principal and unpaid interests of the bonds totaling RMB46,090,000 together with the interests subsequently incurred, the liquidated damages and the expenses incurred for realizing the creditor's rights (relevant information of this case is contained in the Company's 2018 Interim Report). After winning the case, the Company applied to the court for compulsory enforcement on Zhifu Leather. Thereafter, Zhifu Leather went into bankruptcy proceedings, and is currently participating in its bankruptcy liquidation.

On 3 August 2015, the Company filed a lawsuit with the Third Intermediate People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing Third Intermediate Court**") against Sino-Capital Guaranty Trust Company Limited (hereinafter referred to as the "**Sino-Capital**"), and ZHOU Likang, the de facto controller of Zhifu Leather, for failure to fulfill the obligations as guarantors, requesting Sino-Capital and ZHOU Likang to assume their joint and several liabilities as guarantors to settle the principal and interests of the bonds totaling RMB46,090,000 as well as the interests subsequently incurred, the liquidated damages and the expenses incurred for realizing the creditor's rights. The Beijing Third Intermediate Court gave its first instance verdict in favor of the Company on 29 November 2017. On 2 May 2018, the Beijing Third Intermediate Court issued the enforcement judgment, ruling that enforcement actions shall be taken against Sino-Capital and ZHOU Likang. On 3 December 2018, the Beijing Third Intermediate Court terminated this enforcement proceeding on the ground that the parties subject to executing had no property available for enforcement at that moment. The Company has made corresponding provision for impairment of this transaction.

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

On 14 March 2018, the Company submitted an application for arbitration to the Beijing Arbitration Commission (hereinafter referred to as the "**BAC**"), requesting for the repayment by HAO Feng, a customer of the margin financing and securities lending business of the Company, of the debt resulting from the margin financing and securities lending transactions with a principal and interests totaling RMB19.176 million, and applied for a ruling on property preservation. The BAC accepted the case on 23 March 2018. On 19 September 2018, the BAC made an arbitration ruling, requesting HAO Feng to repay the principal, the interests accrued thereon, the liquidated damages and other case expenses totaling RMB19,514,139.07 as of 13 March 2018 (relevant information of this case is contained in the Company's 2018 Third Quarterly Report). On 16 October 2018, the Company applied to the Beijing Third Intermediate Court for compulsory enforcement. Currently, the case is in the process of compulsory enforcement. The Company has made corresponding provision for impairment of this transaction.

Disputes Between the Company and Shanghai Sunho and National Business on Bond Pledged Repo

On 30 April 2018, the Company submitted an application for arbitration to the BAC in relation to disputes on the bond pledged repo, requesting Shanghai Sunho Capital Management Co., Ltd. (hereinafter referred to as the "**Shanghai Sunho**") and National Business Holdings Group Co., Ltd. (hereinafter referred to as the "**National Business**") to jointly assume the repayment obligations. The BAC accepted the case on 10 May 2018 (relevant information of this case is contained in the Company's 2018 Interim Report). The BAC heard the case on 27 February 2019, and no ruling has been made so far. The Company has made corresponding provision for impairment of this transaction.

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

On 11 May 2018, the Company submitted an application to the BAC for property preservation in relation to the dispute between DING Sheng and the Company on margin financing and securities lending transaction. On 28 May 2018, the BAC accepted the case. On 21 June 2018, the People's Court of Haimen issued the verdict of property preservation. On 22 August 2018, DING sheng filed a counterclaim with the BAC, requesting the Company to repay his loss of RMB20.10 million. The BAC accepted the case on 24 August 2018 (relevant information of this case is contained in the Company's 2018 Third Quarterly Report) and heard the case on 23 December 2018. On 14 January 2019, the BAC made a ruling in favor of the claims of the Company of the principal, the interests accrued thereon, the liquidated damages and other case expenses, and rejected the counterclaims raised by DING Sheng. The Company won the case. The Company has made corresponding provision for impairment of this transaction.

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

On 4 June 2018, the Company submitted an application for arbitration to the BAC against Harbin Institute of Technology High-Tech Development Corporation (hereinafter referred to as the "**HITHT**") in relation to default on the margin financing and securities lending transaction between the Company and HITHT, requesting HITHT to repay the principal of RMB406.73 million, the corresponding interest, liquidated damages and other expenses incurred for realizing the creditor's rights, and applied for property preservation. On 8 June 2018, the BAC accepted the case. The case was heard on 5 September 2018. On 28 September 2018, the BAC made an arbitration ruling, requesting HITHT to repay the principal, the interest accrued thereon, liquidated damages and case expenses totaling RMB418,624,645.99 as of 4 June 2018 (relevant information of this case is contained in the Company's 2018 Third Quarterly Report). On 26 October 2018, the Company applied to the Beijing Third Intermediate Court for compulsory enforcement. Currently, the case is in the process of compulsory enforcement. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Huaqiao on Real Property

On 27 June 2018, the Company filed a lawsuit with the People's Court of Gulou District of Nanjing (hereinafter referred to as the "**Gulou Court**") against Jiangsu Huaqiao Real Estate Development Co., Ltd. (hereinafter referred to as the "**Huaqiao**") in relation to dispute on real property, requesting the court to recognize the property located on the 23rd floor of Huaqiao Tower as a non-bankruptcy property of Huaqiao in accordance with the laws, and to order Huaqiao to assist the Company in the procedure of transferring title of the above property to the Company (relevant information of this case is contained in the Company's 2018 Third Quarterly Report). On 28 June 2018, the court accepted the case (the value of the property concerned is approximately RMB17.50 million as confirmed by the court). The case was heard on 28 August 2018 and 9 November 2018. The Gulou Court gave its first instance verdict in favor of the Company on 6 December 2018, which already took effect.

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

Due to the breach of contract by Shanghai Daole Investment Co., Ltd. (hereinafter referred to as the "**Daole Investment**"), the Company applied for the certificate of enforcement from the notary office and applied to the Second Intermediate People's Court of Shanghai (hereinafter referred to as the "**Shanghai Second Intermediate Court**") for specific performance, requesting Daole Investment to pay the outstanding principal of RMB92 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Second Intermediate Court accepted the case on 10 August 2018. Given that there were three guarantors which provided the joint and several liability guarantee for the above liabilities of Daole Investment, the Company filed a lawsuit with the Beijing Third Intermediate Court, requesting the aforementioned guarantors to assume the joint and several liabilities. The Beijing Third Intermediate Court accepted the case on 30 July 2018 (relevant information of this case is contained in the Company's 2018 Interim Report), heard the case on 16 November 2018 and 10 December 2018, and issued the first instance verdict in favor of the claims of the Company on 29 December 2018, which already took effect. The Company has made corresponding provision for impairment of this transaction.

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

Due to the breach of contract by Shanghai Jinxin Industry Co., Ltd. (hereinafter referred to as the "**Jinxin Industry**"), the Company applied for the certificate of enforcement from the notary office and applied to the Higher People's Court of Shanghai (hereinafter referred to as the "**Shanghai Higher Court**") for specific performance, requesting Jinxin Industry to pay the outstanding principal of RMB394.645 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Higher Court accepted the case on 31 July 2018. Given that there were three guarantors which provided the joint and several liability guarantee for the above liabilities of Jinxin Industry, the Company applied for arbitration to the BAC (against one guarantor) and filed a lawsuit with the Higher People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing Higher Court**") (against two guarantors), respectively, requesting the guarantors to assume the joint and several liabilities. The BAC and the Beijing Higher Court accepted the case on 2 August 2018 and 6 August 2018, respectively (relevant information of this case is contained in the Company's 2018 Interim Report). The BAC issued the verdict in favor of the Company on 4 January 2019. The Beijing Higher Court heard the case on 16 November 2018 and 30 January 2019. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Tianjin Pipe Plant and Tianjin Pipe Group on Two Loan Agreements in connection with the TAM managed by the Company

Due to the breach of contract by Tianjin Seamless Pipe Plant (hereinafter referred to as the "**Borrower**") and Tianjin Pipe (Group) Corporation (hereinafter referred to as the "**Guarantor**"), the Company filed a lawsuit with the Fourth Intermediate People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing Fourth Intermediate Court**") against the Borrower and the Guarantor on 20 July 2018, requesting the Borrower to repay the principal, interest, penalty interest and other fees totaling RMB207,926,616.36 and the Guarantor to assume joint and several liabilities. The Company also applied for property preservation to the Beijing Fourth Intermediate Court. The court accepted the case and the application for property preservation on 4 July 2018 (relevant information of this case is contained in the Company's 2018 Interim Report). The Beijing Fourth Intermediate Court issued the first instance verdict in favor of the claims of the Company on 18 December 2018. The defendants in the case had appealed on 3 January 2019.

Significant Events

Dispute Between the Company and Landian Investment on the Consulting Contract

Shanghai Landian Investment Consultant Company Limited claimed that the Company failed to pay the consultancy fee in a timely manner in accordance with the agreement, and therefore applied for arbitration to the BAC, requesting the Company to pay the consultancy fee of RMB20,656,312 together with corresponding liquidated damages. The BAC accepted the case on 10 August 2018 (relevant information of this case is contained in the Company's 2018 Third Quarterly Report), and heard the case on 13 December 2018.

Dispute Between the Company and CHE Meiyun on Margin Financing and Securities Lending Transaction

Due to the breach of contract on margin financing and securities lending transaction by CHE Meiyun, the Company submitted an application for arbitration to the BAC, requesting CHE Meiyun to pay the financing principal of RMB10,297,743.83 and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees, and applied for property preservation. The BAC accepted the case on 27 August 2018. On 6 September 2018, the Company seized and froze the real estate, negotiable securities, equity and bank accounts as well as other property under CHE Meiyun's name through the People's Court of Jiaojiang District of Taizhou City (relevant information of this case is contained in the Company's 2018 Third Quarterly Report). The BAC heard the case on 9 November 2018, and no ruling has been made yet. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and CHEN Qiang on Margin Financing and Securities Lending Transaction

Due to the breach of contract on margin financing and securities lending transaction by CHEN Qiang, the Company submitted an application for arbitration to the BAC, requesting CHEN Qiang to pay the financing principal and interests totaling RMB18,501,775.34, the corresponding liquidated damages and other expenses incurred for realizing the creditor's rights, and applied for property preservation. The BAC accepted the case on 31 August 2018. On 17 September 2018, the Company seized and froze the property under CHEN Qiang's name through the People's Court of West Lake District of Hangzhou City (relevant information of this case is contained in the Company's 2018 Third Quarterly Report). CHEN Qiang filed an appeal on the validity of the arbitration agreement on 14 November 2018. The case was accepted by the Beijing Fourth Intermediate Court and was heard on 6 December 2018. The Beijing Fourth Intermediate Court dismissed the appeal of CHEN Qiang on 12 December 2018. Currently, the BAC has resumed the hearing and is in the process of forming the arbitration tribunal. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and LU Linfang and ZHANG Qihua on Margin Financing and Securities Lending Transaction

LU Linfang and the Company entered into the Margin Financing and Securities Lending Business Contract to conduct margin financing and securities lending transaction on 29 January 2018. ZHANG Qihua and the Company entered into the Guarantee Contract on 26 January 2018, pursuant to which, ZHANG Qihua shall provide the joint and several liability guarantee for LU Linfang's performance of the Margin Financing and Securities Lending Business Contract. The financing of LU Linfang became mature and remained outstanding on 17 August 2018. The Company submitted an application for arbitration to the BAC, requesting LU Linfang to pay the financing principal of RMB14,051,165.40 and the corresponding interest, liquidated damages, expenses incurred for realizing the creditor's rights and other fees, as well as requesting ZHANG Qihua to assume the joint and several liabilities for such debts. The Company also applied for property preservation. The BAC accepted the case on 8 October 2018. The People's Court of Furong District of Changsha City issued the verdict of property preservation, seized and froze the properties under the name of LU Linfang and ZHANG Qihua on 5 November 2018. Currently, the case has not yet been heard. The Company has made corresponding provision for impairment of this transaction.

Arbitration of Dispute on Stock Return Swap Transaction between the Company and the Gangtai Group

Due to the breach of contract on stock return swap transaction by Gangtai Group Co., Ltd. (剛泰集團有限公司) (hereinafter referred to as the "**Gangtai Group**"), the Company applied for the arbitration to the CIETAC on 31 August 2018, requesting Gangtai Group to pay the transaction settlement amount of RMB14,624,409.12, liquidated damages of RMB133,161.06 and other relevant fees, and also applied for property preservation. The CIETAC mailed the application of property preservation to the People's Court of Pudong New Area of Shanghai on 18 October 2018. The CIETAC accepted the case on 24 October 2018 and heard the case on 11 January 2019. The Company has made corresponding provision for impairment of this transaction.

Dispute between the Company and Shanghai Yunfeng Group on Bond Transaction

In 2015, Shanghai Yunfeng Group Co., Ltd. (hereinafter referred to as the "**Shanghai Yunfeng Group**") issued the "2015 Phase IV non-public private debt financial instrument". On 10 November 2015, the Company, at a total price of RMB50 million, purchased the "15 Yunfeng PPN004" out of the aforesaid financial instrument issued by Shanghai Yunfeng Group through the National Interbank Funding Center. According to the Terms and Conditions of Shanghai Yunfeng Group Co., Ltd. on Issuance of the 2015 Phase IV Non-public Private Debt Financial Instrument issued by Shanghai Yunfeng Group, the issuance date and value date of "15 Yunfeng PPN004" is 30 July 2015, with a duration of one year, and the interest payment date and principal redemption date is 30 July 2016, on which, Shanghai Yunfeng Group shall pay the Company the principal of RMB50 million and interest of RMB3,509,589.04. However, up to the expiry date, Shanghai Yunfeng Group had not paid any principal or interest to the Company. Due to the default by Shanghai Yunfeng Group, the Company applied for arbitration to the CIETAC, requesting Shanghai Yunfeng Group to pay the outstanding principal, interest and liquidated damages totaling RMB7,697,354.38 (tentatively calculated as of 15 June 2018). On 2 November 2018, CIETAC formally accepted this case. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Xingyuan Holding Group on Stock-pledged Repo Transaction

In October 2017, the Company entered into the Business Agreement on the Stock-pledged Repo Transaction and the Transaction Agreement with Xingyuan Holding Group Co., Ltd. (興源控股集團有限公司) (hereinafter referred to as the "**Xingyuan Holding Group**"), pursuant to which, Xingyuan Holding Group pledged the tradable shares of Xingyuan Environment Technology Co., Ltd. (stock code: 300266) held by Xingyuan Holding Group to the Company for conducting the stock-pledged repo transaction with the Company. Due to the breach of contract by Xingyuan Holding Group, the Company applied for certificate of enforcement from the notary office and applied for specific performance from the Shanghai Financial Court, requesting Xingyuan Holding Group to pay the outstanding principal of RMB171,147,397.17 and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Financial Court accepted the case on 16 November 2018. The Company has made corresponding provision for impairment of this transaction.

Significant Events

Dispute Between the Company and Creat Tiancheng on Stock-pledged Repo Transaction

In March 2017, the Company entered into the Business Agreement on the Stock-pledged Repo Transaction and the Transaction Agreement with Creat Tiancheng Investment Holding Co., Ltd. (科瑞天誠投資控股有限公司) (hereinafter referred to as the "**Creat Tiancheng**"), pursuant to which, Creat Tiancheng pledged the tradable shares of Shanghai RAAS Blood Products Co., Ltd. (stock code: 002252) held by Creat Tiancheng to the Company for conducting the stock-pledged repo transaction with the Company. Due to the breach of contract by Creat Tiancheng, the Company applied for certificate of enforcement from the notary office and applied for specific performance from the court, requesting Creat Tiancheng to pay the outstanding principal of RMB950 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Second Intermediate Court accepted the case on 17 December 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Aipu on Specific Performance of the Guarantee Contract

In June 2017, the Company entered into the Business Agreement on the Stock-pledged Repo Transaction and the Transaction Agreement with Loncin Holdings Co., Ltd. (hereinafter referred to as the "Loncin Holdings"), pursuant to which, Loncin Holdings pledged the tradable shares of Loncin Motor Co., Ltd. (隆鑫通用動力股份有限公司) (stock code: 603766) held by Loncin Holdings to the Company for conducting the stock-pledged repo transaction with the Company. In July 2018, Chongqing Aipu (Group) Co., Ltd. (重慶愛普地產（集團）有限公司) (hereinafter referred to as the "**Aipu**") entered into a Guarantee Contract with the Company, voluntarily providing guarantee for all liabilities of Loncin Holdings under the foregoing transaction. Due to the default of Loncin Holdings, the Company requested Aipu to assume guarantee responsibility, however, Aipu rejected to perform such responsibility. The Company applied for certificate of enforcement from the notary office and applied for specific performance from the court, requesting Aipu to assume joint and several guarantee liability for the outstanding principal of RMB1,507.3 million due from Loncin Holdings. The Beijing Higher Court accepted the case on 2 January 2019. The Company has made corresponding provision for impairment of this transaction.

Disputes Between the Company and Kaiyuan Securities, Xiamen Rural Commercial Asset Management and Xiamen Rural Commercial Financial Holding on Bond Pledged Repo

On 18 October 2018, Kaiyuan Securities Co., Ltd. (hereinafter referred to as the "**Kaiyuan Securities**"), the manager of "No. 1 Targeted Asset Management Plan between Kaiyuan Securities and Xiamen Rural Commercial", and the "CITIC Securities Targeted Gain Asset Management Plan between CITIC Securities and ICBC Beijing Branch", of which the Company is the manager, conducted a transaction concerning bond pledge repo in the interbank market, in which Kaiyuan Securities pledged "18 Huayang Economic and Trade SCP002" valuing RMB30 million in total, with the financing amount of RMB30 million. The above transaction became mature on 23 October 2018 by agreement. Kaiyuan Securities failed to repay the principal and interest of the above bond-pledge repo transaction as scheduled, totalling RMB30,012,328.77 (tentatively calculated as of 31 October 2018). On 7 November 2018, the Company filed a lawsuit with the Chaoyang Court against Kaiyuan Securities, Xiamen Rural Commercial (Shanghai) Asset Management Co., Ltd, and Xiamen Rural Commercial Financial Holding Group Co., Ltd, and the Chaoyang Court formally accepted this case on 2 January 2019.

Dispute Between the Company and JIANG Wei on Stock-pledged Repo Transaction

In February 2017, the Company entered into the Business Agreement on the Stock-pledged Repo Transaction with JIANG Wei, and two separate Transaction Agreements thereunder, pursuant to which, JIANG Wei pledged the shares of Guizhou Bailing Group Pharmaceutical Co., Ltd. (stock code: 002424) held by him to the Company for conducting the stock-pledged repo transaction with the Company. Due to the breach of contract by JIANG Wei, the Company applied for certificate of enforcement from the notary office and applied for specific performance from the court, requesting JIANG Wei to pay the outstanding principal of RMB490 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Higher People's Court of Zhejiang Province accepted the case on 17 December 2018. The Company has made corresponding provision for impairment of this transaction.

Contract Dispute Between the Company and Julihui

On 16 December 2016 and 10 January 2017, Beijing Shouhang Ripple Tube Manufacturing Co., Ltd. (hereinafter referred to as the "**Shouhang Ripple Tube**") entered into the Business Agreement on the Stock-pledged Repo Transaction, the Transaction Agreement and other agreements with the Company, respectively, pursuant to which, Shouhang Ripple Tube pledged 36 million shares held by it in Shouhang IHW (stock code: 002665) to the Company for conducting stock-pledged repo transaction with the Company, with RMB126,430,000 raised. On 15 October 2018, the Company entered into the Supplementary Agreement on the Stock-pledged Repo Transaction with Shouhang Ripple Tube and Xiamen Julihui Investment Partnership (Limited Partnership) (hereinafter referred to as the "**Julihui**"), pursuant to which, Julihui should pay the financing principal of RMB100 million of Shouhang Ripple Tube to the Company on 31 October 2018. After expiry of the aforesaid repayment deadline, Julihui failed to fulfil its obligation of repaying the financing principal of RMB100 million to the Company on behalf of Shouhang Ripple Tube according to the agreement, which constitutes a breach of agreement. On 21 January 2019, the Company filed a lawsuit with the Beijing Third Intermediate Court, requesting Julihui to repay the outstanding principal, interest and liquidated damages totalling RMB100,845,833.33. The case was formally accepted on 22 January 2019. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Kangde Group on the Guarantee Contract

On 16 November 2017, Shenzhen Qianhai Fengshi Yunlan Capital Management Co., Ltd. (hereinafter referred to as the "**Fengshi Yunlan**") entered into the Business Agreement on the Stock-pledged Repo Transaction and the Transaction Agreement with the Company, pursuant to which, Fengshi Yunlan pledged 102,374,790 restricted shares of Kang Dexin (stock code: 002450) to the Company for conducting stock-pledged repo transaction with the Company, with RMB1.3 billion raised. Since then, Fengshi Yunlan has repaid some of the funds to the Company. On 20 November 2017, Kangde Investment Group Co., Ltd. (hereinafter referred to as the "**Kangde Group**") entered into a Guarantee Contract with the Company to provide joint and several liability guarantees to the Company for all liabilities of Fengshi Yunlan under the main contract. On 7 August 2018, Fengshi Yunlan's performance guarantee ratio was lower than the exit level and failed to buy back the shares or take recovery measures in advance as agreed in the contract, constituting a breach of contract. Kangde Group also failed to fulfill its guarantee obligations in a timely manner to repay the relevant debts to the Company on behalf of Fengshi Yunlan. On 22 January 2019, the Company filed a lawsuit with the Beijing Higher Court, requesting the Kangde Group to assume the joint and several liability as the guarantor and repay the amount of RMB1,418,245,278.08 owed to the Company. In February 2019, the Company liquated its own position twice and recovered some of its funds. Together with the dividends recovered, the current litigation target was reduced to RMB1,285,610,059.18. The Company has made corresponding provision for impairment of this transaction.

Significant Events

Dispute Between the Company and Dandong-Port Group on Bond Transaction in connection with TAM Managed by the Company

Dandong-Port Group Co., Ltd. (hereinafter referred to as the "**Dandong-Port Group**") failed to pay the principal and interests of the 2015 Phase I non-public private debt financial instrument, namely "15 Dandong Port PPN001 Bond", upon maturity. As the manager of the targeted asset management plan, the Company applied for arbitration to the CIETAC on 4 July 2018 as per the instruction of the trustor, requesting Dandong-Port Group to pay the bond principal of RMB30 million, interests, liquidated damages and other fees. On 23 August 2018, the CIETAC accepted this case. Since Beijing Fourth Intermediate Court accepted the case of Dandong-Port Group's application for confirming the validity of the Arbitration Agreement on 29 November 2018, the CIETAC issued the Letter of Suspension of Procedure on 6 December 2018 to suspend the arbitration. Therefore, the CIETAC suspended this arbitration.

Dispute Between the Company and Shanghai Yunfeng Group on Bond Transaction in connection with TAM Managed by the Company

Due to the default on the 2014 Phase II non-public private debt financial instrument of Shanghai Yunfeng Group, namely 14 Shanghai Yunfeng PPN002 purchased by the Company, the Company, as the manager of the targeted asset management plan, applied for arbitration to the CIETAC as per the instruction of the trustor on 3 April 2018, requesting Shanghai Yunfeng Group to pay the principal and interests of the bonds and other damages totaling RMB382,543,585.27. On 27 July 2018, the CIETAC formally accepted this case.

Dispute Between the Company and Yinji Huacheng, Yinji Times and XIAO Wenge on Stock-pledged Repo Transaction in connection with TAM Managed by the Company

Since November 2016, the Company, as the manager of the targeted asset management plan, conducted the stock-pledged repo business with Beijing Yinji Huacheng Investment Center (Limited Partnership) (北京印紀華城投資中心（有限合夥）) (hereinafter referred to as the "**Yinji Huacheng**") as per the instruction of the trustor where the stock of Yinji Entertainment and Media Co., Ltd. (印紀娛樂傳媒股份有限公司) (hereinafter referred to as the "**Yinji Media**", stock code: 002143) is the underlying stock. Yinji Times (Tianjin) Enterprise Management Co., Ltd. (印紀時代（天津）企業管理有限公司) (hereinafter referred to as the "**Yinji Times**") entered into two Maximum Rights Pledge Contracts with the asset management plan managed by the Company in October 2017 and in February 2018, respectively, to provide guarantee for Yinji Huacheng by pledging Yinji Media's stock held by it. XIAO Wenge issued a letter of guarantee to provide guarantee for Yinji Huacheng and assumed the liabilities of covering positions and repurchasing shares with cash. Subsequently, the performance guarantee ratio of this transaction was lower than the alert level and the exit level which constituted a breach of the contract. On 10 September 2018, the Company, as the manager, submitted an application for litigation to the BAC, requesting Yinji Huacheng to pay the principal, interests, liquidated damages, arbitration fee, preservation fees and lawyer fee totaling RMB502,018,700, and Yinji Times and XIAO Wenge to assume the relevant liability of guarantee. On 20 September 2018, the BAC formally accepted this case.

Dispute Between the Company and XIAO Wenge and Yinji Times on Stock-pledged Repo Transaction in connection with TAM Managed by the Company

Since July 2016, the Company, as the manager of the targeted asset management plan, conducted the stock-pledged repo business with XIAO Wenge as per the instruction of the trustor, where the stock of Yinji Media is the underlying stock. In

October 2017, Yinji Times entered into three Maximum Rights Pledge Contracts with the asset management plan managed by the Company, to provide guarantee for XIAO Wenge by pledging Yinji Media's stock held by it. Subsequently, the performance guarantee ratio of this transaction is lower than the alert level and the exit level, which constituted a breach of the contract. On 10 September 2018, the Company, as the manager, submitted an application for litigation to the BAC, requesting XIAO Wenge to pay the principal, interests, liquidated damages, arbitration expense, preservation fees and lawyer fee totaling RMB1,072,508,800, and Yinji Times to assume the relevant liability of guarantee. On 20 September 2018, the BAC formally accepted this case.

Application by the Company for Compulsory Enforcement in relation to TAM Managed by the Company

The Company, as the manager of the channel-type Targeted asset management plan, accepted the transfer of debt and guaranteed debt, which should be repaid by Hubei Hongfa Renewable Resources Science & Technology Development Co., Ltd. (湖北宏發再生資源科技發展有限公司), Yidu Qingjiang Paper Industry Co., Ltd. (宜都清江紙業有限公司), ZHAO Zugao and LU Chengxiang as confirmed in civil judgment ((2016) HUBEI 05 MINCHU No. 136) from Hubei Asset Management Co., Ltd., the creditor, as per the instruction of the trustor. The judgment took legal effect from 3 December 2016 and the time limit for performance has already expired on 13 December 2016. Since the relevant parties have not fulfilled their duties, the Company applied to the Intermediate People's Court of Yichang for compulsory enforcement as per the instruction of the trustor on 29 November 2018, requesting debtors to repay the principal of RMB134,935,535.99 and relevant interests, preservation fees, lawyer fee and other fees, and guarantors to assume their joint and several liabilities thereunder. On the same date, the case was accepted by the Intermediate People's Court of Yichang.

Dispute Between the Company and Gangtai Group on Stock-pledged Repo Transaction in connection with TAM Managed by the Company

On 25 August 2017, the Company, as the manager of the channel-type targeted asset management plan, conducted the stock-pledged repo transaction through asset management plan with Gangtai Group as per the instruction of the trustor, where the target securities being pledged is the shares of Gansu Gangtai Holding (Group) Co., Ltd. (stock code: 600687). Gangtai Group failed to pay interest to the Targeted asset management plan managed by Company on 20 June 2018 as agreed between the parties, the Company thus applied for arbitration to the BAC in the name of the manager as per the instruction of the trustor, requesting Gangtai Group to pay the principal, liquidated damages, lawyer fee, preservation fees and other fees totaling RMB63,829,550.69. The case was formally accepted by the BAC on 12 October 2018.

Application by the Company for Specific Performance by on Yinji Times and XIAO Wenge in relation to TAM Managed by the Company

The Company, as the manager of the channel-type Targeted asset management plan, conducted the stock-pledged repo business with Yinji Times and XIAO Wenge as per the instruction of the trustor, which was notarized in Beijing Fangyuan Notary Public Office and came into legal effect. Since Yinji Times and XIAO Wenge failed to repay the principal and interests on the repayment date, the Company, as per the instruction of the trustor, applied to the Beijing Higher Court for compulsory enforcement in the name of the manager, requesting Yinji Times and XIAO Wenge to repay the principal of RMB0.39 billion and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Beijing Higher Court accepted the case on 7 December 2018 and made the ruling to be enforced by the Beijing Third Intermediate Court. The Beijing Third Intermediate Court accepted the enforcement case on 4 January 2019 and issued the enforcement judgment on 8 January 2019.

Significant Events

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

Due to dispute on compensation for equity transfer, GoldStone Investment applied for arbitration to the BAC, requesting QIU Xiaojie and Hubei Jiezhixing Clothing and Accessories Company Limited to pay the relevant compensation for equity transfer of RMB197,256,266 and preservation fees on a joint and several basis. The BAC accepted the case on 23 May 2018 (relevant information of this case is contained in the Company's 2018 Interim Report). The case was heard on 10 December 2018. GoldStone Investment has made corresponding provision for impairment of this transaction.

Dispute between Jindingxin Microfinance and Qingxinda

On 11 January 2016, Jindingxin Microfinance, a subsidiary of CITIC Securities (Shandong) in which it has a controlling interest, filed a lawsuit against the borrower, Qingdao Qingxinda Trading Company Limited (hereinafter referred to as the "**Qingxinda**"), as well as the joint liability guarantors (Shandong Boxing Changhong Steel Plat. Co., Ltd., WANG Yongqing, WANG Wei, WANG Qiang and WANG Zhong) in relation to the default on a loan agreement for recovery of approximately RMB14,160,200 from Qingxinda. The People's Court of Shinan District of Qingdao (hereinafter referred to as the "**Shinan Court**") accepted the case on the same day. Shinan Court heard the case on 21 February 2017 and made a ruling in favor of Jindingxin Microfinance on 2 June 2017. Jindingxin Microfinance applied to Shinan Court for compulsory enforcement on 11 October 2017 and submitted an auction application letter to Shinan Court on 21 November 2017 (Relevant information of the case is contained in the Company's 2017 Annual Report). On 27 December 2018, Shinan Court issued the verdict to initiate the auction procedure. Jindingxin Microfinance has decreased the "Five-Level Classification" of Qingxinda to "subordinated" and has made full provision for impairment.

Disputes Involving Zhongzheng Capital on Breach of Contract

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

The lawsuit proceeded by two separate proceedings and the enforcement of both proceedings had been concluded. The defendant in Litigation One, Shanxi Jincheng Anthracite Mining Group International Trading Co., Ltd., (hereinafter referred to as the "**Shanxi Jincheng Anthracite**") initiated a litigation at the Intermediate People's Court of Taiyuan Municipality (hereinafter referred to as the "**Taiyuan Intermediate Court**") on the grounds of sales contract dispute, requesting Shanxi Energy Industries Group (Xinzhou) Co., Ltd. (山西能源產業集團忻州有限公司) (hereinafter referred to as the "**Shanxi Xinzhou**") to pay for purchases and liquidated damages totaling RMB42,274,880. Shanxi Xinzhou applied to the Taiyuan Intermediate Court to add Zhongzheng Capital, Shanghai Renli Import and Export Co., Ltd., BBMG Material Industrial (Shanghai) Co., Ltd. and Sanwei Banghai Petrifaction Engineering Co., Ltd. as third persons of the case, which was approved. The first trial of the case was heard on 29 November 2018 (relevant information of this case is contained in 2018 Third Quarterly Report of the Company). On 14 January 2019, Zhongzheng Capital received the verdict from the Taiyuan Intermediate Court to allow Shanxi Jincheng Anthracite to withdraw the case. On 24 March 2016, SHEN Peng, one of the defendants in Litigation Two, initiated a litigation at Qianhai Court on the grounds of property preservation damage, requesting a payment of RMB11,715,913.86 from Zhongzheng Capital. The first instance verdict ruled that Zhongzheng Capital shall pay compensation of RMB5,417,469.28. Zhongzheng Capital then made an appeal to the court in accordance with laws. The Intermediate People's Court of Shenzhen heard the second-instance case on 20 September 2018. On 20 February 2019, Zhongzheng Capital received the second instance verdict from the court, which dismissed the appeal and upheld the judgment of the trial court.

Punishment and Rectifications of Listed Companies and its Directors, Supervisors, Senior Management and the Largest Shareholder

The Company was subject to administrative supervision and management measures taken by the regulatory authority during the Reporting Period on the following matter:

On 22 May 2018, the CSRC issued the Decision Regarding the Regulatory Reporting Measures Taken against CITIC Securities Company Limited ([2018] No. 69) to the Company. It was decided in the aforementioned regulatory letter that the Company, as the sponsor of the initial public offering and listing of Ningxia Baofeng Energy Group Co., Ltd. (寧夏寶豐能源集團股份有限公司), had not been diligent and responsible and lacked the necessary professional prudence and had not strict standard over the application project. Before receiving the above-mentioned regulatory letter, the Company has issued a special investigation report on the relevant matters as required by the CSRC, and provided feedback to the CSRC on the rectification. The Company seriously criticized and educated the responsible personnel, and will also adopt corresponding accountability measures subsequently. The Company comprehensively conveyed the regulatory concept of strict compliance with the law, unified the ideological understanding of all the personnel of the sponsoring business, improved their professional capabilities and awareness of quality risks, strengthened quality control as well as internal approval and supervision. The Company will conduct business conscientiously to practically fulfill the responsibilities as a sponsor and avoid the recurrence of such incidents.

Investigation proceedings by the CSRC:

In 2015, the Company had announced that it received an investigation notice (Ji Cha Zong Dui Diao Cha Tong Zi No. 153121) from the CSRC. The scope of the investigation is in relation to the Company's suspected breach of Article 84 of the Regulations on the Supervision and Administration of Securities Companies, in the conduct of its margin financing and securities lending business by "failing to enter into business contracts with its customers in accordance with the relevant provisions" (the details are contained in the Company's announcements published on 26 November 2015 and 29 November 2015). On 5 November 2018, regarding the above-mentioned investigation, the Company received the Notification of Case Termination (Jie An Zi [2018] No. 18) issued by the CSRC. The CSRC considered that the Company's suspected breach of the relevant regulation was not established and decided to close the case (For details, please refer to the announcement issued by the Company on 5 November 2018).

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

Credibility of the Largest Shareholder of the Company during the Reporting Period

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

Material Related Party Transactions/Non-exempt Connected Transactions

Related party transactions in relation to day-to-day operation/non-exempt continuing connected transactions

Progress of matters which had been disclosed in interim announcements

Day-to-day related party transactions under the SSE Listing Rules/continuing connected transactions under the Hong Kong Listing Rules

Background

The Group conducted its related party/connected transactions in strict compliance with the listing rules of the place where the Shares of the Company are listed, the Management Measures on Information Disclosure of the Company and the Administrative Measures on Related Party Transactions of the Company. The related party/connected transactions of the Group are conducted in accordance with the principles of impartiality, openness and fairness and the agreements of the related party/connected transaction are entered into based on the principles of equality, free will, equal price with consideration and at market price.

The day-to-day related party/continuing connected transactions of the Group are mainly conducted with CITIC Group, its subsidiaries and associates. As CITIC Group indirectly holds 16.50% equity interests in the Company, CITIC Group, its subsidiaries and associates are related party/connected persons of the Company according to the SSE Listing Rules and the Hong Kong Listing Rules. CITIC Group engages in a wide range of businesses and has plenty of subsidiaries. The Group, as a participant in the financial market, would inevitably transact with China CITIC Bank, CITIC Trust, CITIC Prudential Life Insurance Co., Ltd., each a subsidiary of CITIC Group and with companies that have strong market influences, and jointly provide domestic and overseas and comprehensive financial services to clients. On the one hand, this is favorable for the expansion of the Group's scope of services and enhancement of its service level; on the other hand, it also brings business opportunities to the Group. Therefore, conducting relevant businesses between the Group and its related party/connected persons will be favorable to promote the business growth, and increase investment returns. Relevant related party/connected transactions are in line with the Group's business and thus favorable to the long term-development of the business.

According to the relevant requirements, and based on the analysis of the types and contents and different nature of existing and possible ongoing related party/connected transactions between the Group and CITIC Group and its subsidiaries and associates, the Group classified such transactions into three major categories, namely securities and financial products transactions and services, property leasing and miscellaneous services. At the time when the Company's H Shares were listed, the Company and CITIC Group entered into the Securities and Financial Products Transactions and Services Framework Agreement upon the approval by the 2011 Third Extraordinary General Meeting of the Company; entered into the Miscellaneous Services Framework Agreement and the Property Leasing Framework Agreement upon the approval of the Board, pursuant to which the parties agreed on the contents of the day-to-day related party/continuing connected transactions thereunder from 2011 to 2013 and set the respective annual caps for the transaction amounts. On 31 December 2013, the Company and CITIC Group renewed the Securities and Financial Products Transactions and Services Framework Agreement upon the approval by the 2013 Third Extraordinary General Meeting of the Company; and renewed the Miscellaneous Services Framework Agreement and entered into the Supplemental Agreement I to the

Property Leasing Framework Agreement with CITIC Group upon the approval by the Board, pursuant to which the parties agreed on the contents of the day-to-day related party/continuing connected transactions thereunder from 2014 to 2016 and set respective annual caps for the transaction amounts. On 14 February 2017, the Company further renewed the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group upon the approval by the 2017 First Extraordinary General Meeting of the Company (which was convened on 19 January 2017); and further renewed the Miscellaneous Services Framework Agreement and entered into Supplemental Agreement II to the Property Leasing Framework Agreement with CITIC Group upon the approval by the Board, pursuant to which the parties agreed on the contents of the day-to-day related party/continuing connected transactions thereunder from 2017 to 2019 and set respective annual caps for the transaction amount.

During the Reporting Period, all of the above related party transactions in relation to day-to-day operation/continuing connected transactions were conducted pursuant to the relevant framework agreements entered into between the Company and CITIC Group and in strict compliance with the pricing principles of relevant transactions. The transaction amount and the transaction content did not exceed the scope of such agreements. Details were as follows:

Securities and Financial Products Transactions and Services Framework Agreement

Pursuant to the agreement as renewed in 2017, the Group and CITIC Group and its subsidiaries and associates conduct various securities and financial products transactions and provide mutual securities and financial services during the ordinary course of business. Both the Company and CITIC Group agreed that: ① securities and financial products transactions: for transactions of securities and financial products through exchanges, such transactions shall be conducted at the prevailing market prices or market rates applicable to such type of securities and financial products; for transactions over the counter and other transactions of securities and financial products, such transactions shall be conducted at the prevailing market prices or market rates applicable to such type of securities and financial products or shall be conducted by mutual agreement; in the absence of prevailing market price or market rate applicable to such type of securities and financial products, the price or rate of such transaction shall be determined by the mutual agreement pursuant to the principle of fair market trade. Interest rates of interbank loans and repurchase agreements shall be conducted at the prevailing market interest rates and prices applicable to independent counterparties of such type of transactions or determined by mutual agreement. ② securities and financial services: interest rates on deposits shall not be lower than the interest rates on deposits published by the People's Bank of China for the commercial banks for the corresponding period and shall not be lower than the interest rates on deposits of those banks offered to other clients by CITIC Group and its subsidiaries for the same type of deposits as well. Commissions or service fees charged by CITIC Group: shall be determined by mutual agreement with reference to the prevailing market rates and in accordance with the requirements of the applicable and relevant laws and regulations, provided that they do not exceed the standard commission or service fee charged by CITIC Group for the same type of service provided to an independent third party. Brokerage fees, commissions or service fees charged by the Company shall be determined by mutual agreement with reference to the prevailing market rates and in accordance with the requirements of the applicable and relevant laws and regulations, provided that they do not exceed the standard commission or service fee charged by the Company for the same type of service provided to an independent third party. The agreement is for a term of three years, commencing from 1 January 2017 and ending on 31 December 2019, subject to renewal.

The Hong Kong Stock Exchange has approved the Group: in respect of the securities and financial services, for deposits of the Group's own funds and deposits deposited with banking subsidiaries of the CITIC Group in the PRC and Hong Kong, the Group was waived from setting up the maximum daily balance of such deposits.

For the year of 2018,① the annual caps and actual transaction amount for the year for day-to-day related party/continuing connected transactions in relation to the securities and financial products transactions; ② the maximum daily balance and actual highest balance in a single day in 2018 of repurchase agreements and loans to inter-financial institutions and reverse repurchase agreements; and ③ the annual caps and actual transaction amount for the day to-day related party/continuing connected transactions in relation to the securities and financial services, between the Group and the CITIC Group and its subsidiaries and associates, were as follows:

In RMB ten thousand

		Annual cap for 2018	Actual transaction amount for 2018	Percentage of the total amount of similar transactions (%)
1.	Securities and financial products transactions			
	Net cash inflow derived from securities and financial products transactions (net of the amount of inter-financial institutions borrowings and repurchase agreements)	15,000,000	2,283,079	—
	Net cash outflow incurred for securities and financial products transactions (net of the amount of reverse repurchase agreements)	13,000,000	2,552,709	—
2.	Amount of inter-financial institutions borrowings	Not applicable[Note]	16,821,752	—

		Maximum daily balance for 2018	Actual highest balance in a single day in 2018	Percentage of the total amount of similar transactions (%)
3.	Repurchases and loans			
	Maximum daily balance (including interests) of repurchase agreements	2,250,000	193,515	—
	Maximum daily balance (including interests) of loans to inter-financial institutions and reverse repurchase agreements	500,000	50,065	—

		Annual cap for 2018	Actual transaction amount for 2018	Percentage of the total amount of similar transactions (%)
4.	Securities and financial services			
	Income derived from securities and financial services	220,000	63,249	1.54
	Expenses incurred for securities and financial services	54,000	34,693	2.46

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

Miscellaneous Services Framework Agreement

Pursuant to the agreement renewed in 2017, the Company and CITIC Group both agreed to determine the price of relevant services by fair and mutual agreement under conditions no less favorable than such services received from or provided to independent third parties in compliance with the relevant laws and regulations and under normal commercial terms. The agreement is for a term of three years, commencing from 1 January 2017 and ending on 31 December 2019, subject to renewal.

For the year of 2018, the annual caps and actual transaction amount of the day-to-day related party/continuing connected transactions under the Miscellaneous Services Framework Agreement between the Group and CITIC Group and its subsidiaries and associates were as follows:

In RMB ten thousand

Miscellaneous services	Annual cap for 2018	Actual transaction amount for 2018	Percentage of the total amount of similar transactions (%)
Income derived from miscellaneous services	700	694	0.09
Expenses incurred for miscellaneous services	41,000	10,903	0.50

Property Leasing Framework Agreement and supplemental agreement

Pursuant to the Property Leasing Framework Agreement signed by the Company and CITIC Group, the Company and CITIC Group both agreed to determine the rentals for the leased properties according to the relevant laws and regulations and the local fair market value as confirmed by qualified independent property valuer. The Company signed the Supplemental Agreement II to the Property Leasing Framework Agreement with CITIC Group on 14 February 2017 to set the annual caps for the related party transactions in relation to day-to-day operation/continuing connected transactions of the Group under the Property Leasing Framework Agreement for the year of 2017–2019. The Property Leasing Framework Agreement is for a term of ten years, from the date of being signed by the parties (23 September 2011), subject to renewal.

For the year of 2018, the annual rental caps and the actual rental amount under the Property Leasing Framework Agreement between the Group and CITIC Group and its subsidiaries and associates were as follows:

In RMB ten thousand

Property leasing fees	Annual cap for 2018	Actual transaction amount for 2018	Percentage of the total amount of similar transactions (%)
Income derived from property leasing	5,500	3,009	11.81
Expenses incurred for property leasing	8,000	4,471	5.33

The auditors of the Company have reviewed the above-mentioned related party transactions in relation to day-to-day operation/continuing connected transactions and issued a letter to the Board stating that:

- nothing has come to its attention that may cause it to believe that such disclosed related party transactions in relation to day-to-day operation/continuing connected transactions have not been approved by the Board;

- if the transactions involve the provision of goods or services by the Group, nothing has come to its attention that may cause it to believe that these transactions were not, in all material respects, in accordance with the pricing policy of the Group;

- nothing has come to its attention that may cause it to believe that these transactions were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and

- with respect to the total amounts for each of such continuing connected transactions specified in the appendix of the day-to-day related party/continuing connected transactions letter, nothing has come to its attention that may cause it to believe such disclosed day-to-day related party/continuing connected transactions have exceeded the annual transaction caps set by the Company.

Other related party transactions under the SSE Listing Rules in relation to day-to-day operation

According to the SSE Listing Rules, in addition to CITIC Group and its subsidiaries and associates, related parties of the Company also include the companies in which the Directors, Supervisors or members of the Senior Management hold positions as directors or the senior management, but they do not constitute connected persons under the Hong Kong Listing Rules. Related party transactions between the Company and such parties are conducted in compliance with the relevant requirements under the SSE Listing Rules, and will not constitute connected transactions under the Hong Kong Listing Rules. During the Reporting Period, these related party transactions had been implemented according to the Resolution Relating to the Estimate on day-to-day Related Party/Continuing Connected Transactions of the Company in 2018, which was considered and approved at the 2017 Annual General Meeting of the Company.

In RMB ten thousand

Related party	Class of related party transactions	Estimated transaction amount for 2018	Actual transaction amount for 2018	Percentage of total amount of similar transaction (%)	Impact on profit of the Company
Hui Xian Asset Management Limited[Note 1]	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	—	—	—
Shandong Heavy Industry Group Company Limited[Note 1]	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	—	—	—
Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd.	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	—	—	—
Hui Xian Holding Limited	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	—	—	—
E-Capital Transfer Co., Ltd.	Expense	400	97.30	0.01	-97.30
	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	—	—	—

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

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

Related party/connected transactions with companies holding more than 10% equity interest in significant subsidiaries of the Company

During the Reporting Period, the following related party/connected transactions were carried out pursuant to the Resolution Relating to the Estimate on day-to-day Related Party/Continuing Connected Transactions of the Company in 2018 as considered and approved at the 2017 Annual General Meeting of the Company. Details were as follows:

In RMB ten thousand

Related party	Class of related party transactions	Estimated transaction amount for 2018	Actual transaction amount for 2018	Percentage of total amount of similar transaction (%)	Impact on profit of the Company
POWER CORPORATION OF CANADA	Income	600	389.78	less than 0.01	389.78
MACKENZIE FINANCIAL CORPORATION	Expense	500	3.06[Note]	less than 0.01	-3.06
Tianjin Haipeng Technology Investment Co., Ltd.	Securities and financial products transactions	Calculated based on the actual transaction amount	—	—	—

Note: Due to the adjustment of statistical standards, the amount confirmed at the end of the financial period shall prevail.

Other related party/connected transactions

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

Pursuant to the Bareboat Charter Contract entered into between CITIC Global Trade, a wholly-owned subsidiary of CITIC Securities Investment, and Shanghai CITIC Shipping Corporation Limited, the rental income of the Company in 2018 amounted to RMB12.3784 million. For details of the approval of this related party/connected transaction, please see the 2014 Annual Report of the Company.

Matters Which Had not Been Disclosed in Interim Announcements

Establishment of joint venture and subscription for partnership interests in the mezzanine fund

CLSA B.V. intends to, through its wholly-owned subsidiary, contribute US$7 million (holding a 70% equity interest) to establish a joint venture with a wholly-owned subsidiary of CITIC Limited, as an overseas fund investment platform. The joint venture intends, after its incorporation, to establish a mezzanine fund for cross-border mergers and acquisitions. The general partner of such fund intends to subscribe for not more than US$5 million of partnership interests in the mezzanine fund. CITIC Limited is the controlling shareholder of CITIC Corporation Limited, which is the largest Shareholder of the Company, hence it is a connected/related party of the Company. The above-mentioned transaction was considered and approved by all independent non-executive Directors of the Company on 1 March 2018.

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

Provision of investment consultancy services

Pursuant to the Investment Consultancy Agreement entered into between China AMC and MACKENZIE FINANCIAL CORPORATION (hereinafter referred to as the "**MFC**"), China AMC will provide investment consultancy services to Mackenzie All China Equity Fund, which was established by MFC in Canada, and charge a 0.40% consultancy fee annually based on the size of the assets managed by the fund. The consultancy fee income arising from the provision of investment consultancy services to MFC in 2018 was RMB311.7 thousand. MFC is a shareholder of China AMC (a significant subsidiary of the Company) holding a 13.9% equity interest, hence is a related/connected party of the Company. The above-mentioned transaction was considered and approved by all independent non-executive Directors of the Company on 31 January 2019.

As the amount of the above-mentioned related party/connected transaction did not exceed 0.5% of the audited net assets of the Company as at 31 December 2017 (RMB749 million), and the highest applicable percentage ratio of the size tests calculated according to the Hong Kong Listing Rules did not exceed 0.1%, the transaction can be carried out after the approval by more than half of the independent non-executive Directors.

Related party credits and debts

In RMB

		Provision of funds to the related party			Provision of funds by the related party		
Related party	**Related party relationship**	**Opening balance**	**Amount incurred**	**Ending balance**	**Opening balance**	**Amount incurred**	**Ending balance**
Subsidiaries of CITIC Group Corporation	Shareholder's subsidiary	579,965,673.60	-30,284,086.04	549,681,587.56	8,975,091.30	12,875,817.82	21,850,909.12
Total		579,965,673.60	-30,284,086.04	549,681,587.56	8,975,091.30	12,875,817.82	21,850,909.12
Causes of the related party credits and debts		mainly include prepaid equity investment, payables to fund distributor and deposits receivables/payables in connection with the above-mentioned related parties					
Impact of the related party credits and debts on the Company		No adverse effect					

Capital movement Between the Company and the related parties

In accordance with the Notice of the CSRC on the Regulation of Several Issues Concerning the Capital Movement between Listed Companies and their Related Parties and the External Guarantees Provided by Listed Companies (Zheng Jian Fa [2003] No. 56) and the Notice on Strengthening Information Disclosure Concerning Appropriation of Funds and Unlawful Provision of Guarantees by Listed Companies of Shenzhen Securities Regulatory Bureau (Shen Zheng Ju Fa Zi [2004] No. 338), PricewaterhouseCoopers Zhong Tian LLP issued the Special Statement Regarding the Appropriation of Funds of CITIC Securities Company Limited by Its Largest Shareholder and Other Related Parties (PricewaterhouseCoopers Zhong Tian Te Shen Zi (2019) No. 1408), stating that there was no appropriation of funds by the largest Shareholder or other related parties of the Company in 2018.

Guarantees provided by related/connected parties to the Company

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

Opinions of independent Directors

The aforesaid related party/connected transactions were conducted at market prices based on pricing principles that are reasonable and fair. Such transactions are not prejudicial to the interests of the non-related/connected Shareholders and do not have any adverse effect on the independence of the Company.

The independent non-executive Directors have confirmed to the Board that they have reviewed the above-mentioned non-exempt continuing related party/connected transactions and considered that the transactions were:

- conducted in the ordinary course of business of the Group;

- on normal commercial terms, or if there is no comparable transaction to determine whether the terms of the transaction are on normal commercial terms, on terms no less favorable to the Group than those available from or to (as the case may be) independent third parties;

- conducted according to the terms set out in relevant transactions agreement, which were fair and reasonable and in the interests of the Shareholders as a whole.

During the Reporting Period, there were no other related party/connected transactions relating to the disposal or acquisition of the Group's assets, nor any other related party/connected transactions related to joint external investment. Save as disclosed above, there is no related party transaction or continuing related party transaction set out in Note 58 to the Consolidated Financial Statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transaction and continuing connected transactions of the Company.

Guarantees

During the Reporting Period, the total amount of guarantees provided by the Company and its subsidiaries to subsidiaries was RMB12,248 million. As at the end of the Reporting Period, the total balance of guarantees provided by the Company and its subsidiaries to subsidiaries was RMB52,963 million; the total balance of guarantees provided by the Company (all of which were guarantees provided by the Company and its subsidiaries to subsidiaries) represented 34.58% of the audited net asset of the Company as at the end of Year 2018.

Guarantees provided by the Company

In 2013, according to the resolution of the 12th Meeting of the Fifth Session of the Board, the Company agreed to provide a counter guarantee in favor of Bank of China Limited in relation to the standby letter of credit issued by Bank of China Macau Branch in respect of the first tranche of offshore bonds issued in 2013 by the Company's subsidiary, CITIC Securities Finance, for a guarantee amount of US$902 million (equivalent to approximately RMB6,191 million), covering the principal and interest of the bonds and other related fees. The guarantee is a joint and several liability guarantee and had expired on 3 May 2018.

According to the resolution approved at the 2013 Annual General Meeting, and upon deliberation by the duly authorized small group, the Company provided an unconditional and irrevocable guarantee on a joint and several basis for repayment obligations under each batch of notes to be issued pursuant to an overseas medium-term notes program set up by CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company. The scope of the guarantee includes the principal, interest and other contingent payables of overseas notes. In 2014, CITIC Securities Finance MTN made its first drawdown of this medium-term notes program in the amount of US$650 million. In 2015, CITIC Securities Finance MTN made eight drawdowns under the medium-term notes program with an issue size amounting to US$439.68 million in aggregate, which were all paid upon becoming mature in the same year. In 2017, CITIC Securities Finance MTN made a drawdown under the medium-term notes program with an issue size of US$800 million, including US$300 million of three-year notes and US$500 million of five-year notes. From 18 April to 24 April 2018, CITIC Securities Finance MTN made four drawdowns under the medium-term notes program with an issue size amounting to US$429.2 million in aggregate, including US$200 million not mature. On 10 December 2018, CITIC Securities Finance MTN made a drawdown of this medium-term notes program in the amount of US$300 million. The Company provided an unconditional and irrevocable guarantee on a joint and several basis for all abovementioned medium-term notes programs.

According to the resolution approved at the 2016 Annual General Meeting and upon deliberation by the Company's management, the Company provided an unconditional and irrevocable guarantee for the Euro-commercial papers project set up by Citic Securities Finance MTN with a guarantee period from 4 May 2018 to 4 May 2023 and an amount of US$3,000 million. In 2018, Citic Securities Finance MTN issued two tranches of Euro-commercial papers in aggregate with a total issue size of US$170 million and a period of six months, which were unconditionally and irrevocably guaranteed by the Company on a joint and several basis.

In 2015, the Company provided security guarantee in favor of GoldStone ZeXin, its indirect wholly-owned subsidiary, in its application for fixed asset loans, and the amount of guarantee was RMB5,000 million. Please refer to Note 24 to the Consolidated Financial Statements as set out in this report for detailed information.

Guarantees provided by subsidiaries

During the Reporting Period, among all the subsidiaries of the Company, CSI had provided guarantees. All those guarantees were provided in favor of its relevant subsidiaries for their business operations, which mainly included loan guarantees, guarantees for medium-term notes and guarantees for transactions involving the execution of framework agreements for International Swaps and Derivatives Association (the "**ISDA Agreements**") and Global Master Securities Lending Agreements (the "**GMSL Agreements**") with counterparties. The amount of the abovementioned guarantees was approximately RMB34,580 million as of 31 December 2018.

Other Significant Events and Subsequent Events

Changes to securities business outlets

The Company

During the Reporting Period, the Company transformed four securities outlets into branch offices by changing Jiaxing Jiyang Road Securities Outlet into Jiaxing Branch Office, Jinhua Zhongshan Road Securities Outlet into Jinhua Branch Office, Shaoxing Yuewangcheng Securities Outlet into Shaoxing Branch Office, Taizhou Fuzhong Road Securities Outlet into Taizhou Branch Office, and completed same-city relocation of 15 branches.

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

No.	Original Name of Branches	Current Name of Branches	Address After Relocation
1	Jiaxing Jiyang Road Securities Outlet	Jiaxing Branch Office	North Side of 1/F, 6/F and 7/F, Commercial and Office Complex at the intersection of Zhongshan Road and Jishui Road, Nanhu District, Jiaxing, Zhejiang Province
2	Heilongjiang Branch Office	Heilongjiang Branch Office	21/F, No. 236 Hongqi Avenue, Nangang District, Harbin
3	Ningxia Branch Office	Ningxia Branch Office	Room 301, Comprehensive Commercial Building, No. 16 (formerly known as No. B4), Yuehai Xintiandi, East Side of Yinjiaqu and South Side of Zhenshui Road, Jinfeng District, Yinchuan, Ningxia
4	Shanxi Branch Office	Shanxi Branch Office	Shop 1, Northeast Side, Hongsheng Times Financial Square, No.1 Jifu Road, Jinyuan District, Taiyuan, Shanxi Province
5	Yuyao Nanlei Road Securities Outlet	Yuyao Nanlei Road Securities Outlet	No.1 Nanlei South Road, Yuyao
6	Zhapu Yashan East Road Securities Outlet	Pinghu Donghu Avenue Securities Outlet	No. 132, and First Half of Southwest Side, No. 208, Block 2, Longqiu Guixiang, Donghu Avenue, Danghu Residential District, Pinghu, Jiaxing, Zhejiang Province
7	Shenzhen Bao'an Securities Outlet	Shenzhen Bao'an Securities Outlet	Room 2308, No. 15-3 Haitian Road, Block C, Zhuoyue Times Square, N23, Haiwang Community, Xin'an Residential District, Bao'an District, Shenzhen
8	Shenzhen Shennan Avenue Securities Outlet	Shenzhen Shennan Avenue Securities Outlet	Room 301A, Block A, Xinian Center, No. 6021 Shennan Avenue, Tian'an Community, Shatou Residential District, Futian District, Shenzhen
9	Guangzhou Linjiang Avenue Securities Outlet	Guangzhou Linjiang Avenue Securities Outlet	Room 1203, 1204, 1205 and 1206, No. 5 Linjiang Avenue, Tianhe District, Guangzhou
10	Hangzhou Yan'an Road Securities Outlet	Hangzhou Yan'an Road Securities Outlet	9/F, No. 515 Yan'an Road, Xiacheng District, Hangzhou, Zhejiang Province
11	Nanjing Lushan Road Securities Outlet	Nanjing Yunjin Road Securities Outlet	Room 106 and 113, 1/F, and Room 204, 2/F, Block 15, No. 171 Suojie Village, Jianye District, Nanjing

No.	Original Name of Branches	Current Name of Branches	Address After Relocation
12	Chengdu Wuhou Avenue Securities Outlet	Chengdu Tianfu Avenue Securities Outlet	No. 101, 1/F, Block 2, No. 158 Tianfu 4th Street, Hi-tech Industrial Development Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone
13	Zhuji Diankou Shengli Road Securities Outlet	Zhuji Daqiao Road Securities Outlet	Room 119 and 120, Shenlan Center, No. 1 Daqiao Road, Jiyang Residential District, Zhuji, Zhejing Province
14	Hangzhou Youyi Road Securities Outlet	Hangzhou Shixin North Road Securities Outlet	1/F, No. 887 Shixin North Road, Xiaoshan District, Hangzhou, Zhejiang Province
15	Shanghai Gubei Road Securities Outlet	Shanghai Hongbaoshi Road Securities Outlet	Room 1703 and 1704 (Nominal Floor: Room 03 and 04, 21/F), Block No. 1, No. 500 Hongbaoshi Road, Changning District, Shanghai

As at the end of the Reporting Period, the Company has 33 branch offices and 207 securities outlets.

CITIC Securities (Shandong)

During the Reporting Period, in 2018, CITIC Securities (Shandong) established one new securities outlet, completed relocation of three securities outlets, and transformed two securities outlets into branch offices. Details of change of branches are as following:

Details of the new securities outlet are as follows:

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

Details of relocation of branches are as follows:

No.	Original Name of Branches	Current Name of Branches	Address After Relocation
1	Tai'an Changcheng Road Securities Outlet	Tai'an Changcheng Road Securities Outlet	Unit 107 and 207, Block A, Commercial Office Building, Taishan Homeland, No. 96 Changcheng Road, Taian, Shandong Province
2	Zhengzhou Weiwu Road Securities Outlet	Zhengzhou Huanghe Road Securities Outlet.	1/F and 2/F Frontage Commercial Property, No. 109 Courtyard, Huanghe Road, Jinshui District, Zhengzhou, Henan Province
3	Yanwei Branch Office	Yanwei Branch Office	Unit 101 and 103, Zhenhua International, No. 118 South Street, Yantai, Shandong Province

Details of change of name of branches are as follows:

No.	Original Name of Branches	Current Name of Branches
1	Qingdao West Donghai Road Securities Outlet	Qingdao Branch Office
2	Weifang Siping Road Securities Outlet	Weifang Branch Office

As at the end of the Reporting Period, CITIC Securities (Shandong) has six branch offices and 64 securities outlets.

CITIC Futures

During the Reporting Period, CITIC Futures did not establish new outlets; 21 branches were renamed and 12 branches completed same-city relocation. Details of changes are as follows:

Details of change of name of branches are as follows:

No.	Original Name of Branches	Current Name of Branches
1	Jinan Outlet	Jinan Branch Office
2	Zhengzhou Outlet	Henan Branch Office
3	Guiyang Outlet	Guizhou Branch Office
4	Wuxi Outlet	Wuxi Branch Office
5	Wuhu Outlet	Wuhu Branch Office
6	Shanghai CITIC Plaza Outlet	Shanghai CITIC Plaza Branch Office
7	Nanning Outlet	Guangxi Branch Office
8	Shanghai Century Avenue Outlet	Shanghai Pudong Branch Office
9	Changsha Outlet	Hunan Branch Office
10	Nanchang Outlet	Jiangxi Branch Office
11	Baotou Outlet	Inner Mongolia Branch Office
12	Dalian Outlet	Dalian Branch Office

Significant Events

No.	Original Name of Branches	Current Name of Branches
13	Zibo Outlet	Zibo Branch Office
14	Beijing Outlet	Beijing Dongcheng Branch Office
15	Chengdu Outlet	Sichuan Branch Office
16	Ningbo Yinzhou Outlet	Ningbo Branch Office
17	Xiamen Outlet	Xiamen Branch Office
18	Chongqing Outlet	Chongqing Branch Office
19	Shanghai Pudian Road Outlet	Shanghai Futures Building Outlet
20	Urumqi Outlet	Xinjiang Branch Office
21	Hangzhou Yan'an Road Outlet	Hangzhou Xiaoshan Branch Office

Details of relocation of branches are as follows:

No.	Name of Branches	Address After Relocation
1	Sichuan Branch Office	No. 1, 12/F, East Wing, La Defense Building, No. 1480 North Section of Tianfu Avenue, Hi-tech Industrial Development Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone
2	Wuhu Branch Office	Room 1707, Weixing Times Financial Center, Jinghu District, Wuhu
3	Northeast Branch Office	Room 0801 and 0803, No. 11 Wenyi Road, Heping District, Shenyang
4	Hangzhou Xiaoshan Branch Office	Room 909–917, 9/F, Block C, New Century Plaza, Chengxiang Road, Xiaoshan District, Hangzhou, Zhejiang Province
5	Shanghai Branch Office	Unit 03, 22/F, and Unit 02, 23/F, No. 799 South Yanggao Road, China (Shanghai) Pilot Free Trade Zone
6	Zhejiang Branch Office	Unit 2302 of Dikai Yinzuo, No. 29 East Jiefang Road, Jianggan District, Hangzhou, Zhejiang Province
7	Zibo Branch Office	Room 3401, 34/F, Block A, Huijin Building, No. 99 Lutai Avenue, Hi-tech Zone, Zibo, Shandong Province
8	Dalian Branch Office	Room 2403, 2508 and 2509, Dalian Futures Building, Block A, Dalian International Financial Center, No. 129 Huizhan Road, Shahekou District, Dalian, Liaoning Province
9	Inner Mongolia Branch Office	Room 702, 7/F, Commercial Building, Fortune Center, No. 74 Gangtie Street, Kundulun District, Baotou, Inner Mongolia Autonomous Region
10	Shanghai Futures Building Outlet	Room 1601 and 1605, No. 300 Songlin Road, China (Shanghai) Pilot Free Trade Zone
11	Ningxia Branch Office	Room 201, Comprehensive Commercial Building, No. 16 (formerly known as No. B4), Yuehai Xintiandi, East Side of Yinjiaqu and South Side of Zhenshui Road, Jinfeng District, Yinchuan, Ningxia
12	Guangxi Branch Office	Room 1802, 18/F, Tower C, China Resources Building, No. 136-5 Minzu Avenue, Qingxiu District, Nanning

As at the end of the Reporting Period, CITIC Futures has 38 branch offices and five futures outlets.

CSI

During the Reporting Period, there were no changes in the branches of CSI. Currently, CSI has four branches in Hong Kong through its subsidiaries.

Subsequent progress of matters previously published

Renaming the Capital Operation Department of the Company as the Treasury Department

On 22 March 2018, the 22nd Meeting of the Sixth Session of the Board considered and approved the Resolution on Renaming the Capital Operation Department of the Company as the Treasury Department. The Company has completed the renaming of the above-mentioned department on 30 March 2018.

Renaming the Brokerage Business Development and Management Committee of the Company as the Wealth Management Committee

On 10 December 2018, the 32nd Meeting of the Sixth Session of the Board considered and approved the Resolution on Renaming the Brokerage Business Development and Management Committee of the Company as the Wealth Management Committee, pursuant to which, it was agreed to rename the Company's Brokerage Business Development and Management Committee as the Wealth Management Committee and to adjust the organizational structure accordingly. The Company has completed the renaming of the above-mentioned department and the corresponding adjustment on organizational structure on 17 December 2018.

Planning for acquisition of 100% equity interest in Guangzhou Securities by issuance of Shares

The 34th Meeting of the Sixth Session of the Board (held on 9 January 2019) and the 37th Meeting of the Sixth Session of the Board (held on 4 March 2019) considered and approved the relevant resolutions in relation to the acquisition of 100% equity interest in Guangzhou Securities by issuance of shares, successively. According to the Proposal, the Company intends to acquire 100% equity interests in Guangzhou Securities (the "**Target Assets**") by issuance of shares to Yuexiu Financial Holdings and its wholly-owned subsidiary, Financial Holdings Limited, among which the Company will acquire 32.765% equity interests in Guangzhou Securities held by Yuexiu Financial Holdings by issuance of shares, and will acquire 67.235% equity interests in Guangzhou Securities held by Financial Holdings Limited by issuance of shares. As a pre-condition of the transaction, Guangzhou Securities shall transfer 99.03% equity interest in Guangzhou Futures Co., Ltd. and 24.01% equity interest in Golden Eagle Fund Management Co., Ltd. held by it to Yuexiu Financial Holdings before the closing of transfer of the Target Assets. On the date of completion of the transfer of the Target Assets, 0.1% equity interest in the Guangzhou Securities held by Yuexiu Financial Holdings will be transferred and registered under the name of CITIC Securities Investment, a wholly-owned subsidiary of the Company, and the rest 99.9% equity interest in the Guangzhou Securities held by Yuexiu Financial Holdings and Financial Holdings Limited will be transferred and registered under the name of the Company. Upon completion of the transaction, Guangzhou Securities will be held as to 99.9% by the Company and 0.1% by CITIC Securities Investment. The proposal regarding the acquisition of assets by issuance of shares is still subject to the approval by the shareholders' general meetings as well as the filing and approval process by the regulatory authorities.

Dissolution of Supervision Department

On 4 March 2019, the 37th Meeting of the Sixth Session of the Board approved to dissolve the Supervision Department, the duties and personnel of which will be transferred to the Discipline Administration Body in the Company, except that the duty to investigate and deal with the violation of internal rules and regulations of the Company by the employees will be transferred to the Human Resources Department. The Company has completed the above-mentioned adjustment on 6 March 2019.

Others

Not exercise of the right of first refusal regarding the capital increase in Jiantou Zhongxin

On 28 December 2018, the 33rd Meeting of the Sixth Session of the Board considered and approved the Resolution in Relation to not Exercise of the Right of First Refusal Regarding the Capital Increase in Jiantou Zhongxin Asset Management Co., Ltd., pursuant to which, it was agreed that four new shareholders, none of which is a related/connected party of the Company, will jointly make capital contribution to Jiantou Zhongxin to increase the registered capital of Jiantou Zhongxin from RMB1.9 billion to RMB10 billion; and the Company will not exercise the right of first refusal regarding the above-mentioned capital increase.

Changes in Share Capital and Information on Substantial Shareholders

The share capital structure of the Company as at 31 December 2018 was as follows:

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

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

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

Issue and Listing of Securities

Currency: RMB

Type of shares and derivative securities	Date of issue	Issue price (or interest rate)	Issue size (hundred million)	Date of listing	Amount approved for listing and trading (hundred million)	Maturity date
Commercial papers	2018.1.18	4.70%	20	2018.1.22	20	2018.4.20
Commercial papers	2018.2.6	4.60%	30	2018.2.8	30	2018.5.9
Commercial papers	2018.3.2	4.60%	40	2018.3.6	40	2018.6.4
Corporate bonds	2018.3.16	5.14%	17	2018.3.29	17	2021.3.20
Commercial papers	2018.4.3	4.11%	40	2018.4.8	40	2018.7.4
Corporate bonds	2018.4.13	5.05%	48	2018.4.25	48	2020.4.16
Corporate bonds	2018.5.9	5.09%	25	2018.5.23	25	2021.5.10
Commercial papers	2018.6.6	4.38%	40	2018.6.11	40	2018.9.7
Corporate bonds	2018.6.13	4.80%	24	2018.6.28	24	2021.6.15
Corporate bonds	2018.6.13	4.90%	6	2018.6.28	6	2023.6.15
Corporate bonds	2018.6.14	5.10%	30	2018.6.29	30	2020.6.15
Corporate bonds	2018.7.6	4.80%	40	2018.7.16	40	2020.7.9
Commercial papers	2018.7.10	3.50%	30	2018.7.13	30	2018.10.11
Commercial papers	2018.8.3	2.68%	40	2018.8.8	40	2018.11.6
Commercial papers	2018.9.12	2.83%	40	2018.9.14	40	2018.12.13
Subordinated bonds	2018.10.17	4.48%	50	2018.11.2	50	2021.10.19
Commercial papers	2018.10.19	3.30%	50	2018.10.23	50	2019.1.18

Currency: RMB

Type of shares and derivative securities	Date of issue	Issue price (or interest rate)	Issue size (hundred million)	Date of listing	Amount approved for listing and trading (hundred million)	Maturity date
Corporate bonds	2018.10.29	3.50%	15	2018.11.9	15	2019.4.18
Corporate bonds	2018.10.29	3.70%	15	2018.11.9	15	2019.7.27
Subordinated bonds	2018.11.5	4.40%	40	2018.11.16	40	2021.11.7
Commercial papers	2018.11.9	3.20%	30	2018.11.14	30	2019.2.12
Commercial papers	2018.12.6	3.15%	20	2018.12.10	20	2019.3.8
Overseas medium-term notes	2018.12.3	4.25%	20.58	2018.12.10	20.58	2021.12.10
Euro-commercial paper	2018.6.25	3.3%	4.802	2018.6.27	4.802	2018.12.27
Euro-commercial paper	2018.6.14	3.2%	6.86	2018.6.22	6.86	2018.12.24

Description of issue of securities during the Reporting Period:

The Company issued a commercial paper on 18 January 2018, which was listed on Interbank on 22 January 2018, with a size of RMB2.0 billion, a nominal interest rate of 4.70% and a term of 91 days.

The Company issued a commercial paper on 6 February 2018, which was listed on Interbank on 8 February 2018, with a size of RMB3.0 billion, a nominal interest rate of 4.60% and a term of 91 days.

The Company issued a commercial paper on 2 March 2018, which was listed on Interbank on 6 March 2018, with a size of RMB4.0 billion, a nominal interest rate of 4.60% and a term of 91 days.

The Company issued a public corporate bond on 16 March 2018, which was listed on the SSE on 29 March 2018, with a size of RMB1.7 billion, a nominal interest rate of 5.14% and a term of 3 years.

The Company issued a commercial paper on 3 April 2018, which was listed on Interbank on 8 April 2018, with a size of RMB4.0 billion, a nominal interest rate of 4.11% and a term of 91 days.

The Company issued a private corporate bond on 13 April 2018, which was listed on the SSE on 25 April 2018, with a size of RMB4.8 billion, a nominal interest rate of 5.05% and a term of 2 years.

The Company issued a private corporate bond on 9 May 2018, which was listed on the SSE on 23 May 2018, with a size of RMB2.5 billion, a nominal interest rate of 5.09% and a term of 3 years.

The Company issued a commercial paper on 6 June 2018, which was listed on Interbank on 11 June 2018, with a size of RMB4.0 billion, a nominal interest rate of 4.38% and a term of 91 days.

The Company issued a public corporate bond on 13 June 2018, which was listed on the SSE on 28 June 2018 and consists of two types of products, among which, the 3-year type has a size of RMB2.4 billion and a nominal interest rate of 4.80% and the 5-year type has a size of RMB0.6 billion and a nominal interest rate of 4.90%.

The Company issued a private corporate bond on 14 June 2018, which was listed on the SSE on 29 June 2018, with a size of RMB3.0 billion, a nominal interest rate of 5.10% and a term of 2 years.

The Company issued a private corporate bond on 6 July 2018, which was listed on the SSE on 16 July 2018, with a size of RMB4.0 billion, a nominal interest rate of 4.80% and a term of 2 years.

The Company issued a commercial paper on 10 July 2018, which was listed on Interbank on 13 July 2018, with a size of RMB3.0 billion, a nominal interest rate of 3.50% and a term of 91 days.

The Company issued a commercial paper on 3 August 2018, which was listed on Interbank on 8 August 2018, with a size of RMB4.0 billion, a nominal interest rate of 2.68% and a term of 91 days.

The Company issued a commercial paper on 12 September 2018, which was listed on Interbank on 14 September 2018, with a size of RMB4.0 billion, a nominal interest rate of 2.83% and a term of 91 days.

The Company issued a subordinated bond on 17 October 2018, which was listed on the SSE on 2 November 2018, with a size of RMB5.0 billion, a nominal interest rate of 4.48% and a term of 3 years.

The Company issued a short-term commercial paper on 19 October 2018, which was listed on Interbank on 23 October 2018, with a size of RMB5.0 billion, a nominal interest rate of 3.30% and a term of 88 days.

The Company issued a private corporate bond on 29 October 2018, which was listed on the SSE on 9 November 2018 and consists of two types of products, among which, the 170-day type has a size of RMB1.5 billion and a nominal interest rate of 3.50% and the 270-day type has a size of RMB1.5 billion and a nominal interest rate of 3.70%.

The Company issued a subordinated bond on 5 November 2018, which was listed on the SSE on 16 November 2018, with a size of RMB4.0 billion, a nominal interest rate of 4.40% and a term of 3 years.

The Company issued a commercial paper on 9 November 2018, which was listed on Interbank on 14 November 2018, with a size of RMB3.0 billion, a nominal interest rate of 3.20% and a term of 91 days.

The Company issued a commercial paper on 6 December 2018, which was listed on Interbank on 10 December 2018, with a size of RMB2.0 billion, a nominal interest rate of 3.15% and a term of 91 days.

The Company issued an overseas medium-term note on 3 December 2018, which was listed on HKEx on 10 December 2018, with a size of US$0.3 billion, a nominal interest rate of 4.25% and a term of 3 years.

The Company issued an Euro-commercial paper on 14 June 2018, which was listed on HKEx on 22 June 2018, with a size of US$0.1 billion, a nominal interest rate of 3.2% and a term of 185 days.

The Company issued an Euro-commercial paper on 25 June 2018, which was listed on HKEx on 27 June 2018, with a size of US$0.07 billion, a nominal interest rate of 3.3% and a term of 183 days.

Changes in Share Capital and Information on Substantial Shareholders

Information on Shareholders

Total number of Shareholders of the Company as at 31 December 2018: 553,791 Shareholders, including 553,626 A Shareholders and 165 registered H Shareholders.

Total number of Shareholders of the Company as at the end of the month (28 February 2019) immediately preceding the disclosure date of the 2018 Annual Results Announcement: 551,416 Shareholders, including 551,253 A Shareholders and 163 registered H Shareholders.

Shareholdings of the top 10 Shareholders as at 31 December 2018

Unit: Shares

Shareholdings of the top 10 Shareholders							
Full name of Shareholder	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares held subject to trading moratorium	Shares pledged or frozen Status	Shares pledged or frozen Number	Nature of the Shareholder
HKSCC Nominees Limited[Note 1]	-4,550	2,277,315,767	18.79	–	Unknown	–	Foreign legal person
CITIC Corporation Limited	–	1,999,695,746	16.50	–	Nil	–	State-owned legal person
China Securities Finance Corporation Limited	-231,430,437	362,296,197	2.99	–	Nil	–	Unknown
Hong Kong Securities Clearing Company Limited[Note 2]	70,441,972	202,519,552	1.67	–	Nil	–	Foreign legal person
Central Huijin Asset Management Corporation Limited	–	198,709,100	1.64	–	Nil	–	State-owned legal person
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	13,562,417	153,726,217	1.27	–	Nil	–	Unknown
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	4,308,397	144,472,197	1.19	–	Nil	–	Unknown
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	15,100	140,178,900	1.16	–	Nil	–	Unknown
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	-113,801	140,049,999	1.16	–	Nil	–	Unknown
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	-574,739	139,589,061	1.15	–	Nil	–	Unknown

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

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

Note 3: Except for HKSCC Nominees Limited, the shareholding information listed above was extracted from the register of A Shareholders of the Company as of 31 December 2018.

Note 4: Nature of A Shareholders represents the nature of account held by A Shareholders with the Shanghai branch of CSDCC.

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

Shareholdings of the top 10 holders of tradable Shares not subject to trading moratorium as at 31 December 2018

Shareholdings of the top 10 shareholders not subject to trading moratorium

Unit: Shares

Name of Shareholder	Number of tradable Shares held not subject to trading moratorium	Class and number of Shares	
		Class	Number
HKSCC Nominees Limited	2,277,315,767	Overseas-listed foreign shares	2,277,315,767
CITIC Corporation Limited	1,999,695,746	RMB ordinary Shares	1,999,695,746
China Securities Finance Corporation Limited	362,296,197	RMB ordinary Shares	362,296,197
Hong Kong Securities Clearing Company Limited	202,519,552	RMB ordinary Shares	202,519,552
Central Huijin Asset Management Corporation Limited	198,709,100	RMB ordinary Shares	198,709,100
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	153,726,217	RMB ordinary Shares	153,726,217
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	144,472,197	RMB ordinary Shares	144,472,197
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	140,178,900	RMB ordinary Shares	140,178,900
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	140,049,999	RMB ordinary Shares	140,049,999
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	139,589,061	RMB ordinary Shares	139,589,061
Details of related party or concert party relationship among the above Shareholders	The Company is unaware of whether there is any related party/connected relationship among the above Shareholders, or they are parties acting in concert.		
Explanation about holders of preference Shares with restored voting rights and the number of Shares held	—		

Changes in Share Capital and Information on Substantial Shareholders

Shareholdings of the holders of tradable Shares subject to trading moratorium as at 31 December 2018

Unit: Shares

No.	Name of Shareholders subject to trading moratorium	Number of Shares held subject to trading moratorium	Listing and trading of Shares subject to trading moratorium: Date eligible for listing and trading	Listing and trading of Shares subject to trading moratorium: Number of Shares newly eligible for listing and trading	Terms of trading moratorium
1	Incentive shares held under custody and others	23,919,000	To be determined after the implementation of the incentive share scheme	—	To be determined after the implementation of the incentive share scheme

Information on substantial Shareholders of the Company

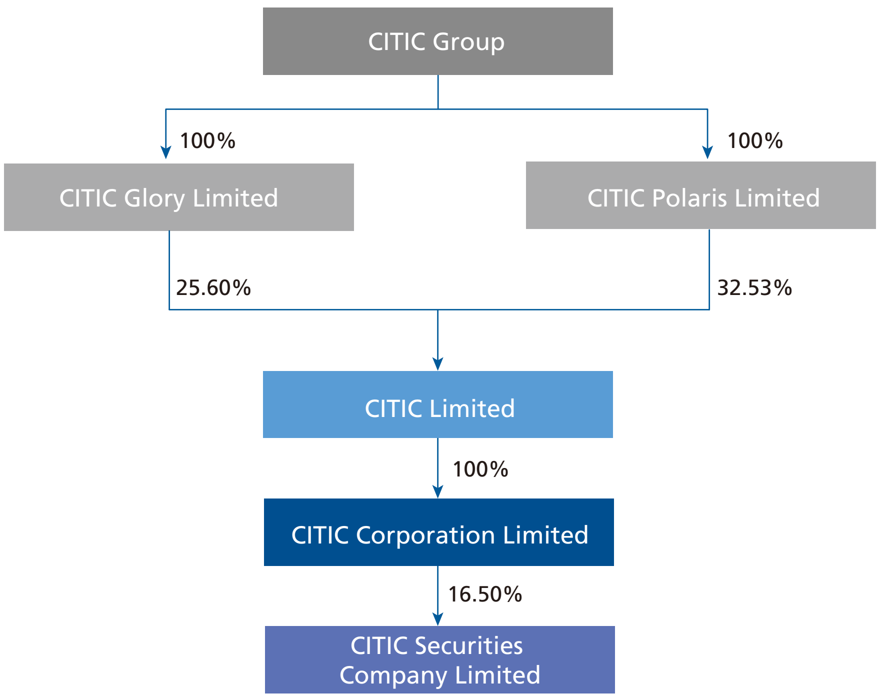
Largest Shareholder

The largest Shareholder of the Company is CITIC Corporation Limited. As at 31 December 2018, it directly held 16.50% Shares in the Company. In addition, there was no Shareholder who held more than 10% Shares. Details of CITIC Corporation Limited are as follows:

CITIC Corporation Limited was established on 27 December 2011, the existing legal representative is Mr. CHANG Zhenming and the general manager is Mr. WANG Jiong. Its registered capital is RMB139 billion and the united social credibility code is 911100007178317092. It is principally engaged in: 1. investment and management in financial sectors, including investment and management of domestic and foreign banks, securities, insurance, trust, asset management, futures, leasing, funds, credit card and other financial enterprises and related industries; 2. investment and management in non-financial sectors, including (1) energy, transport and other infrastructure; (2) mining, exploration of timber and other resources and raw material industry; (3) machinery manufacturing; (4) real estate development; (5) information industry: information system infrastructure, basic telecommunication and value-added telecommunication business; (6) commerce and trade services and other industries: environmental protection; medicine, bio-engineering as well as new materials; aviation, transportation, warehousing, hotel, tourism; international trade and domestic trade, import and export business, commerce; education, publishing, media, culture and sports; consultant service; 3. granting shareholder loans to its international and domestic subsidiaries; capital operation; asset management; domestic and overseas engineering design, constructions, contracting and sub-contracting, export of labor service, and other approved businesses. (The entity was changed from a domestic enterprise to a foreign-funded enterprise on 22 July 2014; as for projects which require approval in accordance with the law, prior approvals of the competent authorities shall be obtained before operational activities are conducted and it shall conduct operational activities within the scope approved by the competent authorities.)

CITIC Group, the de facto controller of CITIC Corporation Limited, was founded in 1979, the existing legal representative is Mr. CHANG Zhenming and the general manager is Mr. WANG Jiong. Its registered capital is RMB205,311,476,359.03 and the united social credibility code is 9110000010168558XU. Its principal businesses are as follows: the information service business under the second category of value-added telecom services (only internet information services), which exclude news, publishing, education, healthcare, medicine and medical equipment and include electronic bulletin services, and are valid until 9 January 2019; external deployment of staff required to implement overseas projects suitable for its capabilities, scale and results performance; investment and management of domestic and foreign banks, securities, insurance, trust, asset management, futures, leasing, funds, credit card financial enterprises and related industries, energy, transport infrastructure, mining, exploration of timber resources and raw material industry, machinery manufacturing, real estate development, information system infrastructure, basic telecommunication and value-added telecommunication business, environmental protection, medicine, bio-engineering as well as new materials, aviation, transportation, warehousing, hotel, tourism, international trade and domestic trade, commerce, education, publishing, media, culture and sports, overseas and domestic engineering design, construction, contracting and sub-contracting, industry investment; project tendering, surveying, design, construction, supervision, contracting and subcontracting, consultant service industry; asset management; capital operation; import and export business. (The enterprise may independently choose projects to operate and conduct business activities according to law. As for projects which require approval in accordance with the law, prior approvals of the competent authorities shall be obtained before operational activities are conducted and it shall conduct operational activities within the scope approved by the competent authorities. No business activity which is prohibited by the industrial policies of the municipality and restricted by the authorities shall be carried out.)

As at the end of the Reporting Period, the shareholder structure of the Company was as follows:



Changes in Share Capital and Information on Substantial Shareholders

As at 31 December 2018, information of other major listed companies controlled or invested, directly or indirectly by CITIC Limited or CITIC Corporation Limited was as follows:

No.	Name of Listed Companies	Stock Code	Shareholding Percentage	Name of Shareholder
1	China CITIC Bank Corporation Limited	601998.SH 998.HK	65.97%	CITIC Corporation Limited (65.37%) Extra Yield International Ltd. (0.02%) Metal Link Limited (0.58%)
2	CITIC Heavy Industries Co., Ltd.	601608.SH	67.27%	CITIC Corporation Limited (60.49%) CITIC Investment Holdings Limited (4.52%) CITIC Automobiles Limited (2.26%)
3	CITIC Offshore Helicopter Co., Ltd.	000099.SZ	38.63%	CITIC Offshore Helicopter Limited Liabilities Company
4	CITIC Press Group Co., Ltd.	834291.OC	88.00%	CITIC Corporation Limited (83.60%) CITIC Investment Holdings Limited (4.40%)
5	CITIC Resources Holdings Limited	1205.HK	59.50%	Keentech Group Ltd. (49.57%) CITIC Australia Pty Limited (9.55%) Extra Yield International Ltd. (0.38%)
6	Asia Satellite Telecommunications Holdings Limited	1135.HK	74.43%	Bowenvale Ltd.
7	CITIC Dameng Holdings Limited	1091.HK	43.46%	Highkeen Resources Limited (34.39%) Apexhill Investments Limited (9.07%)
8	CITIC Telecom International Holdings Limited	1883.HK	59.36%	Richtone Enterprises Inc. (3.76%) Ease Action Investments Corp. (34.61%) Silver Log Holdings Ltd. (17.04%) Perfect New Holdings Limited (3.95%)
9	Dah Chong Hong Holdings Limited	1828.HK	56.97%	Certain subsidiaries of CITIC Pacific Limited
10	Daye Special Steel Co., Ltd.	000708.SZ	58.13%	CITIC Pacific (China) Investment Limited (28.18%) Hubei Xinye Steel Limited (29.95%)
11	CITIC Envirotech Ltd	CEE.SG	53.89%	CKM(Cayman) Company Limited
12	Yuan Long Ping High-Tech Agriculture Co., Ltd.	000998.SZ	20.56%	CITICS Industrial Investment Group Corp. (9.13%) CITIC Construction Co., Ltd. (6.41%) CITIC Agriculture., LTD. (1.82%) Shenzhen Xinnong Investment Center LP (3.20%)
13	China Overseas Land & Investment LTD.	688.HK	10.00%	Complete Noble Investments Limited
14	Frontier Services Group Limited	500.HK	25.91%	Easy Flow Investments Limited

In addition to those set out in the above table, as of 31 December 2018, other major listed companies controlled or invested by CITIC Group were as follows:

Name of Listed Companies Invested	Stock Code	Shareholding Percentage	Shareholder (Shareholding Percentage)
CITIC Limited	267.HK	58.13%	CITIC Polaris Limited (32.53%) CITIC Glory Limited (25.60%)

Note: The table lists the major listed subsidiaries controlled or invested by CITIC Group.

As of 31 December 2018, there was no other Shareholder directly holding more than 5% Shares in the Company. The Shares held by HKSCC Nominees Limited are for the non-registered holders of H Shares.

Interest and short positions of substantial Shareholders

Pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), substantial Shareholders are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed threshold. The following table is derived from the latest interest information of the substantial Shareholders disclosed on the HKExnews website of HKEx as at 31 December 2018. As they are only required to disclose the change of their interests when it reaches certain prescribed threshold, the information set out in the following table may be inconsistent with their actual interests as at 31 December 2018.

Name of Shareholder	Capacity	Class of shares	Number of Shares (Shares)/ Type of Shares Held	Percentage of the Number of A Shares/H Shares as at 31 December 2018 (%)Note 6	Percentage of Total Shares of the Company as at 31 December 2018 (%)
CITIC Group Corporation	Interest of controlled corporations of the major shareholderNote 1	A Shares	1,999,695,746/Long positions	20.33	16.50
National Council for Social Security Fund	Beneficial owner	H Shares	690,359,200Note 2/Long positions	30.30	5.70
The Bank of New York Mellon Corporation	Interest of corporation controlled by youNote 3	H Shares	284,095,840/Long positions	12.47	2.34
			280,373,840/Shares available for lending	12.31	2.31
Citigroup Inc.	Person having a security interest in shares Interest of corporation controlled by you Approved lending agent	H Shares	231,844,542Note 4/Long positions	10.18	1.91
			1,301,980Note 4/Short positions	0.06	0.01
			220,180,107Note 4/Shares available for lending	9.66	1.82
GIC Private Limited	Investment manager	H Shares	181,979,873/Long positions	7.99	1.50
BlackRock, Inc.	Interest of corporation controlled by youNote 5	H Shares	167,607,677/Long positions	7.36	1.38
			7,051,000/Short positions	0.31	0.06

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

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

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

Note 4: Citigroup Inc., through a series of its controlled corporations, indirectly held a long position in 231,844,542 H Shares of the Company, of which 220,180,107 Shares were held in the capacity of approved lending agent, and a short position in 1,301,980 H Shares of the Company.

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

Note 6: The relevant percentages are calculated based on 2,278,327,700 H Shares or 9,838,580,700 A Shares of the Company in issue as at 31 December 2018.

Directors, Supervisors, Senior Management and Employees

Basic Information of Directors, Supervisors and Senior Management

Changes in the Shares held and information on remuneration (the order of independent non-executive Directors is arranged according to the number of strokes of their Chinese surnames)

Unit: Shares

Name	Position	Gender	Age	Term of office commencing from	Term of office ending on	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Change (increase/ decrease) in shareholding during the year	Reason for the change (increase/ decrease)	Total remuneration before tax received from the Company during the Reporting Period or term of office (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
ZHANG Youjun	Executive Director, Chairman and Member of the Executive Committee	Male	53	2016-01-19	the expiration date of the term of the Six Session of the Board	374	374	—	—	494.84	No
YANG Minghui	Executive Director, President and Member of the Executive Committee	Male	54	2016-01-19	the expiration date of the term of the Six Session of the Board	—	—	—	—	979.48	No
KUANG Tao	Non-executive Director	Male	45	2018-09-06	the expiration date of the term of the Six Session of the Board	—	—	—	—	—	No
LIU Ke	Independent non-executive Director	Male	60	2016-01-19	the expiration date of the term of the Six Session of the Board	—	—	—	—	15.60	No
HE Jia	Independent non-executive Director	Male	64	2016-03-23	the expiration date of the term of the Six Session of the Board	—	—	—	—	15.60	No
CHAN, Charles Sheung Wai	Independent non-executive Director	Male	65	2016-05-09	the expiration date of the term of the Six Session of the Board	—	—	—	—	15.30	No
LIU Hao	Supervisor, Chairman of the Supervisory Committee	Male	59	2019-03-11	the expiration date of the term of the Six Session of the Supervisory Committee	—	—	—	—	—	No

Name	Position	Gender	Age	Term of office commencing from	Term of office ending on	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Change (increase/ decrease) in shareholding during the year	Reason for the change (increase/ decrease)	Total remuneration before tax received from the Company during the Reporting Period or term of office (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
GUO Zhao	Supervisor	Male	62	1999-09-26	the expiration date of the term of the Six Session of the Supervisory Committee	—	—	—	—	10.00	No
RAO Geping	Supervisor	Male	71	2016-03-23	the expiration date of the term of the Six session of the Supervisory Committee	—	—	—	—	10.00	No
LEI Yong	Employee representative Supervisor	Male	51	2002-05-30	the expiration date of the term of the Six Session of the Supervisory Committee	483,285	483,285	—	—	424.67	No
YANG Zhenyu	Employee representative Supervisor	Male	48	2005-12-16	the expiration date of the term of the Six Session of the Supervisory Committee	81,000	81,000	—	—	222.07	No
GE Xiaobo	Chief Financial Officer, Member of the Executive Committee and Chief Risk Officer	Male	48	2017-03-03	the expiration date of the term of the Six Session of the Board	870,000	870,000	—	—	1,566.87	No
MA Yao	Member of the Executive Committee	Male	47	2017-11-28	the expiration date of the term of the Six Session of the Board	20,000	20,000	—	—	1,191.44	No
XUE Jirui	Member of the Executive Committee	Male	45	2017-10-24	the expiration date of the term of the Six Session of the Board	—	—	—	—	1,076.61	No
YANG Bing	Member of the Executive Committee	Male	46	2017-10-24	the expiration date of the term of the Six Session of the Board	—	—	—	—	923.85	No

Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Term of office commencing from	Term of office ending on	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Change (increase/ decrease) in shareholding during the year	Reason for the change (increase/ decrease)	Total remuneration before tax received from the Company during the Reporting Period or term of office (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
LI Chunbo	Member of the Executive Committee	Male	43	2017-11-17	the expiration date of the term of the Six Session of the Board	—	—	—	—	844.66	No
ZOU Yingguang	Member of the Executive Committee	Male	48	2017-09-07	the expiration date of the term of the Six Session of the Board	—	—	—	—	416.64	No
LI Yongjin	Member of the Executive Committee	Male	48	2017-09-07	the expiration date of the term of the Six Session of the Board	—	—	—	—	708.61	No
LI Jiong	Treasurer	Male	49	2017-10-24	the expiration date of the term of the Six Session of the Board	—	—	—	—	687.02	No
SONG Qunli	Chief Engineer	Male	52	2017-09-07	the expiration date of the term of the Six Session of the Board	—	—	—	—	363.74	No
ZHANG Hao	Chief Marketing Officer	Male	49	2017-10-31	the expiration date of the term of the Six Session of the Board	—	—	—	—	779.69	No
ZHANG Guoming	Chief Compliance Officer	Male	54	2013-09-10	the expiration date of the term of the Six Session of the Board	—	—	—	—	546.69	No
ZHENG Jing	Secretary to the Board and Company Secretary	Female	46	2011-04-21	the expiration date of the term of the Six Session of the Board	—	—	—	—	359.99	No
YE Xinjiang	Member of the Senior Management	Male	54	2018-11-06	the expiration date of the term of the Six Session of the Board	—	—	—	—	27.09	No
JIN Jianhua	Member of the Senior Management	Male	48	2019-01-22	the expiration date of the term of the Six Session of the Board	350,000	350,000	—	—	–	No

Name	Position	Gender	Age	Term of office commencing from	Term of office ending on	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Change (increase/ decrease) in shareholding during the year	Reason for the change (increase/ decrease)	Total remuneration before tax received from the Company during the Reporting Period or term of office (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
SUN Yi	Member of the Senior Management	Male	47	2018-08-06	the expiration date of the term of the Six Session of the Board	—	—	—	—	79.71	No
GAO Yuxiang	Member of the Senior Management	Male	50	2019-01-22	the expiration date of the term of the Six Session of the Board	—	—	—	—	–	No
CHEN Zhong	Former Non-executive Director	Male	46	2016-11-14	2018-09-06	—	—	—	—	–	Yes
LI Fang	Former Supervisor and Chairman of the Supervisory Committee	Male	61	2016-01-19	2018-02-09	—	—	—	—	27.87	No
TANG Zhenyi	Former Member of the Executive Committee	Male	45	2018-02-27	2019-03-05	—	—	—	—	HK$6.6627 million	No
CAI Jian	Former Chief Risk Officer	Male	60	2016-01-19	2019-02-18	—	—	—	—	319.11	No
Total	—	—	—	—	—	1,804,659	1,804,659	—	—	12,690.94	—

Note 1: Information disclosed are changes in the Shares held and information on remuneration of Directors, Supervisors and Senior Management held office or resigned during the Reporting Period or as at the date of the 2018 Annual Results Announcement.

Note 2: Where a person has more than one position under the "Position" column, the "term of office" will only show the term of office of the first position held by that person in that column; the starting date of the "term of office" of a re-elected Director or Supervisor disclosed here is the date of his/her first appointment as a Director or Supervisor of the Company; the starting date of the "term of office" of a re-elected member of the Senior Management disclosed here is the date of his/her first appointment as a member of the Senior Management.

Note 3: Shares held by Directors, Supervisors and Senior Management are all A Shares, which include incentive shares initially granted upon the implementation of the share incentive scheme, the shares issued under placing and the bonus shares under capitalization issue.

Note 4: According to the resolution passed at the 2011 annual general meeting, since July 2012, the Company shall pay an allowance of RMB100,000 per year (tax inclusive) to each of the non-executive Directors and Supervisors, an allowance of RMB150,000 per year (tax inclusive) to each of the independent non-executive Directors, and a subsidy of RMB3,000 per person per meeting to each Director who attends an on-site meeting of the specialized committee under the Board. Mr. KUANG Tao, the Non-executive Director and Mr. CHEN Zhong, the Former Non-executive Director, have not received any remuneration or allowance from the Company. The remuneration received by each of the independent non-executive Directors, Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai and the Supervisors, Mr. RAO Geping and Mr. GUO Zhao, was the Director's/Supervisor's allowance received by each of them from the Company in 2018.

Note 5: The total remuneration before tax for the executive Directors, employee representative Supervisors and Senior Management of the Company as listed above includes basic annual salary, annual salary linked to performance (including bonuses and deferred bonuses paid in 2018), special rewards and insurance benefits.

Note 6: The remuneration received by Mr. YANG Minghui, Executive Director, President and Member of the Executive Committee of the Company in 2018 includes RMB4.7948 million received from the Company and RMB5 million received from China AMC. Mr. TANG Zhenyi, Former Member of the Executive Committee, only received his remuneration from CSI, instead of the Company.

Note 7: Mr. KUANG Tao was officially appointed as the non-executive Director of the Company on 6 September 2018.

Note 8: Mr. SUN Yi was officially appointed as a member of the Senior Management of the Company on 6 August 2018. Mr. YE Xinjiang was officially appointed as a member of the Senior Management of the Company on 6 November 2018. Both Mr. JIN Jianhua and Mr. GAO Yuxiang were officially appointed as a member of the Senior Management of the Company on 22 January 2019, whose remuneration will be disclosed from 2019.

Note 9: Mr. LIU Hao officially served as a Supervisor of the Company on 11 March 2019, and officially served as the Chairman of the Supervisory Committee on 14 March 2019. Mr. LEI Yong ceased to be the convenor of the Supervisory Committee. The remuneration of Mr. LIU Hao will be disclosed since 2019.

Note 10: The three-year term of the Sixth Session of the Board as well as the Six Session of the Supervisory Committee of the Company should have expired on 18 January 2019. As the nomination of relevant candidates for Directors and Supervisors has not been completed, the re-election and appointment of the Board and the Supervisory Committee of the Company will be postponed until a new session of the Board and the Supervisory Committee are approved by the Shareholders of the Company at a general meeting in accordance with the Articles of Association of the Company, so as to maintain the continuity of the work of the Board and the Supervisory Committee. In addition, the term of office of the special committees under the Sixth Session of the Board and the Senior Management of the Company will also be extended accordingly.

Note 11: Mr. CAI Jian ceased to serve as the Chief Risk Officer of the Company from 18 February 2019 due to reaching the retirement age. Mr. TANG Zhenyi resigned from his position as member of the Executive Committee and other positions in the Company on 5 March 2019, with immediate effect.

Note 12: On 4 March 2019, Mr. CHAN, Charles Sheung Wai, an independent non-executive Director of the Company, tendered his resignation letter to the Board from the positions as an independent non-executive Director of the Sixth Session of the Board and positions held in relevant specialized committees under the Board due to other work arrangements. The resignation of Mr. CHAN Charles Sheung Wai shall take effect only when the new independent non-executive Director to be appointed by the Company officially takes office. Prior to that time, Mr. CHAN will continue to perform his duties as the independent non-executive Director and member of relevant Board Committees.

Directors or Supervisors currently holding positions in Shareholders

Name	Name of Shareholder	Position held in Shareholders	Term of office commencing from	Term of office until
ZHANG Youjun	CITIC Corporation Limited	Assistant to the General Manager	2015.11.12	Until expiry of term
Description of the positions held in Shareholders	Mr. ZHANG Youjun also serves as Assistant to the General Manager of both CITIC Group and CITIC Limited.			

Directors or Supervisors currently holding positions in other entities

Name	Names of other entities	Positions held in other entities	Terms of office commencing from	Terms of office until
YANG Minghui	China AMC	Chairman	2013.11.1	Until expiry of term
KUANG Tao	China Life Insurance (Group) Company	General Manager of Investment Management Department	2018.7.16	Until expiry of term
LIU Ke	Business School of Beijing Language and Culture University	Professor	2001.6.1	Until expiry of term
HE Jia	Southern University of Science and Technology	Leading Professor	2014.5.1	Until expiry of term
RAO Geping	Peking University	Professor, Ph.D. Candidate Supervisor of the Law School	1994.8.1	Until expiry of term
Description of the positions held in other entities		None		

Major working experience of the current Directors, Supervisors and Senior Management

Executive Directors (2 individuals)

Mr. ZHANG Youjun

serves as deputy secretary to the Communist Party Committee of the Company, an executive Director, Chairman and member of the Executive Committee of the Company. Mr. ZHANG joined the Company at the time of the establishment of the Company in 1995, and was appointed as a Director of the Company on 19 January 2016. During the same term, he was elected as the Chairman of the Company. Mr. ZHANG also serves as assistant to the general manager of each of CITIC Group, CITIC Limited and CITIC Corporation Limited and the chairman of each of CSI and Goldstone Investment. Mr. ZHANG had worked as a general manager of the trading department of the Company, an assistant manager and deputy general manager of the Company since 1995, and was appointed as a Director of the Company from September 1999 to June 2012 and the general manager of the Company from May 2002 to October 2005. Mr. ZHANG previously worked as the general manager of Changsheng Fund Management Co., Ltd. from 1998 to 2001 and successively served as the general manager and the chairman of China Securities from 2005 to 2011 and a director of the board office of CITIC Group from December 2011 to December 2015. Mr. ZHANG obtained a Bachelor's degree in economics (majoring in money and banking) in 1987 from Renmin University of China and a Master's degree in economics (majoring in money and banking) in 1990 from Central University of Finance and Economics.

Mr. YANG Minghui

serves as deputy secretary to the Communist Party Committee of the Company, an executive Director, the President and member of the Executive Committee of the Company. Mr. YANG joined the Company at the time of the establishment of the Company in 1995 and was appointed as a Director of the Company on 19 January 2016 and was appointed as the President of the Company on 27 June 2016. Mr. YANG also serves as chairman of China AMC and chairman of China Asset Management (Hong Kong) Limited. Mr. YANG was a Director, assistant manager and deputy general manager of the Company. Mr. YANG was a director and executive vice-president of CITIC Holdings and a director of CITIC Trust from 2002 to 2005; the chairman of CITIC-Prudential Fund Management Co., Ltd. from 2005 to 2007; and an executive director and the president of China Jianyin Investment Securities Company Limited from 2005 to 2011. Mr. YANG was granted the title of senior economist by China International Trust and Investment Corporation, the predecessor of CITIC Group, in October 1996. Mr. YANG obtained a Bachelor's degree in engineering (majoring in mechanical manufacturing technology and equipment) from the Department of Mechanical Engineering of East China Institute of Textile Science and Technology in 1982 and obtained a Master's degree in engineering (majoring in textile machinery) from the Department of Mechanical Engineering of East China Institute of Textile Science and Technology in 1985.

Non-executive Director (1 individual)

Mr. KUANG Tao

serves as a non-executive Director of the Company. Mr. KUANG joined the Company in 2018 and was appointed as a Director of the Company on 26 June 2018. He formally took office on 6 September 2018 (upon approval by the regulatory authority on the qualification for serving as a director). Starting his career from August 1998, Mr. KUANG Tao had previously worked in China National Computer Software & Technology Service Corporation, China headquarter of Century 21 Real Estate, Bank of America Merrill Lynch and Bloomberg in the US. He joined China Life Insurance Company Limited in June 2009 and previously served as assistant to general manager and deputy general manager in the Investment Management Department. He served as the deputy general manager in the Investment Management Department of China Life Insurance (Group) Company from January 2016 to July 2018 and as general manager of Investment Management Department of China Life Insurance (Group) Company since July 2018. Mr. KUANG Tao also concurrently served as a director of each of China Life Insurance (Overseas) Company Limited, China Life Investment Holding Company Limited, Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd., Bohai Industrial Investment Fund Management Co., Ltd. and Hui Xian Holding Limited. Mr. KUANG Tao graduated from Harbin Engineering University with a Bachelor's degree in 1995 and obtained a Master's degree from Harbin Engineering University in 1998. In 2005, he graduated from Temple University in the US with a Master's degree in business administration.

Independent non-executive Directors (3 individuals, presented in the order of the number of strokes of their Chinese surnames)

Mr. LIU Ke

serves as an independent non-executive Director of the Company. Mr. LIU joined the Company in 2016 and was appointed as a Director of the Company on 19 January 2016. Mr. LIU is a professor of the Business School of Beijing Language and Culture University. Mr. LIU was engaged in teaching, scientific research and management in Lanzhou University of Finance and Economics from July 1984 to October 1997. From October 1997 to May 2001, he served as a professor of Beijing Wuzi University engaging in teaching, scientific research and management and executive deputy chief editor of China Business and Market Magazine. Mr. LIU was accredited as State Council Expert for Special Allowance in April 1999 and was accredited as Beijing Municipal Trans-century Talent in April 2000. Mr. LIU obtained a Bachelor of arts degree from the Department of Foreign Languages of Northwest Normal University in 1984, a Master's degree in business administration from the College of Business of University of Georgia in 1993 and a Doctoral degree in economics from the School of Finance of Renmin University of China in 2000.

Mr. HE Jia

serves as an independent non-executive Director of the Company. Mr. HE joined the Company in 2016 and was appointed as a Director of the Company on 19 January 2016. He formally took office on 23 March 2016 (upon approval by the regulatory authority on the qualification for serving as independent director). Mr. HE also serves as a chair professor of Southern University of Science and Technology of China, Cheung Kong Scholar Chair Professor of the Ministry of Education and executive director and academic member of the China Society for Finance and Banking. He is also an independent director of Tongfang Co., Ltd. (a company listed on SSE), Shenzhen Xinguodu Technology Co., Ltd. (a company listed on ChiNext of SZSE), China Chengtong Development Group Limited (a company listed on Hong Kong Stock Exchange), OP Financial Investments Limited (a company listed on Hong Kong Stock Exchange) and Tibet Huayu Mining Co., Ltd (a company listed on SSE). Mr. HE was an assistant professor and associate professor (life tenure) of the University of Houston from August 1991 to August 1999, professor of the Department of Finance of the Chinese University of Hong Kong from August 1996 to July 2015, member of the Planning and Development Committee of the CSRC from June 2001 to July 2002 and the director of the Research Institute of SZSE from June 2001 to October 2002. Mr. HE was an independent director of Shenzhen Soling Industrial Co., Ltd. (a listed company on the SME Board of Shenzhen Stock Exchange) from August 2015 to November 2016. Mr. HE graduated from Heilongjiang University in 1978, majoring in mathematics (worker-peasant-soldier student). He obtained a double Master's degree in computer science and decision science engineering from Shanghai Jiao Tong University in 1983 and obtained a Doctoral degree majoring in finance from the Wharton Business School of the University of Pennsylvania in 1988.

Mr. CHAN, Charles Sheung Wai

serves as an independent non-executive Director of the Company. Mr. CHAN joined the Company in 2016 and was appointed as a Director on 19 January 2016. He formally took office on 9 May 2016 (upon approval by the regulatory authority on the qualification for serving as an independent director). Mr. CHAN also serves as an independent non-executive director of SRE Group Limited (a company listed on Hong Kong Stock Exchange) and an independent non-executive director of ChangYou.com Limited (a company listed on NASDAQ, USA). Mr. CHAN joined Arthur Andersen Canada in 1977. He joined Arthur Andersen China/ Hong Kong in 1994 and served as head of audit department and business consulting department of Greater China region and became a global partner of Arthur Andersen in 1998. He was a partner of the China/Hong Kong Office of PricewaterhouseCoopers from July 2002 to June 2012. Mr. CHAN was an independent director of China Grand Auto Limited (a company listed on SSE) from October 2013 to August 2015. Mr. CHAN served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Society of Certified Public Accountants, a member of the Accounting Standards Committee, a member of the Auditing Standards Committee and the chairman of the China Accounting Standards Committee. Mr. CHAN obtained a Bachelor Honour degree in Commerce from the University of Manitoba, Canada in 1977, obtained his professional qualification as a Certified General Accountant in Canada in 1980 and became a certified public accountant in Hong Kong in 1995.

Supervisors (5 individuals)

Mr. LIU Hao

serves as a member of the Communist Party Committee, a Supervisor and Chairman of the Supervisory Committee and chief executive of the Audit Department of the Company. Mr. LIU joined the Company in 2018 and has been appointed as a Supervisor of the Company on 26 June 2018. Starting his career from September 1982, Mr. LIU previously held the following positions: legal clerk of the Higher People's Court of Shaanxi Province, legal clerk and secretary of the Chinese Communist Youth League Committee of the Supreme People's Procuratorate, principal staff of Division Four of the legal department and deputy director of the legal office of China International Trust & Investment Corporation, assistant manager of China Offshore Helicopter Specialized Corporation, assistant to the director of the supervision department of CITIC Group, the deputy director of the office of the leading group for touring inspection under the Party committee, the deputy director of the supervision department, member of the disciplinary inspection committee of CITIC Group and secretary of the disciplinary inspection committee of organizations directly under CITIC Group. Since September 2015, Mr. LIU has been a member of the disciplinary inspection committee, director of the office of the leading group for touring inspection under the Party committee, deputy director of the supervision department of CITIC Group and secretary of the disciplinary inspection committee of organizations directly under CITIC Group. Mr. LIU is concurrently the supervisor of CITIC Press Group Co., Ltd.. In June 1991, Mr. LIU obtained the correspondence Bachelor degree in law from China University of Political Science and Law.

Mr. GUO Zhao

serves as a Supervisor of the Company. Mr. GUO joined the Company in 1999 and was appointed as a Supervisor of the Company on 26 September 1999. Mr. GUO previously worked as the deputy chief accountant of Nanjing International Container Handling Co., Ltd. from 1988 to 1992; as the secretary to the board of directors of Nanjing Xingang High-Tech Co., Ltd. from 1992 to 2002; as director of Nanjing Xingang High-Tech Co., Ltd. from January 2001 to January 2013; as vice president of Nanjing Gaoke Co., Ltd. from June 2003 to December 2016; and as director and general manager of Nanjing Chengong Pharmaceuticals Co., Ltd. from January 2001 to January 2017. Mr. GUO obtained the accountant certificate in September 1993, which was granted by the Committee for Assessment of Academic Qualifications of the PRC Ministry of Transport. Mr. GUO obtained a college diploma in water transport finance and accounting in 1988 from Wuhan Heyun College.

Mr. RAO Geping

serves as a Supervisor of the Company. Mr. RAO was appointed as a Supervisor of the Company on 19 January 2016 and formally took office on 23 March 2016. Mr. RAO is also a professor and doctoral supervisor, head of the Center for Hong Kong and Macao Studies and head of the Center of Hong Kong, Macao and Taiwan Law Studies in Peking University. Mr. RAO also serves as a member of 12th CPPCC National Committee and a member of the Committee for the Basic Law of Hong Kong of the Standing Committee of the NPC; chairman of the Institute of Hong Kong and Macao Affairs of the Development Research Center of the State Council; chairman member of the Law Specialty Committee on National Self-taught Higher Education Examinations; and independent supervisor of TravelSky Technology Limited. Mr. RAO previously served as an independent non-executive Director of the Company and an independent non-executive director of Yangguang Xinye Real Estate Co., Ltd.. Mr. RAO obtained a Master's degree in law in 1982 from Peking University and was a visiting scholar at the University of Washington, New York University, and Max Planck Institute of International Law.

Mr. LEI Yong

serves as a staff Supervisor and the general manager of Securities Outlet of Beijing Headquarter of the Company. Mr. LEI joined the Company in 1995 and was appointed as a Supervisor of the Company on 30 May 2002. Mr. LEI previously worked as the deputy general manager of the trading department of the Company, the general manager of the Beijing Beisanhuan Zhonglu Branch and the managing director of the brokerage business development and management committee of the Company, person-in-charge of Wealth Management Department, managing director of Compliance Department and the convenor of the Supervisory Committee. Mr. LEI obtained a college diploma in industrial enterprise management in 1994 from Tianjin Management Institute.

Mr. YANG Zhenyu

serves as a staff Supervisor of the Company and the deputy general manager of Beijing Branch office. Mr. YANG joined the Company in 1997 and was appointed as a Supervisor of the Company on 16 December 2005. Mr. YANG previously served as the deputy general manager of the general administration department of the Company, as senior vice president of the treasury operation department of the Company and as person-in-charge of the comprehensive management department. Mr. YANG obtained a Bachelor's degree in law in 1993 from People's Public Security University of China.

Other members of the Senior Management (16 individuals)

Mr. GE Xiaobo

serves as a member of the Communist Party Committee of the Company as well as a member of the Executive Committee, chief financial officer and chief risk officer of the Company. Mr. GE joined the Company in 1997, is one of the first sponsor representatives in China, and previously served as the manager and senior manager of the investment banking department, deputy director of the A-share listing office, deputy general manager and executive general manager of the risk control department, head of the trading and derivatives department, planning and finance department, risk management department and international business and fixed income department, a member of the Executive Committee and the chief financial officer of the Company. Mr. GE concurrently serves as the director of CSI, CLSA B.V., China AMC, CITIC Securities Investment, CITIC PE Fund, and the chairman member of the International Strategy Committee and the vice chairman member of the Overseas Committee of Securities Association of China. Mr. GE was awarded a National Finance May Day Labor Medal in 2007. He obtained a Bachelor's degree in engineering (majoring in fluid machinery and fluid engineering) in 1994 and a Master's degree in business administration (majoring in management engineering) in 1997 from Tsinghua University.

Mr. MA Yao

serves as a member of the Executive Committee and the head of the Investment Banking Management Committee of the Company. Mr. MA joined the Company in 1998 and previously served as the deputy general manager of the Risk Control Department, deputy general manager of the Bond Distribution and Trading Department, deputy general manager of the Trading Department, person-in-charge of the Capital Market Department, head of the Financial Industry Group and member of the Investment Banking Management Committee. Mr. MA obtained a Bachelor's degree in automatic control from Xi'an Jiaotong University in 1994, a Master's degree in money and banking and a Doctor's degree in international finance from the Graduate School of the People's Bank of China in 1998 and 2012, respectively.

Mr. XUE Jirui

serves as a member of the Executive Committee, head of the Equity Derivatives Business Line and Prime Service Business Line and a member of the Financial Market Management Committee of the Company. Mr. XUE joined the Company in 2000 and previously served as a manager of the financial products development group, researcher of the Research Department, head of the product development group of the trading and derivatives business line and member of the Financial Market Management Committee. Mr. Xue is concurrently a director of CITIC Futures and Qingdao Jindingxin Microfinance. Mr. XUE obtained a Bachelor's degree, a Master's degree and a Doctor's degree in statistics from Renmin University of China in 1997, 2000 and 2006, respectively.

Mr. YANG Bing

serves as a member of the Executive Committee and the chief executive of the asset management business of the Company. Mr. YANG joined the Company in 1999 and previously worked as a teacher of Shaoguan University from 1993 to 1996. He once served in the Company as an assistant trader of the Trading Department, trader of the Fixed Income Department as well as investment manager and investment supervisor of the asset management business. Mr. YANG obtained a Bachelor's degree in fine chemicals from Nanchang University in 1993 and a Master's degree in national economics from Nanjing University in 1999.

Mr. LI Chunbo

serves as a member of the Executive Committee and the division head of the Research Department, Equity Distribution and Trading Department and the Custody Department of the Company. Mr. LI joined the Company in 2001 and previously worked as an analyst of the Research Consulting Department (later renamed as the Research Department), chief analyst of the Research Department, as well as the chief executive of the Research Department and the Equity Distribution and Trading Department. Mr. LI obtained a Bachelor's degree in vehicle engineering and a Master's degree in management science and engineering from Tsinghua University in 1998 and 2001, respectively.

Mr. ZOU Yingguang

serves as a member of the Executive Committee and chief executive of the Fixed Income Department of the Company. Mr. ZOU joined the Company in 2017 and previously worked as a surgeon of Xuanwu Hospital of Capital University of Medical Sciences, business manager of Hainan Huayin International Trust Corporation, manager of the institutional client section of South Haidian Road Outlet of Huaxia Securities Co., Ltd., senior business director of the bonds department of Huaxia Securities Co., Ltd., assistant to general manager of the bonds department, the person-in-charge of the fixed income department as well as member of the Executive Committee and concurrently the person-in-charge of the fixed income department of China Securities. Mr. ZOU obtained a Bachelor's degree in clinical medicine from Capital University of Medical Sciences in 1994, a Master's degree in finance from Central University of Finance and Economics in 2000 and an EMBA degree from China Europe International Business School in 2012.

Mr. LI Yongjin

serves as a member of the Executive Committee, director of the Wealth Management Committee, general manager of the Zhejiang Branch Office of the Company and a director of each of CITIC Futures and China AMC. Mr. LI joined the Company in 1998 and previously worked as a staff of the International Business Department of Dalian Branch of Agricultural Bank of China, department manager of Dalian Sales Department of Shenyin Wanguo Securities, assistant to general manager, deputy general manager and general manager of Dalian Securities Outlet of the Company, senior vice president and director of the Brokerage Management Department of the Company and general manager of CITIC Securities (Zhejiang) Co., Ltd. (the predecessor of the Zhejiang Branch Office). Mr. LI obtained a Bachelor's degree in economics and a Master's degree in finance from Dongbei University of Finance and Economics in 1992 and 2000, respectively.

Mr. LI Jiong

serves as the treasurer and the chief executive of the Treasury Department of the Company. Mr. LI joined the Company in 1996 and previously worked as the manager of International Cooperation Office of the Information Center of China International Trust Investment Corporation (the predecessor of CITIC Group), manager of the Development Department of CITIC International Cooperation Company, manager of the Bonds Department and deputy general manager of the Capital Operation Department (later renamed as the Treasury Department) as well as the chief executive of the Prime Service Business Line of the Company. Mr. LI concurrently serves as the director of CITIC Securities Overseas Investment Co., Ltd., CITIC Futures, Jindingxin Microfinance, CITIC Global Financial Leasing CO,. LTD, KVB Kunlun Financial Group Limited and CITIC Securities International USA, LLC. Mr. LI obtained a Bachelor's degree in international finance from the University of International Business and Economics in 1992 and a MBA degree from Tsinghua University in 2000.

Mr. SONG Qunli

serves as the chief engineer of the Company and administrative person in charge of the Information Technology Center of the Company. Mr. SONG joined the Company in 2016 and previously served as the chief of the software section of Beijing CONTEC Microelectronics Co., Ltd., general manager of the Computer Center of Huaxia Securities Co., Ltd., member of the Business Decision-making Committee and concurrently chief executive of the Information Technology Department of China Securities, vice president of China Minzu Securities Co., Ltd. and managing director of the Information Technology Department of China Securities. Mr. SONG concurrently serves as the executive director of CITIC Securities Information & Quantitative Services (Shenzhen) Co., Ltd. and the director of E-Capital Transfer Co., Ltd.. Mr. SONG obtained a Bachelor's degree in automotive control from the School of Engineering of Beijing Union University in 1987.

Mr. ZHANG Hao

serves as the chief marketing officer of the Company and secretary to the Communist Party Committee and chairman of CITIC Futures Co., Ltd.. Mr. ZHANG joined the Company in 1997 and previously served as teaching assistant of Shanghai Urban Construction Vocational College, head of the B-share Business Department of Shanghai Trust Investment Corporation of China Construction Bank as well as deputy general manager of the Shanghai B-share Business Department, general manager of the Shanghai Fuxing Middle Road Securities Outlet and concurrently deputy general manager of the Shanghai management headquarters, general manager of the Shanghai Huaihai Middle Road Securities Outlet, deputy general manager of the Shanghai management headquarters and general manager of Shanghai Branch of CITIC Securities. Mr. Zhang concurrently serves as vice president of China Futures Association and a director of CITIC Global Financial Leasing CO,. LTD.. Mr. ZHANG was awarded the title of "Skilled Young Worker of SOEs" in 2001. Mr. ZHANG obtained dual Bachelor's degrees in industrial management engineering and engineering mechanics from Shanghai Jiao Tong University in 1991 and a MBA degree from the Antai College of Shanghai Jiao Tong University in 2001.

Mr. ZHANG Guoming

serves as the chief compliance officer and the chief executive of the Legal Department of the Company. Before joining the Company in 2010, Mr. ZHANG worked as deputy chief judge, chief judge and a member of the Judge Committee of the Higher People's Court of Henan Province, and the judge of the Supreme People's Court. Mr. ZHANG obtained his Master's degree in law and doctor's degree in law from the Renmin University of China in 1994 and 2008, respectively.

Ms. ZHENG Jing

serves as the secretary to the Board, Company secretary and administrative officer in charge of the Board Office of the Company. Ms. ZHENG joined the Company in 1997. She worked as an assistant in the research department, the manager of the general administration department and a team member of the A Share Listing team. Upon the establishment of the Board Office, she joined the Board Office and has been the securities representative of the Company from 2003 to 2011. Ms. ZHENG obtained a Bachelor's degree of law in international politics in 1996 from Peking University, and has been approved by the Shenzhen Bureau of the CSRC to serve as the secretary to the Board of the Company in April 2011. Ms. ZHENG has been a joint member of the Hong Kong Institute of Chartered Secretaries since May 2011.

Mr. YE Xinjiang

a member of the Senior Management, member of the Investment Banking Management Committee (IBMC), and head of the quality control group and the M&A business line under the IBMC of the Company. Mr. YE joined the Company in December 2005. He was formerly the head of the medical and health industry group under the IBMC of the Company, head of the regional IBS group and head of the New OTC Market Business Department of the Company. Mr. YE obtained a Bachelor's degree in agricultural economics in July 1985 and a Master's degree in management (part-time) in July 1990 from Zhejiang University (formerly Zhejiang Agricultural University).

Mr. JIN Jianhua

a member of the Senior Management, secretary of the Party Committee and general manager of GoldStone Investment. Mr. JIN joined the Company in May 1997. He previously served as the deputy general manager of the Investment Banking Department (Beijing), and IBMC member and head of the financial industry group, equipment manufacturing industry group and the M&A business line under the IBMC of the Company. Mr. JIN obtained a Bachelor's degree in industrial foreign trade in July 1993 and a Master's degree in technical economics in July 1996 from Xi'an Jiaotong University, and obtained a Master's degree in business administration in 2009 from CEIBS.

Mr. SUN Yi

a member of the Senior Management, IBMC member and head of the financial industry group under the IBMC of the Company. Mr. SUN joined the Company in April 1998. He once served as the deputy general manager of the Investment Banking Department (Shenzhen) of the Company, managing director of CSI, head of the Operations Department and head of ECM team under the IBMC of the Company, as well as the deputy general manager of China AMC and concurrently general manager of China AMC Capital. Mr. SUN obtained a Bachelor's degree in business management in July 1993 from Jiangxi University of Finance and Economics and a Master's degree in corporate management in June 1996 from Xiamen University.

Mr. GAO Yuxiang

a member of the Senior Management, IBMC member and head of the infrastructure and real estate industry group under the IBMC of the Company. Mr. GAO joined the Company in November 2004 and had served as the deputy head of the real estate and construction materials industry team, the transport industry team and the infrastructure and real estate industry team under the IBMC of the Company. Mr. GAO obtained a college degree in financial accounting from Qingdao Radio and Television University in July 1990 and a Bachelor's degree in national economic management from Peking University in July 1995. He obtained a degree in business management in July 2001 from Capital University of Economics and Business and a Doctor's degree in industrial economics in July 2004 from Beijing Jiaotong University.

Changes of Directors, Supervisors and Senior Management During the Reporting Period and Until the Date of Publication of 2018 Annual Results Announcement

Name	Position	Change	Cause of Change
KUANG Tao	Non-Executive Director	Election	Elected by the Shareholders
GE Xiaobo	Chief Risk Officer	Appointment	Appointed by the Board
SUN Yi	Member of the Senior Management	Appointment	Appointed by the Board
YE Xinjiang	Member of the Senior Management	Appointment	Appointed by the Board
CHEN Zhong	Former Non-executive Director	Resignation	Due to other work arrangement
LI Fang	Former Supervisor and Chairman of the Supervisory Committee	Resignation	Reaching the statutory retirement age
CAI Jian	Former Chief Risk Officer	Resignation	Reaching the statutory retirement age
TANG Zhenyi	Former member of the Executive Committee	Appointment/ Resignation	Appointed by the Board/Personal reasons
JIN Jianhua	Member of the Senior Management	Appointment	Appointed by the Board
GAO Yuxiang	Member of the Senior Management	Appointment	Appointed by the Board
LIU Hao	Supervisor/Chairman of the Supervisory Committee	Election	Elected by the Shareholders and the Supervisory Committee
LEI Yong	Former Convener of the Supervisory Committee	Election/ Re-designation	Elected by the Supervisory Committee/ Decided by the Supervisory Committee

Relationships between Directors, Supervisors and Senior Management

There is no relationship among the Directors, Supervisors or Senior Management including relationships in terms of finance, business, family or other significant/relevant relationship.

Performance Appraisal and Remuneration of Directors, Supervisors and Senior Management

Performance appraisal of Directors and Supervisors

During the Reporting Period, the Directors and Supervisors of the Company strictly complied with the laws, administrative rules and Articles of Association and diligently and faithfully performed their responsibilities and obligations.

The Directors of the Company attended the Board meetings and meetings of relevant specialized committees in accordance with the rules. During the meetings, the Directors prudently considered the resolutions proposed and explicitly put forward their views and suggestions. When the Board was not in meeting, the Directors kept themselves abreast of the operation and management of the Company by reading carefully the various types of documents and reports provided by the Company.

Directors, Supervisors, Senior Management and Employees

The Executive Directors of the Company prudently performed the dual roles in decision making as well as policy implementation. They also actively implemented the decisions adopted by general meetings of Shareholders and the Board meetings and played an effective role as a bridge between the Board and the Management. By careful studies of the Company's development strategy and business strategy, the non-executive Directors kept themselves abreast of the latest operation and management status of the Company through visits and inspections, presentations and communications, and made decisions in a scientific manner, thereby demonstrating a strong sense of responsibilities. Through site visits and seminars, the independent non-executive Directors were in close contact with the Company, earnestly participated in the meetings of the Board and relevant specialized committees, and persistently expressed independent and objective views, thereby actively protecting the interests of minority Shareholders, and benefiting the Company with their professional skills and opinions for development.

Supervisors of the Company attended Supervisory Committee meetings in accordance with the rules and they also attended on-site Board meetings and general meetings as observers. They inspected and monitored the overall compliance, material decision making, significant operation events and the financial conditions of the Company.

For details of the attendance and performance of Directors and Supervisors, please refer to the section "Performance of Duties by Directors" and "Supervisors and the Supervisory Committee" of this report.

Performance and appraisal of Senior Management

During the Reporting Period, the Company provided clear targets for the Senior Management within the scope of their duties and evaluated their performances by year end. In addition to focusing on financial performances, market influences and completion of annual key tasks in their respective work sectors, their appraisals were closely linked with the performance of the Company.

During the Reporting Period, the Senior Management conscientiously performed their duties, obtained good overall performance, completed the tasks assigned to them by the Board and further enhanced the internal control system and risk control mechanisms of the Company during their term. Under the guidance of the Board, the Senior Management grasped the development opportunities of the industry, expedited innovations, optimized the operation structures, enhanced cooperation and deepened the Company's strategic implementations in all respects, achieving relatively good operating results.

Remuneration of Directors, Supervisors and Senior Management for the year

Procedures for determination of the remuneration of the Directors, Supervisors and Senior Management: the Remuneration and Appraisal Committee of the Board is responsible for making recommendations to the Board on the remuneration policy and structure for all Directors and the Senior Management, as well as the establishment of formal and transparent procedures for the formulation of remuneration policy. The Board is responsible for decision making regarding the remuneration, reward and punishment issues for the Senior Management, whereas the remuneration of the Directors and Supervisors is determined by the general meetings.

Criteria for determination of the remuneration of the Directors, Supervisors and Senior Management: the remuneration of the Directors, Supervisors and Senior Management is determined in strict accordance with the Remuneration Management System of the Company, and are linked with their respective positions and performance.

For details of the remuneration of the current Directors, Supervisors and Senior Management for the year, please refer to "Changes in the Shares held and information on remuneration" of this report. Allowances for the external Directors and Supervisors are calculated on a yearly basis, provided for on a monthly basis, and paid twice a year.

The Company will continue to improve the performance, compensation and other management system based on the relevant regulatory requirements and the Company's conditions.

Share incentives regarding Directors, Supervisors and Senior Management

Implementation of share incentive scheme of the Company

The Company did not implement any new share incentive scheme during the Reporting Period. For share incentive scheme implemented by the Company in 2006, please refer to China Securities Journal, Shanghai Securities News, Securities Times and the SSE website on 7 September 2006. For details of shares held by Directors, Supervisors and Senior Management, please refer to "Changes in the Shares held and information on remuneration" of this report.

The Company had not revised the scope of eligible participants for share incentives during the Reporting Period.

Staff Information

Number and composition of staff

As at the end of the Reporting Period, the Group had a total of 15,842 staff (including brokers and dispatched staff), of which 9,245 (including brokers and dispatched staff) were staff of the Company, and their compositions are set out below:

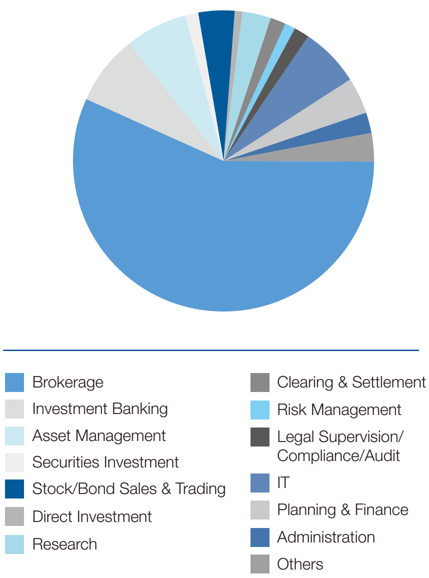
Unit: persons

Number of in-service staff of the Parent (including brokers and dispatched staff)	9,245
Number of in-service staff of principal subsidiaries (including brokers and dispatched staff)	6,597
Total number of in-service staff	15,842
Number of retired staff for which the Parent and principal subsidiaries are responsible for their expenses	243

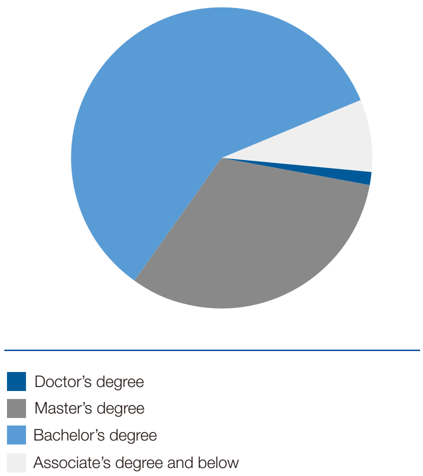
Types of profession	**Number of staff**
Brokerage	8,978
Investment Banking	1,211
Asset Management	1,060
Securities Investment	196
Stock/Bond Sales & Trading	616
Direct Investment	162
Research	452
Clearing & Settlement	294
Risk Management	151
Legal Supervision/Compliance/Audit	280
IT	1,027
Planning & Finance	601
Administration	357
Others	457
Total	15,842

Type of education	**Number of staff**
Doctor's degree	226
Master's degree	5,096
Bachelor's degree	9,288
Associate's degree and below	1,232
Total	15,842

Composition of the Group's staff by profession



Education level of the Group's staff



Remuneration policy

At CITIC Securities, employees' remuneration consists of base annual salary, performance-based annual salary, special rewards and insurance. The base annual salary is the employee's basic annual income set forth in the remuneration standards in line with employees' positions and ranks. The remuneration standards in line with positions and ranks are mainly based on factors such as the position's duties, responsibilities, importance, scale of operation, and industry practice. In order to strike a balance between business risks and financial goals, the Company adopts a shared performance based annual incentive remuneration system. Conditional on recognizing that the business department is profitable, performance based annual remuneration will be distributed "in favour of the business department, the profitable business sections and business with major innovation" while also recognizing the role and value of other middle-office and back-office departments. The performance-based annual remuneration is based on the Company's operating results of the year. The total amount of performance-based annual remuneration is drawn from the Company's annual profits in accordance with the percentage approved at the Board meeting each year.

The Company has established a number of special rewards such as "Innovation Award" and "Loyalty Award" to develop the Company's core competitiveness, to encourage innovation and team spirit, and to maintain the stability of the core human resources team.

The Company and its employees take part in various social insurance, enterprise annuity and housing fund programs following China's relevant regulations. The social insurance and housing fund programs are regulated in accordance with local policies.

In order to raise the level of employee's medical insurance, the Company sets up commercial complementary medical insurance and accident insurance, in addition of basic medical insurance, at its own expense for the employees.

The Company has no any share option program for now.

Please refer to the Note 11 to the Financial Statements in this report for compensations received by employees from the Company during the Reporting Period.

Training program

The Company maps out an annual training programme and organizes targeted trainings for business and management according to the internal training system of the Company and in view of business needs to fulfill the goal of talent development. To achieve mutual growth of the Company and the staff, the Company offers diversified and well-targeted training programs to the staff. The Company is currently carrying out a training program with comprehensive plans, implementation by levels and outstanding focus, which mainly include:

1. To strengthen the training on leadership and managerial skills for middle and Senior Management of the Company, to broaden their international perspective and improve their management ability for change and transformation, strategy analysis, operation management, business collaboration and risk management, in order to train high-quality corporate operation managers.

2. To strengthen the training on professional skills and general professional quality for key employees and lower-level employees, to improve employee's ability in professional customer service through conducting trainings such as new products, new businesses and new policies, as well as to improve employees' general professional quality through conducting trainings such as communication skills and office software skills.

3. To emphasize on the cultivation of new employees recruited in campus recruitment to provide a wide variety of induction trainings including the major businesses of the Company, professional knowledge of securities, customer development skills and office skills as well as the development opportunities of job-rotation at its branches to outstanding graduates.

4. To attach great importance to the training for professional ethics and compliance awareness for all staff of the Company, to build good professional ethics for securities corporates through trainings targeted at the professional morality and professional conduct, and to confirm the untouchable bottom-line while conducting businesses through carrying on trainings regarding compliance awareness.

Information on brokers

As at the end of the Reporting Period, the Company and CITIC Securities (Shandong) had a total of 159 brokers, of which 124 are engaged by the Company. The Company has established a comprehensive system for management of brokers and a confirmed organization system, practicing conditions, scope of authorities and standards of behavior as well as an established filing and inquiry systems for the brokers. Each broker of the Company has obtained a securities broker certificate before becoming a practitioner and would engage in activities such as customer solicitation and customer services by relying on or through the marketing channels provided by the Company's Securities Business Department. When engaging in practice, the broker would, in accordance with the requirements, present his securities broker certificate to the customer to indicate his agency relationship with the Company, and shall carry out his work within the scope of agency authorities, agency period and practicing geographical location as specified in the agency contract. The Company has incorporated management of brokers into the front office management system of its Securities Business Department, and carries out daily supervision over the occupational behaviors of the brokers. The Company has established and improved the customer feedback system by regularly collecting feedbacks by designated staffs through telephone or other means from customers solicited and served by the brokers, and making complete records thereof. In addition, the Company has special regulations for brokers on issues such as compliance management and trainings.

The Company had not been involved in large numbers of labor outsourcing activities.

Corporate Governance Report

Overview of Corporate Governance

The Company is committed to excellence and strives to become global customers' most trustworthy PRC investment bank with leading position in the PRC and high ranking in the world. For details of the Company's corporate strategy and long-term operational model, please refer to "Management Discussion and Analysis" of this report.

As a company listed in both the Mainland China and Hong Kong, the Company has operated its business in strict compliance with the requirements set forth in the laws, regulations and normative documents of the PRC and the overseas jurisdiction where the Shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. The Company keeps improving its corporate governance structure according to the requirements of the Company Law, the Securities Law and relevant rules and regulations of CSRC. The corporate governance of the Company complies with the requirements of the relevant laws and regulations by having established a corporate governance structure characterized by checks and balances among general meeting, the Board, the Supervisory Committee and the Operation Management, with each of them being separated from the others and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring that all the operational activities of the Company are carried out according to the rules and regulations.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the "**Code**") as set out in Appendix 14 of the Hong Kong Listing Rules, and observed all the Code provisions and satisfied the requirements of most recommended best practices in the Code.

Dealing in Securities by Directors, Supervisors and Related Employees

According to the domestic regulatory requirements, the 23rd Meeting of the Third Session of the Board considered and approved the Measures for the Management of the Holding and Changes in the Shares of CITIC Securities Company Limited by Directors, Supervisors and Senior Management (hereinafter referred to as the "**Management Measures**") on 13 March 2008, to regulate the behavior of holding of and dealing in the Shares of the Company by Directors, Supervisors and Senior Management. The Management Measures are stricter than the compulsory provisions in the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter referred to as the "**Model Code**") set out in Appendix 10 to the Hong Kong Listing Rules. Having made enquires, all Directors, Supervisors and Senior Management had confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period. For details about the shareholdings of the Directors, Supervisors and Senior Management in the Company, please refer to "Changes in the Shares held and information on remuneration" in this report.

Shareholders and the General Meetings

The general meeting is the highest authority of the Company, and Shareholders can exercise their rights through the general meeting. The Company convenes and holds the general meeting in strict compliance with the relevant regulations, so as to ensure all Shareholders, especially the minority Shareholders, are being treated equally and can fully exercise their rights. Following the guidance of the Articles of Association of the Company, the Company operates in an orderly manner and maintains healthy and stable development, thus effectively protecting the interests of the Company and its Shareholders.

Pursuant to Article 78 of the Articles of Association of the Company, Shareholder(s) that hold, individually or collectively, 10% or more of the shares in the Company have the right to request in writing the Board to hold an extraordinary general meeting. The Board shall give a written response on whether or not it agrees to call such an extraordinary general meeting within 10 days after receipt of such request. If the Board agrees to hold an extraordinary general meeting, it shall issue a notice calling such meeting within five days after it has so resolved. The consent of relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Board disagrees with the holding of an extraordinary general meeting or fails to give a response within 10 days after receipt of such request, Shareholder(s) that hold, individually or collectively, 10% or more of the shares in the Company shall have the right to propose in writing the Supervisory Committee to hold an extraordinary general meeting. If the Supervisory Committee agrees to hold an extraordinary general meeting, it shall issue a notice calling such meeting within five days after receipt of such request. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice calling such meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and chair such meeting. Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company for 90 consecutive days or more may convene and chair such meeting on its or their own.

In addition, pursuant to Article 83 of the Articles of Association of the Company, the Board, the Supervisory Committee and Shareholder(s) that hold, individually or collectively, 3% or more of the Shares in the Company shall have the right to put forward proposals to the Company at the general meeting of the Company. Shareholder(s) that hold, individually or collectively, 3% or more of the Shares in the Company may submit extempore proposals in writing to the convener 10 days prior to the date of the general meeting. The convener shall, within two days after receipt of the proposal, issue a supplementary notice of the general meeting to announce the contents of such extempore proposal. Otherwise, the convener shall not, after the issuance of the notice of general meeting, make any change to the proposals having been set forth in such notice or add any new proposals.

The Company attaches great importance to the management of investor relations, and pursuant to the Management System for Information Disclosure and the Management System for Investor Relations of the Company, the Secretary to the Board is designated to handle information disclosure matters, and to receive visits and enquiries from the Shareholder, thereby having established a relatively completed and effective channel for communication with the Shareholders. In addition to the information disclosure channels prescribed in the law and regulation, the Company mainly communicates with its investors through telephone, email, online platform, receiving visits, and attending investor meetings, to ensure that all Shareholders, especially the minority Shareholders, can fully exercise their rights (for ways to contact with the Company, please refer to "Basic Information" and "Key Financial Indicators" in this report).

The Company fully respects and protects the lawful interests of the Shareholders and other creditors, employees, clients and other stakeholders, and involves them in a joint effort to promote the sustained and healthy development of the Company.

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

Note: For details of the resolutions of the meeting mentioned above, please refer to the announcements published on the HKExnews website of the Hong Kong Stock Exchange on the date of the meeting, and announcements published on the SSE website, China Securities Journal, Shanghai Securities News and Securities Times published on the following day.

During the Reporting Period, the attendances of Directors at the general meeting are as follow:

Name of Director	Position	Scheduled attendance at general meeting held during the year	Actual attendance	Of which: attendance in person	Of which: attendance by tele-communication	Attendance rate
ZHANG Youjun	Executive Director, Chairman	1	1	1	—	100%
YANG Minghui	Executive Director, President	1	1	1	—	100%
KUANG Tao	Non-executive Director	—	—	—	—	—
LIU Ke	Independent Non-executive Director	1	1	1	—	100%
HE Jia	Independent Non-executive Director	1	1	1	—	100%
CHAN, Charles Sheung Wai	Independent Non-executive Director	1	1	1	—	100%
CHEN Zhong	Former Non-executive Director	1	1	1	—	100%

Note 1: During the term of office of Mr. CHEN Zhong in 2018, the Company held one general meeting. Mr. CHEN Zhong attended this meeting.

Note 2: During the term of office of Mr. KUANG Tao in 2018, the Company did not hold any general meeting.

The Board and the Operation Management

Composition of the Board

The Company strictly complies with the requirements of the Article of Association of the Company for appointment and change of the Directors. The number and composition of the Board have conformed to the requirements of the relevant laws and regulations. Besides, the Board also kept improving the rules of procedure of the Board. The convening, holding, as well as the voting procedures of all the Board meetings were legitimate and valid. The independent non-executive Directors of the Company are able to protect the interests of minority Shareholders independently and objectively, and play a role of checks and balance in decision-making of the Board.

As at the end of the Reporting Period, the Sixth Session of the Board consisted of six Directors, including two executive Directors (Mr. ZHANG Youjun, Mr. YANG Minghui), one non-executive Director (Mr. KUANG Tao) and three independent non-executive Directors (Mr. LIU Ke, Mr. HE Jia, Mr. CHAN, Charles Sheung Wai), the number of independent non-executive Directors represented over 1/3 of the Board. Mr. ZHANG Youjun is the Chairman of the Board.

Directors (including executive Directors, non-executive Directors and independent non-executive Directors) are elected by the general meeting for a term of three years per each term formally starting from the date on which they are elected and their appointments are approved at the general meeting and their qualifications as directors of securities companies are approved by CSRC. Directors are eligible for re-election upon the expiration of their terms. The terms of independent non-executive Directors are the same as the other Directors, but shall not be re-elected for more than two consecutive sessions. In accordance with relevant requirements of Rule 3.13 of the Hong Kong Listing Rules, the Company has received the annual written confirmation from each independent non-executive Director with regard to his independence. Based on these confirmations and the relevant information available to the Board, the Board continues to confirm their independence.

Pursuant to the authorisation of the 2011 Fifth Extraordinary General Meeting, the Company has taken out liability insurance for the Directors, Supervisors and Senior Management, to protect them against the compensation liabilities that may arise from performing their duties and to encourage them to earnestly fulfill their duties and responsibilities.

Duties and Responsibilities of the Board

The Board is the decision-making body of the Company and responsible to the general meeting. The Board is principally responsible for making the overall and long-term decisions of the Group, as well as making decisions of corporate governance, development strategy, risk management, financial operation and other aspects. The Board is also responsible for reviewing and approving of the major financial and investment decisions, business strategies and other plans.

The Board shall exercise the following major functions and powers in accordance with the Articles of Association of the Company: to convene general meeting, report its work to the general meeting and implement the resolutions of the general meeting; to decide on the business plans and investment plans of the Company (except those that require the approval of the general meeting in accordance with the Articles of Association of the Company); to formulate the profit distribution plan and loss recovering plan; to formulate proposals for the increase or reduction of the registered capital, the issuance of bonds or other securities and the listing plan of the Company; to prepare plans for material acquisitions, purchase of the Company's Shares, or merger, separation, dissolution or change of the corporate form of the Company; to decide on the external investment, acquisition and disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and related party/connected transactions of the Company within the scope of the authorisation of the general meeting; to decide on the establishment of the internal management structure of the Company; to appoint or dismiss the President, members of the Executive Committee, Chief Financial Officer, Compliance Officer, Chief Risk Officer, Secretary to the Board and other Senior Management and determine their remuneration, rewards and punishments; to appoint or dismiss Senior Management pursuant to the nominations by the Chairman or the President and determine their remuneration, rewards and punishments; to formulate the basic management system of the Company; to formulate proposals for the amendment to the Articles of Association of the Company; to manage information disclosures of the Company; to propose to the general meeting on the engagement or replacement of the accounting firms of the Company who conduct audit for the Company; and to formulate the basic compliance management system and other risk control systems.

Responsibilities of the Operation Management

The Board is responsible for the overall strategic direction and governance of the Group, while the Operation Management of the Company is responsible for implementing the development strategies and policies approved by the Board, as well as the daily operation and management of the Group. The Operation Management is the highest operation management authority of the Company, established to carry through and implement the roadmap and guidelines determined by the Board, shall exercise the following functions and powers in accordance with the Articles of Association of the Company: to carry through and implement the operation plan of the Company set by the Board, and decide on material matters in respect of the operation and management of the Company; to formulate profit distribution and loss recovering plan of the Company; to formulate proposals for altering the registered capital of the Company and bonds issuance; to formulate proposals for merging, splitting, transforming the form of and dissolution of the Company; to formulate operational plans and proposals for investment, financing and disposal of assets of the Company, and submit the proposals to the Board for approval according to its terms of reference; to formulate proposals on the establishment of the management structure of the Company; to formulate and approve the proposal of remuneration, rewards and punishments of employees, and other responsibilities delegated by the Board.

Corporate Governance Report

During the Reporting Period, various management works of the Company were progressed steadily, and the Senior Management performed their duties properly. The management work achieved positive results, and the Company's business results and main business are still in top tier of the industry. The Company has established a management system of linking the obligations with rights and benefits, realizing the whole process management of comprehensive planning, budget and assessment that does not allow any department, any business line, any subsidiary, or any person to be uncovered in the Company's planning, budget and assessment system. The Company-level CRM system had been fully deployed to realize the real-time dynamic management of employees, business, client development and performance appraisal. The self-developed big data platform organized the Company's businesses, product and client data over many years and supported the operation of business system of each department. The artificial intelligence products such as smart investment consultant and asset management product investment were developed. Data management achieved initial results.

Performance of duties by Directors

Board meeting and attendance of Directors

During the Reporting Period, the Board held fourteen meetings:

(1) During the 20th Meeting of the Sixth Session of the Board held on 21 January 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Providing Guarantees for the Relevant Subsidiaries of CLSA B.V. in Connection with Business Operations.

(2) During the 21st Meeting of the Sixth Session of the Board held on 25 January 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on the Appointment of Senior Management of the Company.

(3) During the 22nd Meeting of the Sixth Session of the Board held on 22 March 2018 at CITIC Securities Tower in Beijing, the Board considered and approved unanimously the 2017 Work Report of the Board, the Proposal on Considering the 2017 Annual Report of the Company, the Duty Performance Report of Independent Non-executive Directors for 2017, the Resolution on Considering the 2017 Corporate Governance Report of the Company, the Resolution on Considering the 2017 Assessment Report on the Internal Control of the Company, the Resolution on Considering the Auditing Report on the Internal Control of the Company, the Resolution on Considering the 2017 Compliance Report of the Company, the Resolution on Considering the 2017 Evaluation Report on the Compliance Management Effectiveness of the Company, the Resolution on Considering the 2017 Audit Work Report of the Company, the Resolution on Considering the 2017 Comprehensive Risk Management Report of the Company, the Resolution on Considering the 2017 Social Responsibility Report of the Company, the Proposal on the 2017 Profit Distribution Plan of the Company, the Resolution on the Adjustment of the Audit and Review Expenses of the Company for 2017, the Proposal on the Re-appointment of Accounting Firms, the Proposal on Changes in Principal Accounting Policies of the Company, the Proposal on the Estimated Investment Limit for Proprietary Business of the Company for 2018, the Proposal on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, the Proposal on Considering the Potential Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, the Proposal on Submission to General Meeting for Granting General Mandate to the Board for to issue Additional A Shares and/or H Shares of the Company, the Proposal on Considering the Total Remuneration of Directors of the Company for 2017, the Resolution on Considering the Total Remuneration of the Senior Management of the Company for 2017, the Proposal on the Related Party/Continuing Connected Transactions to be Contemplated

in the Ordinary Course of Business of the Company in 2018, the Proposal on Change of Non-executive Directors of the Company, the Proposal on Amendments to the Articles of Association of the Company, the Resolution on Amendments to Rules of Procedure of the Risk Management Committee of the Board, the Resolution on Considering Measures for Conflicts of Interest of the Company, the Resolution on Renaming the Capital Operation Department as the Treasury Department of the Company and the Resolution on the Authorization of Convening the 2017 Annual General Meeting.

(4) During the 23rd Meeting of the Sixth Session of the Board held on 27 April 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Considering the 2018 First Quarterly Report of the Company.

(5) During the 24th Meeting of the Sixth Session of the Board held on 8 June 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Amendment to the Comprehensive Risk Management System of the Company.

(6) During the 25th Meeting of the Sixth Session of the Board held on 15 June 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Waiving the Right of First Refusal regarding the Transfer of 20% Equity Interest in Qingdao Blue Ocean Equity Exchange Limited and the Resolution on Establishment of the Internal Audit Department of the Company.

(7) During the 26th Meeting of the Sixth Session of the Board held on 6 July 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Waiving the Right of First Refusal regarding the Transfer of 13% Equity Interest in CITIC Private Equity Funds Management Company Limited.

(8) During the 27th Meeting of the Sixth Session of the Board held on 27 July 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on the Capital Increase in Kington Securities.

(9) During the 28th Meeting of the Sixth Session of the Board held on 23 August 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Considering the 2018 Interim Report of the Company, the Resolution on Considering the 2018 Interim Compliance Report of the Company and the Resolution on Considering of the 2018 Interim Comprehensive Risk Management Report of the Company.

(10) During the 29th Meeting of the Sixth Session of the Board held on 7 September 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Adjusting the Departmental Settings of the Company and the Resolution on the Dissolution and Cancellation of the CITIC Securities Information and Quantitative Service (Shenzhen) Co., Ltd. (中信証券信息與量化服務(深圳)有限責任公司).

(11) During the 30th Meeting of the Sixth Session of the Board held on 25 October 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Amendments to the Administrative Measures on Related Party Transactions of the Company.

(12) During the 31st Meeting of the Sixth Session of the Board held on 30 October 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Considering the 2018 Third Quarterly Report of the Company.

(13) During the 32nd Meeting of the Sixth Session of the Board held on 10 December 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Capital Increase in CSI and the Resolution on Renaming the Brokerage Business Development and Management Committee as the Wealth Management Committee of the Company.

(14) During the 33rd Meeting of the Sixth Session of the Board held on 28 December 2018 by means of teleconference, the Board considered and approved unanimously the Resolution on Waiving the Right of First Refusal regarding the Capital Increase in Jiantou Zhongxin Asset Management Co., Ltd. and the Resolution on Reducing Capital in CITIC Securities (Shandong).

During the Reporting Period, the attendances of Directors at the Board meetings are as follows:

Name of Director	Position	Scheduled attendance at Board meetings held during the year	Actual attendance	Attendance by proxy	Absence	Attendance rate
ZHANG Youjun	Executive Director, Chairman	14	14	—	—	100%
YANG Minghui	Executive Director, President	14	14	—	—	100%
KUANG Tao	Non-executive Director	4	4	—	—	100%
LIU Ke	Independent Non-executive Director	14	14	—	—	100%
HE Jia	Independent Non-executive Director	14	14	—	—	100%
CHAN, Charles Sheung Wai	Independent Non-executive Director	14	14	—	—	100%
CHEN Zhong	Former Non-executive Director	10	10	—	—	100%
Board meetings held during the year: 14						
Among which, number of on-site meetings: 1						
Number of meetings held via tele-communications: 13						
Number of meetings held by means of on-site combined with tele-communications: —						

Note: During the term of office of Mr. KUANG Tao in 2018, the Company convened four Board meetings, and he attended all the meetings. During the term of office of Mr. CHEN Zhong in 2018, the Company convened ten Board meetings, and he attended all the meetings.

Implementation of resolutions approved at the General Meetings by the Board

(1) On 29 November 2013, the Resolution on the Re-authorization of Issuance of Short-term Commercial Paper by the Company was considered and approved at the 2013 third extraordinary general meeting of the Company. On 19 June 2015, the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2014 annual general meeting of the Company. On 19 June 2017, the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company and the Resolution on the Increase of Authorised Amount for the Business of Securitization Backed by Credit Asset relating to Margin Finance Business were considered and approved at the 2016 annual general meeting of the Company. On 26 June 2018, the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2017 annual general meeting of the Company. During the Reporting Period, the status of implementation of such resolutions is as follows:

Date of Issue	Issuing Entity	Type of Debt Financing Instrument	Issue Size
Use of the Authorization by the 2013 Third Extraordinary General Meeting			
19 October 2018	CITIC Securities Co., Ltd.	Securities Company short-term Commercial Paper	RMB5 billion
9 November 2018	CITIC Securities Co., Ltd.	Securities Company short-term Commercial Paper	RMB3 billion
6 December 2018	CITIC Securities Co., Ltd.	Securities Company short-term Commercial Paper	RMB2 billion
Use of the Authorization by the 2014 Annual General Meeting			
20 April 2017	CITIC Securities Finance MTN Co., Ltd.	USD medium-term notes	US$800 million (equivalent to RMB5.491 billion)
17 November 2016	CITIC Securities Co., Ltd.	RMB bonds	RMB15 billion
17 February 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB12 billion
12 September 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB2 billion
March 2017–December 2017	CITIC Securities Co., Ltd.	Beneficiary certificates	RMB1.438 billion
Subtotal			**RMB35.929 billion**

Date of Issue	Issuing Entity	Type of Debt Financing Instrument	Issue Size
Use of the Authorization by the 2016 Annual General Meeting			
28 November 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB4.8 billion
15 December 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB1 billion
16 March 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB1.7 billion
13 April 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB4.8 billion
18 April 2018	CITIC Securities Finance MTN Co, Ltd.	USD medium-term notes	US$200 million (equivalent to RMB1.373 billion)
9 May 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB2.5 billion
13 June 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB3 billion
14 June 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB3 billion
4 July 2018	CITIC Securities Co., Ltd.	Debt financing asset-backed securities	RMB1.425 billion
6 July 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB4 billion
17 October 2018	CITIC Securities Co., Ltd.	RMB subordinated bonds	RMB5 billion
29 October 2018	CITIC Securities Co., Ltd.	RMB bonds	RMB3 billion
5 November 2018	CITIC Securities Co., Ltd.	RMB subordinated bonds	RMB4 billion
January 2018–December 2018	CITIC Securities Co., Ltd.	Beneficiary certificates	RMB19.84 billion
Subtotal			**RMB59.438 billion**
Use of the Authorization by the 2017 Annual General Meeting			
10 December 2018	CITIC Securities Finance MTN Co, Ltd.	USD medium-term notes	USD300 million (equivalent to RMB2.059 billion)

Note: The US dollar is equivalent to the RMB exchange rates, which is converted into the midpoints at the end of 2018.

(2) On 26 June 2018, the Resolution on the 2017 Profit Distribution Plan of the Company was considered and approved at the 2017 annual general meeting of the Company. The cash dividend was denominated and declared in RMB and payable in RMB to the A Shareholders and in HKD to the H Shareholders. All cash dividends have been fully paid on 24 August 2018.

(3) On 26 June 2018, the Resolution on Re-appointment of Accounting Firms was considered and approved at the 2017 annual general meeting of the Company. Pursuant to the resolution, the Company appointed PwC Zhong Tian and PwC Hong Kong as the external auditors of the Company for 2018 and PwC Zhong Tian as the audit firm for the internal control of the Company in 2018. On 21 March 2019, PwC Zhong Tian issued unqualified audit reports and the Audit Report on the Internal Control for the Company.

(4) On 26 June 2018, the Resolution on the Amendments to the Articles of Association of the Company was considered and approved at the 2017 annual general meeting of the Company. It was agreed that the Company, in accordance with the regulatory requirements and taking into account its situation, will make corresponding amendments to certain clauses in the Company's Articles of Association and the Appendix. The amendments mainly involve the following five aspects: specify that the Company may establish a subsidiary to conduct private investment fund business and may establish a subsidiary to conduct alternative investment businesses including financial products and equity interests, other than those categories listed on the List of Securities Investments for Proprietary Trading of Securities Companies, so as to keep consistent with the regulatory requirements; specify the duties and powers of the Board, the Risk Management Committee and Executive Committee of the Board in risk management; specify the duties and powers of the Board, the Supervisory Committee and Executive Committee of the Company in compliance management; confirming the duties and powers of the Shareholders' general meeting and the authorization to the Board by the Shareholders' general meeting; and adjusting relevant content according to the actual situation of the Company. The amendments to the Articles of Association of the Company is still subject to the approval by and filling with the CSRC and the Shenzhen Securities Regulatory Bureau. The Company will also make the relevant filling with the relevant industrial and commercial authorities and the Companies Registry of Hong Kong.

Training of Directors

Training of Directors is a continuous program. The Company will arrange induction training for all newly appointed Directors according to their respective experiences and backgrounds. The Company will also provide relevant reading materials to newly appointed Directors to enhance their knowledge and understanding about the corporate culture and operation of the Group. The training and reading materials generally include brief introduction about the structure, business and corporate governance of the Group, as well as an introduction on the securities industry and investment banking business in China.

In addition, every Director will receive a guideline on code of conduct and other documents when joining the Board. During the Reporting Period, the Directors were periodically or occasionally provided with reporting information about the business operations of the Group, as well as introduction on changes and latest development of the relevant legislative and regulatory environment. Besides, the Company also encourages all Directors to participate in relevant training courses at the cost of the Company. All Directors have provided regular training records to the Company.

During the Reporting Period, the Directors attached great importance to updating their professional knowledge and skills to cater for the needs for the Company's development, the methods and the details are as follows:

Name	Position	Methods and Details of the Training
ZHANG Youjun	Executive Director, Chairman	In January 2018, Mr. ZHANG attended the Company's training on studying the Spirit of Party's 19th National Congress and General Secretary Xi Jinping's "1·5" important address. From January to February 2018, he participated in the training of implementing and studying the Spirit of the Party's 19th National Congress in China E-learning Academy for Leadership. In April 2018, he attended the training "Move Faster to Transform From An Economic Giant to An Economic Power — Xi Jinping's Economic Thought on Socialism with Chinese Characteristics for New Era" held by CITIC Group. In May 2018, he participated in the training on promoting high-quality development of state-owned enterprises held by CITIC Group. In May 2018, he participated in the training themed "Remain true to our original aspiration and keep our mission firmly in mind" held by the Company in respect of fully strengthening the party construction and online specialized thematic courses on Company's Party and Government Administration. In June 2018, he participated in the Stagger Holidays Class on Learning the Spirit of 19th National Congress of the CPC held by CITIC Group and the training about current China-US relations. In July 2018, he participated in the system engineering and "wisdom ocean" held by CITIC Group. In October 2018, he attended the development and application of artificial intelligence technology held by CITIC Group, and studied "Liangjiahe Village", "Regulation of the Communist Party of China on Disciplinary Actions", CITIC Group's Implementation of "Provisions of the Chinese Communist Party Regarding On-Site Inspections" and so on, as well as completed the Securities Practitioners Subsequent Professional Training.
YANG Minghui	Executive Director, President	In January 2018, Mr. YANG attended the Company's training on studying the Spirit of the Party's 19th National Congress and General Secretary Xi Jinping's "1·5" important address. From January to February 2018, he participated in the training of implementing and studying the Spirit of the Party's 19th National Congress in China E-learning Academy for Leadership. In April 2018, he attended the training "Move Faster to Transform From An Economic Giant to An Economic Power — Xi Jinping's Economic Thought on Socialism with Chinese Characteristics for New Era" held by CITIC Group. In May 2018, he participated in the training on promoting high-quality development of state-owned enterprises held by CITIC Group. In May 2018, he participated in the training themed "Remain true to our original aspiration and keep our mission firmly in mind" held by the Company in respect of fully strengthening the party construction and online specialized thematic courses on Company's Party and Government Administration. In June 2018, he participated in the Stagger Holidays Class on Learning the Spirit of 19th National Congress of the CPC held by CITIC Group and the training about current China-US relations. In July 2018, he participated in the system engineering and "wisdom ocean" held by CITIC Group. In October 2018, he attended the development and application of artificial intelligence

Name	Position	Methods and Details of the Training
		technology held by CITIC Group, and studied "Liangjiahe Village", "Regulation of the Communist Party of China on Disciplinary Actions", CITIC Group's Implementation of "Provisions of the Chinese Communist Party Regarding On-Site Inspections" and so on, as well as completed the Securities Practitioners Subsequent Professional Training.
KUANG Tao	Non-executive Director	In July 2018, Mr. KUANG attended the 2018 online specialized thematic courses of "in-depth study and implementation of Xi Jinping's Thought on Socialism with Chinese Characteristics for A New Era" held by China E-learning Academy for Leadership. In September 2018, he attended the China Life Insurance alternative investment seminar. In October 2018, he attended the Annual Summit of Highbridge Capital in the United States and conducted seminars with J.P. Morgan Asset Management on global economy, market outlook, global multi-asset allocation, and other topics. In October 2018, he attended the Asia Pacific Insurance Summit Roundtable and the Global Investment Summit in Taiwan. In December 2018, he participated in eight online specialized thematic courses organized by China E-learning Academy for Leadership in 2018, including "The New Era Must Adhere to the New Concept of Development" and "Poverty Alleviation".
LIU Ke	Independent Non-executive Director	In July 2018, Mr. LIU participated in the first session of exchange class on Audit Committee training and performance improvement of Listed Companies organized by China Association for Public Companies, SSE and SZSE. In December 2018, he participated in independent Director training and sharing activities and recent regulatory policies updating training organized by PWC. He read books related to corporate governance and business management.
HE Jia	Independent Non-executive Director	In September 2018, Mr. HE reported the articles on the lessons and precautions of the International Financial Crisis on China finance. In September 2018, he was invited to report on the reform of local state-owned enterprises for Xinhua Daily Telegraph. In October 2018, he participated in the 4th Independent Directors' Later-stage Training organized by SSE in 2018. In October 2018, he reported on the industrial form in the digital economy of Jinan Municipal Government of Shandong Province. In November 2018, he published articles on "how innovation and regulation can enhance China's financial instability" and "technological innovation and incremental reform" in the Caixin magazine column. In December 2018, he participated in independent Director training and sharing activities and recent regulatory policies updating training organized by PWC. He read books related to corporate governance and business management.
CHAN, Charles Sheung Wai	Independent Non-executive Director	In June 2018, Mr. CHAN participated in the Certificate course for Directors of insurance companies organized by CBIRC. In December 2018, he participated in independent Director training and sharing activities and recent regulatory policies updating training organized by PWC.

Name	Position	Methods and Details of the Training
CHEN Zhong	Former Non-executive Director	In January 2018, Mr. CHEN participated in the centralized training of Senior Management on "Studying and Implementing the Spirit of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the 19th National Congress of the Communist Party of China" organized by China Life Insurance (Group) Company. In March 2018, he participated in the seminar of "China's Political Leadership and Strategic Innovation in the New Era — Interpretation of the Spirit of The National People's Congress (NPC) and The Chinese People's Political Consultative Conference (CPPCC) in 2018" organized by China Life Insurance (Group) Company. In April 2018, he participated in the seminar on "Learning and Understanding General Secretary Xi Jinping's Important Thought on comprehensively deepening reform" organized by China Life Investment Holding Company Limited. In May 2018, he participated in the Australian training on "Transformation and Transition — Improving quality and efficiency of Comprehensive Financial Services" organized by China Life Insurance (Group) Company. In June 2018, he participated in the seminar on "the impact of new regulatory policies on alternative insurance investment" held by China Life Investment Holding Company Limited. In June 2018, he attended the seminar on "Macroeconomic Situation and Financial and Insurance Development — Interpretation of the Spirit of the 19th National Congress of the CPC" organized by China Life Insurance (Group) Company. In August 2018, he participated in the seminar of "Remain true to our original aspiration and keep our mission firmly in mind" held by China Life Investment Holding Company Limited. In August 2018, he participated in the seminar on "Exchange of State-owned Equity Investment Fund and Investment Mechanism" organized by China Life Investment Holding Company Limited.

Chairman

Mr. ZHANG Youjun serves as the Chairman of the Company. The Chairman is the Company's legal representative, whose responsibilities are to take charge of the operation of the Board and to ensure that the Board acts in the best interest of the Company, that the Board operates effectively, fulfills its duties and considers all important and appropriate issues, and that the Directors can receive information in an accurate, timely and clear manner.

President

Mr. YANG Minghui serves as the President of the Company. The President is responsible to preside over the Company's daily work, which mainly includes, to organize to carry out the Board's resolutions, to organize the implementation of the Company's annual business plan and investment plan, to formulate the Company's basic management system, to formulate the specific rules and regulations of the Company, to draft plans for the establishment of the Company's internal management structure, to propose the appointment or dismissal of Senior Management other than President, Compliance Officer and Secretary to the Board, to decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board; to execute the risk control system of the Company to ensure that the Company meets the requirements of the risk control indicators set by CSRC, to exercise other powers granted by the Articles of Association of the Company and the Board of the Company. The President shall be accountable to the Board and report his work to the Board.

Non-executive Directors

The Company currently has four non-executive Directors, of which three are independent non-executive Directors. For details about their terms of office, please refer to the section on "Directors, Supervisors, Senior Management and Employees" of this report.

Specialized Committees under the Board

The Sixth Session of the Board has established the Strategic Planning Committee, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee and the Related Party Transactions Control Committee, which are responsible to assist the Board to perform its duties from various aspects. As at the end of the Reporting Period, composition of the committees is as follows:

No.	Names of Specialized Committees under the Board	Name of Committee Member
1	Strategic Planning Committee	ZHANG Youjun, YANG Minghui, KUANG Tao, LIU Ke
2	Audit Committee	CHAN, Charles Sheung Wai, LIU Ke, HE Jia
3	Remuneration and Appraisal Committee	LIU Ke, HE Jia, CHAN, Charles Sheung Wai
4	Nomination Committee	LIU Ke, ZHANG Youjun, KUANG Tao, HE Jia, CHAN, Charles Sheung Wai
5	Risk Management Committee	YANG Minghui, KUANG Tao, HE Jia, CHAN, Charles Sheung Wai
6	Related Party Transactions Control Committee	HE Jia, LIU Ke, CHAN, Charles Sheung Wai

During the Reporting Period, the specialized committees of the Board cordially performed their duties, actively discussed the changes in internal and external trends, participated in the collective decision-making of material matters of the Company, and provided a number of constructive and professional opinions and recommendations on the rapid and healthy development of the Company. In response to the global economic and financial situation, the macroeconomic policies of the PRC and the regulatory requirements on the securities industry, specialized committees of the Board affirmed the Company's strategic goals and made recommendations to the Board in respect of deeply advancing the internationalization process, improving internal control, preventing business risks, exploring more efficient management structures, establishing incentive policies matching with the industry positioning of the Company and other aspects. During the Reporting Period, none of the committee members raised objection to the matters being considered.

During the Reporting Period, meetings were held by the specialized committees of the Board as follows:

Strategic Planning Committee

The primary responsibilities of the Strategic Planning Committee of the Board are: to understand and master the overall operations of the Company; to understand, analyze and master the current conditions of the international and domestic industries; to understand and master relevant policies of China; to research on the short-term, mid-term and long-term development strategies of the Company and other related issues; to advise on the long-term development strategies, major investments, reforms and other major decisions of the Company; to review and approve the special research reports on development strategies; and to issue routine research reports on a regular or irregular basis.

The Strategic Planning Committee of the Company currently comprises four members, namely, Mr. ZHANG Youjun, the executive Director, Mr. YANG Minghui, the executive Director, Mr. KUANG Tao, the non-executive Director, and Mr. LIU Ke, independent non-executive Director. The chairman of the Strategic Planning Committee is assumed by Mr. ZHANG Youjun, the executive Director.

During the Reporting Period, the Strategic Planning Committee held four meetings in total, details of which are as follows:

Date of Meeting	Resolutions Passed
20 March 2018	Proposal on Renaming the Capital Operation Department as the Treasury Department of the Company
15 June 2018	Proposal on Establishment of the Internal Audit Department of the Company
3 September 2018	Proposal on Adjusting the Departmental Settings of the Company, Proposal on the Dissolution and Cancellation of the CITIC Securities Information and Quantitative Service (Shenzhen) Co., Ltd.
6 December 2018	Proposal on Capital Increase in CSI, Proposal on Renaming the Brokerage Business Development and Management Committee as the Wealth Management Committee of the Company

All members of the Strategic Planning Committee attended the above meetings.

Audit Committee

The primary responsibilities of the Audit Committee of the Board are: to make recommendations to the Board on the appointment and removal of the auditors of the Company; to approve the remuneration and terms of engagement for the auditors; to review and monitor the independence and objectivity of the external auditors and the effectiveness of the auditing procedures in accordance with applicable standards; to review the financial information of the Company and its disclosure; to review the financial control, internal control and risk management systems of the Company; and to review the financial and accounting policies and practices of the Company.

The Audit Committee of the Company currently comprises three members, namely, Mr. CHAN, Charles Sheung Wai, Mr. LIU Ke and Mr. HE Jia, the independent non-executive Directors. The chairman of the Audit Committee is assumed by Mr. CHAN, Charles Sheung Wai, the independent non-executive Director.

During the Reporting Period, the Audit Committee held seven meetings in total. The Audit Committee convened its meetings, considered relevant matters and made decisions in accordance with the Rules of Procedure of the Audit Committee of the Board of the Company, and made efforts to enhance the efficiency of its work and the soundness of its decision-making. The Audit Committee diligently performed its duties, and actively participated in the compilation, audit and disclosure of annual financial reports according to the Working Procedures of the Audit Committee of the Board for Annual Reports. It ensured the independence of audit, enhanced the audit quality, and protected the overall interests of the Company and the Shareholders.

The Audit Committee and its members have fully played their roles of audit and supervision according to the relevant laws and regulations, diligently performed their duties and made great contributions to improving corporate governance structure and enhancing the audit quality.

The Audit Committee prudently reviewed the financial status of the Company and examined the financial statements prepared by the Company. It considered that the Company's financial system is under stable operation and the financial status is good. Besides, the Board, through the Audit Committee, also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes for employees and relevant budget of the Company's accounting and financial reporting functions.

Major accomplishments of the Audit Committee in 2018 included:

- reviewing periodic financial reports
- reviewing the summary of the internal audits and approving the annual internal audit plan
- reviewing the major findings on the audits of the internal audit departments and external auditors, and responses of the management to the recommendations on such audits
- reviewing the effectiveness of the internal control system and adequacy of accounting and financial reporting functions
- reviewing the statutory scope of review of the external auditors
- considering the remuneration for and appointment of the external auditors
- reviewing and monitoring the independence of the external auditors and the non-audit services they provided

Meetings of the Audit Committee during the Reporting Period and up to the date of the 2018 Annual Results Announcement are as follows:

Date of Meeting	Resolutions Passed
12 March 2018	Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers Hong Kong Regarding the Company's Preliminary Audit Results for 2017, Proposal on the Adjustment of the Audit and Review Expenses of the Company for 2017, Proposal on the Re-appointment of Accounting Firms, Proposal on Changes in the Principal Accounting Policies of the Company, Audit Work Report of the Company for 2017, Resolution on Considering the Audit Work Plan of the Company for 2018
20 March 2018	Proposal on Considering the 2017 Annual Report of the Company, Proposal on Considering the 2017 Assessment Report of Internal Control of the Company, Proposal on Considering the Auditing Report on the Internal Control of the Company, Resolution on Considering the Performance Report of the Audit Committee of the Board of the Company for 2017, Resolution on Considering the Audit Work Summary of PwC
23 April 2018	Proposal on Considering the 2018 First Quarterly Report of the Company
17 August 2018	Proposal on Considering the 2018 Interim Work Review of the Company
20 August 2018	Proposal on Considering the 2018 Interim Report of the Company
25 October 2018	Proposal on Considering the 2018 Third Quarterly Report of the Company

Date of Meeting	Resolutions Passed
11 December 2018	Proposal on Considering the 2018 Audit Plan of the Company
4 March 2019	Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers Hong Kong Regarding the Company's Preliminary Audit Results for 2018, Proposal on the Adjustment of the Audit and Review Expenses of the Company for 2018, Proposal on Considering the Audit Work Report of the Company for 2018, Resolution on Considering the Audit Work Plan of the Company for 2019
20 March 2019	Resolution on Considering the of Audit Work Summary of PwC, Proposal on Considering the 2018 Annual Report of the Company, Proposal on Considering the 2018 Assessment Report of Internal Control of the Company, Proposal on Considering the Auditing Report on the Internal Control of the Company, Resolution on Considering the Performance Report of the Audit Committee of the Board of the Company for 2018, Proposal on the Re-appointment of Accounting Firms

All members of the Audit Committee attended the above meetings. They carefully reviewed the meeting documents beforehand, making full preparation for performing their duties. During the process of deliberation of the issues of the meetings, all of them put forward pertinent suggestions capitalizing on their own expertise background and experience, and actively guided the Company for relevant improvements.

Overview of audit work of the Company:

PwC carried out the 2018 audit work on the Company mainly by two stages, the preliminary audit and year-end audit. PwC adopted the "Integrated Audit" method to complete the audit work in combination of the audit on financial statements and the audit on internal control. At the preliminary audit stage, PwC conducted the audit on internal control and carried out internal control testing at the enterprise level and the business process level under the Chinese Certified Public Accountants Auditing Standards, the Guidelines for Audit on Enterprise Internal Control and the Opinions on the Implementation of the Guidelines for Audit on Enterprise Internal Control issued by the Chinese Institute of Certified Public Accountants. At the preliminary audit stage, the IT auditors of PwC also understood and conducted testing on major computer systems used by the Company. At the year-end audit stage, PwC focused on principal accounting policies, critical accounting judgements and accounting estimations adopted by the Company. PwC conducted detailed testing such as external confirmations and re-calculation and substantive analysis to conduct audit on financial statements items.

In order to successfully complete the audit on the 2018 Annual Financial Report of the Company and procure PwC to issue relevant reports within the agreed period, the Audit Committee of the Sixth Session of the Board authorized the Planning and Financial Department of the Company made multiple times of supervision on PwC in relation to the planning of audit work, impairments of goodwill, valuation of financial instruments, impairments of financing business, judgement on scope of consolidation, impact of the new standards of financial instruments, audit progress, timing of initial draft and final draft of the audit report, etc. during the auditing period. The Audit Committee convened the 2018 7th meeting of the Audit Committee of the Sixth Session of the Board of the Company on 11 December 2018 in Beijing. The members participated in the meeting considered the resolution of 2018 Audit Plan of the Company and attended the presentation of PwC on the Company's 2018 Audit Plan and made suggestions concerning the 2018 Audit Plan. On 21 March 2019, PwC issued the unqualified audit reports for the Company within the scheduled time.

In addition, the Audit Committee conducted an annual appraisal on PwC. In the appraisal, major considerations of the Audit Committee included requirements of the laws and regulations of the Mainland China and Hong Kong and relevant professional provisions on the external auditors, and the external auditors' compliance with such laws, regulations and provisions and their overall performance during the Reporting Period. The Audit Committee is also responsible for reviewing the independence of PwC to ensure that the reports issued by it can provide truly and objective opinions. The Audit Committee has received a written confirmation from PwC of their independence and objectivity prior to the audit of the Company's 2018 financial statements. PwC shall not offer any other non-audit service unless otherwise specially approved to ensure that their judgment and independence in the audit are not undermined. The Audit Committee of the Board was of the opinion that PwC conducted its independent audit on the 2018 Financial Statements of the Company in a diligent, fair and objective manner, and successfully completed the annual audit work.

On 20 March 2019, the Audit Committee conducted a preliminary review on the 2018 Assessment Report on the Internal Control of the Company and Auditing Report on Internal Control of the Company, and was of the view that the internal control system of the Company was effective and performing well, such that the sound development of the Company is effectively secured. For details of the Board's evaluation of our internal control and relevant information, please refer to "Disclosure of appraisal report on the Company's internal control" in this Chapter.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company currently comprises three members, namely, Mr. CHAN, Charles Sheung Wai, Mr. LIU Ke and Mr. HE Jia, the independent non-executive Directors. The chairman of the Remuneration and Appraisal Committee is assumed by Mr. LIU Ke, the independent non-executive Director.

The primary responsibilities of the Remuneration and Appraisal Committee of the Board are: to establish and implement the performance appraisal system that is adapt to the changing market, the remuneration policy that has competitive edge, and the reward and punishment and incentive measures that are linked to the operating performance of the Company, and make recommendations to the Board on the remuneration and its structure of all the Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the performance of the Directors and Senior Management, carry out annual performance appraisals over them, and review and approve performance-based remuneration; and to monitor the implementation of the remuneration system of the Company.

Major accomplishments of the Remuneration and Appraisal Committee in 2018 included:

- reviewing the performance of the Directors and Senior Management, and carrying out annual performance appraisals over them
- reviewing the remuneration level of the Directors and Senior Management and recommending to the Board in this regard
- supervising the implementation of the remuneration system of the Company

During the Reporting Period, the Remuneration and Appraisal Committee held one meeting in total on 12 March 2018, at which it considered and approved the Proposal on Considering the Total Remuneration of the Directors of the Company for 2017, Proposal on Considering the Total Remuneration of Senior Management of the Company for 2017, Resolution on

Considering the Report of the Remuneration and Appraisal Committee of the Board of the Company on the Performance of Duties in 2017, Resolution on Considering the Achievement of Performance Targets in 2017 and the Implementation Plan of Annual Performance Based Remuneration Policy for Senior Management of the Company, Resolution on Considering the Pre-distribution Plan of Senior Management Loyalty Award in 2017 of the Company, and Resolution on Considering the Inclusion of One-time Retained Earnings Increases into the Bonus Base Caused by the Company's Execution of New Standards of Financial Instruments. All members of the Remuneration and Appraisal Committee attended the meeting.

During the Reporting Period, the Remuneration and Appraisal Committee supervised the implementation of the remuneration system of the Company. It was of the opinion that the Company strictly implemented the remuneration system established by the Board, and that the information about the remuneration of the Directors, Supervisors and Senior Management disclosed in the 2018 Annual Report of the Company was true, accurate and complete, and complied with the relevant requirements of the CSRC and the Hong Kong Stock Exchange.

Nomination Committee

The Nomination Committee of the Company currently comprises five members, namely, Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai, independent non-executive Directors, Mr. ZHANG Youjun, the executive Director, and Mr. KUANG Tao, the non-executive Director. The chairman of the Nomination Committee is assumed by Mr. LIU Ke, the independent non-executive Director.

The primary responsibilities of the Nomination Committee of the Company are: to review the structure, number and composition of the Board (including skills, knowledge, experience and diversity of the Board members), make recommendations on any proposed changes to the Board, if necessary, to match up with the strategies of the Company; to study the selection criteria and procedures of the Directors and Senior Management and make recommendations to the Board, to ensure that the Board members possess skills, experience and diversified views and perspectives required and suitable for the operation and development of the Company; to conducted extensive searches for qualified candidates for the Directors and Senior Management, review and give suggestions on the candidates and select and nominate relevant candidates of Directors or make recommendations to the Board in this regard; to assess the independence of the independent non-executive Directors; to make recommendations to the Board on relevant matters on the appointment or re-appointment of the Directors and succession plan for Directors; and to report its decisions or recommendations to the Board.

To achieve diversity of the Board members, the Rules of Procedure of the Nomination Committee of the Board expressly states that the Nomination Committee should select the Director candidates following objective standards, and relevant standards include but are not limited to:

- considering a combination of factors, such as gender, age, cultural and educational background, as well as professional experience of the Director candidates

- considering the Company's business features and future development needs, etc.

The Company provides the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may, if necessary, seek independent professional advice when performing its duties at the Company's expense.

Major accomplishments of the Nomination Committee in 2018 included:

- conducting preliminarily review on the Company's Senior Management candidates.
- conducting preliminarily review on the change of non-executive Director of the Company.

During the Reporting Period, the Nomination Committee held two meetings in total, details of which are as follows:

Date of Meeting	Resolutions Passed
22 January 2018	Proposal on the Appointment of Senior Management of the Company
20 March 2018	Proposal on Change of Non-executive Director of the Company

All members of the Nomination Committee attended the above meetings.

During the Reporting Period, the Nomination Committee conducted extensive searches for qualified candidates for Senior Management, reviewed the candidates and gave advice to the Board for decision. The Nomination Committee selects and recommends Senior Management candidates based on the following criteria:

Familiar with onshore and offshore securities business, with years of experience in securities and finance; having a profound understanding of and unique insights into the Company's principal businesses and obtaining excellent achievements in one of the principal businesses; having strong capability in strategic analysis, leadership, execution and business synergy; having an international perspective; meeting relevant provisions of the Measures on Regulating the Qualifications of Directors, Supervisors and Senior Management of Securities Companies of the CSRC; having the time and effort necessary to perform the duties; meeting other conditions as stipulated in the laws, administrative regulations and the Company's Articles of Association.

Risk Management Committee

The Risk Management Committee of the Company currently comprises four members, namely, Mr. YANG Minghui, the executive Director, Mr. KUANG Tao, the non-executive Director, and Mr. HE Jia and Mr. CHAN, Charles Sheung Wai, the independent non-executive Directors. The chairman of the Risk Management Committee is assumed by Mr. YANG Minghui, the executive Director.

The primary responsibilities of the Risk Management Committee of the Board are: to develop the overall risk management policy for the Board's review; to prescribe strategic structures and resources used for the risk management of the Company, and making them compatible with the internal risk management policy of the Company; to formulate the threshold of major risks; and to supervise, examine and make recommendations to the Board on the relevant risk management policies.

During the Reporting Period, the Risk Management Committee held three meetings in total and considered various reports in relation to risk control, compliance management and internal control and governance, details of which are as follows:

Date of Meeting	Resolutions Passed
20 March 2018	2017 Assessment Report on Internal Control of the Company, Auditing Report on the Internal Control of the Company, 2017 Compliance Report of the Company, 2017 Assessment Report on the Compliance Management Effectiveness, 2017 Comprehensive Risk Management Report, Proposal on Amendments to the Rules of Procedure of the Risk Management Committee of the Board of the Company, Measures for Conflicts of Interest in CITIC Securities
4 June 2018	Proposal on Amendments to the Comprehensive Risk Management System of the Company
19 August 2018	2018 Interim Compliance Report of the Company, 2018 Interim Comprehensive Risk Management Report

All members of Risk Management Committee attended the above meetings.

Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Company currently comprises three members, namely, Mr. HE Jia, Mr. LIU Ke and Mr. CHAN, Charles Sheung Wai, the independent non-executive Directors. The chairman of the Related Party Transactions Control Committee is assumed by Mr. HE Jia, the independent non-executive Director.

The primary responsibilities of the Related Party Transactions Control Committee of the Board are: to establish and amend the related party/connected transactions management system of the Company and monitor its implementation; to identify the list of related/connected parties of the Company and report it timely to the Board and the Supervisory Committee; to define the types of the related party/connected transactions and determine their approval procedures, standards and other matters; to review contemplated major related party/connected transactions of the Company with any related/connected parties, form a written opinion to the Board for review and report the same to the Supervisory Committee; and to review the information disclosure of any related party/connected transaction.

During the Reporting Period, the Related Party Transactions Control Committee held three meetings, details of which are as follows:

Date of Meeting	Resolutions Passed
20 March 2018	Proposal on Considering the Potential Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, Proposal on the Related Party/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2018
20 August 2018	Resolution on Considering the Related Party/Continuing Connected Transactions in the Ordinary Course of Business of the Company in the First Half of 2018
21 October 2018	Proposal on Amendments to the Administrative Measures on Related Party Transactions of the Company

All members of the Related Party Transactions Control Committee attended the above meetings.

During the Reporting Period, the major measures that the Board implemented in respect of corporate governance are as follows:

(1) Corporate governance of the Company and related recommendations: Faced with the complex economic and market environment of 2018, the Board and the specialized committees of the Board carried out on-going understanding on the status of Company and market condition as well as requirements of laws and regulations to promote the Company to further streamline internal management processes, enhance internal control mechanism and build and improve the risk management system.

(2) Development of Directors and Senior Management: The Company provided professional trainings for Directors and Senior Management to perform their duties and timely provided relevant materials in relation to securities industry and the development news of the Company to provide convenience for them to perform their duties.

(3) Compliance management of laws and regulations: The Board revised certain clauses of the Company's Articles of Association and its appendix in accordance with relevant provisions of the Management Norms for Private Investment Fund Subsidiaries of Securities Companies, the Management Norms for Alternative Investment Subsidiaries of Securities Companies and the Norms for Overall Risk Management of Securities Companies of the Securities Association of China and the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies of the CSRC. The amendments mainly involve the following five aspects: specify that the Company may establish a subsidiary to conduct private investment fund business and may establish a subsidiary to conduct alternative investment businesses including financial products and equity interests, other than those categories listed on the List of Securities Investments for Proprietary Trading of Securities Companies, so as to keep consistent with the regulatory requirements; specify the duties and powers of the Board, the Risk Management Committee and Executive Committee of the Board in risk management; specify the duties and powers of the Board, the Supervisory Committee and Executive Committee of the Company in compliance management; confirming the duties and powers of the Shareholders' general meeting and the authorization to the Board by the Shareholders' general meeting; and adjusting relevant content according to the actual situation of the Company. The amendments to the Articles of Association of the Company is still subject to the approval by and filling with the CSRC and the Shenzhen Securities Regulatory Bureau. The Company will also make the relevant filling with the relevant industrial and commercial authorities and the Companies Registry of Hong Kong.

In order to further improve the Company's comprehensive risk management organizational structure, clarify the terms of reference of the Risk Management Committee of the Board, and make it consistent with the revised Articles of Association, the Company revised the Rules of Procedure of the Risk Management Committee of the Board; according to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies of the CSRC, the Company drafted the Measures for the Management of Conflicts of Interest. The revision and formulation of the above-mentioned system was preliminarily reviewed by the first meeting of the 2018 Risk Management Committee of the Board on 20 March 2018, and was considered and approved at the 22nd Meeting of the Sixth Session of the Board of the Company. Such system has been put into effect since the date of approval by the Board.

In accordance with the Anti-money Laundering Supervision Opinions of the People's Bank of China, in order to constantly improve the risk management system of the Company, and to explicitly incorporate money laundering risks into the Company's comprehensive risk management system, to make the terms and conditions comply with the latest regulatory requirements and actual risk management needs of the Company, the Resolution on Amendments to the Comprehensive Risk Management Systems of the Company was preliminarily reviewed at the second meeting of the 2018 Risk Management Committee of the Board of the Company on 4 June 2018, and considered and approved at the 24th Meeting of the Sixth Session of the Board of the Company on 8 June 2018. Such system has been put into effect since the date of approval by the Board.

In accordance with Notice on Further Strengthening the Relevant Matters Concerning the Supervision of Related Party Transactions of Securities Companies of the Shenzhen Securities Regulatory Bureau, in order to constantly improve the management system of related party transactions of the Company, and to explicitly incorporate the largest Shareholder of the Company and its controlling companies as well as important upstream and downstream companies of such companies into the Company's related party transaction management system. The Resolution on Amendments to the Administrative Measures for Related Party Transactions of the Company was preliminarily reviewed at the third meeting of the 2018 Related Party Transaction Control Committee of the Board of the Company on 21 October 2018, and considered and approved at the 30th Meeting of the Sixth Session of the Board of the Company on 25 October 2018. Such system has been put into effect since the date of approval by the Board.

(4) Corporate Governance Report: The Board reviewed the Corporate Governance Report before the publishment of the 2018 Annual Results Announcement and was of the view that the Corporate Governance Report complied with the relevant requirements of the Hong Kong Listing Rules.

Performance of Duties by Independent Non-executive Directors

Work in relation to periodic reports

Compilation and review of 2017 Annual Report

On 12 March 2018, the 2018 1st meeting of the Audit Committee of the Sixth Session of the Board of the Company listened to the reports of PwC Zhong Tian and PwC Hong Kong on the preliminary audit results of 2017 Annual Report, conducted preliminary reviews on Proposal on the Adjustment of 2017 Audit and Review Expenses of the Company, the Proposal on the Re-appointment of Accounting Firms, the Proposal on Changes in Principal Accounting Policies and the Audit Work Report of the Company for 2017, and considered and approved the 2018 Audit Work Plan of the Company. All of the three members of the Audit Committee were independent non-executive Directors of the Company, who considered and delivered their opinions on the 2017 audit plan of the Company in their positions as members of the Audit Committee and the independent non-executive Directors.

On 20 March 2018, the 2018 2nd meeting of the Audit Committee of the Sixth Session of the Board of the Company conducted preliminary review on the Proposal on Considering 2017 Annual Report of the Company, Proposal on Considering 2017 Assessment Report of Internal Control of the Company and Proposal on Considering Auditing Report on Internal Control of the Company, and considered and approved the Resolution on Considering the Performance Report of the Audit Committee of the Board of the Company for 2017, the Resolution on Considering the Audit Work Summary of PwC. All of the three members of the Audit Committee were independent non-executive Directors of the Company, who conducted a preliminary review on the 2017 Annual Report of the Company in their positions as members of the Audit Committee and the independent non-executive Directors.

Compilation and review of 2018 Annual Report

On 11 December 2018, the 2018 7th meeting of the Audit Committee of the Sixth Session of the Board considered and approved the 2018 Audit Plan of CITIC Securities Company Limited. All of the three members of the Audit Committee were independent non-executive Directors, who considered and delivered their opinions on the 2018 audit plan of the Company in their positions as members of the Audit Committee and the independent non-executive Directors.

On 4 March 2019, the Company's independent non-executive Directors conducted on-site inspection and guidance on the Company and carefully listened to the report of the Management, the Chief Financial Officer and audit institutions on the operation, financial condition and audit of the Company in 2018. As members of the Audit Committee, all the independent non-executive Directors of the Company considered the Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers Hong Kong regarding the Company's Preliminary Audit Results of 2018 Annual Report and the Proposal on Considering the 2019 Audit Work Plan of the Company, and conducted preliminary reviews on the Proposal on the Considering 2018 Audit Work Report for and Proposal on Adjustment of 2018 Audit and Review Expenses of the Company.

On 20 March 2019, as members of the Audit Committee, all of the independent non-executive Directors of the Company considered the Resolution on Considering the Audit Work Summary of PwC and the Resolution on Considering the Performance Report of the Audit Committee of the Board of the Company for 2018, and conducted preliminary reviews on 2018 Annual Report, the 2018 Assessment Report of Internal Control, Auditing Report on Internal Control and the Proposal on Re-appointment of Accounting Firms.

Review of related party/connected transactions

CLSA B.V. intends to, through its wholly-owned subsidiary, contribute US$7 million (holding a 70% equity interest) to establish a joint venture with a wholly-owned subsidiary of CITIC Limited, as an overseas fund investment platform. The joint venture intends, after its incorporation, to establish a mezzanine fund for cross-border mergers and acquisitions, and its general partner intends to subscribe for not more than US$5 million of partnership interests in the mezzanine fund. CITIC Limited is the controlling shareholder of CITIC Corporation Limited, which is the largest Shareholder of the Company, hence it is a connected/related party of the Company. The abovementioned transaction was approved by the independent non-executive Directors of the Company on 1 March 2018.

On 20 March, 20 August and 21 October 2018, respectively, the independent non-executive Directors of the Company, as members of the Related Party Transactions Control Committee of the Board of the Company, preliminarily reviewed/considered and approved the Proposal on the Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, the Resolution on the Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2018, Resolution on the Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in the First Half of 2018 and the Proposal on Amendments to the Administrative Measures for Related Party Transactions of the Company.

Other performance of duties

On 20 January 2018, the independent non-executive Directors of the Company, based on the relevant information provided by the Company and as known to them, delivered their independent opinions on the Proposal on Providing Guarantees for the Relevant Subsidiaries of CLSA B.V. in Connection with Business Operations as considered on the 20th Meeting of the Sixth Session of the Board.

On 24 January 2018, the independent non-executive Directors of the Company, based on the relevant information provided by the Company and as known to them, conducted review and delivered their independent opinions on the Appointment of Senior Management of the Company as considered on the 21th Meeting of the Sixth Session of the Board.

On 21 March 2018, the independent non-executive Directors of the Company gave specific explanations and delivered their independent opinions on relevant matters of the 22th Meeting of the Sixth Session of the Board. They issued specific explanations and delivered their independent opinions on the accumulated and current guarantees of the Company in 2017 and the Changes on Principal Accounting Policies of the Company. They reviewed and delivered their independent opinions on the implementation of the Related Party/Connected Transactions contemplated in the ordinary course of business in 2017, the Related Party/Connected Transactions to be contemplated in the ordinary course of business in 2018, the 2017 profit distribution plan, the Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments, the re-appointment of accounting firms and the total remuneration of the Directors and Senior Management in 2017.

Establishment and improvement of working system in relation to the independent non-executive Directors and performance of independent Directors

In order to improve the corporate governance structure, promote the regulated operations, safeguard the overall interests of the Company and protect the lawful rights and interests of all Shareholders, particularly the minority Shareholders, the Working System for Independent Directors of the Company officially came into force on 28 July 2008 after it was considered and approved at the 28th meeting of the Third Session of the Board. The contents of the system include: qualifications of independent Directors; nomination, election and replacement of independent Directors; special powers of independent Directors; independent opinions of independent Directors; necessary conditions being provided for independent Directors; and working system regarding the annual report.

During their term of office, all independent non-executive Directors complied with relevant requirements of the laws, regulations and the Articles of Association of the Company, and had devoted sufficient time and energy to performing their duties. When making an independent judgment, the independent non-executive Directors were not affected by the substantial Shareholders of the Company or any other entity or individual having an interest in the Company; and they endeavored to protect the interests of the Company and minority Shareholders.

The independent non-executive Directors actively participated in all the meetings of the Board. Among the members of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Related Party Transactions Control Committee of the Board, the Company has appointed the requisite number of independent non-executive Directors as required by their respective rules, and the chairman of each of the specialized committees is assumed by an independent non-executive Director. All the chairmen of the committees convened the meetings according to the relevant rules of procedure.

Supervisors and the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company and is accountable to the general meeting. According to the Company Law and the Articles of Association of the Company, the Supervisory Committee is responsible for overseeing the financial activities and internal control of the Company, and the legality and compliance of the Board, the Operation Management and its members in the performance of their duties.

In 2018, the Supervisory Committee of the Company strictly complied with the relevant provisions of the Company Law and the Articles of Association of the Company, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site meetings of the Board and general meetings, made reports to the general meeting and submitted its working report and relevant proposals. Based on the spirit of being accountable to all Shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company's finance and the performance of duties by the Board and the Operation Management of the Company.

Meetings of the Supervisory Committee and attendance of Supervisors during the Reporting Period

During the Reporting Period, the Supervisory Committee of the Company convened five meetings in total. Details of which are as follows:

1. During the 10th Meeting of the Sixth Session of the Supervisory Committee of the Company held on 9 February 2018 by means of teleconference, the Supervisory Committee considered and approved unanimously the Resolution in relation to the Election of Convener of the Supervisory Committee.

2. During the 11th Meeting of the Sixth Session of the Supervisory Committee of the Company held on 22 March 2018 at CITIC Securities Tower, Beijing, the Supervisory Committee considered and approved unanimously the 2017 Work Report of the Supervisory Committee, Proposal on the Considering the 2017 Annual Report of the Company, 2017 Profit Distribution Plan, Proposal on Changes of Principal Accounting Policies of the Company, Proposal on Considering Total Remuneration of the Supervisors of the Company for 2017 and Resolution on Considering 2017 Social Responsibility Report of the Company; and reviewed the 2017 Assessment Report on Internal Control of the Company, the 2017 Auditing Work Report of the Company, the 2017 Comprehensive Risk Management Report, and the 2017 Compliance Report of the Company.

3. During the 12th Meeting of the Sixth Session of the Supervisory Committee of the Company held on 27 April 2018 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2018 First Quarterly Report of the Company and issued written review opinions.

4. During the 13th Meeting of the Sixth Session of the Supervisory Committee of the Company held on 23 August 2018 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2018 Interim Report of the Company with written review opinions issued, and reviewed the 2018 Interim Compliance Report of the Company and the 2018 Interim Comprehensive Risk Management Report of the Company.

5. During the 14th Meeting of the Sixth Session of the Supervisory Committee of the Company held on 30 October 2018 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2018 Third Quarterly Report of the Company, and issued written review opinions.

For details of the resolutions of the Supervisory Committee and the periodic reports considered and approved by the Supervisory Committee mentioned above, please refer to the announcements published on the HKEXnews website of the Hong Kong Stock Exchange on the dates of the meetings, and the announcements published on the SSE website, China Securities Journal, Shanghai Securities News and Securities Times on the following day.

During the Reporting Period, the attendances of Supervisors at the meetings of the Supervisory Committee are as follows:

Name of Supervisor	Position	Scheduled attendance at meetings of the Supervisory Committee during the year	Actual attendance	Attendance at on-site meetings by other means	Attendance by proxy	Absence	Means of attending on-site meetings
GUO Zhao	Supervisor	5	5	—	—	—	on-site
RAO Geping	Supervisor	5	5	—	—	—	on-site
LEI Yong	Employee Supervisor	5	5	—	—	—	on-site
YANG Zhenyu	Employee Supervisor	5	5	—	—	—	on-site

Meetings of the Supervisory Committee held during the year: 5
Of which, number of meetings held on-site: 1
Number of meetings held via communications: 4
Number of meetings held by means of on-site combined with communications: —

Note: Mr. LIU Hao officially served as a Supervisor of the Company from 11 March 2019, and the Chairman of the Supervisory Committee from 14 March 2019.

Participating in the audit project of the Company and conducting on-site inspections

To ensure the Supervisors to perform their supervision duties, during the Reporting Period, the Company arranged for the Supervisors to participate in the on-site opinion exchange sessions of five audit projects, listen to the exchange of audit opinions and feedbacks and explanations from the audit project teams and the unit being audited, and obtain an understanding on the operational compliance and risk control of the unit being audited. The details are shown below:

Date	Name of Supervisor	On-site inspection unit
21 September 2018	LIU Hao, LEI Yong, YANG Zhenyu	Beijing East Third Ring Road Middle Outlet
27 September 2018	LIU Hao, LEI Yong	Debt Capital Market Department of the Company
8–9 November 2018	LIU Hao, GUO Zhao, RAO Geping, LEI Yong	Fujian Branch Office, Fuzhou Hudong Road Outlet
22–23 November 2018	LIU Hao, GUO Zhao, LEI Yong	Shanghai Branch Office, Shanghai Lianyang Road Outlet
6 December 2018	LIU Hao, GUO Zhao, RAO Geping, YANG Zhenyu	Stock Capital Market Department of the Company

Through on-site inspections, the ways for the Supervisors to perform their duties were further enriched, which effectively enhanced the capabilities of the Supervisory Committee of the Company to supervise the operation and management activities of the Company.

Independent opinion of the Supervisory Committee

During the Reporting Period, the Supervisors attended all on-site meetings of the Board and general meetings as observers. They supervised and inspected the operation in accordance with laws, major decisions, major business activities and the financial position of the Company. On the basis of the above, the following independent opinions were given:

(1) The Company managed to operate in strict compliance with the Company Law, the Securities Law, the Articles of Association of the Company and the relevant rules and regulations of the State, and the decision-making procedure of the Company was legal. The Company was able to continuously improve its internal control system, and none of the Directors and Senior Management was involved in any violation of laws and disciplines or other acts that may harm the interests of the Company when performing their duties for Company affairs. The Supervisory Committee of the Company had no disagreement with any supervisory matters during the Reporting Period.

(2) The financial position of the Company was operated well. The financial report for 2018 had been audited by PwC. Both accountants had issued their respective audit reports with unqualified opinions, which gave a true and fair view of the financial position and the business performance of the Company.

(3) During the Reporting Period, the Company issued two tranches of public corporate bonds with an issuance size of RMB4.7 billion in total and five tranches of non-public corporate bonds with an issuance size of RMB17.3 billion in total. The Company issued two tranches of non-public subordinated bonds of RMB9 billion in total. In addition, the Company issued one tranche of asset-backed project for margin accounts creditor's rights with an issuance size of RMB1.4 billion, all proceeds of which were used to replenish the working capital of the Company, as well as 11 tranches of short-term Commercial Papers and 1,048 tranches of beneficiary certificates, to replenish the working capital and liquidity of the Company.

The Company established special proceeds accounts for various tranches of corporate bonds and subordinated bonds in accordance with the Administrative Measures for the Issuance and Trading of Corporate Bonds, to receive, deposit and transfer proceeds and to organize and manage the payment of interest and redemption of principal.

As at the end of the Reporting Period, proceeds of each tranche of bonds were completely used and all were used to replenish the working capital of the Company, which was in line with the usage, using plan and other agreements in the prospectuses.

(4) Acquisitions or disposals of assets were made by the Company at reasonable prices. No insider dealings were found, nor was there any circumstances which may jeopardize the interests of part of the Shareholders or cause any loss to the Company's assets.

(5) The relevant related party/connected transactions of the Company were fair, in compliance with laws and not prejudicial to the interests of the Company.

(6) The Secretary to the Board is designated to be responsible for information disclosure as well as receiving incoming calls, visits and enquiries and other activities from investors. The Company has designated China Securities Journal, Shanghai Securities News and Securities Times as the newspapers for information disclosure of the Company, and the website of the SSE at http://www.sse.com.cn and the HKExnews website of the Hong Kong Stock Exchange at http://www.hkexnews.hk as the websites for information disclosure of the Company. The Company had been in strict compliance with the provisions and requirements of the relevant laws and regulations and the Information Disclosure Management System to truly, accurately, timely and completely disclose relevant information and ensure that all Shareholders were given equal opportunities to be informed of the relevant information.

During the Reporting Period, Information Disclosure Management System, Registration System for Person Informed of Inside Information and other relevant systems of the Company were effectively implemented, the Company's information disclosure was further regulated, the Company's information disclosure management level and quality of information disclosure were enhanced, the principle of fairness of information disclosure was maintained, and the legal rights of investors were protected. Meanwhile, the Information Disclosure Management System and the Company's internal system provided clear requirements on the reporting, delivery, review and disclosure procedures for significant matters of the Company and it was implemented well.

(7) The written review opinions on the annual report prepared by the Board were as follows:

The preparation and approval procedures of the annual report of the Company were in compliance with all the requirements under the relevant laws and regulations, the Articles of Association of the Company and the internal management systems of the Company;

Contents and format of the annual report were in compliance with the relevant requirements of the regulatory authorities, and information disclosed therein can completely and truly reflect the operational and financial conditions and other matters of the Company for the year;

None of the persons involved in the preparation and review of the annual report had committed any action in breach of confidentiality requirements in respect of the annual report.

(8) The Supervisory Committee of the Company reviewed the 2018 Profit Distribution Plan of the Company and considered that the 2018 Profit Distribution Plan of the Company formulated by the Board was in compliance with the requirements of the relevant laws, regulations and the regulatory documents of the Company and strictly performed the cash dividend decision-making procedure. The 2018 Profit Distribution Plan of the Company had given full consideration to the Company's internal and external factors, Company's current status, development plan, future capital requirements and the overall and long-term interest of the Shareholders. Consent has been given to submit this plan to the general meeting of the Company for consideration.

(9) The Supervisory Committee of the Company reviewed the 2018 Assessment Report on Internal Control of the Company, the 2018 Compliance Report of the Company, the 2018 Comprehensive Risk Management Report of the Company, and the 2018 Audit Work Report of the Company, and they had no disagreement with the contents therein.

Description of the risks which the Supervisory Committee has discovered in the Company

The Supervisory Committee had no disagreement with any supervisory matters during the Reporting Period.

Appointment of Auditors

Please refer to "Appointment or Termination of Service of Accounting Firms" of this report.

The Directors are responsible for the preparation of the accounts and the auditors are responsible for the issuance of audit opinions on the financial statements based on their audit work.

Non-audit Work

During the Reporting Period, the Company engaged PwC Zhong Tian to provide capital verification services in relation to the wealth management products launched by the Company, with the relevant fees being paid by the wealth management products; and to provide assurance services for the selection of the key performance indicators of the 2018 Social Responsibility Report of the Company with the service charge of RMB280,000.

Responsibilities of Directors for the Financial Statements

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

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

Company Secretary

Ms. ZHENG Jing, the Secretary to the Board of the Company, serves as the Company Secretary. The Company Secretary is accountable to the Board, and ensures that various meetings of the Board are successfully convened according to the correct procedures; advises and recommends on issues related to corporate governance; and promotes the effective communication among members of the Board, and among the Directors, the Shareholders and the Operation Management of the Company.

The Company Secretary circulates the agenda on corporate governance for the Chairman, and provides sufficient explanation and information to the Board in a timely manner, especially the scheme of arrangement of annual Board meetings and meetings of every specialized committees thereunder; regularly provides Weekly Information and Monthly Management to the Board and the Supervisory Committee to keep the Board and the Supervisory Committee abreast of the latest development of the Company in a timely manner. The Company Secretary provides sufficient bases and recommendations on corporate governance, Board meeting procedures, non-executive Directors' involvement in the internal management meetings, and non-executive Directors' visits to the Company and other matters for the Board's review. The Directors are entitled to obtain the Company Secretary's opinions, recommendations and related services. During the Reporting Period, the Company Secretary duly performed her duties, ensured that the respective meetings of the Board of the Company are successfully convened and promoted the effective communication among members of the Board, and among the Directors, the Shareholders and the Operation Management of the Company.

During the Reporting Period, in order to better perform her duties and in accordance with the relevant requirements of the Hong Kong Listing Rules, Ms. ZHENG Jing received a total of 51 hours of professional training including: participate in the 46th Lecture on Strengthening Continuous Professional Improvement for joint members jointly organized by the Hong Kong Institute of Chartered Secretaries and the SSE; participate in MSCI and ESG Disclosure and Rating Training organized by the SSE; participate in Brand Management Training of CITIC Group, covering news spokesman training and practical drill; participate in ESG (Environmental, Social and Governance) Training organized by PwC; participate in Compliance Training and Securities Practitioners Subsequent Training, including Operational Risk Management Training, All Staff Operational Risk Training, and Credit Investigation Compliance Training.

Investor Relations

Amendments to the Articles of Association

During the Reporting Period, amendments were made to the Articles of Association of the Company at the general meeting of the Company for one time.

The Resolution on the Amendments to the Articles of Association of the Company was preliminarily reviewed by the 22nd Meeting of the Sixth Session of the Board, and was considered and approved by the 2017 Annual General Meeting. The amendments mainly contains the following five aspects: specify that the Company may establish a subsidiary to conduct private investment fund business and may establish a subsidiary to conduct alternative investment businesses including financial products and equity interests, other than those categories listed on the List of Securities Investments for Proprietary Trading of Securities Companies, so as to keep consistent with the regulatory requirements; specify the duties and powers of the Board, the Risk Management Committee and Executive Committee of the Board in risk management; specify the duties and powers of the Board, the Supervisory Committee and Executive Committee of the Company in compliance management; confirming the duties and powers of the general meeting and the authorization to the Board by the general meeting; and adjusting relevant content according to the actual situation of the Company. The amendments to the Articles of Association of the Company is still subject to the approval by and filling with the CSRC and the Shenzhen Securities Regulatory Bureau. The Company will also make the relevant filling with the relevant industrial and commercial authorities and the Companies Registry of Hong Kong.

Work conducted related to investor relations during the Reporting Period

The Board and the Operation Management of the Company highly value the work of investor relations and actively participate in investor management work, continuously push the works related to corporate governance and investor protection.

In 2018, the Company upheld its principle to be open, fair and equitable with an active and open attitude to conduct management work of investor relations, and ensured the truthfulness, accuracy and completeness of the information disclosed, which achieved good communication effect.

In 2018, the Company organized various exchange activities for investors and analysts in accordance with the regulatory requirements and the needs for business development including: one general meeting was held to consider important issues such as the 2017 profit distribution, with the presence of the Directors, Supervisors, Senior Management and heads of the relevant business divisions of the Company to explain matters to be discussed at the meetings, introduce the latest development of the Company to the Shareholders and answer the Shareholders' inquiries, through which the Company was able to achieve satisfactory communication with the Shareholders. The press conference for the 2017 annual results and conference call for the publication of the 2018 interim results were held along with the publication of periodic reports; we visited investors to promote in-depth knowledge of the investors on the operations and performance of the Company; coordinating with the Company's strategic arrangements and business development, the management of the Company actively communicated with investors, thereby effectively enhancing the investors' understanding of the investment values of the Company, fully advertising the advantage of the Company's business development and leading the market expectations effectively. In addition, investor relations team of the Company maintained smooth and effective communication with investors and analysts, and timely exchanged their views on hot topics in the market as well as change in regulatory policies. The Company also ensured the answering rate of investor hotline, continuously optimized the function of the mailbox and the Company's website, timely updated the content of SSE Interactive Platform to provide its investors with a more convenient, quick, timely and comprehensive method to know about the development of the Company.

Internal Control

Statement of the Board regarding the responsibility of internal control

In accordance with the requirements of the corporate internal control normative system, it is the responsibility of the Board of the Company to establish, improve and effectively implement internal control, assess its effectiveness and truthfully disclose the assessment report on internal control. The Supervisory Committee oversees the establishment and implementation of internal control by the Board. The managers are responsible for organizing and steering the daily operation of corporate internal control. The Board, the Supervisory Committee and the Directors, Supervisors and Senior Management of the Company ensure that there is no false records, misleading statements contained in, or material omissions from the internal control report, and undertake joint and several responsibilities for the authenticity, accuracy and completeness of the contents of the report.

The internal control of the Company is aimed to provide reasonable assurance for the legal compliance of operation and management, safety of assets, truthfulness and completeness of financial reports and relevant information, improve operational efficiency and effectiveness so as to facilitate the realization of development strategies. Due to its inherent limitations, internal control can only provide reasonable assurance for the achievement of the above objectives. Moreover, due to changes in circumstances may render the internal control inappropriate, or reduce the level of compliance of policies and procedures of the internal control, predicting effectiveness of internal control in future according to the appraisal results of internal control may involve certain risks.

During the Reporting Period, the Board completed the review of the effectiveness of the Group's risk management and internal control systems through the Audit Committee and the Risk Management Committee, covering all material controls, including financial, operational and compliance controls. There were no significant internal monitoring issues found during the relevant review. The Board was of the view that the existing risk management and internal control systems of the Company were effective and sufficient during the Reporting Period and as of the date of the 2018 Annual Results Announcement.

Procedures for identifying, assessing, and managing significant risks

For the Company's procedures for identifying, assessing and managing significant risks please refer to the section "Risk Management" of this report.

Procedures for resolving severe deficiencies in internal control

The Company conducts a self-evaluation of the risk management system during its annual internal control assessment. If any defect is found, the Company will formulate a rectification plan to diminish the defect. In the day-to-day risk management work, risk events and potential defects that arise are effectively managed according to the procedures of risk management systems. Under a comprehensive risk management system, the Company regularly updates and revises risk management systems and processes so as to adapt to the changing risk situations and management requirements. The Audit Department of the Company inspects the internal controls of each business and issues audit reports, offer advice for rectification and makes management proposals on issues found in the audit. The Compliance Department of the Company formulates defect rectification plans in accordance with laws and regulations and the regulatory requirements, and is responsible for the specific implementation of defect rectification work.

Basis of establishment of internal control over the financial report

During the Reporting Period, the Company further established and improved internal control over financial reports continuously in accordance with requirements of the Basic Norms of Internal Control for Enterprises and its ancillary guidance, the Guidance for the Internal Control of Securities Companies, the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange and other relevant laws, regulations and rules, combining the specific situation of the Company.

According to the criteria for determining material defects, major defects and general defects as defined in the laws and regulations mentioned above, and combining the factors including its scale, industry-specific features and risk level, the Company studied and defined the criteria suitable for the specific determination of defects in the internal control of the Company and kept it consistent with the criteria of the previous years.

"Material defect" refers to one defect or a combination of control defects that may cause the enterprise to materially deviate from the objectives of internal control. "Major defect" refers to one defect or a combination of control defects that with less severity and less severe economic consequences than a material defect, but may still cause the enterprise to deviate from the objectives of internal control. "General defect" refers to other defect other than a material defect or a major defect.

According to the criteria outlined above and based on the findings of routine supervision and special supervision, it is concluded that the Company had a sound internal control system and mechanism during the Reporting Period. The Company has effectively implemented its internal control system and mechanism in its work, and no material and major defects were found in internal control over the financial report of the Company.

Overall view on establishment of the internal control system

The Company has attached great importance to the development of the internal rules and regulations and the management systems since the Company was established. After the *Basic Norms of Internal Control for Enterprises, the Guidance for the Internal Control of Securities Companies, and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange* were promulgated, the Company has further improved its internal control according to the relevant requirements and made a consistent effort to improve internal control in every aspect of its business development.

In 2011, the Company, from the prospective of a listed Company and a securities Company respectively, had duly conducted the pilot of regulation on internal control and special governance activities on internal control, and appointed an external consulting institution for assistance, and adopted the best practice and methodology on internal control from the external consulting institution. Since 2012, with the authorization of the Board of the Company, the Compliance Department of the Company has led the establishment of the internal control self-assessment team of the Company to conduct the internal control self-assessment independently. Leveraging on the experience accumulated over years, the Company has established a relatively stable system of personnel allocation and responsibilities and cultivated the internal control self-assessment procedures and mechanism which are in line with the actual situations of the Company, thereby enabling the assessment results to reflect a true and accurate picture of the Company's internal control.

The Company had established, improved and implemented a set of systems, including the information segregation wall, the registration system of persons informed of undisclosed information, according to the regulatory requirements. It effectively prevented the improper use and dissemination of sensitive information.

Disclosure of appraisal report on the Company's internal control

As a Company concurrently listed domestically and abroad, the Company has disclosed the 2018 Annual Appraisal Report on Internal Control together with the 2018 Annual Results Announcement. Pursuant to the requirements of Basic Norms of Internal Control for Enterprises and its ancillary guidelines, the Rules No. 21 for Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public — General Rules of Annual Report on Internal Control Evaluation and other relevant laws and regulations, the Company conducted a self-appraisal on the effectiveness of internal control design and operation of the Company as at 31 December 2018. In respect of the business and matters included in the appraisal scope, the Company has established and effectively implemented an internal control system which has achieved the objectives of the Company's internal control and without material or major defects.

The Company engaged PwC Zhong Tian as the accounting firm for internal control audit of the Company. PwC Zhong Tian has delivered the audit opinions on the internal control effectiveness of the financial report of the Company, and issued the Assessment Report on Internal Control of the CITIC Securities Company Limited, with the view that the Company maintained the effective internal control of financial reports in all material aspects in accordance with the Basic Norms of Internal Control for Enterprises and relevant regulations as of 31 December 2018. The Company disclosed the 2018 Assessment Report on Internal Control and Audit Report of Internal Control at the same time when disclosing the 2018 Annual Results Announcement, and there was no disagreement in opinions.

Establishment and Implementation of the registration and administration system for persons informed of inside information

In order to further improve the management system for information disclosures, upon consideration and approval by the Board, the Registration System for Persons Informed of Inside Information of the Company became effective from 29 September 2009. During the Reporting Period, the Company managed to achieve the due performance of inside information management and registration of persons informed of inside information in accordance with the requirements of the Registration System for Persons Informed of Inside Information. The Company also maintained the relevant documents for inspection by the Company itself and relevant regulatory bodies, including a true and complete list of persons informed of inside information in various processes such as reporting, circulation, preparation, audit and disclosure prior to dissemination of such inside information, and the substance and time of such information being known by such persons. During the Reporting Period, the Company was not aware of any non-compliance with the Registration System for Persons Informed of Inside Information.

In addition, the Company set up the Registration System of Persons Informed of Undisclosed Information from the perspective of a securities Companies and established the mechanism and work flow for delivery of information of persons informed of undisclosed information for various departments/business lines of the Company, specifying the main body's responsibilities of the Compliance Department and the management personnel of undisclosed information of each department/business line, administrators of each department/business line and persons informed of undisclosed information pursuant to the requirements of the Notice Regarding Reinforcement of the Management of Persons Informed of Undisclosed Information by Securities Companies (Shen Zheng Ju Ji Gou Zi [2010] No. 126) issued by the Shenzhen Securities Regulatory Bureau. During the Reporting Period, in strict compliance with the Registration System of Persons Informed of Undisclosed Information, the Company conducted its registration of persons informed of undisclosed information quarterly, and, within the scope of responsibility of various departments/business lines of the Company, managed and registered for record persons informed of undisclosed information in the course of business.

Implementation of the Company's Accountability System for Material Errors in Information Disclosure in the Annual Report

In order to further improve the Company's internal control system and reinforce the financial accountability system, the Board of the Company developed the Accountability System for Material Errors in Information Disclosure in the Annual Report, and this system became effective on 29 March 2010.

During the Reporting Period, the system had been implemented satisfactorily, and there had been no material accounting error, material omission of information which needed to be supplemented, or correction of the preliminary announcement of results of the Company.

Other matters of report

Establishment of the compliance management system

According to the regulatory requirements, the Company has established and constantly improved a comprehensive and multi-level organizational system for compliance management. The compliance management of the Company is led by the Board, supervised by the Supervisory Committee and implemented by the Compliance Officer and the Compliance Department. The Operating Management, heads of various department/business lines and the Compliance Supervisors of various department/business lines, perform their duties of compliance management within their own scope of authorities, respectively. The Company has established and improved the more comprehensive compliance management systems with the Compliance Management Provisions as the basic system, and the Staff Compliance Code, Compliance Consulting and Review System, Compliance Inspecting and Monitoring System, Customer Complaints Reporting and Handling System, Compliance Report System, Compliance Appraisal System, Information Segregation Wall System and its ancillary measures, anti-money laundering working system, Internal Working System of the Compliance Department, compliance system for relevant departments/business lines and branches as the specific working system.

During the Reporting Period, in respect of the basic system of compliance and business management systems of the Company, the Company formulated (revised) the System Management Regulations, Measures for the Management of Compliance Officers, Guidelines for Compliance Propaganda and Training (Trial), Compliance Report System, and other management systems. Through establishment of systems, the standardized construction of management work of compliance has been further enhanced, the system for compliance management has been further perfected and the independence of compliance management has been further guaranteed.

In terms of information system construction, the Company further streamlined monitoring processes for information segregation wall, monitoring and analysis of suspicious transactions in anti-money laundering, monitoring of employee practices and management of customer transaction behaviours, and improved the central control room, anti-money laundering system, customer transaction behaviours monitoring and management system. By enriching compliance management tools and compliance monitoring means and measures, the Company enhanced its capabilities for informationalization of compliance management to prevent occurrence of various risks of irregularity, information segregation, employee practices, conflicts of interest and others.

As at the end of the Reporting Period, the Company's organizational system for compliance management operated effectively, and all compliance management policies were effectively implemented, and the compliance management system operated well.

Internal audit

In 2018, the Audit Department of the Company actively changed its audit approach by starting from operational risks, identifying the high-risk businesses and identifying and screening major risks in a timely manner.

During the Reporting Period, the Audit Department of the Company implemented 154 audit projects with a completion rate of 177%, details of which are as follows:

Audit projects at the headquarter of the Company: The projects implemented at the headquarter covers a total of 20 audit projects on the Investment Banking Management Committee, Financial Market Management Committee, Wealth Management Committee and other front lines of business of the Company (including 6 routine audits, 6 resignation audits and 8 special audits).

Audit projects in branches: The Audit Department of the Company continued to strengthen audits on the branch offices of the Wealth Management Committee and the securities outlets, and implemented compulsory leave and resignation audits on the heads of branches in accordance with regulatory requirements. The Audit Department of the Company implemented 128 audit projects in branches, including 75 compulsory leave projects and 53 resignation projects.

Audit projects in subsidiaries: In accordance with the annual audit work plan, the Audit Department of the Company carried out routine audits on the CITIC Futures Company Limited and Three Gorges GoldStone Investment Management Co., Ltd., conducted special audit on information technology of CITIC Futures Company Limited and participated in the special audit on CLSA's electronic trading business by the Internal Audit Department of CLSA.

Through the audits mentioned above, the Audit Department of the Company evaluated the soundness and effectiveness of internal control in the audited units, revealing the existing major risks and playing a positive role in increasing awareness towards risk prevention among departments/business lines, branches and subsidiaries and improving the risk management of the Company.

The status of the establishment of monitoring and replenishment mechanism of the risk control indicators of the Company

The Company continues to attach great importance to the supervision indicators. It has established a dynamic monitoring system of risk control indicators in accordance with the requirements under the Measures for the Administration of the Risk Control Indicators of Securities Companies, achieving T+1 dynamic monitoring and automatic early warning of risk control indicators, and setting up the trans-departmental communication & coordination mechanism to keep risk control indicators staying above the supervision limit. Meanwhile, by continuously calculating and analyzing risk control indicators for a period of time in the future, the Company can identify risks and make warning in advance, so as to reasonably arrange financing and usage of funds.

In 2018, the Company's main risk control indicators remained positive. Liquidity risk control indicators stood above the supervision pre-warning line for the most of time albeit a drop to 119% for a few times at the beginning of 2018 as a result of normal business change, slightly lower than the 120% supervision pre-warning standard. However, by continuous issuance of long-term debts and other financing arrangements, liquidity risk control indicators rose rapidly and have reached a high level currently. Regarding the more than ten cases of out-of-limit securities positions in terms of securities centralization, the Company made a timely report to the regulatory authorities and promptly formulated relevant disposal plan; besides, the Company also made constant efforts to improve front-end control and back-end monitoring measures for the Company's internal system. Other risk control indicators all stayed above the supervision limit.

The Company has established the net capital replenishment mechanism to ensure continued compliance of risk control indicators such as net capital with the requirements of the securities regulatory authorities. As at the end of the Reporting Period, the net capital of the Company was RMB86.708 billion and all types of risk control indicators complied with the relevant regulatory requirements.

Account regulation of the Company

In 2018, the regulators continued to tighten supervision over accounts whereas the Company continued to strengthen its day-to-day regulation over accounts, namely, making additional record of information about the one-number-for-all product securities account, reporting on relevant holder data and products' net value, conducting self-inspection of accounts opening with real names and the usage of real names, verifying CSDCC accounts, managing account information and etc. As for the account innovation business newly appeared in the industry, the Company established a comprehensive system to regulate the relevant business procedures. The Company provided special trainings to each branch of the Company, in order to eliminate the occurrence of non-regulated accounts.

As of 31 December 2018, the Company's brokerage customers had 11,199,520 securities accounts, of which 10,442,074 were qualified securities account, representing 93.24% of the total; 756,181 were dormancy capital accounts, representing 6.75% of the total; 1,067 were unqualified securities accounts, representing 0.01% of the total, 15 securities accounts were frozen by a judicial order and there was no risk disposition securities account. As of 31 December 2018, the Company's brokerage customers had 7,237,792 capital accounts, of which 6,451,085 are qualified capital accounts, representing 89.13% of the total; 785,247 were dormancy capital accounts, representing 10.85% of the total; 1,433 were unqualified capital account, representing 0.02% of the total; 27 were unqualified capital accounts frozen by judicial orders, representing 0.0004% of the total and there was no risk disposition capital account.

The account regulation condition above is also disclosed in the 2018 Assessment Report on Internal Control of the Company.

Self-assessment on the Implementation of the Management Measures on Information Disclosure by the Board

During the Reporting Period, the Company managed to disclose information in a manner that is true, accurate and complete in strict compliance with the laws, regulations, the Articles of Association of the Company and the Management System of Information Disclosure and ensure the timely and fair disclosure of information.

In 2018, the Management Measures on Information Disclosure and other relevant policies were effectively implemented. The Company further regulated information disclosure and improved the management and quality of information disclosure of the Company. At the same time, the Management Measures on Information Disclosure and other internal systems of the Company clearly specify the reporting, delivery, reviewing and disclosing procedures for major events of the Company. All these systems were effectively implemented.

There are no overdue debts for the Company.

Independent Auditor's Report and Notes to Financial Statements

CONTENTS

Independent Auditor's Report

To the Shareholders of CITIC Securities Company Limited
(Incorporated in People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Securities Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 190 to 333, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Valuation of financial instruments held at fair value classified under Level 3 financial instruments
- Expected credit impairment allowance of Financing Assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to note 3 (20), 4 (1) and 23 to the consolidated financial statements. As at 31 December 2018, the carrying amount of goodwill was RMB10,507 million, primarily resulting from the acquisition of China Asset Management Co., Ltd. ("China AMC") (RMB7,419 million) and CITIC Securities International Company Limited's acquisition of CLSA B.V. ("CLSA") (RMB2,020 million). As at 31 December 2018, the Group's accumulated impairment of goodwill was RMB377 million. Goodwill impairment assessment is performed annually. The impairment assessment relies upon the calculation of the recoverable amount for each of the Group's cash generating units ("CGUs"). Management considers China AMC and CLSA as separate CGUs.	We compared the key assumptions used by Management in preparing the cash flow forecasts of China AMC and CLSA under the VIU approach against the historical figures, the approved budgets and the operation plans. We involved our internal valuation specialist to assess the reasonableness of the DCF model, including the growth rate in the forecast period, terminal growth rate and the discount rate used. Our assessment was based on our knowledge of the business and industry. We also tested the mathematical accuracy of calculations used in the cash flow forecast. Based on the results of our procedures, we found that management's judgements and assumptions used in the estimation of China AMC and CLSA's recoverable amounts to be acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment (Continued) Management used the value in use approach ("VIU") to assess the recoverable amount by applying a discounted cash flow ("DCF") model based on key assumptions including revenue growth rate, terminal growth rate and discount rate. Goodwill impairment assessment was a key area of audit focus due to the significant management judgement involved in selecting the appropriate key assumptions and inputs used in the estimation of each CGU's recoverable amount, and the amount of any goodwill impairment that may be required.	
Valuation of financial instruments held at fair value classified under Level 3 Financial Instruments Refer to note 3 (3) (c), 4 (4) and 59 to the consolidated financial statements. As at 31 December 2018, the Group's financial instruments included those classified under Level 3 in the fair value hierarchy ("Level 3 Financial Instruments"), which were measured using valuation techniques that involve significant inputs that were not based on observable market data ("unobservable inputs"). Such inputs included liquidity discounts, volatility, risk adjusted discount rate and price to book ratios, etc. The amounts of Level 3 financial assets and financial liabilities as at 31 December 2018 were RMB19,495 million and RMB5,426 million, respectively. Valuation of the Level 3 Financial Instruments was a key area of audit focus due to the size of their amounts and the selection of unobservable inputs used in the valuation process which involved significant judgement.	We evaluated the design and tested the operating effectiveness of the Group's controls over data inputs to the valuation models and the ongoing monitoring and optimization of the model. We evaluated the appropriateness of the models used by Management for the valuation of Level 3 Financial Instruments by using our knowledge of those used in current industry practice. We also evaluated on a sample basis the reasonableness and appropriateness of the unobservable and observable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data. We performed an independent valuation of the Level 3 Financial Instruments on a sample basis. Based on the results of our procedures performed above, we found the models used and inputs adopted by Management acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit impairment allowance of Financing Assets	
Refer to note 3 (3) (e), 4 (6), 15, 33, 37 and 60 (a) to the consolidated financial statements. As at 31 December 2018, the Group's financial assets arising from financing businesses included margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements ("Financing Assets") totalled RMB96,133 million with credit impairment loss allowances of RMB2,283 million. This comprised margin accounts and repo of RMB57,514 million and RMB38,619 million; with credit impairment loss allowances of RMB317 million and RMB1,966 million, respectively. The credit loss allowances as at 31 December 2018 for Financing Assets represented Management's best estimates of the expected credit losses ("ECL") in accordance with International Financial Reporting Standard 9: "Financial Instruments". Management applied a three-stage impairment model to calculate the ECL. For Financing Assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including exposure at default and loss rate after taking into consideration forward looking factors. For credit-impaired Financing Assets classified under Stage 3, Management assessed the credit loss allowance by estimating the future cash flows after taking into consideration forward looking factors.	We evaluated and tested the Group's internal controls relating to the measurement of ECL for Financing Assets which included: (1) Governance over ECL models, including the selection, approval of methodologies and model; and the ongoing monitoring and optimization of the model; (2) Review and approval of significant management judgements and assumptions, including: i) the criteria for SICR; ii) the definition of default and credit-impairment; and iii) the use of economic variables and relative weighting for forward-looking scenarios; (3) Internal controls over the accuracy and completeness of key inputs used by the model. In addition, we also performed the following procedures: (1) We examined the ECL modelling methodologies and assessed their reasonableness. We also evaluated whether the underlying coding for the models reflected the methodologies established by Management; (2) We examined the application of the SICR criteria and credit impairment definition by testing the collateral to Financing Assets ratio and the backstop past due days defined by Management;

Key Audit Matter	How our audit addressed the Key Audit Matter

Expected credit impairment allowance of Financing Assets (Continued)

Management assesses whether objective evidence of impairment existed for Financing Assets at each reporting date. The measurement model for ECL involves significant management judgments and assumptions, primarily including:

(1) Selection of the appropriate model and assumptions;

(2) Determination of the criteria for significant increase in credit risk ("**SICR**"), definition of default and credit impairment;

(3) Projection of macroeconomic variables for forward-looking scenarios.

The Group has established governance processes and controls over the measurement of ECL.

ECL assessment of Financing Assets was considered to be a key area of audit focus due to the size of the balance and the significant management judgements involved.

(3) For forward-looking scenarios, we examined the basis of determining of the economic indicators, number of scenarios and relative weightings; assessed the reasonableness of the economic indicators forecasted under the different scenarios; and performed sensitivity analysis on economic indicators and relative weightings;

(4) We examined major data inputs to the ECL model for selected samples, including exposure at default and loss rate after taking into consideration forward looking factors;

(5) For credit-impaired assets under Stage 3, we tested, on a sample basis, the credit loss allowance computed by Management with reference to financial information of borrowers and guarantors, and the latest collateral valuations, as appropriate.

Based on the audit procedures performed, in the context of the inherent uncertainties associated with the measurement of ECL, we considered the models, key parameters, significant judgements and assumptions adopted by Management and the measurement results to be acceptable.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

	Notes	**2018**	2017
Revenue			
Fee and commission income		**20,294,821**	22,664,650
Interest income	8	**13,654,422**	12,806,665
Investment income	9	**8,045,850**	12,713,196
		41,995,093	48,184,511
Other income	10	**9,065,926**	8,775,208
Total revenue and other income		**51,061,019**	56,959,719
Fee and commission expenses	11	**2,868,013**	3,707,615
Interest expenses	11	**11,232,013**	10,402,063
Staff costs	11	**10,524,690**	12,141,247
Depreciation		**420,114**	502,895
Tax and surcharges		**255,151**	256,035
Other operating expenses and costs	11	**11,816,544**	12,659,372
Impairment losses on assets	14		1,720,760
Expected credit losses	15	**2,186,773**	
Impairment losses on other assets	16	**23,805**	
Total operating expenses		**39,327,103**	41,389,987
Operating profit		**11,733,916**	15,569,732
Share of profits and losses of:			
Associates		**742,865**	602,957
Joint ventures		**(11,210)**	1,092
Profit before income tax		**12,465,571**	16,173,781
Income tax expense	17	**2,589,143**	4,196,311
Profit for the year		**9,876,428**	11,977,470
Attributable to:			
Owners of the Parent		**9,389,896**	11,433,265
Non-controlling interests		**486,532**	544,205
		9,876,428	11,977,470
Earnings per share attributable to Owners of the Parent (in RMB yuan)			
— Basic	20	**0.77**	0.94
— Diluted	20	**0.77**	0.94

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

	2018	2017
Profit for the year	**9,876,428**	11,977,470
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets:		
Changes in fair value		905,011
Income tax effect on changes in fair value		(237,376)
Gains transferred included in the consolidated statement of profit or loss, net		168,626
		836,261
Net gains on investments in debt instruments measured at fair value through other comprehensive income	**143,191**	
Net gains on debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	**21,438**	
Income tax relating to these items	**(35,797)**	
	128,832	
Share of other comprehensive income of associates and joint ventures	**40,171**	(13,997)
Exchange differences on translation of foreign operations	**571,760**	(1,040,830)
Other	**(4,211)**	(1,900)
	736,552	(220,466)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

	2018	2017
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods		
Net losses on investments in equity instruments designated as at fair value through other comprehensive income	**(2,202,092)**	
Income tax relating to these items	**520,401**	
	(1,681,691)	
Share of other comprehensive income of associates and joint ventures	**(18,951)**	
	(1,700,642)	
Other comprehensive income for the year, net of tax	**(964,090)**	(220,466)
Total comprehensive income for the year	**8,912,338**	11,757,004
Attributable to:		
Owners of the Parent	**8,372,396**	11,352,579
Non-controlling interests	**539,942**	404,425
	8,912,338	11,757,004

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

Consolidated Statement of Financial Position

At 31 December 2018

(In RMB thousands, unless otherwise stated)

	Notes	31 December 2018	2017
Non-current assets			
Property, plant and equipment	21	**8,046,233**	8,264,559
Investment properties	22	**1,332,508**	871,554
Goodwill	23	**10,507,495**	10,280,937
Land-use rights and intangible assets	24	**3,269,423**	3,447,332
Investments in associates	26	**8,638,309**	8,580,336
Investments in joint ventures	26	**399,986**	5,212
Available-for-sale financial assets	27		28,194,717
Financial assets at fair value through other comprehensive income	28	**15,532,415**	
Financial assets designated as at fair value through profit or loss	29		8,503,392
Financial assets at fair value through profit or loss	35	**22,561,994**	
Refundable deposits	30	**1,112,777**	972,410
Deferred income tax assets	31	**4,223,026**	3,384,952
Other non-current assets	32	**4,049,183**	3,570,271
Total non-current assets		**79,673,349**	76,075,672
Current assets			
Fee and commission receivables		**1,397,133**	1,487,197
Margin accounts	33	**57,197,814**	73,982,611
Available-for-sale financial assets	27		31,032,215
Financial assets at fair value through other comprehensive income	28	**36,327,828**	
Financial assets held for trading	34		158,448,546
Financial assets designated as at fair value through profit or loss	29		11,201,565
Financial assets at fair value through profit or loss	35	**224,875,080**	
Derivative financial assets	36	**11,388,102**	5,900,795
Reverse repurchase agreements	37	**67,370,441**	114,592,030
Other current assets	38	**30,255,394**	26,164,534
Cash held on behalf of customers	39	**92,420,971**	92,386,338
Cash and bank balances	40	**52,226,605**	34,303,141
Total current assets		**573,459,368**	549,498,972
Current liabilities			
Customer brokerage deposits	41	**97,773,997**	99,854,891
Derivative financial liabilities	36	**9,311,899**	13,301,231
Financial liabilities at fair value through profit or loss	42	**38,880,234**	45,990,353
Repurchase agreements	43	**121,669,027**	111,619,927
Due to banks and other financial institutions	44	**19,314,867**	9,835,000
Taxes payable	45	**2,872,998**	1,793,376
Short-term loans	46	**5,656,710**	5,991,451
Short-term financing instruments payable	47	**18,059,345**	33,537,839
Other current liabilities	48	**82,013,442**	67,770,364
Total current liabilities		**395,552,519**	389,694,432
Net current assets		**177,906,849**	159,804,540
Total assets less current liabilities		**257,580,198**	235,880,212

Consolidated Statement of Financial Position

At 31 December 2018

(In RMB thousands, unless otherwise stated)

	Notes	31 December 2018	2017
Non-current liabilities			
Debt instruments issued	49	**88,057,370**	77,641,633
Deferred income tax liabilities	31	**1,967,608**	2,632,211
Long-term loans	50	**953,229**	1,084,900
Financial liabilities at fair value through profit or loss	42	**8,765,605**	461,417
Other non-current liabilities	51	**1,004,890**	917,492
Total non-current liabilities		**100,748,702**	82,737,653
Net assets		**156,831,496**	153,142,559
Equity			
Equity attributable to Owners of the Parent			
Issued Share capital	52	**12,116,908**	12,116,908
Reserves	53	**85,826,084**	85,675,151
Retained earnings		**55,197,777**	52,006,987
		153,140,769	149,799,046
Non-controlling interests		**3,690,727**	3,343,513
Total equity		**156,831,496**	153,142,559

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

Approved and authorised for issue by the Board of Directors on 21 March 2019.

ZHANG Youjun
Chairman

YANG Minghui
Executive Director and President

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

		Attributable to owners of the Parent									
			Reserves								
	Notes	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 31 December 2017		12,116,908	54,449,057	8,164,570	20,826,927	2,131,888	102,709	52,006,987	149,799,046	3,343,513	153,142,559
Changes in accounting policy		—	—	88,986	143	(1,048,577)	9,719	782,076	(167,653)	—	(167,653)
At 1 January 2018 (Restated)		12,116,908	54,449,057	8,253,556	20,827,070	1,083,311	112,428	52,789,063	149,631,393	3,343,513	152,974,906
Profit for the year		—	—	—	—	—	—	9,389,896	9,389,896	486,532	9,876,428
Other comprehensive income for the year		—	—	—	—	(1,537,935)	520,435	—	(1,017,500)	53,410	(964,090)
Total comprehensive income for the year		—	—	—	—	(1,537,935)	520,435	9,389,896	8,372,396	539,942	8,912,338
Dividend — 2017	19	—	—	—	—	—	—	(4,846,763)	(4,846,763)	—	(4,846,763)
Appropriation to surplus reserves		—	—	156,895	—	—	—	(156,895)	—	—	—
Appropriation to general reserves		—	—	—	1,984,337	—	—	(1,984,337)	—	—	—
Capital increase/(decrease) by equity holders — Others		—	(22,824)	(246)	—	—	—	6,813	(16,257)	535	(15,722)
Dividends to non-controlling interests		—	—	—	—	—	—	—	—	(193,263)	(193,263)
At 31 December 2018		12,116,908	54,426,233	8,410,205	22,811,407	(454,624)	632,863	55,197,777	153,140,769	3,690,727	156,831,496

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the Parent								Non-controlling interests	Total
		Reserves								
	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal		
At 1 January 2017	12,116,908	54,462,051	7,812,711	18,796,701	1,215,190	1,100,093	47,192,292	142,695,946	3,092,724	145,788,670
Profit for the year	—	—	—	—	—	—	11,433,265	11,433,265	544,205	11,977,470
Other comprehensive income for the year	—	—	—	—	916,698	(997,384)	—	(80,686)	(139,780)	(220,466)
Total comprehensive income for the year	—	—	—	—	916,698	(997,384)	11,433,265	11,352,579	404,425	11,757,004
Dividend — 2016	—	—	—	—	—	—	(4,240,918)	(4,240,918)	—	(4,240,918)
Appropriation to surplus reserves	—	—	351,859	—	—	—	(351,859)	—	—	—
Appropriation to general reserves	—	—	—	2,030,226	—	—	(2,030,226)	—	—	—
Capital increase/(decrease) by equity holders										
— Others	—	(12,994)	—	—	—	—	4,433	(8,561)	9,431	870
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(163,067)	(163,067)
At 31 December 2017	12,116,908	54,449,057	8,164,570	20,826,927	2,131,888	102,709	52,006,987	149,799,046	3,343,513	153,142,559

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

	2018	2017
Cash flows from operating activities		
Profit before income tax	**12,465,571**	16,173,781
Adjustments for:		
Financing interest expense	**6,516,019**	5,744,497
Share of profits and losses of associates and joint ventures	**(731,655)**	(604,049)
Dividend income and interest income from available-for-sale financial assets		(2,399,041)
Interest income from financial assets at fair value through other comprehensive income	**(2,193,926)**	
Net gains on disposal of available-for-sale financial assets		(4,855,536)
Net gains on disposal of financial assets at fair value through other comprehensive income	**(55,211)**	
Net gains on disposal of property, plant and equipment and other assets	**28,377**	(737)
Gains on disposal of subsidiaries	**—**	(564,034)
Gains on disposal of associates and joint ventures	**(18,495)**	(192,971)
Fair value gains on financial instruments measured at fair value through profit or loss		(842,716)
Fair value gains on financial assets and liabilities measured at fair value through profit or loss	**(1,706,195)**	
Depreciation	**532,567**	521,992
Amortisation	**432,503**	478,202
Impairment on assets		1,720,760
Expected credit losses	**2,186,773**	
Impairment on other assets	**23,805**	
	17,480,133	15,180,148
Net decrease/(increase) in operating assets		
Financial assets held for trading		(7,269,065)
Financial assets at fair value through profit or loss	**(56,837,870)**	
Cash held on behalf of customers	**(34,634)**	37,490,441
Other assets	**69,016,900**	(59,043,614)
	12,144,396	(28,822,238)
Net increase/(decrease) in operating liabilities		
Customer brokerage deposits	**(2,617,679)**	(34,487,173)
Repurchase agreements	**10,049,100**	(9,794,316)
Other liabilities	**23,032,742**	(4,884,342)
	30,464,163	(49,165,831)
Net cash inflow/(outflow) from operating activities before tax	**60,088,692**	(62,807,921)
Income tax paid	**(2,469,822)**	(3,894,692)
Net cash inflow/(outflow) from operating activities	**57,618,870**	(66,702,613)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

(In RMB thousands, unless otherwise stated)

	Notes	2018	2017
Cash flows from investing activities			
Dividend income and interest income received from available-for-sale financial assets			2,431,849
Dividend income and interest income received from financial assets at fair value through other comprehensive income		**2,193,926**	
Net cash flow from purchases, leases and sales of items of property, plant and equipment and other assets		**(449,868)**	(391,818)
Net cash flow from disposal of subsidiaries		**–**	1,476,492
Net cash flow from acquisition of subsidiaries	25(c)	**(97,391)**	(373,657)
Net cash flow from investments in associates and joint ventures		**(244,394)**	(372,937)
Net cash flow from disposal or purchase of financial assets at fair value through other comprehensive income		**(22,196,936)**	
Net cash flow from disposal or purchase of available-for-sale financial assets			25,502,793
Net cash inflow/(outflow) from investing activities		**(20,794,663)**	28,272,722
Cash flows from financing activities			
Cash inflows from financing activities		**1,000**	9,025
Cash inflows from borrowing activities		**20,355,184**	7,516,209
Cash inflows from issuing bonds		**119,587,234**	153,136,691
Payment of debts		**(148,877,939)**	(111,752,066)
Dividends and interest expense		**(11,740,466)**	(8,494,473)
Other cash outflows from financing activities		**(1,076,302)**	(2,930,203)
Net cash inflow/(outflow) from financing activities		**(21,751,289)**	37,485,183
Net increase/(decrease) in cash and cash equivalents		**15,072,918**	(944,708)
Cash and cash equivalents at the beginning of the year		**30,938,954**	33,230,355
Effect of exchange rate changes on cash and cash equivalents		**1,563,432**	(1,346,692)
Cash and cash equivalents at the end of the year	54	**47,575,304**	30,938,955

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

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

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

According to a resolution relating to the issue and listing of H Shares in Hong Kong passed in the first extraordinary general meeting of shareholders in 2011, along with the "Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities" (CSRC [2011] No.1366) issued by the CSRC, the Company conducted its initial public offering of Overseas-Listed Foreign Shares ("**H shares**") from September to October 2011. Under this offering, the Company offered a total of 1,071,207,000 H shares (including over-allotment of 75,907,000 H shares) with a nominal value of RMB1.00 per share. As at 31 December 2011, the total share capital of the Company increased to RMB11,016,908,400.00. The capital increase has been verified by Ernst & Young Hua Ming according to the capital verification report of Ernst & Young Hua Ming Yan Zi (2011) 60469435_A09.

According to a resolution relating to the additional issuance and listing of H shares in Hong Kong passed in the first extraordinary general meeting of the shareholders in 2015, along with the "Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities the Approval relating to Additional Issuance of Overseas-Listed Foreign Shares of CITIC Securities Company Limited (CSRC [2015] No. 936)" issued by the CSRC, on 23 June 2015, the Company completed its additional issuance and listing of H shares in Hong Kong. Under this offering, the Company offered a total of 1,100,000,000 H shares with offering price of HKD 24.60 per share. As at 31 December 2015, the total share capital of the Company increased to RMB12,116,908,400.00. The capital increase has been verified by PricewaterhouseCoopers Zhong Tian Yan Zi (2015) No. 748.

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), as issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets/liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, which have been measured at fair value, as further explained in the respective accounting policies below. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

(1) IFRS 9: Financial Instruments

"IFRS 9 Financial Instruments" introduces new rules for the classification, measurement and derecognition of financial assets and financial liabilities; the main impact for the Group includes the classification, measurement for financial assets and financial liabilities also the impairment for financial assets.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss, fair value through other comprehensive income (FVOCI) or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

2. BASIS OF PREPARATION (Continued)

(2) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

(3) Amendments to IAS 28: Investments in Associates and Joint Ventures to IFRSs included in the Annual Improvements 2014–2016 cycle

These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

(4) Amendments to IAS 40: Transfer of Investment Property

On 8 December 2016, the IASB issued amendments to IAS 40 — Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred. They also clarify that the list of circumstances set out in IAS 40 is non exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties.

(5) IFRIC 22: Foreign Currency Transactions And Advance Consideration

The IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration, to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

The new accounting standard IFRS 9 Financial Instruments and their impacts are disclosed in Note 3 Significant Accounting Policies and Note 5 The Impact of Changes in Significant Accounting Policies respectively. The adoption of the other standards and amendments did not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(In RMB thousands, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

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

			Effective for annual periods beginning on or after
(1)	IFRS 16	Leases	1 January 2019
(2)	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
(3)	Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
(4)	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
(5)	Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
(7)	Amendments to IAS 1 and IAS 8	The Definition of Material	1 January 2020
(8)	Amendments to IFRS 3	The Definition of A Business	1 January 2020

(1) IFRS 16: Leases

IFRS 16 — Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or of short lease term, in the statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the consolidated income statement, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statement of cash flows.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. BASIS OF PREPARATION (Continued)

(1) IFRS 16: Leases (Continued)

For operating lease existed before the commencement day, the lease liability is initially recognized at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid. The lessee uses as the discount rate the incremental borrowing rate. The measurement of right-of-use asset would be the amount of lease liability (adjusted by the amount of any previously recognized prepaid lease payments relating to that lease). The cumulative effect of applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application, and it does not restate comparative information. The right-of-use asset is depreciated in subsequent periods. The lease liability is measured in subsequent periods using the effective interest rate method.

The adoption of IFRS 16 does not have a significant impact on the net assets of the Group as at 1 January 2019.

(2) IFRIC 23: Uncertainty Over Income Tax Treatments

In December 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The adoption of this interpretation does not have a significant impact on the Group's consolidated financial statements.

(3) Amendments to IFRS 9: Prepayment Features with Negative Compensation

In October 2017, the IASB amended IFRS 9 by issuing Prepayment Features with Negative Compensation, which confirmed with modifications the proposals in the 2017 Negative Compensation Exposure Draft. As a result of those amendments, particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortised cost or at FVOCI. The adoption of this new standard does not have a significant impact on the Group's consolidated financial statements.

(4) Amendments to IFRSs and IASs: Annual Improvements to IFRSs 2015–2017 Cycle

The Annual Improvements to IFRSs 2015–2017 Cycle include a number of amendments to various IFRSs and IASs, including the amendments IFRS 3 — Business combinations, the amendments to IFRS 11 — Joint arrangements, the amendments to IAS 12 — Income taxes, the amendments to IAS 23 — Borrowing costs. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

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

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

2. BASIS OF PREPARATION (Continued)

(6) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(7) Amendments to IAS 1 and IAS 8: The Definition of Material

The IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(8) Amendments to IFRS 3: The Definition of A Business

The IASB issued amendments to the definition of a business in IFRS 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries for the year ended 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the Company (also referred to as the "**Parent**"), using consistent accounting policies.

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

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

(a) derecognises the assets (including goodwill) and liabilities of the subsidiary;

(b) derecognises the carrying amount of any non-controlling interest;

(c) derecognises the cumulative translation differences recorded in equity;

(d) recognises the fair value of the consideration received;

(e) recognises the fair value of any investment retained;

(f) recognises any resulting surplus or deficit in profit or loss; and

(g) reclassifies the Group's share of components previously recognised in other comprehensive income (OCI) to profit or loss or retained profits.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Cash and cash equivalents

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

Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and bank balances.

(2) Foreign currency transactions and foreign currency translation

The financial statements are presented in RMB, which is the Company's functional and presentation currency. The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. All differences are taken to the statement of profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates that approximate the exchange rates of the date of the transaction. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognised in OCI and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows.

The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(3) Financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

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

Financial assets

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

(i) Amortized cost;

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

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

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

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

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

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

Debt Instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

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

***Debt Instruments* (Continued)**

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

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

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

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

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

Equity instruments

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

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

Financial liabilities

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

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(b) Reclassification of financial assets

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

(c) Fair value of financial instruments

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

The fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, the Group uses observable inputs. Unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

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

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(d) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

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

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

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

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

Fair value through other comprehensive income

Debt instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(d) Subsequent measurement of financial instruments (Continued)

Fair value through other comprehensive income (Continued)

Equity instruments

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

Financial assets at fair value through profit or loss

Debt instruments

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

Equity instruments

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

Financial liabilities at fair value through profit or loss

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(e) Impairment of financial instruments

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

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects:

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

(ii) the time value of money; and

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(e) Impairment of financial instruments (Continued)

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

(f) Derecognition of financial instruments

A financial instrument (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised, which means to derecognise a financial asset or financial liability from the account and statement of financial position of the Group when:

(i) the rights to receive cash flows from the assets have expired; or

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

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

When the Group has made substantial modifications to a part of the contract terms of an existing financial liability, the relevant portion of the existing financial liability is derecognised, while the financial liability under modified terms is recognised as a new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) shall be recognised in profit or loss.

If the Group repurchases a part of a financial liability, the Group shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the part derecognised shall be recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

Financial instruments – Accounting policies applied prior to 1 January 2018

(a) Classification and measurement of financial instruments

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss, which are recognised initially at fair value.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities at fair value through profit or loss are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement of financial instruments depends on their classification as follows:

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

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

A financial asset or financial liability is classified as held for trading if it is acquired for the purpose of sale or repurchase in the near term. Derivatives are also classified as held for trading except for the derivative that is a financial guarantee contract or a designated effective hedging instrument.

Such financial instruments are subsequently measured at fair value. Gains or losses arising from the difference between fair value and previous carrying amount are recognised in profit or loss as investment income or losses. Realised gains or losses upon disposal of held-for-trading financial assets are recognised as investment income or losses. Dividends and interest accrued during the holding period from financial assets measured at fair value through profit or loss are recognised as investment income.

Financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the following criteria are satisfied:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on different bases;

- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to key management personnel;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

Financial instruments – Accounting policies applied prior to 1 January 2018 (Continued)

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

(i) Financial assets and financial liabilities at fair value through profit or loss (Continued)

- Hybrid instruments containing one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear with little or no analysis that the embedded derivative(s) would not be separately recorded;

- Hybrid instruments containing embedded derivatives which need to be separated but cannot be separately measured on acquisition date or subsequent balance sheet date.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, quoted in active markets, with fixed or determinable payments and a fixed maturity, which the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates or coupon rates and effective interest rates, held-to-maturity investments are measured at amortised cost using the contractual interest rates or coupon rates.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates and effective interest rates, loans and receivables are measured at amortised cost using the contractual interest rates. When loans and receivables are collected, differences between the amount received and the carrying amount are recognised as profit or loss in the consolidated statement of profit or loss.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are subsequently measured at fair value. When the fair value of an equity investment classified as available-for-sale financial assets cannot be reliably measured, they are carried at cost. When available-for-sale financial assets are disposed of, the difference between the consideration received plus cumulative gains or losses previously recorded in OCI and accumulated in equity arising from changes of fair value and the carrying amount are recognised as investment income.

(v) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified or designated as financial liabilities at fair value through profit or loss. Other liabilities are subsequently measured at amortised cost using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

Financial instruments – Accounting policies applied prior to 1 January 2018 (Continued)

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

(vi) Reclassification of financial assets

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

(b) Impairment of financial assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired and impairment allowance shall be made. The objective evidence of impairment is a result of one or more events that occurred after the initial recognition of financial assets and has an impact on the estimated future cash flows of the financial assets that can be reliably measured.

(i) Financial assets carried at amortised cost

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The loss is recognised in profit or loss. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition), and the value of collaterals should be considered.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence of impairment, the impairment loss is recognised in the profit or loss. The Group performs a collective assessment for impairment for all other financial assets that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account and recognising the decrease in impairment loss in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

Financial instruments – Accounting policies applied prior to 1 January 2018 (Continued)

(b) Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss recognised in OCI is reclassified from OCI to profit or loss and is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Generally, a significant or prolonged decline in the fair value of an equity instrument is an indicator of impairment in such investments where a decline in the fair value of equity instrument below its initial cost by 50% or more; or fair value below cost for one year or longer, upon which circumstances impairment loss is recognised.

For the Company's specific investment managed by China Securities Finance Corporation Limited, considering the purpose and special features of this investment, including the investment and divestment decision-making processes, and with reference to the industry practice, the decline is considered significant or prolonged when a decline in the fair value of such investment is below its initial cost by 50% or more; or fair value is below cost for 36 months or longer, upon which circumstances an impairment loss is recognized.

Impairment losses of available-for-sale equity instruments are not reversed through profit or loss. Increases of their fair value after the impairment are recognised directly in OCI.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed through profit or loss.

If there is objective evidence that an available-for-sale equity investment which is measured at cost is impaired, the difference between the carrying amount of a financial asset and the present value of the future cash flows discounted at the prevailing market rate of return for a similar financial asset, is recognised as an impairment loss through profit or loss. Such impairment losses are not reversed once recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) Derivative financial instruments

The Group uses derivatives, such as foreign currency contracts, interest rate swaps, contracts of stock index and contracts for difference to economically hedge its foreign currency risk, interest rate risk and stock price risk, respectively. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including the discounted cash flow analysis and option pricing models, as appropriate. Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group itself, respectively.

(5) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(6) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin accounts at initial recognition, and recognises interest income accordingly. Securities lent are not derecognised, but still accounted for as the original financial assets, and interest income is recognised accordingly.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

For impairment of financial assets arising from margin financing and securities lending, refer to Note 3 (3) (b) (i).

(7) Reverse repurchase agreements and repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. The corresponding liability is included in repurchase agreements.

Consideration paid for financial assets held under agreements to resell are recorded as reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognised through profit or loss.

For impairment of reverse repurchase agreements, refer to Note 3 (3) (b) (i). Stock repo and stock-pledge repo under reverse purchase agreements are assets arising from financing business.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

(9) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

(10) Joint ventures

Joint ventures are all entities over which the Group has joint control. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities the unanimous consent of the parties sharing control.

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

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

The Group's investment properties are accounted for using cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment. The land use rights are accounted for using amortization method over their expected useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Investment properties (Continued)

When an investment property is transferred to owner-occupied property, it is reclassified to property, plant and equipment with the carrying amount determined at the carrying amount of the investment property at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the property, plant and equipment is transferred to investment properties with the carrying amount determined at the carrying amount at the date of the transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of profit or loss.

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

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

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

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

Subsequent expenditure incurred for the property, plant and equipment is included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably, while the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is calculated on the straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Property, plant and equipment (Continued)

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

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property, plant and equipment	Estimated useful lives	Monthly depreciation rate	Estimated residual value rate
Properties and buildings	35 years	0.2262%	5%
Electronic devices	2–5 years	1.667%–4.167%	—
Transportation vehicles			
— Leased out	(i)	(i)	(i)
— Others	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	—
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

(i) Transportation vehicles that are leased out under operating lease represent aircraft and cargo vessel. The Group determines the useful lives and depreciation method according to conditions of aircraft and cargo vessel. Among transportation vehicles, the estimated useful lives of cargo vessel is 20 years, and the estimated residual value is determined based on the expected residual value; the estimated useful lives of aircraft is 25 years with a monthly depreciation rate of 0.283%, and the estimated residual value rate is 15% of its original cost.

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

(c) Impairment of property, plant and equipment

The Group assesses whether there is any indication that assets are impaired at each financial reporting date. When any such indication exists, the Group estimates the recoverable amount. When recoverable amounts of assets are lower than carrying amounts, the Group decreases the carrying amount to recoverable amount, the decreased amount recognized in the consolidated income statement.

An impairment loss recognized for property, plant and equipment is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Property, plant and equipment (Continued)

(d) Disposal of property, plant and equipment

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

(e) Construction in progress

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

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

(13) Land-use rights and intangible assets

(a) Land-use rights

Land-use rights acquired by the Group are amortised over the period that is confirmed by the land use permit.

(b) Intangible assets

Intangible assets are recognised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item shall be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognised as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortised on a straight-line basis over the useful period. The useful lives and amortisation method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Land-use rights and intangible assets (Continued)

(b) Intangible assets (Continued)

Software acquired from third party shall be amortised over 5 years. The self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets shall be amortised over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed each reporting date. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

The internal research and development expenses are classified as research phase expense and development phase expense. Expenditure on research phase of an internal project shall be recognised as an expense when it is incurred. Development phase expense can be capitalised only an entity can demonstrate all of the following:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(ii) its intention to complete the intangible asset and use or sell it;

(iii) its ability to use or sell the intangible asset;

(iv) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The development phase expenses that do not meet above conditions shall be recognised in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Revenue

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

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

Revenue from asset management services is recognised when management services are provided in accordance with the asset management contract;

Dividend income is recognised when the Group's right to receive payment has been established;

Other business revenue mainly comes from the bulk commodities sales of the group's commodities trading subsidiaries.

The Group recognizes sales revenue from bulk commodity goods when fulfills the Group's performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant bulk commodity goods.

In the process of selling goods, the Group, as the primary obligor, has the primary responsibility of providing goods and performing orders to customers; The Group exposure inventory risk before or after the bulk commodity goods have been ordered by a customer; the Group has discretion in establishing prices of bulk commodity goods and exposed to credit risk for the amount receivable from customers in exchange for the other party's goods and commodity risk for inventory. The Group satisfies the performance obligation above and recognized revenue in the gross amount.

When the Group recognises revenue in accordance with the progress of completed services, the part of unconditional receivables that the Group has acquired will be recognised as accounts receivables, and the rest will be recognised as contract assets. The Group identifies loss allowance on the basis of expected credit losses for accounts receivable and contractual assets; if the Group's received consideration or receivable consideration exceed the completed services, the excess part will be recognised as contractual liabilities. The Group's contractual assets and liabilities under the same contract are shown in net.

Interest income of debt investments at amortized costs and FVOCI, is measured by carrying amount and effective interest rate; excluding financial assets credit impaired are measured by amortized cost and effective interest rate. The net gains of holding period from financial investments at FVTPL is measured as "Investment income".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Income tax

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

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

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

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

The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, unused tax credits carried forward and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax credits carried forward and unused tax losses can be utilised, except that deferred income tax asset relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(16) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered the services to the Group.

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

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

(17) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all the attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognised at nominal amount.

Government grants for purchasing, building or other development of long-term assets regulated in government documents are recognised as government grants related to assets. Judgments should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or other development of long-term assets as basic condition are recognised as government grants related to assets, and the remaining type of grants are recognised as related to income.

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released to profit or loss during the period when the expense is incurred. Government grants that are to compensate the incurred expenses or losses are recognised into profit or loss directly. Government grants related to assets are recognised as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded into profit or loss directly.

(18) Operating leases

Lease income from operating leases is recognised in income on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Inventories

Inventories are recognised at cost for initial recognition. The cost of inventories comprises all costs of purchase, costs of conversion and other costs.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. When net realisable value is lower than the carrying amount, the Group decreases the carrying amount to net realisable value. The decreased amount is recognised in profit or loss and corresponding allowance is made.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes.

(20) Impairment of assets other than deferred tax assets and financial assets

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is objective evidence that assets are impaired. Where there is objective evidence, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units to which the asset belongs will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group decreases their carrying amount to recoverable amount. The decreased amounts are recognised in profit or loss and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognises relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(21) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close family member of that person and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(22) Provisions and contingencies

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

(i) the obligation is a present obligation of the Group;

(ii) the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and

(iii) the amount of the obligation can be reliably measured.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(22) Provisions and contingencies (Continued)

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at the end of the reporting period. If there is substantial evidence that the amount of provisions cannot actually reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

(23) Profit distribution

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

General reserves set aside by the Company are used to make up for any losses arising from securities transactions. The Company's surplus reserves are used to make up for any losses of the Company or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve are converted to capital, the balance of the statutory reserve cannot be less than 25% of the Company's registered capital.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(1) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, which requires significant judgement. This involves an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and its value in use.

(2) Impairment of non-current assets other than financial assets and goodwill

The Group assesses at each financial reporting date whether there is objective evidence that non-current financial assets other than financial assets, margin financing businesses, and goodwill are impaired. Impairment occurred if the carrying amount of an asset or asset group exceeds its recoverable amount as recognized from impairment testing. When estimating the value in use, management should estimate the expected future cash flows and choose a suitable discount rate in order to calculate the present value of those cash flows.

(3) Income tax

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

(4) Fair value of financial instruments

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(5) Consolidation of structured entities

The management makes significant judgment on whether the Group controls and therefore is required to consolidate its structured entities. The decision outcome impacts the financial and operational results of the Group.

When assessing control, the Group considers: 1) the level of power of the Group over the investee; 2) variable returns gained through participation of relevant activities of the investee; and 3) the ability of the Group in using its power over the investee to affect its return.

When assessing the level of power over the structured entities, the Group considers the following four aspects:

(a) the degree of participation when establishing the structured entities;

(b) contractual arrangements;

(c) activities that take place only at special occasions or events;

(d) commitments made to the investee from the Group.

When assessing whether there is control over the structured entities, the Group also considers whether it's acting as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and exposure to variable risks and returns from owning other benefits of the structured entities.

(6) Measurement of the expected credit loss allowance

Expected credit loss measurement

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

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

— Determining criteria for significant increase in credit risk;

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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

Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined above. For debt securities investments, ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements, ECL are the discounted product of the EAD and Loss Ratio (LR).

Forward-looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the PD vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Details of the significant accounting judgements and estimates above please refer to Note 60(a).

(7) Classification of financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

The following significant accounting judgements and estimates apply to 2017

(1) Classification of held-to-maturity investments

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

(2) Impairment losses of available-for-sale financial assets

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets, the Group assesses periodically whether objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, price volatility as well as operating and financing cash flows. A significant or prolonged decline in the fair value of the equity investments below its cost is also an objective evidence of impairment for available-for-sale equity investments. This requires a significant level of management judgement which would affect the amount of impairment losses.

(3) Impairment of financial assets arising from financing business

Based on the clients' credit standing, collateral securities, collateral ratio, solvency ability and willingness and other factors, the Group determines whether there is any indication of impairment of financial assets arising from financing business.

(In RMB thousands, unless otherwise stated)

5. THE IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

(1) Classification and measurement of financial instruments

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

IAS 39			IFRS 9		
Items	Measurement categories	Carrying amount	Items	Measurement categories	Carrying amount
Cash and bank balances	Amortized cost (Loans and receivables)	34,303,141	Cash and bank balances	Amortized cost	34,303,141
Cash held on behalf of customers	Amortized cost (Loans and receivables)	92,386,338	Cash held on behalf of customers	Amortized cost	92,386,338
Margin accounts	Amortized cost (Loans and receivables)	73,982,611	Margin accounts	Amortized cost	73,973,779
Derivative financial assets	FVPL	5,900,795	Derivative financial assets	FVPL (Mandatory)	5,900,795
Reverse repurchase agreements	Amortized cost (Loans and receivables)	114,592,030	Reverse repurchase agreements	Amortized cost	114,569,371
Refundable deposits	Amortized cost (Loans and receivables)	972,410	Refundable deposits	Amortized cost	972,410
Financial assets held for trading	FVPL	158,448,546	Financial assets at fair value through profit or loss	FVPL (Mandatory)	206,074,885
Financial assets designated as at fair value through profit or loss	FVPL	19,704,957			
Available-for-sale financial assets	FVOCI	59,226,932	Financial assets at fair value through other comprehensive income (Debt instruments)	FVOCI	14,080,770
			Financial assets at fair value through other comprehensive income (Equity instruments)	FVOCI	17,392,241
Others	Amortized cost (Loans and receivables)	26,461,322	Others	Amortized cost	26,448,466

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

5. THE IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

	IAS 39 Carrying amount 31 December 2017	Reclassifications	Remeasurements expected credit loss allowance	IFRS 9 Carrying amount 1 January 2018
Loans and receivables (IAS39)/(IFRS9)				
Financial assets measured at amortized cost				
Cash and bank balances	34,303,141	—	—	34,303,141
Cash held on behalf of customers	92,386,338	—	—	92,386,338
Margin accounts	73,982,611	—	(8,832)	73,973,779
Reverse repurchase agreements	114,592,030	—	(22,659)	114,569,371
Refundable Deposits	972,410	—	—	972,410
Other assets	26,461,322	677	(13,533)	26,448,466
	342,697,852	677	(45,024)	342,653,505
Financial assets at fair value through profit or loss				
Derivative financial assets	5,900,795	—	—	5,900,795

(In RMB thousands, unless otherwise stated)

5. THE IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

5. THE IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

	Impairment allowance under IAS 39 31 December 2017	Reclassifications	Remeasurements expected credit loss allowance	Impairment allowance under IFRS 9 1 January 2018
Financial assets measured at amortized cost				
Margin accounts	303,615	—	8,832	312,447
Reverse repurchase agreements	556,585	—	22,659	579,244
Other assets	899,657	—	13,533	913,190
Total	1,759,857	—	45,024	1,804,881
Available-for-sale financial assets	1,371,201			
Reclassification: To financial assets at fair value through profit or loss (Mandatory) (IFRS 9)		(1,259,578)		
Financial assets at fair value through other comprehensive income (Debt instruments)			15,688	127,311

6. TAXATION

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

(1) Income tax

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

6. TAXATION (Continued)

(2) Value added tax

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

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

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

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

7. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(In RMB thousands, unless otherwise stated)

7. OPERATING SEGMENT INFORMATION (Continued)

2018	Investment banking	Brokerage	Trading	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	2,968,251	10,382,464	160,151	6,146,006	637,949	20,294,821
Interest income	4,975	2,666,466	10,433,629	188,672	360,680	13,654,422
Investment income	—	64,093	7,520,481	164,558	296,718	8,045,850
Other income	39,105	103,705	878,358	37,026	8,007,732	9,065,926
Subtotal	3,012,331	13,216,728	18,992,619	6,536,262	9,303,079	51,061,019
Operating expenses	1,805,215	10,157,320	15,200,053	3,671,596	8,492,919	39,327,103
Including: Interest expenses	41	782,321	9,723,546	51,551	674,554	11,232,013
Expected credit losses	—	7,760	2,092,231	310	86,472	2,186,773
Impairment losses on other assets	—	2,605	—	—	21,200	23,805
Operating profit	1,207,116	3,059,408	3,792,566	2,864,666	810,160	11,733,916
Share of profits and losses of associates and joint ventures	—	—	—	—	731,655	731,655
Profit before income tax	1,207,116	3,059,408	3,792,566	2,864,666	1,541,815	12,465,571
Income tax expenses						2,589,143
Net profit for the period						9,876,428
Other segment information:						
Depreciation and amortisation	3,178	290,823	17,315	61,418	592,336	965,070
Capital expenditure	95,828	238,294	40,772	64,836	18,830	458,560

7. OPERATING SEGMENT INFORMATION (Continued)

2017	Investment banking	Brokerage	Trading	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	4,320,427	11,523,441	150,314	6,327,008	343,460	22,664,650
Interest income	2,368	2,588,724	9,415,277	214,626	585,670	12,806,665
Investment income	—	61,403	7,539,013	1,381,822	3,730,958	12,713,196
Other income	1,465	(27,388)	93,547	91,692	8,615,892	8,775,208
Subtotal	4,324,260	14,146,180	17,198,151	8,015,148	13,275,980	56,959,719
Operating expenses	2,508,082	9,426,618	13,500,921	4,465,737	11,488,629	41,389,987
Including: Finance costs	51	397,288	9,263,518	93,774	647,432	10,402,063
Impairment losses	—	32,809	685,099	435,677	567,175	1,720,760
Operating profit	1,816,178	4,719,562	3,697,230	3,549,411	1,787,351	15,569,732
Share of profits and losses of associates and joint ventures	—	—	—	—	604,049	604,049
Profit before income tax	1,816,178	4,719,562	3,697,230	3,549,411	2,391,400	16,173,781
Income tax expenses						4,196,311
Net profit for the period						11,977,470
Other segment information:						
Depreciation and amortisation	2,990	321,337	17,434	55,246	603,187	1,000,194
Capital expenditure	45,052	291,378	20,271	41,684	44,624	443,009

(In RMB thousands, unless otherwise stated)

8. INTEREST INCOME

	2018	2017
Interest income on margin and other financing	**8,771,357**	8,832,772
Bank interest income	**3,867,374**	3,910,822
Financial assets at fair value through other comprehensive income	**854,755**	
Others	**160,936**	63,071
Total	**13,654,422**	12,806,665

9. INVESTMENT INCOME

	2018	2017
Net gains from financial assets held for trading		8,141,505
Net gains from financial instruments designated as at fair value through profit or loss		1,047,715
Net losses from financial assets at fair value through profit or loss (Mandatory)	**(5,221,853)**	
Net gains from financial assets at fair value through profit or loss (Designated)	**1,167,400**	
Net gains from disposal of available-for-sale financial assets		4,855,536
Net gains from disposal of debt instruments at fair value through other comprehensive income	**55,211**	
Dividend and interest income from available-for-sale financial assets		2,399,041
Dividend income from financial assets at fair value through other comprehensive income	**1,339,171**	
Net gains from financial liabilities at fair value through profit or loss	**1,867,081**	78,324
Net gains/(losses) from derivatives and others	**8,838,840**	(3,808,925)
Total	**8,045,850**	12,713,196

10. OTHER INCOME

	2018	2017
Income from bulk commodity trading	**7,180,012**	8,126,887
Gains/(Losses) on disposal of property, plant and equipment	**(1,683)**	737
Others	**1,887,597**	647,584
Total	**9,065,926**	8,775,208

11. OPERATING EXPENSES

		2018	2017
Fee and commission expenses:			
— Commission expenses		**2,638,537**	3,579,657
— Others		**229,476**	127,958
Total		**2,868,013**	3,707,615

		2018	2017
Interest expenses:			
— Due to banks and other financial institutions		**3,896,667**	3,659,077
— Debt instruments issued and short-term financing instruments payable		**6,028,064**	5,364,737
— Customer brokerage deposits		**339,558**	337,664
— Others		**967,724**	1,040,585
Total		**11,232,013**	10,402,063

		2018	2017
Staff costs (including directors', supervisors' and senior executives' remuneration):			
— Salaries and bonuses		**8,891,221**	10,494,163
— Staff benefits		**1,008,933**	1,048,755
— Contributions to defined contribution schemes	(i)	**624,536**	598,329
Total		**10,524,690**	12,141,247

(In RMB thousands, unless otherwise stated)

11. OPERATING EXPENSES (Continued)

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

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

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

		2018	2017
Other operating expenses and costs:			
— Cost of bulk commodity trading		**7,146,338**	7,987,312
— Leasing expenses		**838,347**	949,271
— Fund distribution and administration expenses		**613,250**	404,826
— Electronic device operating costs		**555,920**	572,929
— Business travel expenses		**362,136**	330,496
— Amortisation of intangible assets		**338,479**	380,182
— Postal and communication expenses		**270,721**	297,583
— Business publicity expenses		**208,151**	212,456
— Consulting expense		**191,598**	155,462
— Business entertainment expenses		**161,857**	191,497
— Auditors' remuneration	(i)	**34,558**	35,197
— Others		**1,095,189**	1,142,161
Total		**11,816,544**	12,659,372

(i) Which include audit service fees of RMB30 million (2017: RMB27 million).

12. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION

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

				2018		
Name	Position	Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)
ZHANG Youjun	Executive Director, Chairman and Member of the Executive Committee	2,379	2,400	–	169	4,948
YANG Minghui	Executive Director, President and Member of the Executive Committee	2,138	7,500	–	157	9,795
KUANG Tao	Non-executive Director	–	–	–	–	–
HE Jia	Independent Non-executive Director	–	–	156	–	156
LIU Ke	Independent Non-executive Director	–	–	156	–	156
CHAN, Charles Sheung Wai	Independent Non-executive Director	–	–	153	–	153
Li Fang	Former Supervisor and Chairman of the Supervisory Committee	258	–	–	21	279
RAO Geping	Supervisor	–	–	100	–	100
GUO Zhao	Supervisor	–	–	100	–	100
LEI Yong	Supervisor representing Employees	1,041	3,104	–	102	4,247
YANG Zhenyu	Supervisor representing Employees	865	1,262	–	94	2,221
GE Xiaobo	Person-in-charge of Accounting Affairs and Member of the Executive Committee, Chief Risk Management Officer	1,539	14,002	–	127	15,668
TANG Zhenyi	Former Member of the Executive Committee	2,864	2,831	–	143	5,838
MA Yao	Member of the Executive Committee	1,298	10,490	–	127	11,915
XUE Jirui	Member of the Executive Committee	1,539	9,100	–	127	10,766
YANG Bing	Member of the Executive Committee	1,538	7,574	–	127	9,239
LI Chunbo	Member of the Executive Committee	1,539	6,780	–	127	8,446
ZOU Yingguang	Member of the Executive Committee	1,539	2,500	–	127	4,166
LI Yongjin	Member of the Executive Committee	1,421	5,550	–	116	7,087
LI Jiong	Treasurer	1,535	5,208	–	127	6,870
SONG Qunli	Chief Engineer	1,419	2,100	–	118	3,637
ZHANG Hao	Chief Marketing Officer	1,587	6,160	–	50	7,797
CAI Jian	Former Chief Risk Management Officer	1,385	1,750	–	56	3,191
ZHANG Guoming	Compliance Officer	1,419	3,929	–	118	5,466
ZHENG Jing	Secretary to the Board, Company Secretary	1,061	2,436	–	103	3,600
SUN Yi	Senior Management Members	743	–	–	54	797
YE Xinjiang	Senior Management Members	255	–	–	16	271
		29,362	94,676	665	2,206	126,909

Note: Certain of these independent non-executive directors act as representative directors of the Company in the board of certain subsidiaries and they do not receive any directors' remuneration from these subsidiaries. Related amounts were received by the Company.

(In RMB thousands, unless otherwise stated)

12. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION (Continued)

During the year ended 31 December 2018, the Group's Non-executive Director Mr. KUANG Tao waived his remuneration arrangements. During the year ended December 2017, the Group's Non-executive Director Mr. CHEN Zhong waived his remuneration arrangements.

During the years ended 31 December 2018 and 2017, no special emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. There were no other retirement benefits for directors or supervisors.

During the years ended 31 December 2018 and 2017, there were no consideration provided to third parties for making available directors' or supervisor's services.

During the years ended 31 December 2018 and 2017, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. In addition, the Group did not provide any the guarantees or securities to certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loan, quasi-loans or credit transactions.

				2017		
Name	Position	Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)
ZHANG Youjun	Executive Director, Chairman and Member of the Executive Committee	2,374	3,000	–	157	5,531
YANG Minghui	Executive Director, President and Member of the Executive Committee	2,133	4,287	–	486	6,906
CHEN Zhong	Non-executive Director	–	–	–	–	–
LIU Ke	Independent Non-executive Director	–	–	162	–	162
HE Jia	Independent Non-executive Director	–	–	162	–	162
CHAN, Charles Sheung Wai	Independent Non-executive Director	–	–	159	–	159
LEI Yong	Supervisor representing Employees	1,031	2,367	–	97	3,495
GUO Zhao	Supervisor	–	–	100	–	100
RAO Geping	Supervisor	–	–	100	–	100
YANG Zhenyu	Supervisor representing Employees	851	899	–	89	1,839
GE Xiaobo	Person-in-charge of Accounting Affairs and Member of the Executive Committee	1,276	2,750	–	99	4,125
MA Yao	Member of the Executive Committee	255	–	–	21	276
XUE Jirui	Member of the Executive Committee	384	–	–	31	415
YANG Bing	Member of the Executive Committee	384	–	–	31	415
LI Chunbo	Member of the Executive Committee	255	–	–	21	276
ZOU Yingguang	Member of the Executive Committee	512	–	–	42	554
LI Yongjin	Member of the Executive Committee	308	–	–	33	341
LI Jiong	Treasurer	384	–	–	31	415
SONG Qunli	Chief Engineer	431	–	–	38	469
ZHANG Hao	Chief Marketing Officer	395	–	–	12	407

12. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION (Continued)

		2017				
Name	Position	Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)
ZHANG Guoming	Compliance Officer	1,293	1,975	–	104	3,372
CAI Jian	Chief Risk Management Officer	1,341	1,650	–	47	3,038
ZHENG Jing	Secretary to the Board, Company Secretary	988	1,924	–	92	3,004
YIN Ke	Former Executive Director	671	–	–	67	738
LI Fang	Former Supervisor and Chairman of the Supervisory Committee	1,533	3,300	–	110	4,943
		16,799	22,152	683	1,608	41,242

13. FIVE HIGHEST PAID EMPLOYEES

The Group's five highest paid employees during the year did not include directors and supervisors (2017: none). Details of the remuneration of the five (2017: five) non-director and non-supervisor highest paid employees for the year are as follows:

	2018	2017
Salaries, allowances and other benefits	**27,956**	101,248
Discretionary bonuses	**73,283**	69,541
Termination compensation	**—**	—
Total	**101,239**	170,789

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

	Number of employees	
	2018	2017
RMB17,000,001 to RMB18,000,000	**1**	—
RMB18,000,001 to RMB20,000,000	**2**	1
RMB20,000,001 to RMB25,000,000	**2**	—
RMB25,000,001 to RMB30,000,000	**—**	2
RMB40,000,001 to RMB50,000,000	**—**	2
Total	**5**	5

During the year of 2018, the emoluments paid by the Group to these non-director and non-supervisor individuals were based on the services provided to the Group by these individuals.

(In RMB thousands, unless otherwise stated)

14. IMPAIRMENT LOSSES ON ASSETS

	2017
Available-for-sale financial assets	478,162
Impairment losses of receivables and others	265,416
Margin accounts	103,597
Reverse repurchase agreements	437,460
Investments in associates and joint ventures	434,652
Others	1,473
Total	1,720,760

15. EXPECTED CREDIT LOSSES

	2018
Reverse repurchase agreements	**1,622,553**
Margin accounts	**58,452**
Financial assets at fair value through other comprehensive income (debt instruments)	**116,328**
Other assets	**389,440**
Total	**2,186,773**

16. IMPAIRMENT LOSSES ON OTHER ASSETS

	2018
Impairment losses on intangible assets	**2,605**
Others	**21,200**
Total	**23,805**

17. INCOME TAX EXPENSE

(a) Income tax

	2018	2017
Current income tax expense		
Mainland China	**3,401,646**	3,469,279
Outside Mainland China	**204,536**	143,566
Deferred income tax expense	**(1,017,039)**	583,466
Total	**2,589,143**	4,196,311

17. INCOME TAX EXPENSE (Continued)

(b) Reconciliation between income tax and accounting profit

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

	2018	2017
Profit before income tax	**12,465,571**	16,173,781
Tax at the PRC statutory income tax rate	**3,116,393**	4,043,445
Effects of different applicable rates of tax prevailing in various regions	**76,517**	(31,942)
Non-deductible expenses	**197,666**	125,844
Non-taxable income	**(689,394)**	(426,524)
Adjustments in respect of current and deferred income tax of prior years	**(109,290)**	(3,919)
Others	**(2,749)**	489,407
Tax expense at the Group's effective income tax rate	**2,589,143**	4,196,311

18. PROFIT ATTRIBUTABLE TO THE COMPANY

The consolidated profit attributable to the company for the year ended 31 December 2018 amounted to RMB8,214 million (2017: RMB8,624 million), which has been dealt with in the financial statements of the Company (Note 61).

19. DIVIDENDS

	2018	2017
Dividends on ordinary shares proposed but not paid	**4,240,918**	4,846,763
Dividends on ordinary shares paid	**4,846,763**	4,240,918

Dividends on ordinary shares proposed for approval were RMB0.35 yuan per share for the year ended 31 December 2018 (2017: RMB0.40 yuan per share).

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

20. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

	2018	2017
Earnings:		
Profit attributable to Owners of the Parent	**9,389,896**	11,433,265
Shares:		
Weighted average number of ordinary shares in issue (thousand)	**12,116,908**	12,116,908
Basic and diluted earnings per share (in RMB yuan)	**0.77**	0.94

Basic earnings per share was calculated by dividing profit for the year attributable to Owners of the Parent by the weighted average number of ordinary shares outstanding.

There were no dilutive shares during the year ended 31 December 2018 (2017: None).

21. PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Communication equipment	Office equipment	Transportation vehicles	Security equipment	Electronic devices	Others	Subtotal	Construction in progress	Total
31 December 2018										
Cost										
31 December 2017	6,099,997	71,944	290,326	2,392,744	6,355	2,307,822	83,338	11,252,526	361,592	11,614,118
Increases	50,605	3,644	20,222	313	879	155,799	3,449	234,911	104,101	339,012
Decreases	(7,338)	(3,644)	(22,163)	(2,315)	(377)	(138,756)	(48,330)	(222,923)	(149,082)	(372,005)
Effect of exchange rate changes	3,839	1,752	1,650	112,116	—	47,971	2,324	169,652	—	169,652
31 December 2018	6,147,103	73,696	290,035	2,502,858	6,857	2,372,836	40,781	11,434,166	316,611	11,750,777
Accumulated depreciation										
31 December 2017	774,961	59,616	250,177	224,981	3,796	1,967,590	68,438	3,349,559	—	3,349,559
Increases	178,961	7,964	26,310	87,426	767	196,891	7,183	505,502	—	505,502
Decreases	(6,896)	(2,968)	(20,667)	(2,270)	(366)	(133,619)	(47,788)	(214,574)	—	(214,574)
Effect of exchange rate changes	3,381	1,716	1,458	11,426	—	43,887	2,189	64,057	—	64,057
31 December 2018	950,407	66,328	257,278	321,563	4,197	2,074,749	30,022	3,704,544	—	3,704,544
Allowances for impairment										
31 December 2017	—	—	—	—	—	—	—	—	—	—
Increases	—	—	—	—	—	—	—	—	—	—
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate changes	—	—	—	—	—	—	—	—	—	—
31 December 2018	—	—	—	—	—	—	—	—	—	—
Net carrying amount										
31 December 2018	5,196,696	7,368	32,757	2,181,295	2,660	298,087	10,759	7,729,622	316,611	8,046,233
31 December 2017	5,325,036	12,328	40,149	2,167,763	2,559	340,232	14,900	7,902,967	361,592	8,264,559

(In RMB thousands, unless otherwise stated)

21. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

22. INVESTMENT PROPERTIES

31 December 2018	Properties and Buildings
Cost	
31 December 2017	**1,018,050**
Increases	**488,212**
Decreases	**–**
31 December 2018	**1,506,262**
Accumulated depreciation and amortisation	
31 December 2017	**146,496**
Increases	**27,258**
Decreases	**–**
31 December 2018	**173,754**
Allowances for impairment	
31 December 2017	**–**
Increases	**–**
Decreases	**–**
31 December 2018	**–**
Net carrying amount	
31 December 2018	**1,332,508**
31 December 2017	**871,554**

(In RMB thousands, unless otherwise stated)

22. INVESTMENT PROPERTIES (Continued)

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

23. GOODWILL

	31 December 2018	2017
Carrying amount at the beginning of the year:		
Cost	**10,640,172**	10,787,650
Accumulated impairment	**359,235**	381,481
Net carrying amount	**10,280,937**	10,406,169
Movements during the year:		
Additions and effect of exchange rate changes	**244,750**	(147,478)
Impairment and effect of exchange rate changes	**18,192**	(22,246)
Carrying amount at the end of the year:		
Cost	**10,884,922**	10,640,172
Accumulated impairment	**377,427**	359,235
Net carrying amount	**10,507,495**	10,280,937

	31 December 2018	2017
China Asset Management Co., Ltd.	**7,418,587**	7,418,587
CITIC Securities International Co., Ltd.	**2,275,795**	2,097,112
CITIC Securities Overseas Investment Company Limited	**482,570**	434,695
CITIC Futures Co., Ltd.	**193,826**	193,826
CITIC Securities (Shandong) Co., Ltd.	**88,675**	88,675
CITIC Securities Company Limited	**43,500**	43,500
Xin Jiang Equity Exchange Centre Limited	**4,542**	4,542
Total	**10,507,495**	10,280,937

As at 31 December 2018, the net carrying amount of the goodwill arising from CITIC Securities International Co., Ltd's acquisition of CLSA was RMB2,020 million. (2017: RMB1,923 million).

As at 31 December 2018, the Management used the value in use approach ("VIU") to assess the recoverable amount by applying a discounted cash flow ("DCF") model. The primary valuation technique used in cash flow projections for China AMC and CLSA are based on operation plans of the Management and a risk adjusted discount rate. Cash flows beyond the forecast period have been extrapolated using a sustainable growth rate. Discount rates used by the Group range from 11.00% to 12.00% and growth rates, where applicable, range from 4.50% to 25.93%.

As at 31 December 2017, the Management used fair value less costs of disposal approach to calculate the recoverable amount of China AMC, The recoverable amount of CLSA was calculated base on the DCF model, discount rates used by Management was 12.00% and growth rates, where applicable, range from 2.60% to 14.20%.

Based on the estimated recoverable amounts, the Management believes that no provision for impairment of goodwill is required this year.

(In RMB thousands, unless otherwise stated)

24. LAND-USE RIGHTS AND INTANGIBLE ASSETS

	Seats on stock exchanges	Software development	Customer relationships	Trademarks	Land-use rights	Total
31 December 2018						
Cost						
31 December 2017	127,522	1,280,764	1,271,237	277,976	2,261,433	5,218,932
Increases	2,715	93,289	44,389	—	—	140,393
Decreases	—	(1,023)	—	—	—	(1,023)
Effect of exchange rate changes	2,289	28,549	57,949	14,057	—	102,844
31 December 2018	132,526	1,401,579	1,373,575	292,033	2,261,433	5,461,146
Accumulated amortisation						
31 December 2017	98,347	964,750	557,658	—	149,339	1,770,094
Increases	120	153,170	147,620	—	58,679	359,589
Decreases	—	(819)	—	—	—	(819)
Effect of exchange rate changes	1,419	26,485	30,988	—	—	58,892
31 December 2018	99,886	1,143,586	736,266	—	208,018	2,187,756
Allowance for impairment						
31 December 2017	1,506	—	—	—	—	1,506
Increases	—	2,606	—	—	—	2,606
Decreases	—	—	—	—	—	—
Effect of exchange rate changes	(10)	(135)	—	—	—	(145)
31 December 2018	1,496	2,471	—	—	—	3,967
Net carrying amount						
31 December 2018	31,144	255,522	637,309	292,033	2,053,415	3,269,423
31 December 2017	27,669	316,014	713,579	277,976	2,112,094	3,447,332

24. LAND-USE RIGHTS AND INTANGIBLE ASSETS (Continued)

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

(In RMB thousands, unless otherwise stated)

24. LAND-USE RIGHTS AND INTANGIBLE ASSETS (Continued)

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

The portion of the land-use right attributable to GoldStone ZeXin for real estate development is classified under Other Non-Current Assets (Note 32), and the portion attributable to the Company is classified under land-use rights.

25. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2018	2017
Unlisted shares, at cost	**32,045,836**	30,630,220

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

(a) Principal subsidiaries acquired through establishment or investment

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest Direct	Attributable equity interest Indirect
GoldStone Investment Co., Ltd. (金石投資有限公司)	Mainland China	RMB3 billion	Direct investment, investment advisory and management	RMB1.7 billion	100%	—
Qingdao GoldStone Storm Investment Consulting Company Limited (青島金石暴風投資諮詢有限公司)	Mainland China	RMB50.1 million	Investment management, advisory services	RMB50.1 million	—	100%
Shanghai CITIC GoldStone Equity Investment Management Company Limited (上海中信金石股權投資管理有限公司)	Mainland China	RMB15 million	Equity investment, advisory services	RMB15 million	—	100%
CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司)	Mainland China	RMB100 million	Investment management, advisory services	RMB100 million	—	100%
CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (中信併購投資基金(深圳)合夥企業(有限合夥))	Mainland China	Not applicable	Investment, advisory services	RMB950.36 million	—	25.24% (i)
Qingdao GoldStone Runhui Investment Management Company Limited (青島金石潤匯投資管理有限公司)	Mainland China	RMB10.1 million	Investment management, advisory services, investment with self-owned capital	RMB10.1 million	—	100%

(i) According to the investment contract, the Company considers it has control over this entity.

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Principal subsidiaries acquired through establishment or investment (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest Direct	Indirect
Qingdao GoldStone Haorui Investment Company Limited (青島金石灝汭投資有限公司)	Mainland China	RMB805 million	Investment management, advisory services, investment with self-owned capital	RMB2,000 million	—	100%
Jinjin Investment (Tianjin) Co., Ltd. (金津投資(天津)有限公司)	Mainland China	RMB100 million	Investment	RMB500 million	—	100%
CITIC GoldStone Fund Management Company Limited (中信金石基金管理有限公司)	Mainland China	RMB100 million	Investment	RMB100 million	—	100%
GoldStone ZeXin Investment Management Co., Ltd. (金石澤信投資管理有限公司)	Mainland China	RMB1,000 million	Investment management, investment advisory, investment consultancy, fiduciary management, equity investment, fund, real estate.	RMB1,000 million	—	100%
Qingdao GoldStone Blue Ocean Investment Management Co., Ltd. (青島金石藍海投資管理有限公司)	Mainland China	RMB5 million	Investment	RMB0.3 million	—	100%
GoldStone Boxin Investment Management Co., Ltd. (金石博信投資管理有限公司)	Mainland China	RMB500 million	Investment	—	—	100%
Jinfeng (Shenzhen) Investment Co., Ltd. (金灃(深圳)投資有限公司)	Mainland China	RMB15 million	Investment management	RMB7.5 million	—	100%
Three Gorges GoldStone Investment Management Co., Ltd. (三峽金石投資管理有限公司)	Mainland China	RMB100 million	Investment management	RMB60 million	—	60%
Jinshi Fengrui Investment Management (Hangzhou) Co., Ltd (金石灃汭投資管理(杭州)有限公司)	Mainland China	RMB30 million	Investment management	–	—	100%
GoldStone Wutong (Hangzhou) Investment Management Co., Ltd (金石伍通(杭州)投資管理有限公司)	Mainland China	RMB100 million	Investment management	RMB10 million	—	100%

(In RMB thousands, unless otherwise stated)

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Principal subsidiaries acquired through establishment or investment (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest Direct	Attributable equity interest Indirect
GoldStone Biology Entrepreneurship (Suzhou) Co., Ltd (金石生物創業投資 (蘇州) 有限公司)	Mainland China	RMB10 million	Investment management	RMB6 million	—	60%
Shenzhen Jinshi Rongzhi Holding Investment Co., Ltd (深圳金石戎智股權投資管理有限公司)	Mainland China	RMB10 million	Investment management	RMB6 million	—	60%
Anhui Transport Control Jinshi Fund Management Co., Ltd (安徽交控金石基金管理有限公司)	Mainland China	RMB30 million	Investment fund management	RMB10.5 million	—	70%
Anhui Xinan M&A Fund Management Co., Ltd (安徽信安併購基金管理有限公司)	Mainland China	RMB120 million	Investment management	RMB4 million	—	80%
CITIC Securities Qingdao Training Centre (青島中信証券培訓中心)	Mainland China	RMB1 million	Business training	RMB1 million	70%	30%
CITIC Securities Investment Ltd. (中信証券投資有限公司)	Mainland China	RMB14 billion	Financial product investment, securities investment, equity investment	RMB14 billion	100%	—
CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿(上海)有限公司)	Mainland China	RMB500 million	Trade and trade agents, storage and their own equipment leasing	RMB400 million	—	100%
CITIC Securities (Qingdao) Training Centre Hotel Management Co., Ltd. (中信証券(青島)培訓中心酒店管理有限公司)	Mainland China	RMB10 million	Catering, accommodation, convention, exhibition	RMB2 million	—	100%
CITIC Securities Capital Management Co., Ltd (中信中證資本管理有限公司)	Mainland China	RMB500 million	Investment and asset management	RMB500 million	—	93.47%
CITIC Wings Asset Management Co., Ltd. (中信盈時資產管理有限公司)	Mainland China	RMB200 million	Asset management	RMB100 million	—	93.47%
CITIC Futures International Co., Ltd. (中信期貨國際有限公司)	Hong Kong	RMB300 million	Futures brokerage	RMB300 million	—	93.47%
Qingdao Jindingxin Micro Financing Co., Ltd. (青島金鼎信小額貸款股份有限公司)	Mainland China	RMB300 million	Micro financing	RMB300 million	—	100%
CITIC Securities Information and Quantitative Service (Shenzhen) Co., Ltd. (中信証券信息與量化服務(深圳)有限責任公司)	Mainland China	RMB10 million	Computer hardware and software technology development, technical consulting, technical services, system integration and sales, data processing (excluding restricted items)	RMB10 million	100%	—

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Principal subsidiaries acquired through establishment or investment (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest Direct	Attributable equity interest Indirect
Jintong Securities Co., Ltd. (金通證券有限責任公司)	Mainland China	RMB135 million	Securities brokerage	RMB35 million	100%	—
CITICS Investment Services Company Limited (中信中證投資服務有限責任公司)	Mainland China	RMB100 million	Investment management, advisory service, finance outsourcing service	RMB100 million	100%	—
China Wealth Investment management Limited Company (上海華夏財富投資管理有限公司)	Mainland China	RMB20 million	Asset management	RMB20 million	—	62.20%
CITIC Securities Overseas Investment Company Limited (中信証券海外投資有限公司)	Hong Kong	HK$0.01 million	Holding, investment	HK$0.01 million	100%	—
CITIC Securities International Co., Ltd. (中信証券國際有限公司)	Hong Kong	Not applicable	Holding, investment	HK$6,516.05 million	100%	—
Xin Jiang Equity Exchange Limited (新疆股權交易中心有限公司)	Mainland China	RMB110 million	Finance	RMB60 million	54.545%	—
Xin Jiang Micro-Financing Service Centre Co., Ltd. (新疆小微金融服務中心有限公司)	Mainland China	RMB1.82 million	Research development and consulting of financial products	RMB0.91 million	—	54.545%
CSIAMC Company Limited	Hong Kong	Not applicable	Investment service	HK$1	—	100%
CITIC Securities Finance 2013 Co., Ltd.	The British Virgin Islands	Not applicable	Bond issuance	US$1	—	100%
CITICS Global Absolute Return Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US$97.09 million	94.77%	4.97%
CITICS Pan-Asian Multi-Strategy Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US$1.34 million	100%	—
CITIC Securities Finance MTN Co., Ltd.	The British Virgin Islands	Not applicable	Bond issuance	US$1	—	100%
CITIC Securities Corporate Finance (HK) Limited	Hong Kong	Not applicable	Investment banking	HK$380 million	—	100%
CITIC Securities Regal Holding Limited	The British Virgin Islands	Not applicable	Holding company	US$1	—	100%
CSI Principal Investment Holding Limited	The British Virgin Islands	US$50 thousand	Holding company	US$1	—	100%
CLSA Europe B.V.	Netherlands	EUR750 thousand	Investment banking	US$6.82 million	—	100%

(In RMB thousands, unless otherwise stated)

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Principal subsidiaries acquired from business combination

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest Direct	Indirect
CITIC Securities (Shandong) Co., Ltd. (中信証券(山東)有限責任公司)	Mainland China	RMB2,500 million	Securities business	RMB1,151.94 million	100%	–
CITIC Futures Co., Ltd. (中信期貨有限公司)	Mainland China	RMB1,604.79 million	Futures brokerage, asset management, fund distribution	RMB1,503.03 million	93.47%	–
Jinshang (Tianjin) Investment Management Co., Ltd. (金尚(天津)投資管理有限公司)	Mainland China	RMB12.5 million	Investment management, advisory service	RMB18.59 million	–	100%
China Asset Management Co., Ltd. (華夏基金管理有限公司)	Mainland China	RMB238 million	Fund investment	RMB2,663.95 million	62.20%	–
China Asset Management (Hong Kong) Limited (華夏基金(香港)有限公司)	Hong Kong	HK$200 million	Asset management	HK$200 million	–	62.20%
China AMC Capital Management Limited (華夏資本管理有限公司)	Mainland China	RMB350 million	Asset management, financial advisory	RMB350 million	–	62.20%
CLSA B.V.(里昂證券)	Netherlands	Not applicable	Investment, holding	US$1,090.30 million	–	100%
KVB Kunlun Financial Group Limited (昆侖國際金融集團有限公司)	Cayman Island	Not applicable	Leveraged foreign exchange transactions and other transactions, cash transactions, other services	HK$780.2 million	–	59.03%
Tianjin Jingzheng Property Services Co., Limited (天津京證物業服務有限公司)	Mainland China	RMB0.3 million	Property management and leasing service	RMB336.86 million	100%	–
Tianjin Shenzheng Property Services Co., Limited (天津深證物業服務有限公司)	Mainland China	RMB0.3 million	Property management and leasing service	RMB244.87 million	100%	–
CSI Capricornus Limited	The British Virgin Islands	Not applicable	Investment, holding	–	–	100%

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) Net cash flows from acquisition of subsidiaries

	2018	2017
Total consideration	**(107,664)**	(581,729)
Cash and cash equivalents paid	**(107,664)**	(581,729)
Cash and cash equivalents in the subsidiaries acquired	**(10,273)**	208,072
Net cash (outflow)/inflow from acquisition of subsidiaries	**(97,391)**	(373,657)

(d) Non-cash financing activities

The Group had no significant non-cash financing activities, during the year ended 31 December 2018.

(e) Structured entities included in the consolidated financial statement

The Group acts as asset manager for or invested in a number of structured entities. Management makes significant judgment on whether the Group controls and therefore should consolidate these structured entities.

Management has determined that the Group had control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. 16 of the controlled structured entities have been consolidated as at 31 December 2018, of which 5 were consolidated by the Company and 11 were consolidated by the Company's wholly owned subsidiary CITIC Futures Co., Ltd. (22 structured entities were consolidated as at 31 December 2017, of which 6 were consolidated by the Company and 16 were consolidated by CITIC Futures Co., Ltd).

(In RMB thousands, unless otherwise stated)

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(e) Structured entities included in the consolidated financial statement (Continued)

The fair value and book value of identifiable assets and liabilities of the consolidated structured entities were as follows:

	Fair value as at 31 December 2018	**Book value as at 31 December 2018**
Current assets	**3,863,294**	**3,863,294**
Non-current assets	**36,045**	**36,045**
Total asset	**3,899,339**	**3,899,339**
Current liabilities	**132,303**	**132,303**
Non-current liabilities	**—**	**—**
Total liabilities	**132,303**	**132,303**

	Fair value as at 31 December 2017	Book value as at 31 December 2017
Current assets	2,900,100	2,900,100
Non-current assets	26,713	26,713
Total asset	2,926,813	2,926,813
Current liabilities	184,303	184,303
Non-current liabilities	—	—
Total liabilities	184,303	184,303

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(e) Structured entities included in the consolidated financial statement (Continued)

The operating results and cash flows of the consolidated structured entities for the year ended 31 December 2018 and 2017 included in the consolidated financial statements are as follows:

	2018	2017
Revenue	**46,093**	200,667
Profit for the year	**26,940**	27,275
Net (decrease)/increase in cash and cash equivalents	**(515,746)**	327,710

(f) Details of the Group's subsidiary with material non-controlling interests is set out below:

China Asset Management Co., Ltd.

	31 December	
	2018	2017
Percentage of equity interest held by non-controlling interests	**37.80%**	37.80%
Dividends paid to non-controlling interests	**165,880**	153,331
Accumulated balances of non-controlling interests	**3,061,515**	2,784,784
Profit for the year attributable to non-controlling interests	**430,928**	516,857

The following tables illustrate the summarised financial information of the above subsidiary:

	2018	2017
Revenue	**3,754,771**	4,260,726
Profit for the year	**1,140,022**	1,367,346
Total comprehensive income for the year	**1,170,929**	1,076,957
Net cash flows from operating activities	**438,550**	(161,726)
Net cash flows from investing activities	**(17,575)**	676,313
Net cash flows used in financing activities	**(438,836)**	(405,636)
Net increase in cash and cash equivalents	**8,361**	84,089

(In RMB thousands, unless otherwise stated)

25. INVESTMENTS IN SUBSIDIARIES (Continued)

(f) Details of the Group's subsidiary with material non-controlling interests is set out below: (Continued)

	31 December 2018	2017
Current assets	**9,470,685**	8,678,955
Non-current assets	**871,033**	785,281
Current liabilities	**1,678,386**	1,620,363
Non-current liabilities	**564,087**	476,720

As at 31 December 2018, there were no significant restrictions on the ability of the Group to access or use the assets and settle the liabilities of the Group's subsidiaries (2017: Nil).

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2018	2017
Associates	**8,638,309**	8,580,336
Joint ventures	**399,986**	5,212
Total	**9,038,295**	8,585,548

(a) Particulars of the Group's principal associates and joint ventures are as follows

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Associates:					
CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司)	Mainland China	RMB1.8 billion	Investment fund management	35%	35%
Qingdao Blue Ocean Equity Exchange Limited (青島藍海股權交易中心有限責任公司)	Mainland China	RMB50 million	Equity trading	40%	40%
CSC Financial Co., Ltd. (中信建投證券股份有限公司)	Mainland China	RMB7,246.38 million	Securities brokerage, securities investment consulting	5.58%	5.58%
Beijing Agricultural Investment Fund (Limited Partnership) (北京農業產業投資基金(有限合夥))	Mainland China	RMB620 million	Investment	32.26%	32.26%

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Particulars of the Group's principal associates and joint ventures are as follows (Continued)

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Beijing GoldStone Agricultural Investment Fund Management Center (Limited Partnership) (北京金石農業投資基金管理中心(有限合夥))	Mainland China	RMB30 million	Fund management	33%	33%
Shenzhen Qianhai Zhongzheng Urban Development And Management Co., Ltd (深圳市前海中證城市發展管理有限公司)	Mainland China	RMB50 million	Investment management	35%	35%
Zhongzheng Fund Management Co., Ltd (中證基金管理有限公司)	Mainland China	RMB110 million	Investment management	29%	29%
Xinrong Customer Services Club Co., Ltd. (深圳市信融客戶服務俱樂部有限公司)	Mainland China	RMB10 million	Financial services	25%	25%
Qianhai Infrastructure Investments Fund Management Co., Ltd. (深圳前海基礎設施投資基金管理有限公司)	Mainland China	RMB300 million	Fund management	11.67%	11.67%[i]
Taifu GoldStone (Tianjin) Fund Management Co., Ltd. (泰富金石(天津)基金管理有限公司)	Mainland China	RMB50 million	Entrusted management of equity investment entities, investment management and relevant consulting services	40%	40%
Suning GoldStone (Tianjin) Fund Management Co., Ltd. (蘇寧金石(天津)基金管理有限公司)	Mainland China	RMB50 million	Entrusted management of equity investment entities, investment management and relevant consulting services	40%	40%
Xi'an Future Aerospace Industry Co., Ltd. (西安明日宇航工業有限責任公司)	Mainland China	RMB50 million	Aerospace components and ground equipment manufacturing, sheet metal components manufacturing	35%	35%
Sailing Capital International (Shanghai) Co., Ltd (賽領國際投資基金(上海)有限公司)	Mainland China	RMB9,010 million	RMB investment and loan fund	11.10%	11.10%[i]
Sailing Capital Management (Shanghai) Co., Ltd (賽領資本管理有限公司)	Mainland China	RMB280.5 million	Equity investment management	9.09%	9.09%[i]
CITIC POLY (Tianjin) Private Equity Fund Management Co., Ltd. (信保(天津)股權投資基金管理有限公司)	Mainland China	RMB100 million	Entrusted management of equity investment	40%	40%

(In RMB thousands, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Particulars of the Group's principal associates and joint ventures are as follows (Continued)

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
CITIC PE Holdings Limited	The British Virgin Islands	HKD171.6 million	Investment holding	35%	Not applicable
Aria Investment Partners III, L.P.	Cayman Islands	Not applicable	Direct investment fund	15.35%	11.39%(i)
Aria Investment Partners IV, L.P.	Cayman Islands	Not applicable	Direct investment fund	39.24%	39.14%
Aria Investment Partners V, L.P.	Cayman Islands	Not applicable	Direct investment fund	45.53%	31.25%
Clean Resources Asia Growth Fund L.P.	Cayman Islands	Not applicable	Direct investment fund	17.59%	17.59%(i)
Fudo Capital L.P. II	Cayman Islands	Not applicable	Direct investment fund	6.13%	6.13%(i)
Fudo Capital L.P. III	Cayman Islands	Not applicable	Direct investment fund	5%	5%(i)
Sunrise Capital L.P. II	Cayman Islands	Not applicable	Direct investment fund	23.99%	23.99%
Sunrise Capital L.P. III	Cayman Islands	Not applicable	Direct investment fund	6.25%	6.25%(i)
CLSA Aviation Private Equity Fund I	Korea	US$58.28 thousand	Direct investment fund	6.86%	6.86%(i)
CLSA Aviation Private Equity Fund II	Korea	US$60.24 thousand	Direct investment fund	0.1%	0.08%(i)
CLSA Aviation II Investments (Cayman) Limited	Cayman Islands	US$50 thousand	Direct investment fund	12%	12.39%(i)
CT CLSA Holdings Limited	Sri Lanka	LKR500 Million	Investment holding	25%	25%
Pan Asia Realty Ltd.	Cayman Islands	US$1.7 million	Asset management	20%	20%
Holisol Logistics Private Ltd.	Cayman Islands	US$1	Asset management	20.31%	20.31%
CLSA Infrastructure Private Equity Fund	Korea	Not applicable	Asset management	0.2%	0.14%(i)
CSOBOR Fund, L.P.	Cayman Islands	US$52 million	Private equity	29.03%	33.33%
Kingvest Limited	Cayman Islands	JPY5 billion	Asset management	44.85%	45%
First Eastern CLSA Capital Limited	Dubai	US$10 million	Asset management	20%	20%
Joint ventures:					
CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. (中信標普指數信息服務(北京)有限公司)	Mainland China	RMB8.027 million	Financial services	50%	50%
China Tourism Industry Fund Management Co., Ltd. (中國旅遊產業基金管理有限公司)	Mainland China	RMB100 million	Entrusted management of equity investment entities, investment management and relevant consulting services	50%	50%
Lending Ark Asia Secured Private Debt Fund I (Non-US).LP	Cayman Islands	Not applicable	Asset management	100%	100%
Double Nitrogen Fund GP Limited	Cayman Islands	US$100	Investment management	48%	50%(ii)
Lending Ark Asia Secured Private Debt	Cayman Islands	US$4	Asset management	50%	50%
Sino-Ocean Land Logistics Investment Management Limited	Cayman Islands	US$0.05 million	Investment management	50%	33.33%
CSOBOR Fund GP, Limited	Cayman Islands	US$52 million	Investment management	49%	33.33%
Platinum Property Management Limited	United Kingdom	GBP 100	Asset management	50%	Not applicable
Merchant Property Limited	Guernsey	Not applicable	Property investment	50%	50%

(i) The Group has a significant influence over these funds as it holds non-voting shares and also acts as the fund manager of these funds.

(ii) The Group has joint control over this entity with other parties through contractual arrangement.

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) The following table illustrates the summarised financial information of the Group's material associates

(i) CITIC Private Equity Funds Management Co., Ltd., as a major associate of the Group, is primarily engaged in investment fund management, and is accounted for using the equity method. The unaudited financial information is as follows:

	31 December	
	2018	2017
Current assets	**4,971,620**	7,103,766
Non-current assets	**15,646**	156,552
Current liabilities	**409,984**	1,214,543
Non-current liabilities	**179,357**	955,499

	2018	2017
Revenue	**700,689**	1,651,950
Profit from continuing operations	**343,875**	533,643
Total comprehensive income	**343,875**	533,643

(ii) CSC Financial Co., Ltd, as a major associate of the Group, is primarily engaged in securities brokerage and investment consulting, and is accounted for using the equity method. The financial information is as follows:

	31 December	
	2018	2017
Current assets	**181,704,480**	190,704,007
Non-current assets	**13,377,833**	15,179,385
Current liabilities	**109,221,546**	137,933,204
Non-current liabilities	**37,997,370**	23,951,410

	2018	2017
Revenue	**16,491,842**	16,421,395
Profit from continuing operations	**3,103,428**	4,061,647
Total comprehensive income	**3,432,288**	3,921,264

(In RMB thousands, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) The following table illustrates the summarised financial information of the Group's material associates (Continued)

(iii) Sailing Capital International (Shanghai) Co., Ltd, as a major associate of the Group, is primarily engaged in investment, investment management and consulting, and is accounted for using the equity method. The unaudited financial information is as follows:

	31 December	
	2018	2017
Current assets	**10,458,827**	9,722,916
Current liabilities	**4,406**	18,379
Non-current liabilities	**306,637**	277,360

	2018	2017
Revenue	**496,595**	393,956
Profit from continuing operations	**340,167**	280,313
Total comprehensive income	**340,167**	280,313

(c) The following table illustrates the aggregate unaudited financial information of the Group's associates and joint ventures that are not individually material.

	31 December	
	2018	2017
Profit from continuing operations	**409,297**	520,181
Other comprehensive income	**(282)**	—
Total comprehensive income	**409,015**	520,181

(d) As at 31 December 2018, there was no capital commitment to the associates and joint ventures (31 December 2017: Nil).

(e) There were no significant restrictions on the ability of the Group's associates and joint ventures to transfer funds to the Group in form of cash dividends or to repay any liability owed to the Group as at 31 December 2018 and 31 December 2017.

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

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

(In RMB thousands, unless otherwise stated)

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Current

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

(i) As at 31 December 2017, others mainly included the investment portfolio, operated by China Securities Finance Corporation Limited ("**CSF**"), which was jointly invested by the Company and other securities companies. Under the investment agreement, the Company and other joint investors share the income/loss based on contribution proportion. The balances were reclassified to financial assets at fair value through other comprehensive income upon the adoption of IFRS 9 (see Note 28).

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

See Note 5 regarding the classification impacts of the adoption of IFRS 9 from 1 January 2018.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	31 December 2018
Equity instruments (Designated)	
CSF No.1 investment[(i)]	**15,310,637**
Others	**221,778**
	15,532,415
Analyzed into:	
Listed	**–**
Unlisted	**15,532,415**
	15,532,415

Current

	31 December 2018
Debt instruments (Mandatory)	**36,327,828**
Analyzed into:	
Listed	**36,327,828**
Unlisted	**–**
	36,327,828
Loss allowance	**145,846**

(i) As at 31 December 2018, the balance represented the investment portfolio, operating by China Securities Finance Corporation Limited ("**CSF**"), reclassified from available-for-sale investment upon the adoption of IFRS 9 (see Note 27).

As at 31 December 2018, based on the investment report provided by CSF, the cost of the Company's investment managed by CSF was RMB15,675 million, while the fair value was RMB15,311 million.

(In RMB thousands, unless otherwise stated)

29. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

See Note 5 regarding the classification impacts of the adoption of IFRS 9 from 1 January 2018.

30. REFUNDABLE DEPOSITS

	31 December	
	2018	2017
Trading deposits	**930,376**	838,330
Credit deposits	**157,765**	103,963
Performance bonds	**24,636**	30,117
Total	**1,112,777**	972,410

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets:	**Depreciation allowance**	**Fair value changes of financial instruments**	**Allowance for impairment losses**	**Salaries, bonuses, and allowances payable**	**Others**	**Total**
At 31 December 2017	**28,421**	**30,301**	**633,116**	**2,531,678**	**161,436**	**3,384,952**
Changes in accounting policy	**—**	**288,289**	**(237,824)**	**79,184**	**—**	**129,649**
At 1 January 2018	**28,421**	**318,590**	**395,292**	**2,610,862**	**161,436**	**3,514,601**
Credited/(debited) to the statement of profit or loss	**1,584**	**(115,602)**	**498,725**	**205,877**	**27,404**	**617,988**
Credited/(debited) to other comprehensive income	**(11,664)**	**90,704**	**—**	**(9,301)**	**20,698**	**90,437**
At 31 December 2018	**18,341**	**293,692**	**894,017**	**2,807,438**	**209,538**	**4,223,026**

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

(In RMB thousands, unless otherwise stated)

31. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

Deferred income tax liabilities:	**Amortisation allowance**	**Fair value changes of financial instruments**	**Others**	**Total**
At 31 December 2017	**353,036**	**1,454,756**	**824,419**	**2,632,211**
Changes in accounting policy	**—**	**103,677**	**—**	**103,677**
At 1 January 2018	**353,036**	**1,558,433**	**824,419**	**2,735,888**
Debited/(credited) to the statement of profit or loss	**(63,569)**	**(199,271)**	**(136,211)**	**(399,051)**
Debited/(credited) to other comprehensive income	**13,570**	**(384,896)**	**2,097**	**(369,229)**
At 31 December 2018	**303,037**	**974,266**	**690,305**	**1,967,608**

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

32. OTHER NON-CURRENT ASSETS

	31 December	
	2018	2017
Project investment (Note 24)	**1,715,612**	1,681,981
Receivables and others	**2,333,571**	1,888,290
Total	**4,049,183**	3,570,271

33. MARGIN ACCOUNTS

	31 December 2018	2017
Margin accounts	**57,514,449**	74,286,226
Less: loss allowance	**316,635**	303,615
Total	**57,197,814**	73,982,611

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

As at 31 December 2018, the Group received collateral with fair value amounted to RMB169,406 million (31 December 2017: RMB265,615 million), in connection with its margin financing business.

34. FINANCIAL ASSETS HELD FOR TRADING

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

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

See Note 5 regarding the classification impacts of the adoption of IFRS 9 from 1 January 2018.

(In RMB thousands, unless otherwise stated)

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	
	Current	Non-current
Mandatory		
Debt instruments	149,131,770	40,000
Equity instruments(i)	44,351,654	18,285,180
Others	30,743,767	3,693,509
Subtotal	224,227,191	22,018,689
Designated		
Equity instruments	647,889	543,305
Total	224,875,080	22,561,994
Mandatory		
Analyzed into:		
Listed	179,862,349	1,170,684
Unlisted	44,364,842	20,848,005
	224,227,191	22,018,689
Designated		
Analyzed into:		
Listed	81,341	543,305
Unlisted	566,548	—
	647,889	543,305
Total	224,875,080	22,561,994

(i) Included RMB538 million of securities lent to clients under securities lending arrangements in current equity instruments as at 31 December 2018.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	4,891,535	4,989,224	746,452	781,057
Currency derivatives	439,709	366,690	1,047,267	872,325
Equity derivatives	5,632,099	3,384,686	3,646,258	9,020,173
Credit derivatives	292,442	312,918	257,402	30,796
Others	132,317	258,381	203,416	2,596,880
Total	11,388,102	9,311,899	5,900,795	13,301,231

36. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Under the "Daily Mark-to-Market and Settlement Arrangement", the Group's future contracts were settled daily and the amount of mark-to-market gain or loss of those unexpired future contracts is reflected in profit or loss and not included in derivative financial instruments above. The corresponding payments or receipts are reflected in "cash and bank balances. As at 31 December 2018, the fair value of those unexpired daily settled future contracts was a loss of RMB143 million (31 December 2017: gain of RMB13 million).

37. REVERSE REPURCHASE AGREEMENTS

	31 December	
	2018	2017
Analysed by collateral:		
Stocks	**38,599,288**	78,391,278
Debts	**30,633,645**	36,725,179
Others	**103,354**	32,158
Less: loss allowance	**1,965,846**	556,585
Total	**67,370,441**	114,592,030
Analysed by business		
Stock repo	**140,882**	357,027
Pledged repo(i)	**56,140,512**	81,457,069
Outright repo	**12,951,539**	33,302,361
Others	**103,354**	32,158
Less: loss allowance	**1,965,846**	556,585
Total	**67,370,441**	114,592,030
Analysed by counterparty:		
Banks	**6,548,276**	11,440,867
Non-bank financial institutions	**5,845,492**	5,176,568
Others	**56,942,519**	98,531,180
Less: loss allowance	**1,965,846**	556,585
Total	**67,370,441**	114,592,030

(i) As at 31 December 2018, included stock-pledged repo amounted to RMB38,478 million (31 December 2017: RMB78,034 million).

As at 31 December 2018, the Group received collateral amounted to RMB108,898 million (31 December 2017: RMB222,734 million), in connection with its reverse repurchase agreements.

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

As at 31 December 2018, the amount of the above collateral allowed to be re-pledged was RMB9,501 million (31 December 2017: RMB31,668 million), and the amount of the collateral re-pledged was RMB9,170 million (31 December 2017: RMB21,661 million).

(In RMB thousands, unless otherwise stated)

38. OTHER CURRENT ASSETS

	31 December	
	2018	2017
Brokerage accounts due from clients	**13,932,585**	10,207,169
Accounts due from brokers	**4,769,314**	3,414,712
Settlement deposits receivable	**3,908,535**	2,623,354
Deferred expenses	**213,981**	163,535
Interest receivable	**95,678**	3,368,327
Dividends receivable	**2,443**	3,283
Bulk commodity trading inventory and others	**8,989,421**	7,039,921
Subtotal	**31,911,957**	26,820,301
Less: loss allowance	**1,656,563**	655,767
Total	**30,255,394**	26,164,534

39. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 41). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by relevant authorities.

40. CASH AND BANK BALANCES

	31 December	
	2018	2017
Cash on hand	**369**	266
Deposits in banks	**52,226,236**	34,302,875
Total	**52,226,605**	34,303,141

As at 31 December 2018, the Group had restricted funds of RMB4,310 million (31 December 2017: RMB3,364 million).

41. CUSTOMER BROKERAGE DEPOSITS

	31 December	
	2018	2017
Customer brokerage deposits	**97,773,997**	99,854,891

Customer brokerage deposits represent the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage activities. For more details, please refer to Note 39 "Cash held on behalf of customers".

42. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	
	Current	**Non-current**
Financial liabilities held for trading		
Debt instruments	**5,994,425**	**–**
Equity investments	**1,457,589**	**–**
Subtotal	**7,452,014**	**–**
Financial liabilities designated as at fair value through profit or loss		
Equity linked notes and others	**–**	**8,765,605**
Minority interests of consolidated structured entities	**402,854**	**–**
Structured notes and others	**31,025,366**	**–**
Subtotal	**31,428,220**	**8,765,605**
Total	**38,880,234**	**8,765,605**

As at 31 December 2018, there were no significant fair value changes related to the changes in the credit risk of the Group.

(In RMB thousands, unless otherwise stated)

42. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	31 December 2017	
	Current	Non-current
Financial liabilities held for trading		
Debt instruments	7,175,335	—
Equity investments	989,779	—
Subtotal	8,165,114	—
Financial liabilities designated as at fair value through profit or loss		
Equity linked notes and others	—	461,417
Minority interests of consolidated structured entities	1,257,814	—
Structured notes and others	36,567,425	—
Subtotal	37,825,239	461,417
Total	45,990,353	461,417

43. REPURCHASE AGREEMENTS

	31 December	
	2018	2017
Analysed by collateral:		
Equity	**1,410,646**	2,147,587
Debts	**98,234,574**	71,644,776
Gold	**1,649,094**	19,871,472
Others	**20,374,713**	17,956,092
Total	**121,669,027**	111,619,927
Analysed by counterparty:		
Banks	**37,463,246**	51,387,558
Non-bank financial institutions	**6,427,323**	16,838,217
Others	**77,778,458**	43,394,152
Total	**121,669,027**	111,619,927

As at 31 December 2018, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB129,076 million (31 December 2017: RMB126,074 million).

44. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2018	2017
Due to banks	**16,312,467**	9,835,000
Due to China Securities Finance Corporation Limited	**3,002,400**	—
Total	**19,314,867**	9,835,000

45. TAXES PAYABLE

	31 December 2018	2017
Enterprise income tax	**2,353,702**	1,205,066
Individual income tax	**225,683**	414,984
Value added tax	**253,143**	128,160
Business tax	**6,698**	9,994
Others	**33,772**	35,172
Total	**2,872,998**	1,793,376

46. SHORT-TERM LOANS

	31 December 2018	2017
Analysed by nature:		
Credit loans	**4,915,067**	5,456,469
Collateralised loans	**741,643**	534,982
Total	**5,656,710**	5,991,451
Analysed by maturity:		
Maturity within one year	**5,656,710**	5,991,451

As at 31 December 2018, the annual interest rates on the short-term loans were in the range of 1.70% to 5.70% (31 December 2017: 1.71% to 3.00%). As at 31 December 2018, the book value of the collateral was RMB2,202 million (31 December 2017: RMB2,239 million).

(In RMB thousands, unless otherwise stated)

47. SHORT-TERM FINANCING INSTRUMENTS PAYABLE

2018

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending balance
17 CITIC 01	11/08/2017	11/08/2018	4.60%	4,580,936	126,632	4,707,568	—
17 CITIC 02	12/09/2017	12/09/2018	4.84%	6,088,066	203,131	6,291,197	—
18 CITIC CP001	19/01/2018	20/04/2018	4.70%	—	2,048,078	2,048,078	—
18 CITIC CP002	07/02/2018	09/05/2018	4.60%	—	3,069,831	3,069,831	—
18 CITIC CP003	05/03/2018	04/06/2018	4.60%	—	4,047,704	4,047,704	—
18 CITIC CP004	04/04/2018	04/07/2018	4.11%	—	4,042,854	4,042,854	—
18 CITIC CP005BC	08/06/2018	07/09/2018	4.38%	—	4,045,035	4,045,035	—
18 CITIC CP006BC	12/07/2018	11/10/2018	3.50%	—	3,027,198	3,027,198	—
18 CITIC CP007BC	07/08/2018	06/11/2018	2.68%	—	4,028,081	4,028,081	—
18 CITIC CP008	13/09/2018	13/12/2018	2.83%	—	4,028,823	4,028,823	—
18 CITIC CP009	22/10/2018	18/01/2019	3.30%	—	5,032,690	737	5,031,953
18 CITIC CP010BC	13/11/2018	12/02/2019	3.20%	—	3,013,132	454	3,012,678
18 CITIC CP011	07/12/2018	08/03/2019	3.15%	—	2,004,398	302	2,004,096
18 CS 05	30/10/2018	18/04/2019	3.50%	—	1,509,104	114	1,508,990
18 CS 06	30/10/2018	27/07/2019	3.70%	—	1,509,599	87	1,509,512
Structured notes	04/01/2017 -28/12/2018	02/01/2018 -22/07/2019	2.15% -5.45%	22,868,837	34,987,510	52,864,231	4,992,116
Total				33,537,839	76,723,800	92,202,294	18,059,345

2017

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

As at 31 December 2018, short-term financing instruments payable comprised of short-term corporate bonds and structured notes with an original tenor of less than one year.

As at 31 December 2018, there was no default related to any short-term financing instruments payable issued (31 December 2017: Nil).

48. OTHER CURRENT LIABILITIES

	31 December 2018	2017
Settlement deposits payable	**28,341,767**	13,060,544
Salaries, bonuses and allowances payable	**12,093,994**	11,599,264
Debt instruments issued due within one year and others (Notes 49 (a)(v)(vi)(viii)(ix)(xvi))	**29,071,008**	28,615,318
Amounts due to brokers	**7,207,833**	6,780,060
Interest payable	**19,999**	3,031,684
Accrued liabilities (i)	**6,485**	442,152
Fee and commissions payable	**321,895**	290,495
Funds payable to securities holders	**166,720**	168,374
Funds payable to securities issuers	**147,507**	60,687
Dividends payable	**2,049**	2,049
Others	**4,634,185**	3,719,737
Total	**82,013,442**	67,770,364

(i) The Company made a provision of RMB436 million on a conservative basis with reference to the margin trading accounts being inspected during the investigation by CSRC in 2015. In May 2017, the Company received CSRC's Advanced Notice of Administrative Penalty, confiscating related illegal earnings of RMB62 million and imposing a fine of RMB308 million, totaling RMB370 million.

The Company received CSRC's Notice of Closing the Case (Jie An Zi[2018] No.18) on 5 November 2018 on this event, which mentioned after trial, the CSRC decided to close the case because it believed that the company's illegal facts were not valid. The company reversed the provision in full accordingly.

49. DEBT INSTRUMENTS ISSUED

By category		31 December 2018	2017
Bonds and medium term notes issued	(a)	**85,960,063**	75,694,005
Structured notes issued	(b)	**2,097,307**	1,947,628
		88,057,370	77,641,633

By maturity	31 December 2018	2017
Maturity within five years	**85,491,624**	63,160,758
Maturity over five years	**2,565,746**	14,480,875
	88,057,370	77,641,633

As at 31 December 2018, there was no default related to any issued debt instruments (31 December 2017: Nil).

(In RMB thousands, unless otherwise stated)

49. DEBT INSTRUMENTS ISSUED (Continued)

(a) Bonds and medium term notes issued

		31 December 2018	2017
Item			
06 CITICS Bond	(i)	**1,537,551**	1,500,000
13 CITICS 02	(ii)	**12,329,935**	11,981,578
15 CITICS 01	(iii)	**5,631,152**	5,499,105
15 CITICS 02	(iv)	**2,565,746**	2,499,297
CITIC SEC N1910	(v)	**—**	4,238,222
16 CITICS G1	(vi)	**—**	12,499,104
16 CITICS G2	(vii)	**2,510,317**	2,499,866
17 CITICS 03	(viii)	**—**	1,999,879
17 CITICS 04	(ix)	**—**	999,930
17 CITICS C1	(x)	**2,061,510**	1,999,583
17 CITICS C2	(xi)	**2,373,696**	2,299,859
17 CITICS C3	(xii)	**807,368**	799,927
17 CITICS C4	(xiii)	**4,946,919**	4,899,628
17 CITICS G1	(xiv)	**10,365,438**	9,999,113
17 CITICS G2	(xv)	**2,076,580**	1,999,885
17 CITICS G3	(xvi)	**—**	2,392,398
17 CITICS G4	(xvii)	**2,407,353**	2,393,230
18 CITICS 01	(xviii)	**4,972,303**	—
18 CITICS 02	(xix)	**2,582,070**	—
18 CITICS G1	(xx)	**1,764,755**	—
18 CS 03	(xxi)	**3,083,239**	—
18 CS 04	(xxii)	**4,092,277**	—
18 CS C1	(xxiii)	**5,036,061**	—
18 CS C2	(xxiv)	**4,019,026**	—
18 CS G1	(xxv)	**2,457,000**	—
18 CS G2	(xxvi)	**616,487**	—
CITIC SEC N2204	(v)	**3,433,549**	3,242,260
CITIC SEC N2004	(v)	**2,064,771**	1,951,141
CITIC SEC N2112	(v)	**2,052,435**	—
KVBFG-Convertible Bond	(xxvii)	**172,525**	—
Carrying amount		**85,960,063**	75,694,005

(i) Pursuant to the approval by the CSRC, the Company issued a 15-year bond with a face value of RMB1.50 billion from 25 May to 2 June 2006, which was guaranteed by CITIC Corporation Limited. The coupon rate of the bond is 4.25% and the maturity date is 31 May 2021.

(ii) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB12.00 billion from 7 June 2013 to 14 June 2013. The coupon rate of the bond is 5.05% and the maturity date is 7 June 2023.

(iii) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB5.50 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 4.60% and the maturity date is 25 June 2020.

49. DEBT INSTRUMENTS ISSUED (Continued)

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

(iv) Pursuant to the approval of the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB2.50 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 5.10% and the maturity date is 25 June 2025.

(v) Pursuant to the resolution of re-Authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, CITIC Securities Finance MTN Co., Ltd. established a USD 3.00 billion (or other equivalents) Medium Term Note Programme on 17 October 2014. During the year of 2014, CITIC Securities Finance MTN Co., Ltd. had its first drawdown under the Programme to issue notes with a face value of USD 0.65 billion. During the year of 2015, CITIC Securities Finance MTN Co., Ltd. had eight drawdowns under the Programme to issue notes with an aggregated face value of USD 439.68 million, which were at maturity and paid off in the year. CITIC Securities Finance MTN Co., Ltd. had two further drawdowns under the Programme to issue notes with the face value of USD 0.50 billion and USD 0.30 billion on 11 April 2017. From 18 April 2018 to 10 December 2018, CITIC Securities Finance MTN Co., Ltd. had five additional drawdowns under the Programme to issue notes with an aggregated face value of USD729.20 million, of which USD229.20 million were at maturity and paid off in the year. These Medium Term Notes are guaranteed by the Company with no counter-guarantee arrangement. As at 31 December 2018, the bond CITIC SEC N1910 was presented as debt instruments issued due within one year and others (Note 48).

(vi) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB12.50 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.26% and the maturity date is 17 November 2019. As at 31 December 2018, the bond was presented as debt instruments issued due within one year and others (Note 48).

(vii) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.50 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.38% and the maturity date is 17 November 2021.

(viii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2014 and approval of relevant regulator, the Company issued a 2-year unguaranteed subordinated redeemable bond with a face value of RMB2.00 billion on 11 September 2017. The coupon rate of the bond is 4.97% and the maturity date is 12 September 2019. As at 31 December 2018, the bond was presented debt instruments issued due within one year and others (Note 48).

(ix) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 2-year unguaranteed subordinated redeemable bond with a face value of RMB1.00 billion on 14 December 2017. The coupon rate of the bond is 5.50% and the maturity date is 15 December 2019. As at 31 December 2018, the bond was presented as debt instruments issued due within one year and others (Note 48).

(x) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB2.00 billion on 24 May 2017. The coupon rate of the bond is 5.10% and the maturity date is 25 May 2020.

(xi) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB2.30 billion on 24 May 2017. The coupon rate of the bond is 5.30% and the maturity date is 25 May 2022.

(xii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB0.80 billion on 25 October 2017. The coupon rate of the bond is 5.05% and the maturity date is 26 October 2020.

(xiii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB4.90 billion on 25 October 2017. The coupon rate of the bond is 5.25% and the maturity date is 26 October 2022.

(xiv) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB10.00 billion from 16 February 2017 to 17 February 2017. The coupon rate of the bond is 4.20% and the maturity date is 17 February 2020.

(xv) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.00 billion from 16 February 2017 to 17 February 2017. The coupon rate of the bond is 4.40% and the maturity date is 17 February 2022.

(xvi) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB2.40 billion from 27 November 2017 to 28 November 2017. The coupon rate of the bond is 5.25% and the maturity date is 28 November 2019. As at 31 December 2018, the bond was presented as debt instruments issued due within one year and others (Note 48).

49. DEBT INSTRUMENTS ISSUED (Continued)

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

(xvii) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.40 billion from 27 November 2017 to 28 November 2017. The coupon rate of the bond is 5.33% and the maturity date is 28 November 2020.

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

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

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

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

(xxii) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB4.00 billion from 6 July 2018 to 9 July 2018. The coupon rate of the bond is 4.80% and the maturity date is 9 July 2020.

(xxiii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB5.00 billion from 17 October 2018 to 19 October 2018. The coupon rate of the bond is 4.48% and the maturity date is 19 October 2021.

(xxiv) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB4.00 billion from 5 November 2018 to 7 November 2018. The coupon rate of the bond is 4.40% and the maturity date is 7 November 2021.

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

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

(xxvii) Pursuant to the approval of the relevant regulator authorities, the subsidiary KVB Kunlun Financial Group Ltd. (the "KVBFG") issued convertible bonds on 12 February 2018 in the total principal amount of HKD200.00 million at 100.00% face value, which may be converted into 326,264,273 conversion shares at the conversion price of HKD0.61 per conversion share (subject to adjustment). And maturity date is the second anniversary of the issue date. The Company may extend the maturity date for a further term of one year from the initial maturity date by giving notice in writing to all of the bondholder(s) on or before the maturity date and with the prior written consent from bondholder(s) of not less than 50.00% of the aggregate principal amount of bonds outstanding. The coupon rate of the bond is 7.50% per annum (or 12.00% per annum where the maturity date is extended pursuant to the bond conditions).

Unless previously redeemed/converted/purchased and cancelled as provided in the bond conditions, on the maturity date, the Company shall redeem 100.00% of the outstanding principal amount of the bonds together with an internal rate of return of 7.50% per annum from and including the issue date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the bonds.

Where the maturity date is extended pursuant to the bond conditions, the Company shall redeem 100.00% of the outstanding principal amount of the bonds together with an internal rate of return of 12.00% per annum from and including the issue date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the bonds.

(b) Structured notes issued

As at 31 December 2018, the structured notes issued by the Group amounted to RMB2,097 million (31 December 2017: RMB1,948 million) were with remaining tenant greater than one year and coupon rates ranging from 2.90% to 4.80% (31 December 2017: 3.10% to 4.60%).

50. LONG-TERM LOANS

	31 December 2018	2017
Analysed by nature:		
Credit loans	**7,802**	533,000
Collateralised loans	**945,427**	551,900
Total	**953,229**	1,084,900
Analysed by maturity:		
Maturity within five years	**953,229**	1,084,900

As at 31 December 2018, the interest rates on the long-term loans were in the range of 2.00% to 10.00% (31 December 2017: 4.60% to 5.00%). As at 31 December 2018, the book value of the collateral was RMB4,144 million (31 December 2017: RMB3,935 million).

51. OTHER NON-CURRENT LIABILITIES

	31 December 2018	2017
Regulatory risk provision payables	**561,030**	473,632
Others	**443,860**	443,860
Total	**1,004,890**	917,492

52. ISSUED SHARE CAPITAL

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

53. RESERVES

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

(a) Capital reserve

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

(b) Surplus reserves

(i) Statutory surplus reserve

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

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

As at 31 December 2018, the Company did not need to appropriate any statutory surplus reserve as such reserve balance reached 50% of it's registered capital.

(ii) Discretionary surplus reserve

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

(c) General reserves

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

(d) Investment revaluation reserve

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

(e) Foreign currency translation reserve

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

(f) Distributable profits

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

54. CASH AND CASH EQUIVALENTS

	31 December 2018	2017
Cash and bank balances	**52,226,605**	34,303,141
Less: Restricted funds (Note 40)	**4,310,403**	3,364,186
Interest receivable	**340,898**	
Cash and cash equivalents	**47,575,304**	30,938,955

55. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in these unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group:

Unconsolidated structured entities sponsored by the Group mainly include investment funds and asset management plans sponsored by the Group. The nature and objective of the structured entities is to manage investors' assets and collect management fees. Financing is sustained through investment products issued to investors. The interests held by the Group in these unconsolidated structured entities mainly involve management fees and performance fees collected from managed structured entities.

In addition, the Group also held certain interests in structured entities sponsored by the Group. In 2018, the Group obtained management fee, commission and performance fee amounting to RMB3,394 million during the period ended 31 December 2018 from the unconsolidated structured entities sponsored by the Group, for which the Group held no investment in as at 31 December 2018 (2017: RMB2,898 million).

The maximum exposure and the book value of relevant balance sheet items of the Group arising from these unconsolidated structured entities sponsored by the Group were set out as below:

	31 December 2018	
	Carrying amount	**Maximum exposure**
Financial assets at fair value through profit or loss (Mandatory)	**8,528,951**	**8,528,951**

55. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

Structured entities sponsored by third party financial institutions:

The maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities that are sponsored by third party financial institutions were set out as below:

	31 December 2018	
	Carrying amount	**Maximum exposure**
Financial assets at fair value through profit or loss (Mandatory)	**13,772,597**	**13,772,597**

56. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require counterparties to return a portion of the collateral or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. A financial liability is recognised for cash received.

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances require customers to return a portion of the collateral or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

56. TRANSFERRED FINANCIAL ASSETS (Continued)

Securities lending arrangements (Continued)

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2018		31 December 2017	
	Carrying amount of transferred assets	**Carrying amount of related liabilities**	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	**3,661,525**	**3,500,018**	15,010,137	14,886,155
Securities lending	**537,652**	**—**	71,777	—
Total	**4,199,177**	**3,500,018**	15,081,914	14,886,155

57. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	31 December	
	2018	2017
Contracted, but not provided for	**217,721**	189,448

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

(In RMB thousands, unless otherwise stated)

57. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Operating lease commitments

(i) Operating lease commitments — as a lessee

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

	31 December	
	2018	2017
Within one year	**508,864**	497,425
After one year but not more than two years	**374,262**	379,739
After two years but not more than three years	**224,414**	291,799
After three years	**328,648**	351,603
Total	**1,436,188**	1,520,566

(ii) Operating lease commitments — as a lessor

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

	31 December	
	2018	2017
Within one year	**467,177**	288,932
After one year but not more than two years	**424,697**	272,159
After two years but not more than three years	**379,803**	261,196
After three years	**1,205,650**	1,261,665
Total	**2,477,327**	2,083,952

(c) Legal proceedings

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2018, the Group was not involved in any material legal, or arbitration that if adversely determine, would materially and adversely affect the Group's financial position or results of operations.

58. RELATED PARTY DISCLOSURES

(1) Largest equity holder of the Company

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

(2) Related party transactions

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

Transactions during the year

	2018	2017
Income from providing services	**1,672**	94,363

Guarantees between related parties

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

As at 31 December 2018, the structured note issued by the Company held by the largest equity holder of the Company amounted to RMB1,000 million (31 December 2017: RMB3,000 million)

(In RMB thousands, unless otherwise stated)

58. RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

(b) Subsidiaries

Transactions during the year

	2018	2017
Interest income	**584,183**	400,208
Investment income	**(9,778)**	166,247
Income from providing services	**30,250**	38,106
Leasing income	**4,667**	3,624
Interest expense	**204,446**	295,198
Expense from receiving services	**3,508**	3,579
Leasing expenses	**371,924**	235,871

Balances at the end of the year

	31 December	
	2018	2017
Other current assets	**17,998,262**	16,445,659
Available-for-sale financial assets		8,406,998
Financial assets at fair value through other comprehensive income	**8,611,224**	
Deposits for investments — Stock index futures	**1,286,579**	1,394,774
Reverse repurchase agreements	**2,537,087**	3,078,305
Derivative financial assets	**396,908**	3,619,432
Refundable deposits	**1,031,560**	800,815
Financial assets held for trading		42,375
Financial assets at fair value through profit or loss (Mandatory)	**18,010**	
Land use rights and intangible assets	**184**	184
Property, plant and equipment	**744**	744
Other current liabilities	**9,529,725**	6,715,885
Repurchase agreements	**300,132**	5,600,000
Derivative financial liabilities	**2,496,232**	1,176,294
Customer brokerage deposits	**190,034**	53,955
Short-term financing instruments payable	**132,252**	712,469
Debt instruments issued	**2,501,725**	687,200

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

58. RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

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

Transactions during the year

	2018	2017
Interest income	**508,849**	434,953
Income from providing services	**183,201**	164,743
Leasing income	**28,565**	18,197
Investment income	**(61,897)**	(12,361)
Expense from receiving services	**241,734**	143,823
Interest expense	**183,737**	85,038
Leasing expenses	**9,756**	11,394

Balances at the end of the year

	31 December 2018	2017
Cash held on behalf of customers (i)	**16,215,702**	12,101,261
Cash and bank balances (i)	**3,670,752**	6,017,147
Other current assets	**548,524**	578,845
Other current liabilities	**21,426**	8,541

(i) Represented deposits placed with financial institution, subsidiaries of the largest equity holder of the Company.

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

Transactions during the year

	2018	2017
Leasing income	**1,529**	1,699
Income from providing services	**19,978**	46,278
Leasing expenses	**34,949**	37,369
Expense from receiving services	**3,387**	5,390
Interest expense	**4**	1,927

(In RMB thousands, unless otherwise stated)

58. RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

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

Balances at the end of the year

	31 December 2018	31 December 2017
Other current assets	**1,157**	1,121
Other current liabilities	**425**	434

(e) Associates

Transactions during the year

	2018	2017
Income from providing services	**1**	31,719
Leasing income	**4,432**	2,216
Interest expense	**344**	—

Balances at the end of the year

	31 December 2018	31 December 2017
Other current assets	**—**	31,756
Other current liabilities	**994**	994

(f) Joint ventures

Transactions during the period

	2018	2017
Leasing income	**198**	—

	31 December 2018	31 December 2017
Other current liabilities	**17**	—

58. RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

(g) Other transactions during the year

As at 31 December 2018, the collective asset management plan managed by the Company and held by the Company and its subsidiaries amounted to RMB593 million (31 December 2017: RMB696 million).

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

59. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Fair value hierarchy

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

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

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

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

(In RMB thousands, unless otherwise stated)

59. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(a) Financial instruments recorded at fair value

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss (Mandatory)				
— Debt securities	85,748,137	63,376,771	46,862	149,171,770
— Equity investments	41,108,163	4,316,967	17,211,704	62,636,834
— Others	22,083,786	10,905,166	1,448,324	34,437,276
Subtotal	148,940,086	78,598,904	18,706,890	246,245,880
Financial assets at fair value through profit or loss (Designated)				
— Equity investments	—	624,646	566,548	1,191,194
Derivative financial assets	1,409,844	9,978,258	—	11,388,102
Financial assets at fair value through other comprehensive income				
— Debt securities	6,495,577	29,832,251	—	36,327,828
— Equity investments	—	15,310,637	221,778	15,532,415
Subtotal	6,495,577	45,142,888	221,778	51,860,243
Total	156,845,507	134,344,696	19,495,216	310,685,419
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
— Financial liabilities held for trading	7,452,014	—	—	7,452,014
— Financial liabilities designated as at fair value through profit or loss	42,212	34,725,389	5,426,224	40,193,825
Subtotal	7,494,226	34,725,389	5,426,224	47,645,839
Derivative financial liabilities	515,420	8,796,479	—	9,311,899
Total	8,009,646	43,521,868	5,426,224	56,957,738

59. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

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

59. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

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

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

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

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

During the year ended 31 December 2018, there were no changes of valuation techniques for level 2.

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

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

During the period ended 31 December 2018, there were no changes of valuation techniques for level 3.

59. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

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

	As at 1 January 2018	Total gains (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 1	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2018
Financial assets:										
Financial assets at fair value through profit or loss (Mandatory)										
— Debt instruments	169,059	26,602	—	6,635	155,434	—	—	—	—	46,862
– Equity instruments	19,947,871	953,071	4,935	1,843,502	3,867,359	—	99,595	632,933	1,136,978	17,211,704
— Others	—	—	—	3,651,607	2,599,402	396,119	—	—	—	1,448,324
Financial assets at fair value through profit or loss (Designated)	—	—	—	566,548	—	—	—	—	—	566,548
Financial assets at fair value through other comprehensive income	—	—	(109,754)	331,532	—	—	—	—	—	221,778
Financial liabilities:										
Financial liabilities at fair value through profit or loss										
— Financial liabilities designated as at fair value through profit or loss	5,143,392	466,695	—	40,000	223,863	—	—	—	—	5,426,224
— Financial liabilities held for trading	8,954	116	—	—	9,070	—	—	—	—	—

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

(In RMB thousands, unless otherwise stated)

59. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

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

The amount of realised investment income recognized in profit or loss from Level 3 financial instruments held by the Group was RMB270 million in 2018 (2017: RMB2,015 million).

(e) Transfers between Level 1 and Level 2

In 2018, the amount of financial assets at fair value through profit or loss held by the Group transferred from Level 1 to Level 2 was RMB112 million and the amount of financial assets at fair value through profit or loss from Level 2 to Level 1 was RMB25 million (31 December 2017: Financial assets held for trading and financial assets designated as at fair value through profit or loss held by the Group transferred from Level 1 to Level 2 was 103 million).

(f) Financial instruments not measured at fair value

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

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

59. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

(ii) The recorded amounts and fair values of debt instruments issued are summarized below.

	Carrying amount		Fair value	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Debt instruments issued	**88,057,370**	77,641,633	**89,307,628**	76,005,327

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

The Company has always believed that effective risk management and internal control are critical to its successful operation. The Company has implemented comprehensive risk management and internal control processes, through which it monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in its business activities, and implements vertical risk management of its subsidiaries through different models including business guidance, operational support and decision-making management.

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

Structure of Risk Management

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

Level 1: The Board

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of Risk Management (Continued)

Level 2: Operation Management

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

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

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

The Company has appointed the Chief Risk Officer to be responsible for coordinating the overall risk management work.

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of Risk Management (Continued)

Level 2: Operation Management (Continued)

and procedures for appropriate matching of investors, supervising departments to implement investor appropriateness management work, organizing appropriateness training and appropriateness self-examination and rectification at the company level, and supervising the establishment and improvement of investor appropriateness evaluation database and other work related to appropriateness management.

Level 3: Division/Business Units

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

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

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

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

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of Risk Management (Continued)

Level 3: Division/Business Units (Continued)

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

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

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

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

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

(a) Credit risk

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

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

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

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

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

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

Expected credit loss measurement

From the commencement date of IFRS 9 on 1 January 2018, the measurement of the expected credit loss allowance for debt instruments measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

The Company has applied a 'three-stage' impairment model for expected credit losses ("ECL") measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

— A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company;

— If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;

— If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Expected credit loss measurement (Continued)

Stage 1: The Company measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL; Stages 2 and 3: The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and the Company has measured the loss allowance for such financial instrument at an amount equal to the lifetime ECL.

For debt securities investments classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporates key parameters, including Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporates key parameters, including EAD and Loss Ratio ("LR").

For credit-impaired financial assets classified under Stage 3, management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets.

The estimation of credit loss under all stages is taking into consideration of forward looking factors.

The measurement of ECL adopted by management according to IFRS 9, involves judgements, assumptions and estimations.

- Determination of the criteria for SICR;
- Selection of the appropriate models and assumptions;
- Projection of macroeconomic variables and relative weightings for forward-looking scenarios.

Measuring ECL – inputs, assumptions and estimation techniques

The ECL are measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Company considers the forward-looking impact on ECL. For debt securities investments, ECL are the discounted product of the PD, LGD and EAD. For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements, ECL are the discounted product of the EAD and LR.

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measuring ECL – inputs, assumptions and estimation techniques (Continued)

— The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligator. The definition of default refers to the failure to pay the debt as agreed in the contact, or other violations of the debt contract and have a significant impact on the normal debt repayment. For debt securities investments, the appropriate external and internal credit ratings are taken in consideration to determine PD.

— LGD represents the Company's expectation of the extent of loss on a defaulted exposure. For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements, the Company determines LGD, based on factors including the liquidation value of collateral upon forced liquidation taking into consideration the estimated volatility over the liquidation period. For debt securities investments, LGD is determined based on assessed publicly available information.

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

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

The criteria of significant increase in credit risk ("SICR")

The Company evaluates the financial instruments at each financial statement date after considering whether a SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

Taking into consideration of the obligors' credit quality, contract maturity date, the related collateral securities information, which including the sector situation, liquidity discount factor, concentration, volatility and related information, the Company set a force liquidation level for each obligor of the margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements. The Company considers margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments or margin calls were triggered by a decrease of the ratio of financing assets to collateral below a force liquidation level taking into consideration the obligors' credit quality. As at 31 December 2018, more than 85% of the margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements' ratio of financing assets to collateral above a force liquidation level, which did not experience any significant increase in credit risk.

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The criteria of significant increase in credit risk ("SICR") (Continued)

The Company considers debt securities investments to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments or the latest internal ratings of issuers of debt securities or the debt securities themselves suffered two notches of downward migration or more, compared to their ratings on initial recognition; and when the latest external ratings of the debt securities or the issuers of the debt securities were under investment grade. As at 31 December 2018, the majority of the debt securities investments of the Company have been rated as investment grade or above and did not experience any significant increase in credit risk.

The financial instrument are considered to have a low risk when the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company has not used the low credit risk exemption as at 31 December 2018.

Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to IFRS 9 based on criteria which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements, a forced liquidation of a client's position triggered when the collateral valuation falling short of the related loan amounts;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor is in significant financial difficulty;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructure.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Forward-looking information

The assessment of SICR and the calculation of ECL incorporate forward-looking information.

For debt securities investments, the Company has analyzed historical data and identified the key economic variables impacting credit risk and ECL. Key economic variables include the growth rate of Domestic GDP, output growth of industries and the growth rate of fixed assets investment index. The impact of these economic variables on the PD, LGD and EAD has been determined by performing historical statistical regression analysis to forecast the expected changes in these variables on default rates and on the components of PD, LGD and EAD.

For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements, based on the analysis of the characteristics of these products, the Company has identified the key economic variables impacting credit risk and ECL for these financial instrument portfolio include Volatility of Shanghai Composite Index and Shenzhen Composite Index. The Company made forward adjustment to the ECL of margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements by analyzing the impact of these economic variables on the LR.

The growth rate of domestic GDP applied in its forward looking scenarios ranged from 6.0% to 6.6%.

In addition to the base economic scenario, the Company's expert team also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 1 January 2018 and 31 December 2018, for all portfolios the Company concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighting applied to the base scenario by the Company was more than the aggregate of the optimistic and pessimistic scenarios.

The Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

For margin financing, the management considers the impact of forward-looking macro-economic information movement on consolidated financial statements as insignificant, taking consideration of its risk characteristics and credit-risk management methodology.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes.

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of significant increase in credit risk and the measurement of ECLs.

As at 31 December 2018, the Company concluded for all portfolios that three scenarios are appropriate, being the optimistic scenario, base scenario and pessimistic scenario. As at 31 December 2018, the incremental impact of using the probability-weighted ECL against the base scenario only was less than 5%.

Assuming a further 10% weighting added to the probability of the optimistic scenario and a corresponding 10% weighting reduction in the base scenario when measuring ECL using the aforesaid three scenarios, the decremental impact would be less than 5%. Assuming a further 10% weighting added to the probability of the pessimistic scenario and a corresponding 10% weighting reduction in the base scenario when measuring ECL using the aforesaid three scenarios, the incremental impact would be less than 5%.

Meanwhile, the Company primarily uses sensitivity analysis to monitor any significant increase in credit risk. As at 31 December 2018, assuming no significant increase in credit risk since initial recognition was identified, and all the financial assets in Stage 2 moved to Stage 1, the decremental impact on ECL recognized in financial statements would be less than 5% of the total gross amount of debt instrument measured at amortized cost and FVOCI.

Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these enhancements is accepting collateral for funds advanced or guarantees. The Company determined the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under financing businesses are primarily stocks, debt securities, funds etc. Management will exercise margin calls according to related agreements based on the market value fluctuation of collaterals.

Credit risk exposure analysis

The Company considered the credit risk of the margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements was relatively low, as more than 90% of margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements' ratio of financing assets to underlying collateral value was over force liquidation level as at 31 December 2018. High threshold of financing assets to collateral ratios indicates that probability of default was low. As at 31 December 2018, all debt securities investments of the Company were rated as investment grade or above.

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit risk exposure analysis (Continued)

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

	31 December 2018	2017
Available-for-sale financial assets		43,758,439
Financial assets at fair value through other comprehensive income (Debt instruments)	**36,327,828**	
Refundable deposits	**1,112,777**	972,410
Margin accounts	**57,197,814**	73,982,611
Financial assets held for trading		115,120,901
Financial assets designated as at fair value through profit or loss		359,232
Financial assets at fair value through profit or loss (Mandatory)	**198,554,732**	
Derivative financial assets	**11,388,102**	5,900,795
Reverse repurchase agreements	**67,370,441**	114,592,030
Cash held on behalf of customers	**92,420,971**	92,386,338
Bank balances	**52,226,237**	34,302,875
Others	**31,406,920**	26,461,322
Total maximum credit risk exposure	**548,005,822**	507,836,953

(In RMB thousands, unless otherwise stated)

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentrations

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

	By geographical area		
31 December 2018	**Mainland China**	**Outside Mainland China**	**Total**
Financial assets at fair value through other comprehensive income (Debt instruments)	**35,920,840**	**406,988**	**36,327,828**
Refundable deposits	**927,206**	**185,571**	**1,112,777**
Margin accounts	**53,784,988**	**3,412,826**	**57,197,814**
Financial assets at fair value through profit or loss (Mandatory)	**167,236,233**	**31,318,499**	**198,554,732**
Derivative financial assets	**7,808,614**	**3,579,488**	**11,388,102**
Reverse repurchase agreements	**63,605,150**	**3,765,291**	**67,370,441**
Cash held on behalf of customers	**84,710,249**	**7,710,722**	**92,420,971**
Bank balances	**37,569,452**	**14,656,785**	**52,226,237**
Others	**5,622,522**	**25,784,398**	**31,406,920**
Total maximum credit risk exposure	**457,185,254**	**90,820,568**	**548,005,822**

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentrations (Continued)

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

	31 December 2018			
		Stage of ECL		
Loss allowance	**Stage I**	**Stage II**	**Stage III**	**Total**
	12-month ECL	**Lifetime ECL**		
Reverse repurchase agreements				
Amortized cost	**57,212,408**	**6,978,908**	**5,144,971**	**69,336,287**
Loss allowance	**104,741**	**563,073**	**1,298,032**	**1,965,846**
Book value	**57,107,667**	**6,415,835**	**3,846,939**	**67,370,441**
Margin accounts				
Amortized cost	**56,815,700**	**220,530**	**478,219**	**57,514,449**
Loss allowance	**173,771**	**22,462**	**120,402**	**316,635**
Book value	**56,641,929**	**198,068**	**357,817**	**57,197,814**
Financial assets at fair value through other comprehensive income (Debt instruments)				
Fair value	**36,327,828**	**–**	**–**	**36,327,828**
Loss allowance	**101,846**	**–**	**44,000**	**145,846**
Others				
Amortized cost	**25,508,720**	**4,682,353**	**2,453,625**	**32,644,698**
Loss allowance	**47,228**	**4,588**	**1,595,131**	**1,646,947**
Book value	**25,461,492**	**4,677,765**	**858,494**	**30,997,751**

(In RMB thousands, unless otherwise stated)

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentrations (Continued)

(i) Credit loss allowance for reverse repurchase agreements

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018 (Note 5 (3))	252,956	—	326,288	579,244
Increases	—	873,221	1,019,280	1,892,501
Reverses	(165,473)	(93,966)	(10,509)	(269,948)
Write-offs	—	—	—	—
Transfers between stages				
— Increase	51,682	18,717	243,386	313,785
— Decrease	(34,424)	(227,679)	(51,682)	(313,785)
Other changes	—	(7,220)	(228,731)	(235,951)
31 December 2018	104,741	563,073	1,298,032	1,965,846

Due to the fluctuation of the stock market, the collateral valuations fell short of the related resale agreements amount. The overall increase of the ECL allowance was RMB1,893 million for the year ended 31 December 2018. As at 31 December 2018, the fair value of collateral under Stage 3 was RMB3,666 million.

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentrations (Continued)

(ii) Credit loss allowance for margin accounts

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018 (Note 5 (3))	**219,564**	**338**	**92,545**	**312,447**
Increases	**—**	**93,072**	**171,493**	**264,565**
Reverses	**(46,263)**	**(31,735)**	**(128,095)**	**(206,113)**
Write-offs	**—**	**—**	**—**	**—**
Transfers between stages				
— Increase	**1,949**	**15**	**1,472**	**3,436**
— Decrease	**(1,487)**	**(289)**	**(1,660)**	**(3,436)**
Other changes	**28**	**(38,939)**	**(15,353)**	**(54,264)**
31 December 2018	**173,771**	**22,462**	**120,402**	**316,635**

Due to the fluctuation of the stock market, the collateral valuations fell short of the related margin accounts. The overall increase of the ECL allowance was RMB273 million for the year ended 31 December 2018. As at 31 December 2018, the fair value of collateral under Stage 3 was RMB359 million.

(In RMB thousands, unless otherwise stated)

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentrations (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018 (Note 5 (3))	15,367	—	111,944	127,311
Increases	126,931	—	—	126,931
Reverses	(10,603)	—	—	(10,603)
Write-offs	(29,849)	—	(67,944)	(97,793)
Transfers between stages				
— Increase	—	—	—	—
— Decrease	—	—	—	—
Other changes	—	—	—	—
31 December 2018	101,846	—	44,000	145,846

(iv) Credit loss allowance for other financial assets measured at amortized cost

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018 (Note 5 (3))	73,040	3,472	836,678	913,190
Increases	11,383	1,690	438,347	451,420
Reverses	(39,945)	(402)	(21,633)	(61,980)
Write-offs	(39)	—	—	(39)
Transfers between stages				
— Increase	179	7	—	186
— Decrease	(7)	(179)	—	(186)
Other changes	2,617	—	341,739	344,356
31 December 2018	47,228	4,588	1,595,131	1,646,947

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk

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

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

(In RMB thousands, unless otherwise stated)

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

	31 December 2018						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	97,773,997	–	–	–	–	–	97,773,997
Financial liabilities at fair value through profit or loss	2,112,461	12,390,485	22,144,598	3,909,907	1,680,348	5,426,224	47,664,023
Repurchase agreements	–	115,941,168	5,004,961	895,743	–	–	121,841,872
Due to banks and other financial institutions	–	19,317,809	–	–	–	–	19,317,809
Short-term loans	15,498	5,643,888	7,311	–	–	–	5,666,697
Short-term financing instruments payable	–	14,292,170	3,870,171	–	–	–	18,162,341
Debt instruments issued	–	593,030	2,909,944	91,594,896	2,755,000	–	97,852,870
Long-term loans	–	–	–	1,016,862	–	–	1,016,862
Others	30,072,455	9,681,555	28,685,165	331,088	–	496,610	69,266,873
Total	129,974,411	177,860,105	62,622,150	97,748,496	4,435,348	5,922,834	478,563,344
Cash flows from derivative financial liabilities settled on a net basis	926	2,335,581	3,041,218	3,550,519	674,951	383,748	9,986,943
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	–	(292,032)	–	–	–	–	(292,032)
Contractual amounts payable	–	293,910	–	–	–	68,922	362,832
	–	1,878	–	–	–	68,922	70,800

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk

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

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

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

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

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

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company with full position upon the concurrence of different events under a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management of the Company. Through stress tests, the Company could focus more on the possible losses to the Company, analyze its risk return and compare its risk resistant capacities, and evaluate whether the overall market risk portfolio of the Company is within its expected limits. In view of the market condition and risk characteristics in 2018, the Company further enhanced the research and optimization of stress test methodology by adding more stress tests under specific scenarios such as new stress test for options business under extreme circumstances, and by adding new stress test for liquidity adjustment across various businesses given the actual rhythm and liquidity of its business, in order to better evaluate and manage its possible material loss under extreme circumstances.

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

The Company continues to modify the risk limits system, defines a unified limit management measures and a hierarchical authorization mechanism, and on the basis of such authorization mechanism, reorganizes the measures for the management of the system with different levels of risk limit indicators for the Company, its respective business departments/business lines and investment accounts.

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

(In RMB thousands, unless otherwise stated)

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) VaR

VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

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

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

	31 December	
	2018	2017
Stock price-sensitive financial instruments	**112,832**	166,225
Interest rate-sensitive financial instruments	**67,718**	20,923
Exchange rate-sensitive financial instruments	**57,956**	112,725
Total portfolio VaR	**134,931**	191,414

(ii) Interest rate risk

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

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

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

Sensitivity of revenue

	2018	2017
Change in basis points		
+25 basis points	**(384,536)**	(210,768)
–25 basis points	**399,489**	210,216

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity of equity

	31 December 2018	31 December 2017
Change in basis points		
+25 basis points	**(43,963)**	(19,384)
–25 basis points	**44,257**	19,563

(iii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries.

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

Sensitivity of revenue

Currency	Change in currency rate	2018	2017
USD	–3%	**371,041**	(44,663)
HKD	–3%	**(566,045)**	(195,043)

Sensitivity of equity

Currency	Change in currency rate	31 December 2018	31 December 2017
USD	–3%	**(263,404)**	(97,818)
HKD	–3%	**(15,323)**	(231,893)

(In RMB thousands, unless otherwise stated)

60. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(iii) Currency risk (Continued)

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

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

		As at 31 December 2018			
	RMB	**USD in RMB equivalent**	**HKD in RMB equivalent**	**Other in RMB equivalent**	**Total**
Net on-balance sheet position	**132,905,115**	**(6,131,863)**	**20,670,185**	**9,388,059**	**156,831,496**

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

(iv) Price risk

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

As at 31 December 2018, the equity investment accounted for approximately 12.15% of the total assets. The equity investment classified as the financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for approximately 13.10% of the total assets as at 31 December 2017, while the equity investment classified as available-for-sale financial assets accounted for approximately 1.72% of the total assets.

61. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2018	2017
Non-current assets			
Property, plant and equipment		**707,818**	793,673
Investment properties		**62,602**	65,375
Goodwill		**43,500**	43,500
Land-use rights and intangible assets		**2,189,249**	2,244,594
Investments in subsidiaries	25	**32,045,836**	30,630,220
Investments in associates		**4,250,177**	4,405,822
Available-for-sale financial assets			18,728,724
Financial assets at fair value through other comprehensive income		**15,310,637**	
Financial assets at fair value through profit or loss (Mandatory)		**1,369,064**	
Refundable deposits		**1,857,724**	1,619,537
Deferred income tax assets		**2,858,718**	2,131,827
Other non-current assets		**192,090**	146,997
Total non-current assets		**60,887,415**	60,810,269
Current assets			
Fee and commission receivables		**651,408**	742,193
Margin accounts		**49,999,921**	64,640,791
Available-for-sale financial assets			25,029,678
Financial assets at fair value through other comprehensive income		**44,826,556**	
Financial assets held for trading			103,128,392
Financial assets at fair value through profit or loss (Mandatory)		**160,298,222**	
Derivative financial assets		**8,131,769**	7,047,058
Reverse repurchase agreements		**65,975,750**	115,740,073
Other current assets		**20,722,071**	20,459,345
Cash held on behalf of customers		**51,493,673**	53,705,651
Cash and bank balances		**30,201,951**	18,519,503
Total current assets		**432,301,321**	409,012,684

(In RMB thousands, unless otherwise stated)

61. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Notes	31 December 2018	2017
Current liabilities			
Customer brokerage deposits		**49,397,670**	52,517,124
Derivative financial liabilities		**9,065,465**	13,019,243
Financial liabilities at fair value through profit or loss		**6,159,079**	7,619,769
Repurchase agreements		**108,219,463**	100,030,181
Due to banks and other financial institutions		**20,025,301**	9,835,000
Tax payable		**1,988,388**	1,047,273
Short-term financing instrument payables		**18,191,597**	34,250,308
Other current liabilities		**67,874,191**	63,195,880
Total current liabilities		**280,921,154**	281,514,778
Net current assets		**151,380,167**	127,497,906
Total assets less current liabilities		**212,267,582**	188,308,175
Non-current liabilities			
Debt instruments issued		**82,835,816**	63,516,278
Deferred income tax liabilities		**1,673,992**	1,575,318
Financial liabilities at fair value through profit or loss		**2,281,912**	—
Total non-current liabilities		**86,791,720**	65,091,596
Net assets		**125,475,862**	123,216,579
Equity			
Issued share capital	52	**12,116,908**	12,116,908
Reserves		**81,513,819**	80,757,181
Retained earnings		**31,845,135**	30,342,490
Total equity		**125,475,862**	123,216,579

62. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Notes	Reserves							
		Share Capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Sub-total	Retained earnings	Total
At 31 December 2017		12,116,908	54,435,353	6,263,770	18,744,385	1,313,673	80,757,181	30,342,490	123,216,579
Changes in accounting policy		–	–	–	–	237,324	237,324	(207,554)	29,770
At 1 January 2018		12,116,908	54,435,353	6,263,770	18,744,385	1,550,997	80,994,505	30,134,936	123,246,349
Profit for the year		–	–	–	–	–	–	8,214,393	8,214,393
Other comprehensive income		–	–	–	–	(1,114,080)	(1,114,080)	–	(1,114,080)
Total comprehensive income		–	–	–	–	(1,114,080)	(1,114,080)	8,214,393	7,100,313
Dividend – 2017	19	–	–	–	–	–	–	(4,846,763)	(4,846,763)
Appropriation to surplus reserves		–	–	–	–	–	–	–	–
Appropriation to general reserves		–	–	–	1,657,431	–	1,657,431	(1,657,431)	–
Capital increase by equity holders – Others		–	(24,037)	–	–	–	(24,037)	–	(24,037)
At 31 December 2018		12,116,908	54,411,316	6,263,770	20,401,816	436,917	81,513,819	31,845,135	125,475,862

(In RMB thousands, unless otherwise stated)

62. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (Continued)

	Reserves							
	Share Capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Sub-total	Retained earnings	Total
At 1 January 2017	12,116,908	54,542,565	6,263,770	17,019,349	1,242,294	79,067,978	27,684,658	118,869,544
Profit for the year	—	—	—	—	—	—	8,623,786	8,623,786
Other comprehensive income	—	—	—	—	71,379	71,379	—	71,379
Total comprehensive income	—	—	—	—	71,379	71,379	8,623,786	8,695,165
Dividend — 2016	—	—	—	—	—	—	(4,240,918)	(4,240,918)
Appropriation to surplus reserves	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	1,725,036	—	1,725,036	(1,725,036)	—
Capital increase by equity holders — Others	—	(107,212)	—	—	—	(107,212)	—	(107,212)
At 31 December 2017	12,116,908	54,435,353	6,263,770	18,744,385	1,313,673	80,757,181	30,342,490	123,216,579

63. EVENTS AFTER THE REPORTING PERIOD

Issuance of short-term Financing Bond

From January to March 2019, the Company has completed the issuance of three tranches of commercial papers of RMB2 billion, RMB3 billion and RMB3 billion, each of which with a term of 91 days, 91 days and 90 days and coupon rates of 2.95%, 2.71% and 2.79%, respectively, in accordance with the Notice of People's Bank of China on the Issuance of Commercial Papers by CITIC Securities Company Limited (Yin Fa [2017] No.292), and Resolution of 3rd Extraordinary Shareholders' General Meeting of 2013 of the Company, and the resolution passed by the 17th meeting of the 5th Session of the Board of Directors on 25 September 2013.

Issuance of corporate bonds

Pursuant to the resolution of the 22nd meeting of the 6th Board of Directors' Meeting on 22 March 2018 and the 2017 Annual General Shareholders' Meeting of the Company, as well as the approval (SHSE [2018] No.1422) by the Shanghai Stock Exchange, the Company was authorized to issue corporate bonds through private placements to qualified investors with face value of not more than RMB30 billion. On 28 February 2019 and 21 March 2019, the Company completed its first and second issuance of corporate bonds of RMB2.7 billion and 3 billion, both with a term of 3 years and coupon rates of 3.90% and 3.98%.

63. EVENTS AFTER THE REPORTING PERIOD (Continued)

Proposed profit distribution after the reporting period

According to the board resolution passed in the Board of Directors' meeting of the Company held on 21 March 2019, the Company made the following resolution based on the profit for the year ended 31 December 2018: (i) appropriation of a total of RMB821.44 million to the general risk reserve calculated on the basis of 10% of the profit for the year ended 31 December 2018 of the company; (ii) appropriation of a total of RMB821.44 million to the transaction risk reserve calculated on the basis of 10% of the profit for the year ended 31 December 2018 of the company; (iii) appropriation of a total of RMB9.20 million to the provisions of risk calculated on the basis of 2.5% of the revenue of trustee fee; (iv) appropriation of a total of RMB5.35 million to the provisions of risk calculated on the basis of 10% of the revenue of collective asset management business; (v) No statutory surplus reserve to be appropriated because the accumulated amount had reached 50% of the registered capital of the Company; (vi) proposed cash dividend for the year ended 31 December 2018 of RMB3.50 yuan for every 10 shares (pre-tax), totaled approximately RMB4,241 million (pre-tax). If the company completes the acquisition of Guangzhou Securities Company Limited by issuance of new A Shares by the Base Date for the payment of the dividends to A Shareholders, the cash dividend per Share will be adjusted according to the approximate total distribution amount of RMB4,241 million (pre-tax), and the number of total issued Shares of the Company upon completion of the aforesaid issuance of new A Shares. This proposed dividend is subject to the approval of the General Meeting of Shareholders of the Company.

64. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements was approved and authorised for issue by the Board of Directors on 21 March 2019.

Documents Available for Inspection

Financial statements with the signatures of the head of the Company, the Chief Financial Officer and the head of the accounting department and chopped with the official chop of the Company

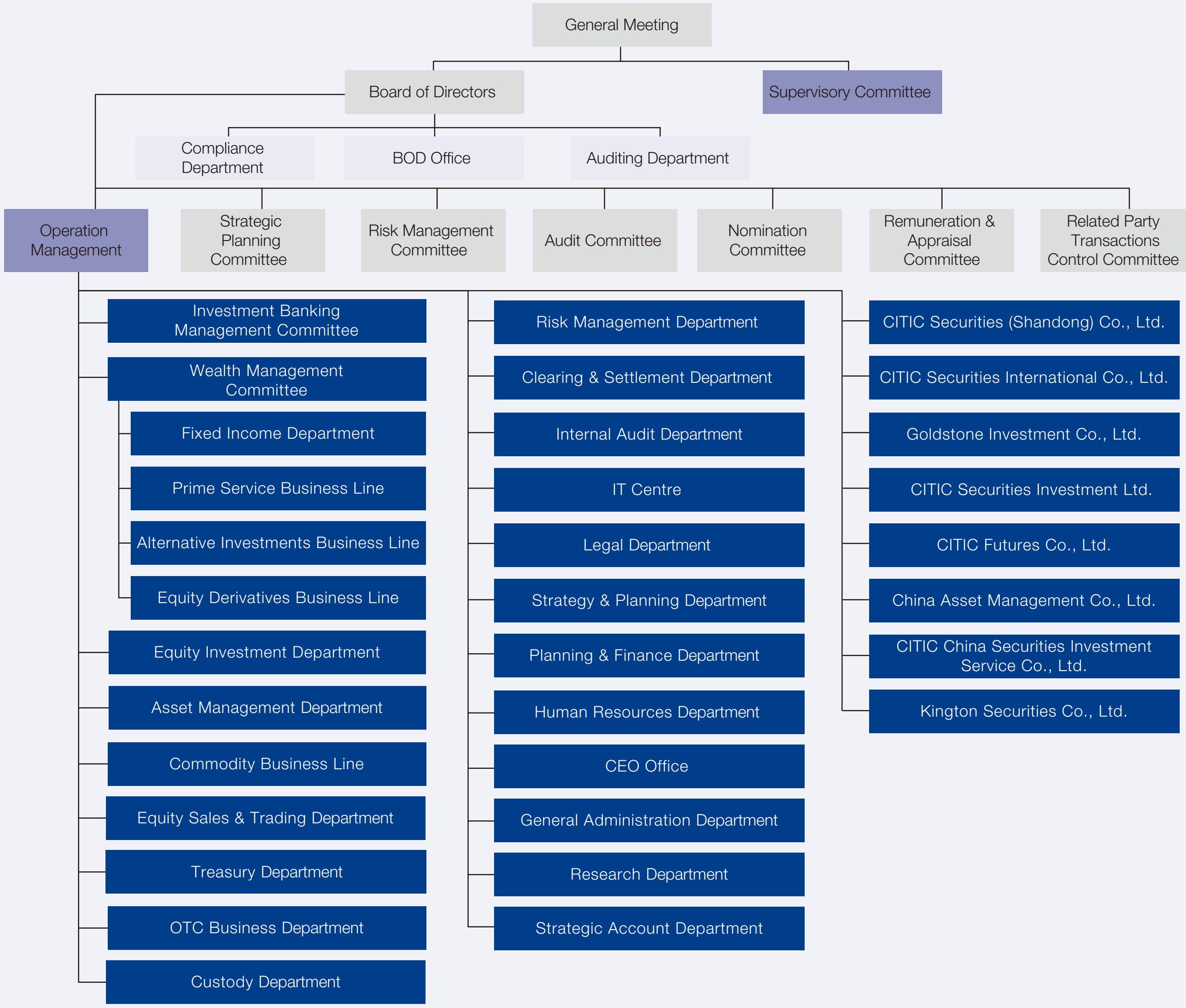
The original copy of the audit report with signatures and seals of the accounting firm and CPAs

The original copies of the documents and announcements of the Company published during the Reporting Period in the media designated by the CSRC for information disclosures

Annual reports posted on other stock exchanges

The Articles of Associations of the Company

Appendix 1: Organization Chart



Note 1: The Investment Banking Management Committee comprised the Financial Industry Team, the Energy and Chemical Industry Team, the Infrastructure and Real Estate Industry Team, the Equipment Manufacture Industry Team, the Telecom, Internet, Media and Entertainment Industry Team, the Healthcare Industry Team, the Consumer Industry Team, the Integrated Industry Team (Beijing), the Integrated Industry Team (Shanghai), the Integrated Industry Team (Shenzhen), Investment Banking (Zhejiang) Branch, Investment Banking (Shandong) Branch, Investment Banking (Jiangsu) Branch, Investment Banking (Guangdong) Branch, Investment Banking (Hubei) Branch, Investment Banking (Hunan) Branch, Investment Banking (Henan) Branch, Investment Banking (Sichuan) Branch, Investment Banking (Fujian) Branch, Investment Banking (Shaanxi) Branch, the Bonds Underwriting Business Line, the Asset Securitization Business Line, the Merger & Acquisition Business Line, the Equity Capital Market Department, the Debt Capital Market Department, the Quality Control Team, the Human Resource Development Center, the Operation Department and other departments/business lines. The Wealth Management Committee comprised departments such as the Retail Account Department, the Wealth Management Department, the Financial Product Department, the Investment Advisory Department, the Financial Technology Department and the Operation Management Department, as well as branches such as Beijing Branch, Shanghai Branch, Jiangsu Branch, Anhui Branch, Hubei Branch, Hunan Branch, Guangdong Branch, Shenzhen Branch, Northeast Branch, Zhejiang Branch, Fujian Branch, Jiangxi Branch, Yunnan Branch, Shaanxi Branch, Sichuan Branch, Tianjin Branch, Inner Mongolia Branch, Shanxi Branch and Hebei Branch.

Note 2: Only some first-tier subsidiaries of the Company are presented on the above.

Appendix 2: Index of Information Disclosure

Information disclosures made by the Company in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE (http://www.sse.com.cn) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2018-1-3	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2017
2	2018-1-10	Announcement on the Financial Data for December 2017
3	2018-1-20	Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 1)
4	2018-1-25	Preliminary Financial Data for the Year of 2017; Supplemental Announcement on the Preliminary Financial Data for the Year of 2017
5	2018-1-26	Announcement on the Resolutions Passed at the Twenty-first Meeting of the Sixth Session of the Board
6	2018-1-27	Announcement on the Principal Financial Data of China AMC Fund for 2017
7	2018-2-2	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2018
8	2018-2-7	Announcement on the Financial Data for January 2018
9	2018-2-8	Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 2); Announcement on 2018 Interest Payment for the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
10	2018-2-10	H Share Announcement — Use of New Company Logo; Announcement on the Resolutions Passed at the Tenth Meeting of the Sixth Session of the Supervisory Committee; Announcement on the Cessation of LI Fang as the Non-employee Representative Supervisor and the Chairman of the Supervisory Committee
11	2018-2-23	Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
12	2018-3-1	Holding Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
13	2018-3-2	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2018
14	2018-3-6	Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 3); Announcement on Approval of TANG Zhenyi’s Qualification as Senior Management of Securities Companies
15	2018-3-7	Announcement of the Redemption Results and Delisting of 2015 Subordinated Bonds (Tranche 1); Announcement on the Financial Data for February 2018
16	2018-3-10	H Share Announcement — Notification of Board Meeting
17	2018-3-14	Announcement on the Public Issuance of the 2018 Corporate Bonds (Tranche 1) to Qualified Investors; Prospectus and its Summary; Credit Rating Report
18	2018-3-15	Announcement on the Extension of Book Building Period of 2018 Corporate Bonds (Tranche 1) of CITIC Securities Company Limited Publicly Issued to Qualified Investors

No.	Date of Publication	Subject Matter
19	2018-3-16	Announcement on the Coupon Interest Rate of the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
20	2018-3-21	Announcement on the Results of Public Issuance of the 2018 Corporate Bonds (Tranche 1) to Qualified Investors
21	2018-3-23	2017 Annual Report and its Summary; Announcement on the Resolutions Passed at the Twenty-second Meeting of the Sixth Session of the Board; Announcement on the Resolutions Passed at the Eleventh Meeting of the Sixth Session of the Supervisory Committee; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the Twenty-second Meeting of the Sixth Session of the Board of the Company; Announcement on Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2018; 2017 Annual Financial Statements and Audit Report; 2017 Annual Audit Report on Internal Control; 2017 CSR Report; 2017 Annual Internal Control Evaluation Report; 2017 Annual Special Statement Regarding the Appropriation of Funds by the Largest Shareholder and Other Related Parties of CITIC Securities; Announcement on Changes in Principal Accounting Policies; Annual Report of the Audit Committee of the Board on the Performance of Duties in 2017; Measures for Administration of Conflicts of Interest of CITIC Securities; Rules of Procedure for the Risk Management Committee of the Board of CITIC Securities; Annual Report of the Independent Non-executive Directors on the Performance of Duties in 2017
22	2018-3-28	Announcement on the Listing of 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors on the SSE
23	2018-4-4	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2018
24	2018-4-5	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 4)
25	2018-4-11	Announcement on the Financial Data for March 2018
26	2018-4-18	H Share Announcement — Notification of Board Meeting; Announcement on the Results of Non-public Issuance of 2018 Corporate Bonds (Tranche 1); Announcement on the 2017 Trustee Report for the 2013 Corporate Bonds (Tranche 1)
27	2018-4-21	Announcement on Follow-up Rating Results for “13 CITICS 01”, “13 CITICS 02”, “15 CITICS 01”, “15 CITICS 02”, “16 CITICS G1”, “16 CITICS G2”, “17 CITICS G1”, “17 CITICS G2”, “17 CITICS G3”, “17 CITICS G4” and “18 CITICS G1”; 2018 Follow-up Rating Report for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors and the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors; 2018 Follow-up Rating Report for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors and the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors; 2018 Follow-up Rating Report for the 2013 Corporate Bonds (Tranche 1); 2018 Follow-up Rating Report for the 2015 Corporate Bonds

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No.	Date of Publication	Subject Matter
28	2018-4-24	Announcement on the Listing of Non-public Issuance of the 2018 Corporate Bonds (Tranche 1) on the SSE
29	2018-4-28	2018 First Quarterly Report
30	2018-5-3	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2018
31	2018-5-4	Announcement on the Receipt of No Objection Reply from the CSRC in Relation to the Application for Expanding the Scope of Cross-border Business
32	2018-5-8	Announcement on the Financial Data for April 2018
33	2018-5-10	Notice of the 2017 Annual General Meeting; Documents of the 2017 Annual General Meeting
34	2018-5-12	Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 2)
35	2018-5-16	Announcement on the Proposed Non-public Issuance of Subordinated Bonds (Tranche 1) in 2018
36	2018-5-18	Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Subordinated Bonds (Tranche 1); Announcement on Cancellation of Non-public Issuance of the 2018 Subordinated Bonds (Tranche 1)
37	2018-5-22	Announcement on the Listing of Non-public Issuance of the 2018 Corporate Bonds (Tranche 2) on the SSE
38	2018-5-29	Announcement on Principal and Interest Payment and Delisting of the 2013 Corporate Bonds (Tranche 1) (5-year); Announcement on CSRC Approval for Public Issuance of Corporate Bonds to Qualified Investors
39	2018-5-31	Announcement on 2018 Interest Payment for the 2013 Corporate Bonds (Tranche 1) (10-year); Announcement on Establishment of the CITIC Securities-Bosera Funds No. 1 Credit Asset-backed Securities
40	2018-6-2	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2018
41	2018-6-7	Announcement on the Financial Data for May 2018
42	2018-6-8	Announcement on Additional Resolution for the 2017 Annual General Meeting
43	2018-6-9	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 5) (Bond Connect); Announcement on the Resolutions Passed at the Twenty-fourth Meeting of the Sixth Session of the Board; Second Notice of the 2017 Annual General Meeting; Comprehensive Risk Management System
44	2018-6-11	Announcement on Public Issuance of the 2018 Corporate Bonds (Tranche 2) to Qualified Investors; Prospectus and its Summary; Credit Rating Report
45	2018-6-12	Announcement on the Extension of Book Building Period of 2018 Corporate Bonds (Tranche 2) of CITIC Securities Company Limited Publicly Issued to Qualified Investors
46	2018-6-13	Announcement on the Receipt of Relevant Approval from the SAFE; Announcement on the Coupon Interest Rate of the 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors

No.	Date of Publication	Subject Matter
47	2018-6-15	Announcement on 2018 Interest Payment for the 2015 Corporate Bonds
48	2018-6-19	2017 Trustee Report for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors; Announcement on the Results of Public Issuance of the 2018 Corporate Bonds (Tranche 2) to Qualified Investors
49	2018-6-20	Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 3) to Qualified Investors
50	2018-6-21	Announcement on the Audit Results Issued by the National Audit Office; 2017 Trustee Report for the 2015 Corporate Bonds; 2017 Trustee Report for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
51	2018-6-25	Announcement on the Exercise of Redemption Option by the Issuer of the "15 CITICS C2" Subordinated Bonds
52	2018-6-27	Announcement on the Resolutions Passed at the 2017 Annual General Meeting; Legal Opinions; Announcement on the Listing of Type 1 and Type 2 of 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors on the SSE
53	2018-6-28	Announcement on the Listing of the Non-publicly Issued 2018 Corporate Bonds (Tranche 3) on the SSE
54	2018-07-02	Holding Announcement on the Exercise of Redemption Option by the Issuer of the "15 CITICS C2" Subordinated Bonds
55	2018-07-05	Announcement of the Redemption and Delisting of CITIC Securities 2015 Subordinated Bonds (Tranche 2); Announcement on the Listing of the CITIC Securities — Bosera Funds No.1 Credit Asset-backed Securities on the SSE; H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 June 2018
56	2018-07-10	Announcement on the Financial Data for June 2018
59	2018-07-11	Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 4)
60	2018-07-13	Preliminary Financial Data for the First Half of 2018; Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 6) (Bond Connect); Announcement on the Listing of Non-public Issuance of the 2018 Corporate Bonds (Tranche 4) on the SSE; Announcement on Principal Financial Data of China AMC for the First Half of 2018
61	2018-08-02	Announcement on Principal and Interest Payment and Delisting of the Non-publicly Issued Corporate Bonds (Tranche 1) in 2017; H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2018
62	2018-08-07	Announcement on the Financial Data for July 2018
63	2018-08-08	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 7) (Bond Connect)
64	2018-08-10	H Share Announcement — Notification of Board Meeting
65	2018-08-16	Announcement on Approval of SUN Yi's Qualification as Senior Management of Securities Companies
66	2018-08-17	Announcement on the Implementation of Bonus Dividends for A Shares in 2017

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No.	Date of Publication	Subject Matter
67	2018-08-24	Announcement on the Resolutions Passed at the Twenty-eighth Meeting of the Sixth Session of the Board, 2018 Interim Report and Its Summary
68	2018-09-03	Announcement on Principal and Interest Payment and Delisting of Type 1 of the Non-publicly Issued Corporate Bonds (Tranche 2) in 2017
69	2018-09-04	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 August 2018
70	2018-09-05	Announcement on 2018 Interest Payment of Type 2 of the Non-publicly Issued Corporate Bonds (Tranche 2) in 2017
71	2018-09-07	Announcement on the Financial Data for August 2018
72	2018-09-14	Announcement on Approval of KUANG Tao's Qualification as Director of Securities Companies
73	2018-09-15	H Share Announcement — US$ Medium Term Note Programme
74	2018-09-18	Announcement on CSRC Approval for Public Issuance of Corporate Bonds to Qualified Investors
75	2018-10-08	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 September 2018
76	2018-10-16	Announcement on the Financial Data for September 2018, H Share Announcement — Notification of Board Meeting
77	2018-10-19	Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Subordinated Bonds (Tranche 2)
78	2018-10-22	Announcement on the Results of Non-public Issuance of Subordinated Bonds (Tranche 1) in 2018
79	2018-10-23	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 9)
80	2018-10-26	Announcement on the Resolutions Passed at the Thirtieth Meeting of the Sixth Session of the Board, Administrative Measures on Related Party Transactions
81	2018-10-31	2018 Third Quarterly Report, Announcement on the Results of Non-public Issuance of Subordinated Bonds (Tranche 5) in 2018
82	2018-11-01	Announcement on the Listing of Non-public Issuance of Subordinated Bonds (Tranche 1) on the Shanghai Stock Exchange in 2018
83	2018-11-02	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2018
84	2018-11-06	Announcement on Receipt of Notification of Case Termination from the CSRC
85	2018-11-07	Announcement on the Financial Data for October 2018
86	2018-11-08	Announcement on the Results of Non-public Issuance of Subordinated Bonds (Tranche 2) in 2018, Announcement on the Listing of Non-public Issuance of the 2018 Corporate Bonds (Tranche 5) of Type 1, Type 2 on the SSE
87	2018-11-12	Announcement on 2018 Interest Payment for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
88	2018-11-14	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 10) (Bond Connect)

No.	Date of Publication	Subject Matter
89	2018-11-15	Announcement on the Listing of Non-public Issuance of Subordinated Bonds (Tranche 2) on the SSE in 2018
90	2018-11-17	Announcement on Approval of YE Xinjiang's Qualification as Senior Management of Securities Companies
91	2018-11-21	Announcement on 2018 Interest Payment for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
92	2018-12-04	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 November 2018
93	2018-12-06	Announcement on Drawdown under the Medium Term Note Programme by Indirect Wholly-owned Subsidiary and Guarantee Provided by the Company
94	2018-12-07	Announcement on the Financial Data for November 2018
95	2018-12-08	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 11)
96	2018-12-10	Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Corporate Bonds (Tranche 3)
97	2018-12-11	Announcement on the Resolutions Passed at the Thirty-second Meeting of the Sixth Session of the Board, H Share Announcement — US$ Medium Term Note Programme
98	2018-12-11	H Share Announcement — Unconditionally and Irrevocably Guarantee for US$3,000,000,000 Medium Term Note Programme
99	2018-12-25	Announcement on Suspension of Trading on the Proposed Asset Acquisition by Issuance of Shares
100	2018-12-27	Announcement on Shareholdings of the Top Ten Shareholders of the Company
101	2018-12-29	Announcement on the Extended Election and Appointment of the Board and the Supervisory Committee of the Company

Note: The dates set out in the above table are dates on which the relevant announcements were published in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE. Each of these announcements was published on the HKEXnews website of HKEx in the morning of the above date or in the evening on the immediately preceding date.

Appendix 2: Index of Information Disclosure

Information disclosures made by the Company on the HKEXnews website of HKEx (http://www.hkexnews.hk) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2018-1-2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2017
2	2018-1-9	Announcement on the Financial Data for December 2017
3	2018-1-19	Overseas Regulatory Announcement — Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 1)
4	2018-1-24	Preliminary Financial Data for the Year 2017
5	2018-1-25	Announcement — Appointment of Senior Management
6	2018-1-26	Announcement — Principal Financial Data of China AMC for the Year Ended 31 December 2017
7	2018-2-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2018
8	2018-2-6	Announcement on the Financial Data for January 2018
9	2018-2-7	Overseas Regulatory Announcement — Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 2); Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
10	2018-2-9	Use of New Company Logo; Announcement — Resignation of Supervisor; Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Tenth Meeting of the Sixth Session of the Supervisory Committee
11	2018-2-22	Overseas Regulatory Announcement — Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
12	2018-2-28	Overseas Regulatory Announcement — Holding Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
13	2018-3-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2018
14	2018-3-5	Announcement — Approval on the Qualification of Member of the Executive Committee by the Regulatory Authority; Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 3)
15	2018-3-6	Announcement on the Financial Data for February 2018; Announcement of the Redemption Results and Delisting of 2015 Subordinated Bonds (Tranche 1)
16	2018-3-9	Notification of Board Meeting

No.	Date of Publication	Subject Matter
17	2018-3-22	2017 Annual Results Announcement; Proposed Change of Non-executive Director; Announcement on Changes in Principal Accounting Policies; Proposed Amendments to the Articles of Association; Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Twenty-second Meeting of the Sixth Session of the Board; Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Eleventh Meeting of the Sixth Session of the Supervisory Committee; Overseas Regulatory Announcement — Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the Twenty-second Meeting of the Sixth Session of the Board of the Company; Overseas Regulatory Announcement — Announcement on Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2018; Overseas Regulatory Announcement — 2017 Annual Audit Report on Internal Control; Overseas Regulatory Announcement — 2017 CSR Report; Overseas Regulatory Announcement — 2017 Annual Internal Control Evaluation Report; Overseas Regulatory Announcement — 2017 Annual Special Statement Regarding the Appropriation of Funds by the Largest Shareholder and Other Related Parties (for the year ended 31 December 2017); Overseas Regulatory Announcement — 2017 Annual Report of the Audit Committee of the Board on the Performance of Duties; Overseas Regulatory Announcement — Measures for Administration of Conflicts of Interest of CITIC Securities; Overseas Regulatory Announcement — Rules of Procedure for the Risk Management Committee of the Board of CITIC Securities; Overseas Regulatory Announcement — 2017 Annual Report of the Independent Non-executive Directors on the Performance of Duties
18	2018-4-3	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2018
19	2018-4-4	Overseas Regulatory Announcement — Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 4)
20	2018-4-10	Announcement on the Financial Data for March 2018
21	2018-4-17	Overseas Regulatory Announcement — Announcement on the Results of Non-public Issuance of 2018 Corporate Bonds (Tranche 1); Notification of Board Meeting
22	2018-4-20	2017 Annual Report; Overseas Regulatory Announcement — Announcement on the Follow-up Rating Report for “13 CITICS 01”, “13 CITICS 02”, “15 CITICS 01”, “15 CITICS 02”, “16 CITICS G1”, “16 CITICS G2”, “17 CITICS G1”, ”17 CITICS G2“, “17 CITICS G3”, “17 CITICS G4” and “18 CITICS G1”
23	2018-4-27	2018 First Quarterly Results Report
24	2018-5-2	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2018

Appendix 2: Index of Information Disclosure

No.	Date of Publication	Subject Matter
25	2018-5-3	Voluntary Announcement — Announcement on the Receipt of No Objection Reply from the CSRC in Relation to the Application for Expanding the Scope of Cross-border Business
26	2018-5-7	Announcement on the Financial Data for April 2018
27	2018-5-9	General Mandate to Issue Additional A Shares and/or H Shares; 2017 Profit Distribution Plan; Proposed Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company; Potential Related Party/Connected Transactions involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments; Proposed Change of Non-executive Director; Proposed Amendments to the Articles of Association; Notice of the Annual General Meeting; Notice of the Annual General Meeting; Proxy Form; Reply Slip
28	2018-5-11	Overseas Regulatory Announcement — Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 2)
29	2018-5-15	Overseas Regulatory Announcement — Announcement on the Proposed Non-public Issuance of Subordinated Bonds (Tranche 1) in 2018
30	2018-5-17	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for the Non-public Issuance of 2017 Subordinated Bonds (Tranche 1); Announcement on Cancellation of Non-public Issuance of the 2018 Subordinated Bonds (Tranche 1)
31	2018-5-28	Overseas Regulatory Announcement — Announcement on Principal and Interest Payment and Delisting of 2013 Corporate Bonds (Tranche 1) (5-year); Announcement on CSRC Approval for Public Issuance of Corporate Bonds to Qualified Investors
32	2018-5-30	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment of 2013 Corporate Bonds (Tranche 1) (10-year); Establishment of the CITIC Securities — Bosera Funds No.1 Credit Asset-backed Securities
33	2018-6-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 May 2018
34	2018-6-6	Announcement on the Financial Data for May 2018
35	2018-6-7	Proposed Appointment of Non-employee Representative Supervisor; Supplemental Notice of the Annual General Meeting; Supplemental Notice of the Annual General Meeting; Supplemental Proxy Form
36	2018-6-8	Second Notice of the 2017 Annual General Meeting; Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Twenty-fourth Meeting of the Sixth Session of the Board; Comprehensive Risk Management System of CITIC Securities; Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 5) (Bond Connect)
37	2018-6-12	Overseas Regulatory Announcement — Announcement on the Receipt of Relevant Approval from the SAFE
38	2018-6-14	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for the 2015 Corporate Bonds

No.	Date of Publication	Subject Matter
39	2018-6-19	Overseas Regulatory Announcement — Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 3)
40	2018-6-20	Voluntary Announcement — Announcement on the Audit Results Issued by the National Audit Office
41	2018-6-25	Announcement on the Exercise of Redemption Option by the Issuer of the "15 CITICS C2" Subordinated Bonds
42	2018-6-26	Announcement — Poll Results of the 2017 AGM; Payment of the 2017 Final Dividend
43	2018-07-02	Overseas Regulatory Announcement — Holding Announcement on the Exercise of Redemption Option by the Issuer of the "15 CITICS C2" Subordinated Bonds
44	2018-07-04	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2018; Overseas Regulatory Announcement — Announcement on the Listing of the CITIC Securities — Bosera Funds No.1 Credit Asset-backed Securities; Announcement of the Redemption and Delisting of the 2015 Subordinated Bonds (Tranche 2)
45	2018-07-09	Announcement on the Financial Data for June 2018
46	2018-07-10	Overseas Regulatory Announcement — Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 4)
47	2018-07-12	Preliminary Financial Data for the First Half of 2018; Announcement — Principal Financial Data of China AMC for the First Half of 2018; Overseas Regulatory Announcement — Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 6) (Bond Connect)
48	2018-08-01	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 July 2018; Overseas Regulatory Announcement — Announcement on Principal and Interest Payment and Delisting of the Non-publicly Issued Corporate Bonds (Tranche 1) in 2017
49	2018-08-06	Announcement on the Financial Data for July 2018
50	2018-08-07	Overseas Regulatory Announcement — Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 7) (Bond Connect)
51	2018-08-09	Notification of Board Meeting
52	2018-08-15	Announcement — Approval on the Qualification of Senior Management by the Regulatory Authority
53	2018-08-16	Overseas Regulatory Announcement — Announcement on the Implementation of Bonus Dividends for A Shares in 2017
54	2018-08-23	2018 Interim Results Announcement; Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Twenty-eighth Meeting of the Sixth Session of the Board
55	2018-09-03	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 August 2018; Overseas Regulatory Announcement — Announcement on Principal and Interest Payment and Delisting of Type 1 of the Non-publicly Issued Corporate Bonds in 2017 (Tranche 2)
56	2018-09-04	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for Type 2 of the Non-publicly Issued 2017 Corporate Bonds (Tranche 2)
57	2018-09-06	Announcement on the Financial Data for August 2018

No.	Date of Publication	Subject Matter
58	2018-09-13	Announcement — Approval on the Qualification of Director by the Regulatory Authority, List of Directors and Their Roles and Functions; Overseas Regulatory Announcement — Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 8)
59	2018-09-14	Notice — US$3,000,000,000 Medium Term Note Programme
60	2018-09-17	Overseas Regulatory Announcement — Announcement on CSRC Approval for Public Issuance of Corporate Bonds to Qualified Investors
61	2018-09-20	2018 Interim Report
62	2018-10-02	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 September 2018
63	2018-10-15	Announcement on the Financial Data for September 2018; Notification of Board Meeting
64	2018-10-18	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Subordinated Bonds (Tranche 2)
65	2018-10-21	Overseas Regulatory Announcement — Announcement on the Results of Non-Public Issuance of Subordinated Bonds (Tranche 1) in 2018
66	2018-10-22	Overseas Regulatory Announcement — Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 9)
67	2018-10-25	Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Thirtieth Meeting of the Sixth Session of the Board, the Administrative Measures on Related Party Transactions of the CITIC Securities
68	2018-10-30	2018 Third Quarterly Results Report; Overseas Regulatory Announcement — Announcement on the Results of Non-public Issuance of Corporate Bonds (Tranche 5) in 2018
69	2018-11-01	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2018
70	2018-11-05	Announcement on Receipt of Notification of Case Termination from the CSRC
71	2018-11-06	Announcement on the Financial Data for October 2018
72	2018-11-07	Overseas Regulatory Announcement — Announcement on the Results of Non-public Issuance of Subordinated Bonds (Tranche 2) in 2018
73	2018-11-11	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
74	2018-11-13	Overseas Regulatory Announcement — Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 10) (Bond Connect)
75	2018-11-16	Announcement — Approval on the Qualification of Senior Management by the Regulatory Authority
76	2018-11-20	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
77	2018-12-03	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2018
78	2018-12-05	Voluntary Announcement — Drawdown under the Guaranteed Medium Term Note Programme of CITIC SECURITIES FINANCE MTN CO., LTD.

No.	Date of Publication	Subject Matter
79	2018-12-06	Announcement on the Financial Data for November 2018
80	2018-12-07	Overseas Regulatory Announcement — Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 11)
81	2018-12-09	Overseas Regulatory Announcement — Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Corporate Bonds (Tranche 3)
82	2018-12-10	Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the Thirty-second Meeting of the Sixth Session of the Board; Notice - US$300,000,000 4.250% Guaranteed Notes Due 2021
83	2018-12-24	Voluntary Announcement — Issuance of A Shares for Acquisition of Assets
84	2018-12-26	Overseas Regulatory Announcement — Announcement on Shareholdings of the Top Ten Shareholders of the Company
85	2018-12-28	Announcement — The Postponed Re-election and Appointment of the Board and Supervisory Committee

Appendix 3: Administrative Consents and Approvals Obtained During the Reporting Period

No.	Date of Approval	Title and number of approvals
1	2018-2-27	Approval of the Shenzhen Securities Regulatory Bureau Concerning TANG Zhenyi's Qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Zi [2018] No. 21)
2	2018-4-24	Reply Concerning Carrying Out the Pilot Transnational Business of CITIC Securities Company Limited (Ji Gou Bu Han [2018] No. 941)
3	2018-5-24	Approval Concerning CITIC Securities Company Limited to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2018] No. 855)
4	2018-5-30	Approval from the State Administration of Foreign Exchange Concerning Increasing the Investment Quota for Qualified Domestic Institutional Investors (Hui Fu [2018] No. 17)
5	2018-8-6	Approval of the Shenzhen Securities Regulatory Bureau Concerning SUN Yi's Qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Zi [2018] No. 65)
6	2018-12-13	Regulatory Opinions Concerning Application for Expanding the Scope of Credit Derivative Business by CITIC Securities Company Limited (Ji Gou Bu Han [2018] No. 2929)

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