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*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6030)**

## **2016 INTERIM RESULTS ANNOUNCEMENT**

The Board of CITIC Securities Company Limited is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2016. This interim results announcement, containing the full text of the 2016 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information accompanying preliminary announcement of interim results. The 2016 interim results announcement of the Company is available for viewing on the HKExnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.cs.ecitic.com>.

## **IMPORTANT NOTICE**

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

This interim results announcement was approved at the 6th meeting of the Sixth Session of the Board. All Directors of the Company attended the meeting, and no Director raised any objection to this interim results announcement.

The 2016 interim financial statements of the Company were unaudited. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong issued review opinions in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively.

Mr. ZHANG Youjun, head of the Company, Mr. ZHANG Youjun, the person-in-charge of accounting affairs and Ms. KANG Jiang, the head of the Company's accounting department, warrant that the financial statements set out in this interim results announcement are true, accurate and complete.

Forward looking statements, including future plans and development strategies, contained in this interim results announcement 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 substantial shareholders or their related/connected parties for non-operating purposes.

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

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

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## DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“A Shareholder(s)”	holder(s) of A Shares
“A Shares”	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)
“Board”	the board of directors of the Company
“China AMC”	China Asset Management Company Limited
“China CITIC Bank”	China CITIC Bank Corporation Limited
“CITIC Buyout Fund”	CITIC Buyout Fund Management Co., Ltd.
“CITIC Corporation Limited”	CITIC Corporation Limited, formerly known as CITIC Limited, and currently being the wholly-owned subsidiary of CITIC Limited
“CITIC Futures”	CITIC Futures Company Limited
“CITIC Global Trade”	CITIC Global Trade (Shanghai) Company Limited
“CITIC Group”	CITIC Group Corporation (formerly known as China International Trust and Investment Corporation and CITIC Group)
“CITIC Limited”	CITIC Limited, formerly known as CITIC Pacific Limited, and currently holding 100% shares of CITIC Corporation Limited
“CITIC PE Fund”	CITIC Private Equity Funds Management Company Limited
“CITIC Real Estate”	CITIC Real Estate Co., Ltd.
“CITIC Securities Finance 2013”	CITIC Securities Finance 2013 Co., Ltd.
“CITIC Securities Finance MTN”	CITIC Securities Finance MTN Co., Ltd.
“CITIC Securities Investment”	CITIC Securities Investment Limited
“CITIC Securities (Shandong)”	CITIC Securities (Shandong) Co., Ltd.
“CLSA Limited”	CLSA Limited, a wholly-owned subsidiary of CSI
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “CITIC Securities”	CITIC Securities Company Limited
“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 Ltd.

“CSF”	CITIC Securities International Co., Ltd.
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“GoldStone Fund”	CITIC GoldStone Fund Management Company Limited
“GoldStone Haorui”	Qingdao GoldStone Haorui Investment Company Limited
“GoldStone Investment”	GoldStone Investment Co., Ltd.
“GoldStone Zexin”	GoldStone Zexin Investment Management Co., Ltd.
“Group”	CITIC Securities Company Limited and its subsidiaries
“HKEx”	Hong Kong Exchanges and Clearing Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	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 Hong Kong Stock Exchange (stock code: 6030)
“Jiantou Zhongxin”	Jiantou Zhongxin Asset Management Co., Ltd.
“NEEQ” or “New Third Board”	National Equities Exchange and Quotations
“PwC”	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, collectively
“PwC Hong Kong”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“Related party transaction (s)”	has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time
“Reporting Period”	the six months ended 30 June 2016
“Securities Law”	the Securities Law of the People’s Republic of China
“Shenzhen Bureau of the CSRC”	the Shenzhen Securities Regulatory Bureau of the CSRC
“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
“SZSE”	Shenzhen Stock Exchange
“Wind Info”	Wind Information Co., Ltd.

## I. COMPANY INFORMATION

### 1.1 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	YIN Ke, ZHENG Jing

#### ***Registered Capital and Net Capital***

*In RMB Yuan*

	30 June 2016	31 December 2015
Registered Capital	<b>12,116,908,400.00</b>	12,116,908,400.00
Net Capital (Parent Company)	<b>87,913,851,417.95</b>	89,415,194,540.25

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

#### ***Business Qualifications for Each Individual Business of the Company***

According to the Business Licence issued by the Market Supervision Administration of Shenzhen Municipality, 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; provision of brokerage services to futures companies; distribution of financial products; and stock options market making.

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 securities asset management business; stock repo; pilot business of stock return swap; treasury 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 exchanges: exchange fixed income platform market maker; warrants trading; stock-pledged repo business; Southbound Trading Link business; financing business with respect to exercising rights under share incentive schemes of listed companies; stock options brokerage; proprietary trading for stock options; and principal market maker in SSE 50 ETF options contracts.
3. Business qualifications approved by SAC: quoted transfer; underwriting private placement of bonds by small and medium-sized companies; OTC business; engaging in recommended businesses and brokerage business through stock transfer systems; OTC options business; and internet-based securities business.
4. Business qualifications approved by the People's Bank of China: member of the national inter-bank lending market; commercial paper underwriting; market maker in inter-bank bond market; and open market Class A trader.
5. Other business qualifications: member of book-entry government bond underwriting syndicates; Class A clearing participant of CSDCC; licence 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 underwriter team 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; the New Third Board market maker; and the qualifications for consultancy services relating to the secrets of the military industry.

## 1.2 Contact Person and Methods

<b>Secretary to the Board, Company Secretary</b>	
Name	ZHENG Jing
Contact Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong  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

### 1.3 Basic Information

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

Registered Address	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Postal Code of Registered Address	518048
Office 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
Postal Code of Office Address	518048, 100026
Place of Business in Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Website	<a href="http://www.cs.ecitic.com">http://www.cs.ecitic.com</a>
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 Businesses	0086-95548, 0086-40088 95548
Investor Relations Hotline	0086-755-2383 5383, 0086-10-6083 6030
Business Licence United Social Credibility Code	914403001017814402

## 1.4 Information Disclosure and Availability Places

During the Reporting Period, there was no change in the places for information disclosure and availability of the Company.

Newspapers designated for information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times
Websites for information disclosure	Website designated by the CSRC: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> (website of the SSE)  Website designated by the Hong Kong Stock Exchange: <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> (HKExnews website of HKEx)
Places where the Interim Report of the Company is available	16/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province  10/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing  26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

## 1.5 Shares of the Company

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

## 1.6 Changes in Registration Status during the Reporting Period

Date of Registration	25 January 2016
Place of Registration	Shenzhen Market Supervision and Administration Bureau
Business Licence United Social Credibility Code	914403001017814402
Index to Changes in Registration during the Reporting Period	Please refer to the announcement of the Company published on 25 January 2016 on the HKExnews website of HKEx.

- Notes:
1. On 25 January 2016, the Company completed the procedures for combining the business licence, the tax registration certificate and the certificate of organization code, which were replaced by a new business licence. The previous registration number of the corporate legal person business licence, tax registration number and certificate of organization code are no longer applicable.
  2. On 19 January 2016, Mr. ZHANG Youjun was elected by the Directors as the Chairman of the Board. On 25 January 2016, the Company completed the registration of changes with the industry and commerce administration for the change of the legal representative of the Company to Mr. ZHANG Youjun.

## II. FINANCIAL SUMMARY

### 2.1 Key Accounting Data and Financial Indicators

In RMB million

Items	30 June 2016	31 December 2015	Variance in comparison with the end of last year (%)
Total assets	<b>570,059</b>	616,108	-7.47
Total liabilities	<b>431,080</b>	474,371	-9.13
Equity attributable to owners of the parent	<b>136,220</b>	139,138	-2.10
Issued share capital	<b>12,117</b>	12,117	—
Net assets per share attributable to owners of the parent (RMB yuan)	<b>11.24</b>	11.48	-2.09 Decreased by 2.56 percentage points
Gearing ratio (%)	<b>67.00</b>	69.56	points

Items	Six months ended 30 June 2016	Six months ended 30 June 2015	Variance in comparison with the corresponding period of last year (%)
Total revenue and other income	<b>24,291</b>	39,301	-38.19
Operating profit	<b>7,284</b>	16,525	-55.92
Profit before income tax	<b>7,330</b>	16,927	-56.70
Net profit attributable to owners of the parent	<b>5,242</b>	12,470	-57.96
Net cash inflow/(outflow) from operating activities	<b>-32,985</b>	-13,906	N/A
Basic earnings per share (RMB yuan)	<b>0.43</b>	1.13	-61.95
Diluted earnings per share (RMB yuan)	<b>0.43</b>	1.13	-61.95
			Decreased by 8.06 percentage points
Return on weighted average equity (%)	<b>3.73</b>	11.79	points

Note: In calculating the gearing ratio for the above periods, customer brokerage deposits have been excluded from the assets and the liabilities.

### 2.2 Net Capital and Relevant Risk Control Indices of the Parent Company

As at 30 June 2016, the net capital of the parent Company was RMB87,914 million, representing a decrease of 1.68% as compared with that of RMB89,415 million as at 31 December 2015. The decrease was mainly due to the proposed distribution of final dividend for 2015.

Items	30 June 2016	31 December 2015
Net capital (RMB million)	<b>87,914</b>	89,415
Total risk capital reserves (RMB million)	<b>25,505</b>	13,477
Net assets (RMB million)	<b>112,203</b>	116,208
Net capital/total risk capital reserves (%)	<b>344.69</b>	663.49
Net capital/net assets (%)	<b>78.35</b>	76.94
Net capital/total liabilities (%)	<b>39.12</b>	33.43
Net assets/total liabilities (%)	<b>49.93</b>	43.44
Value of equity securities and derivatives held/net capital (%)	<b>54.27</b>	54.29
Value of fixed income securities held/net capital (%)	<b>135.13</b>	120.99

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

### III. MANAGEMENT DISCUSSION AND ANALYSIS

#### 3.1 Analysis of Principal Activities

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

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

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

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

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

##### 3.1.1 Investment Banking

###### *Equity Financing*

###### *Market Conditions*

In the first half of 2016, the A-share equity financing size amounted to RMB966,839 million, representing a year-on-year increase of 33.86%. Among these, IPO issuances were at a stable pace with raised proceeds size of RMB32,884 million, representing a year-on-year decrease of 77.69%; equity re-financing was more active in general and the financing size amounted to RMB144,871 million, representing a year-on-year growth of 71.58%.

In the first half of 2016, the market share of the top ten securities companies in A-share equity underwriting amounted to 65.75%, representing an increase as compared to 54.67% in the corresponding period of 2015.

###### *Actions and Achievements*

In response to economic restructuring and changes in the market and policies, the Company consolidated its client advantages in traditional industries, and on this basis captured business opportunities arising from a new wave of reforms of large state-owned enterprises, focused more on customer groups such as private enterprises and foreign-invested enterprises, and strengthened the development of clients in emerging industries and among SMEs with growth potential. On the other hand, the Company continued to implement the business strategy of “full-product coverage”, strengthened its efforts in developing international businesses, and endeavored to enhance its overall competitive edge.

In the first half of 2016, the Company completed a total of 39 A-share lead underwriting projects with an aggregate lead underwriting amount of RMB146,846 million, accounting for a market share of 15.19%, ranking the first in the market. Among which, four were IPOs, with an aggregate lead underwriting amount of RMB1,975 million; 35 were follow-on offering projects, with a total lead underwriting amount of RMB144,871 million.

Projects	First half of 2016		First half of 2015	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
IPOs	1,975	4	11,475	8
Re-financing issuances	144,871	35	84,433	28
<b>Total</b>	<b>146,846</b>	<b>39</b>	<b>95,908</b>	<b>36</b>

Source: Wind Info and the Company's internal statistics

In respect of the international business, in the first half of 2016, the global capital markets were volatile in general due to political and economic uncertainties. The international business was faced with a more challenging operation environment as a result of the impacts of the sharp decline in trading volume and financing activities of major stock markets in Hong Kong and the Asia Pacific region. Despite such unfavorable conditions, CSI and CLSA Limited maintained their market shares and rankings through stable operation, stringent cost control and enhanced risk and compliance management. From January to June 2016, CSI and CLSA Limited maintained their leading positions in the capital markets of the Asia Pacific regions (excluding Japan). In particular, it ranked first among ECM underwriting bookrunners and was among the top three in terms of market shares of DCM and the merger and acquisition business. In the first half of 2016, the overseas investment banking segment of the Company completed a number of landmark projects including the largest IPO in Hong Kong for the first half of the year and the largest merger and acquisition in the Philippine capital market in recent years. In recognition of its performance by the market and the customers, the Company was awarded the "Best Local Equity House" in Hong Kong by AsiaMoney and the "Best Broker" under the category of Chinese financial institution in Hong Kong by Finance Asia.

After consolidating the overseas investment banking business of CSI with CLSA Limited in 2015, the brand name of "CITIC CLSA Securities" has been in operation for 14 months; it has executed IPOs and placing projects of USD25 billion, DCM projects of USD8.5 billion and merger and acquisition advisory projects of USD3 billion, highlighting the synergy effects from the consolidation.

#### *Outlook for the second half of 2016*

In the second half of 2016, the Company will continue to optimize its business structure in both the traditional and new economic sectors; further implement the client-oriented "full-product coverage" business strategy; deepen its understanding of client needs; better serve the real economy; continue to transform from an "intermediary service provider" into an "industry service provider"; consolidate and strengthen its market leading position; enhance its pricing and marketing capabilities by integrating the Company's internal and external sales channels. In the future, CSI will continue to establish and enhance its operation capabilities in countries along the Belt and Road, improve its internal and cross-border cooperation mechanism, reassess the performance management of its businesses/products, and be well prepared to capture future growth opportunities.

#### ***Debt, Asset Securitization and Structured Financing***

##### *Market Conditions*

In the first quarter of 2016, the overall capital supply in the market was stable, institutional deployment momentum was relatively strong, and bond yields hit historical low; starting from April 2016, bond yields showed an upward trend under the influence of negative factors such as MPA assessment and increased credit risk; since May 2016, fundamentals have formed support to the debt market which, coupled with factors such as Brexit, lowered expectation for interest-rate increase by the Federal Reserve and continued stable currency policies, have contributed to the rebound in the debt market.

In the first half of 2016, against a backdrop of low interest rates, asset shortage and asset management boom, funding size of the primary bond market maintained the growth momentum. China's bond market recorded a total issuance size of RMB7.76 trillion (including local government bonds, and excluding treasury bonds, policy financial bonds, interbank certificates of deposit, etc.), representing a year-on-year increase of 88.35%.

In the first half of 2016, the market share of the top ten securities companies in bond underwriting amounted to 15.50%, representing an increase as compared to 11.71% in the corresponding period of 2015.

#### *Actions and Achievements*

In the first half of 2016, the Company completed a total of 141 lead underwriting projects relating to corporate bonds, financial bonds, medium-term notes, commercial papers and asset-backed securities, with a lead underwriting amount of RMB189,807 million, accounting for a market share of 2.45% (inclusive of local government bonds) and ranking second in the industry in terms of the underwriting amount of bonds.

Capturing opportunities arising from rapid growth of the debt and asset securitization market, the Company made comprehensive layout and accelerated its business promotion. In the first half of 2016, the Company recorded a significant increase in lead underwriting amount of corporate bonds with a full pipeline for subsequent projects; as the sector leader in asset-backed securities business, it has apparent advantages in REITs, personal automobile pledged loans securitization, etc.

Projects	First half of 2016		First half of 2015	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
Enterprise bonds	—	—	8,667	6
Corporate bonds	77,107	52	5,800	3
Financial bonds	55,100	14	51,408	20
Medium-term notes	16,786	22	22,500	25
Commercial papers	2,300	4	8,750	9
Asset-backed Securities	32,553	46	21,909	39
convertible bonds/ exchangeable bonds	5,961	3	—	—
<b>Total</b>	<b>189,807</b>	<b>141</b>	<b>119,034</b>	<b>102</b>

Source: Wind Info and the Company's internal statistics

#### *Outlook for the second half of 2016*

In the second half of 2016, the Company will continue to increase its inputs in direct debt financing business, consolidate and enhance the competitive edge for traditional bond underwriting business under the guiding ideology of "financial institution serving the real economy"; actively promote the transformation of asset-backed securities and structured finance businesses to explore new business models and profit patterns; and enhance project risk management to effectively control operational risks, credit risks and issuance risks. The Company will upgrade and transform the bond business by integrating the Company's full range of resources to better understand and provide solutions to cater the diversified needs of clients.

Besides, with the further opening up of the domestic bond market, foreign enterprises will have greater demands for domestic debt financing in China. With the implementation of the "going global" strategy by Chinese enterprises and the promotion of RMB internationalization, domestic enterprises will also have demands for overseas debt financing. The Company will further integrate its domestic and foreign client resources to explore cross-border business opportunities, and enhance its diversified full products coverage for clients, both domestically and internationally.

## ***Financial Advisory Services***

### *Market Conditions*

According to the Bloomberg statistics, the total value of global merger and acquisition transactions announced in the first half of 2016 reached USD1.57 trillion, representing a year-on-year decrease of 14.21%; the number of announced merger and acquisition transactions amounted to 18,868, representing a year-on-year increase of 6.35%. Geographically, most of the transaction value was concentrated in North America, which accounted for approximately 58.66% of the total value of global merger and acquisition transactions. On a sector basis, transaction value was mainly generated from three sectors, namely, finance, consumption and raw materials, which in aggregate accounted for approximately 62.30% of the total value of the global mergers and acquisitions.

In the first half of 2016, the value of merger and acquisition transactions participated by Chinese enterprises amounted to USD378.8 billion, representing a year-on-year increase of 43.54%; the number of announced merger and acquisition transactions amounted to 4,069, representing a year-on-year increase of 122.11%. The value of merger and acquisition transactions in China accounted for 61.88% of those in the Asia Pacific region. Most of the transaction value was generated from three sectors, namely, finance, consumption and communications, which in aggregate accounted for approximately 68.00% of the total value of the mergers and acquisitions in China.

### *Actions and Achievements*

In the first half of 2016, the Company continued to strengthen transaction matching and professional execution capabilities, deepened its understanding of client needs, captured the business opportunities arising from merger and restructuring of central state-owned enterprises, local state-owned enterprise reforms, industrial consolidation, market-oriented mergers and acquisitions as well as transformation and upgrading of private enterprises to consolidate and enhance its competitive edge in the area of onshore and offshore mergers and acquisitions.

In the first half of 2016, the value of domestic merger and acquisition transactions completed by the Company amounted to RMB76,664 million, ranking first in the industry. In the first half of 2016, the Company completed several influential, complicated and innovative merger and acquisition transactions, such as the acquisition of Sanxia Jinshajiang Chuanyun Hydropower Development Co., Ltd by China Yangtze Power, the major assets restructuring of China Shipbuilding Industry Group Power and the major assets restructuring of Hangzhou Iron & Steel.

### *Outlook for the second half of 2016*

In the second half of 2016, with respect to domestic merger and acquisition market, the Company, by continuing to explore innovation, will strive for the development of diversified merger and acquisition business and enhancement of competitiveness; closely track hot transactions such as reform of mixed ownership systems in state-owned enterprises and market-oriented mergers and acquisitions, deeply explore information on matching mergers and acquisitions to procure potential merger and acquisition opportunities, and fully leverage the value of its financial advisory business. In respect of the cross-border merger and acquisition market, the Company will leverage its abundant resources in domestic capital markets and its solid capital strength to seize opportunities arising from globalization of a large number of Chinese enterprises and to complete a number of cross-border acquisitions with market influence, with a view to achieving domestic and overseas integration and interaction. Meanwhile, the Company will deeply explore opportunities for projects which can complement with its domestic advantage, strengthen exploration of in-bound investment projects, so as to drive its business development through offering services to multinational clients. While maintaining its competitive advantages as conventional financial advisors, the Company will also make full use of its accumulated project experience and client resources to enhance its capability on flow-based services for merger and acquisition transactions, explore innovative business opportunities in the form of consultancy plus investment, and increase the added-value of its financial advisory business.

## ***New Third Board Business***

### ***Market Conditions***

In the first half of 2016, the number of companies quoted on the New Third Board maintained rapid growth. As at 30 June 2016, the number of quoted companies amounted to 7,685, with a total share capital of 463.5 billion shares and a total capitalization of RMB3,108.2 billion. In the first half of 2016, the total trading volume of the New Third Board amounted to RMB87.4 billion, and the total funds raised from the issuance of shares amounted to RMB65.3 billion. Since 2016, the NEEQ component index showed a decreasing trend, resulting in decreased trading volume. At the end of June 2016, the index closed at 1,214.18.

In June 2016, the NEEQ officially conducted hierarchical management of quoted companies, and selected a total of 953 quoted companies which qualified for the innovation standards hierarchy.

### ***Actions and Achievements***

With the hierarchical management and strengthened supervision of the New Third Board, the Company on the one hand put more efforts on building up the team for the New Third Board business and strengthening the comprehensive services for major clients in the emerging strategic industries and providing funding support for market-making on the New Third Board; on the other hand, the Company highly emphasized quality control and further improved risk management system and procedures.

As at 30 June 2016, the Company lead sponsored a total of 149 enterprises for quotation on the NEEQ, among which, 49 enterprises were newly sponsored and quoted, and the funds raised by the enterprises supervised by the Company amounted to approximately RMB3.18 billion. The Company also provided market-making services for 172 quoted companies in the first half of 2016 with a total trading value for market-making activities of approximately RMB3.23 billion.

### ***Outlook for the second half of 2016***

In the second half of 2016, the Company will further optimize the business management system and market development system and, build on the sponsorship services, to drive the development of other relevant businesses to provide integrated quality and full services covering the whole New Third Board industry chain. By selecting quality enterprises, the Company will further explore corporate value with a view to creating good returns. Meanwhile, the Company will invest more funds in market-making services, enhance its quotation capability in the secondary market to promote liquidity in the New Third Board market.

## **3.1.2 Brokerage Business**

### ***Market Conditions***

In the first half of 2016, restricted by factors such as exchange rate risk and credit risk, major indices of domestic secondary markets recorded substantial downward adjustment of approximately 25%. The overall trading activity in the markets substantially declined as compared to 2015. The average daily turnover of stocks and funds amounted to RMB544.8 billion, representing a year-on-year decrease of 55%. The commission rate of the industry continued to decrease to 4.36 basis points in the first half of 2016, representing a decrease of 15% as compared to the end of 2015.

### ***Actions and Achievements***

In the first half of 2016, the Group pushed forward “client-oriented” organizational transformation for the brokerage business by building a differentiated and specialized service system, and deepening the development and management of individual clients, wealth management clients and institutional clients to provide clients with diversified comprehensive financial services. In the first half of 2016, the Group recorded a total trading turnover of RMB7.42 trillion (based on the exchange members transactions) of stock and fund broking on the SSE and the SZSE, representing a market share of 5.68% and ranking second in the market. The Company and CITIC Securities (Shandong) distributed financial products in an aggregate amount of RMB116.9 billion.

The Group's brokerage business is transforming in the direction of the provision of differentiated client services as core focus. For individual retail clients, the Group gradually improved its mobile-internet-based online and offline operating system to enlarge the client base by constantly enriching and enhancing more targeted products and service means. For wealth management clients, the Group offered differentiated investment research services for a full range of financial products in asset allocation, trading strategies and other aspects. For institutional clients, the Group has established a product system, service system and trading platform for its institutional clients which meet the asset allocation and trading demands of listed companies and their shareholders, financial institutions and professional investment institutions.

The Group actively promoted the transformation of its network with its branches being positioned to launch and give access to all businesses of the Group. Its branches are gradually becoming comprehensive sales windows and service centers for various businesses. While developing its exchange based businesses, the Group is at the same time vigorously developing OTC business to achieve revenue diversification. The Group has a long term focus on building up its high-end clients. As at 30 June 2016, the value of the Group's custodian securities amounted to RMB3.4 trillion in total, ranking at the forefront among peers. The number of wealth management clients with an average monthly asset value of RMB2 million or more amounted to approximately 58,000 with an average asset value of RMB12.23 million per client. The number of institutional clients amounted to approximately 26,000, representing an increase of 6% as compared to the beginning of 2016, with an average asset value of RMB96 million per client.

### ***Outlook for the second half of 2016***

In the second half of 2016, the focus of the brokerage business is to deepen the building up of the customer service system. For individual retail customers, the Company will improve customer experience and give full play to the internet platform to form online and offline linkages, so as to increase the number of customers; and enhance the business system by focusing mainly on financial products and information products in accordance with client demands, with a view to effectively identifying and revitalizing existing clients. For wealth management clients, the Company will establish a high net worth customer service system to provide strengthened and diversified high-end channel for the development of diversified services, implementation of family trust business and promotion of asset allocation services. For institutional clients, the Company will integrate corporate resources, improve the product system, service system and trading platform for institutional clients, and enhance the level of integrated financial services designed for customization and specialization to achieve diversified income.

## **3.1.3 Trading**

### ***Market Conditions***

In the first half of 2016, the A-share market stabilized after suffering a plunge in the beginning of the year, and maintained a trend of fluctuation. As at 30 June 2016, the CSI 300 closed at 3,153.92 points, down 15.47%; the SSE Composite Index closed at 2,929.61 points, down 17.22%; the Shenzhen Component Index closed at 10,489.99 points, down 17.17%; the CSI Smallcap 500 Index closed at 6,123.49 points, down 19.61%; and the Growth Enterprise Index closed at 2,227.79 points, down 17.92%.

### ***Actions and Achievements***

#### ***Flow-based Business***

For the equity flow-based business, the Company provided its corporate clients with equity management services such as stock repo, stock-pledged repo and market cap management; for its institutional clients, it launched the OTC derivatives business such as structured products, total return swaps, OTC options quotation and equity-linked beneficiary certificates; and the Company continued to make more efforts in developing its market-making business through expanding the scale of its market-making business in ETF and the SSE 50 ETF options. The Company has already formed a business with an extensive client base, wide product range, and relatively stable yields. During the Reporting Period, the above-mentioned businesses of the Company maintained the market leading position.

In respect of the fixed income business, the issuance size of the bond market continued to grow in the first half of 2016, and bond yields showed a trend of fluctuation. The Company made good use of its customer resources, improved its customer service capabilities, increased its sales volume steadily, and maintained its number one ranking in the industry in terms of the total sales of interest rate products. Meanwhile, through strengthened cooperation among various business segments, improved market and credit research and enhanced capacities of bond market-making service and liquidity management, the trading volume and ranking of the Company as a market maker in the inter-bank market further rose as compared to the same period of last year. Furthermore, the Company actively promoted the investment advisory services for financial institutions such as joint-stock banks and city commercial banks to meet the wealth management demand of customers.

In respect of the commodities business, the Company, by adhering to the principle of “financial institution serving the real economy”, continued to strengthen its business exploration in the commodities business. The Company continued to expand the scale of metal and precious metal trading business; it also commenced OTC swaps business on freight index, thermal coal, iron ore and copper premium, copper full price etc. on the Shanghai Clearing House; commenced onshore and offshore commodities OTC option business and continued to develop the carbon emissions trading business. The Company actively expanded the spot trading related business, thereby expecting to provide commodity-linked comprehensive financial services to a wide range of domestic and foreign clients via various means.

In respect of the prime brokerage business, by adhering to the principle of prudent development, the Group steadily carried out the margin financing and securities lending business in the first half of 2016 premised on ensuring measurable, controllable and tolerable risks. As at 30 June 2016, the balance of the Group’s margin financing and securities lending business was RMB56,268 million, in which the balance of the margin financing business and the balance of securities lending business was RMB56,135 million and RMB133 million, respectively.

Item	Company	30 June 2016	31 December 2015
Balance of margin financing and securities lending (RMB million)	CITIC Securities	50,363	65,940
	CITIC Securities (Shandong)	5,905	8,070
	Total	56,268	74,010

Source: Wind Info and the Company’s internal statistics

#### *Proprietary Trading*

In the first half of 2016, the Company continued to push forward the strategic transformation of its proprietary trading business. Through proactive risk management and taking risk/reward ratio as an important reference indicator for investment decision making, the Company strengthened its research on the fundamentals and has continued to develop a multi-strategy proprietary trading model with good results.

In the first half of 2016, the alternative investment business faced a challenging market. Based on macro analysis and judgment, the Company focused on quantitative trading and flexibly utilized various financial instruments and derivatives to manage risks, and overcame the adverse market impacts. Meanwhile, the investment strategy of developing multi-markets to achieve diversification has effectively dispersed investment risks and enriched the sources of revenue. Currently, the businesses or strategies we have commenced include: index arbitrage, domestic macroeconomic strategy, statistical arbitrage, fundamental quantification, convertible arbitrage, commodity strategy, options strategies, portfolio hedge fund investment, global multi-strategy funds, global statistical arbitrage and special opportunities strategies.

### ***Outlook for the second half of 2016***

In the second half of 2016, the Company will continue to put in great efforts in developing equity flow-based business and continue to diversify the structure and types of products. The focus will be put on stock-pledged repo business to meet the funding demand of industrial corporate clients and expand the OTC derivatives business, including non-linear products such as exchange traded options, OTC options and equity-linked beneficiary certificates to better meet client demands for investment, financing and risks management. It will further develop the trading and other infrastructure system to improve client experience. The Company will further research and develop new trading strategies and proactively capture the multi-markets, multi-asset categories and multi-investment tools investment opportunities offered by the domestic and international markets, to diversify its sources of revenue and steadily increase its investment yields. For fixed income business, the Company will strengthen the bond credit research to further enrich its trading strategies and to improve its abilities in trading, market-making, liquidity management and sale.

In the second half of 2016, the Company will adhere to the principle of the optimum risk/reward ratio and further research and develop new trading strategies for its equity proprietary trading business to diversify revenue sources and steadily enhance the trading returns, while proactively managing risks and prudently allocating capital. The Company will further research and develop new strategies for its alternative investment business, build up a more efficient trading system and capture investment opportunities emerging in various markets in order to steadily increase investment yields.

The Company will further establish a more complete compliance and risk control system for its margin financing and securities lending business, optimize the structure of fund sources and improve the mechanism for active fund management. Based on the results achieved in building the prime brokerage services system, the Company will focus on enhancing its quality of service and, through product innovation and service innovation, maintain its leading position in the industry.

### 3.1.4 Asset Management

#### *Market Conditions*

In the first half of 2016, with the deepening of financial reforms and changes in regulatory policies, the asset management business of securities companies is facing great opportunities as well as challenges with increasing number of market competitors, varied product structures, and diversified business operations.

#### *Actions and Achievements*

##### *Asset Management of the Company*

In the first half of 2016, the asset management business of the Company experienced a critical period in the deepened transformation process. The Company continuously defined and optimized the development path of “enlarging platform through institutional business”, adhered to the principle of “innovation through building up a sound foundation”, and by focusing on the development of institutional business with wealth management business and innovative business as the dual drivers, thereby achieved substantial results.

As at 30 June 2016, the AUM of the asset management business of the Company was RMB1,551,143 million, representing an increase of RMB479,854 million compared with that at the end of 2015. Among these, the size of CAM, TAM (including those of corporate annuities and the National Social Security Fund) and SAM were RMB146,518 million, RMB1,367,879 million and RMB36,746 million, respectively. The Company continued to maintain the first position in the total size of AUM and market share of the asset management business.

Type	AUM (RMB million)		Management fees (RMB million)	
	30 June 2016	31 December 2015	For the first half of 2016	For the first half of 2015
CAM	146,518	132,915	261.47	479.10
TAM	1,367,879	914,621	732.37	359.33
SAM	36,746	23,753	21.18	4.55
Total	<u>1,551,143</u>	<u>1,071,289</u>	<u>1,015.02</u>	<u>842.98</u>

Source: the Company's internal statistics

##### *China AMC*

During the Reporting Period, by upholding the four driving forces of “talents, investment research, products and sales” amid complicated market environment and competitive landscape, China AMC continued to improve its levels of management, maintain steady progress of various work as well as stable and standardized operation of its business, thereby maintaining its top rankings in terms of AUM size in the industry.

As at 30 June 2016, the AUM of China AMC was RMB953,054 million, representing an increase of 10.26% compared with that at the end of 2015, of which, the AUM of its mutual funds was RMB515,699 million, representing a decrease of 12.63% compared with that at the end of 2015, and taking up a market share of 6.5%. The AUM of institutional business reached RMB437,355 million (excluding investment consultancy business, etc.), representing an increase of 59.53% compared with that at the end of 2015.

## ***Outlook for the second half of 2016***

In the second half of 2016, the Company's asset management business will continue to focus on institutional business, wealth management business and innovative business to further build up the network to locate quality assets and capital, and enhance the capabilities in investment management, product innovation and integrated services. The Company will continue to adhere to integrated and balanced development of traditional and innovative businesses, internal and external investment management, platform business and active management, and the domestic and overseas businesses. It will strengthen human resources training and recruitment. By focusing on risk control, and to proactively develop and innovate based upon its strong foundation, it will aim to strengthen its capabilities in research in asset allocation and ability to meet changes, and to strengthen its edges in the industry.

In the second half of 2016, China AMC will continue to enhance its investment research capacity, further refine its products layout, improve the marketing model, grasp trends from internationalization, reinforce the building of talent teams, and maintain its overall competitive edges in the industry.

### **3.1.5 Investment**

#### ***Market Conditions***

In the first half of 2016, activities in fundraising, investment and divestment in China's private equity market increased significantly as compared to 2015. According to Pedata.cn of Zero2IPO Group, a total of 696 private equity investment funds have completed their subscriptions during the first half of 2016. The 484 funds which have disclosed their fundraising amount raised a total of RMB323.63 billion, showing an increase in the average fundraising amount of funds.

In terms of investment, there were a total of 1,394 completed investment cases in the PRC private equity investment market in the first half of 2016. Of these, 1,243 investment cases had disclosed their investment amounts, representing a year-on-year growth of 127.4%; the amounts involved were RMB354,096 million, up 245.29% year-on-year, representing a significant increase in investment activities as compared to 2015.

In terms of divestment in the private equity investment industry, there were a total of 915 divestment cases in the first half of 2016, representing an increase of more than two folds as compared to the same period in 2015. The New Third Board, as an effective channel to connect investment institutions and small- and medium-sized companies, is an important platform in the PRC capital market, and has become a major divestment channel for private equity funds. During the first half of 2016, cases of divestment by PE institutions through the New Third Board totaled 677, accounting for 74% of all divestment cases. In addition, there were 95 cases of exit through mergers and acquisitions and 75 cases of exit through IPO.

#### ***Actions and Achievements***

By leveraging on the Group's network and the project resources of its investment team, GoldStone Investment, a wholly-owned subsidiary of the Company, made strategic investments by focusing on the trading opportunities arising from medium to large scale equity investments in the Chinese market. GoldStone Haorui, a wholly-owned subsidiary of GoldStone Investment, is the Company's PE investment platform engaged in direct proprietary fund investment, with investments mainly in the information media, medical and health care, advanced manufacturing and new energy and fashion consumption sectors. In the first half of 2016, GoldStone Haorui completed a total of seven investment projects with a total investment amount of RMB910 million. As at 30 June 2016, GoldStone Haorui completed a cumulative total of 72 PE investment projects with cumulative investment amount of RMB3.31 billion.

As at 30 June 2016, Qingdao GoldStone Hongxin Investment Centre (Limited Partnership), a direct investment fund established by GoldStone Investment, had invested in a total of four projects with a total investment amount of RMB892 million. CITIC Buyout Fund, the buyout fund management institution under GoldStone Investment, is positioned as a driver of industry consolidation and an active financial investor, focusing on selective investments in population and consumption upgraded industries with strategic investment in the key enterprises in such industries, making strategic investment, investment in as well as cross-border mergers and acquisitions and mixed ownership reform investments. Its investments cover industries such as electronics and semiconductor, medical treatment, consumer, agriculture, finance and internet etc. As at 30 June 2016, Three Gorges GoldStone (Shenzhen) Equity Investment Fund Partnership (Limited Partnership), a direct investment fund managed by Three Gorges GoldStone Investment Management Company Limited, which is a direct investment institution established by GoldStone Investment Holding, GoldStone Investment and Three Gorges Capital Holdings Company Limited, had invested in one project with a total investment amount of RMB30 million.

In June 2016, CITIC GoldStone Fund, as the financial adviser and general coordinator, initiated the establishment of the CITIC China AMC Suning Yunxiang ABS Plan, with an special project investment size of RMB1,847 million, and is engaged in the investments of the high quality logistics and warehousing assets which have been maturely operated by Suning Commerce for a number of years in six core first- and second-tier cities and national high-tech zones. As the first equity-based logistics and warehousing REIT products in the PRC capital market, the plan expanded the horizon of REIT target investment to “logistics and warehousing property”, which is a brand new area for the PRC REIT market and investors, and has set out a light asset operation path for the real property industry by combining financial instruments with investment in real property outlay.

### ***Outlook for the second half of 2016***

GoldStone Investment will continue to perform its role as a direct investment strategic platform for CITIC Securities, and will strive to adhere to a balanced development of both the domestic and international businesses, adhere to its hybrid investment strategy and further pursue business transformation, with dual emphasis on proprietary capital investment and third-party asset management, to fulfil the Company’s market strategies of scale and brand recognition.

With its own proprietary funds and the investments by its various funds with different investment strategies in full swing, GoldStone Investment will continue to respond to economic structural adjustments and other changes in economic environment, deepen its international businesses and, in line with the “going global” and “One Belt, One Road” strategies, to actively explore innovative investment areas and try new business models, with a view to building up its comprehensive and multi-level equity investment capabilities, enlarging its management scale and revenue scale as well as enhancing its brand effect, in order to generate good returns for Shareholders.

### **3.1.6 Research Business**

In the first half of 2016, in response to market needs and customers’ demands, some parts of the research teams were consolidated, among which, a “prospective research” team was newly established and research teams on steel and non-ferrous metal industries were merged. Currently there are totally 29 professional research teams which basically cover all research areas. In the first half of 2016, the research department issued a total of 3,256 research reports, provided over 3,800 road show services for clients, and organized almost 1,000 occasions of surveys and studies as well as telephone conferences. Besides, the department has also organized six large- and medium-sized investor forums, including the “Theme Seminar for Asset Allocation under Liquidity Changes”, the “Seminar for Children Consumer Industry”, the “Seminar for Artificial Intelligence Industry” and “2016 Interim Strategy Conference”, serving over 3,300 clients on an accumulated basis.

In addition, the research business will continue to actively promote the depth and breadth of cooperation with CLSA Limited, strengthen overseas research services to speed up the progress of the internationalization of research business, and enhance the branding of the Company’s research business and its influence overseas. In the first half of the year, the department provided a total of 791 reports in English to overseas institutional investors, 49 global conference calls, 254 road shows and 52 data/research reports for global institutional investors, organized 11 surveys and studies for listed companies.

In the second half of 2016, the research business of the Company will focus on improving its influence and continue to promote synergy and cooperation with CLSA Limited, and enhance the overseas research service while strengthening support for and cooperation with the Company's other business lines.

## 3.2 Financial Statement Analysis

### 3.2.1 Profitability Analysis of the Company for the Reporting Period

During the first half of 2016, the total revenue and other income realized by the Group was RMB24,291 million, representing a decrease of 38.19% year-on-year, of which the revenue from the brokerage business amounted to RMB7,486 million, decreased by 45.50% year-on-year; the revenue realized by the asset management business decreased by 6.39% year-on-year to RMB3,649 million; the revenue realized by the securities trading business decreased by 59.42% year-on-year to RMB6,762 million; the revenue realized by the investment banking business grew by 59.24% year-on-year to RMB2,989 million; the revenue realized by other businesses increased by 8.96% year-on-year to RMB3,405 million. For detailed information, please refer to Note 5 "Operating Segment Information" to the condensed consolidated financial statements of the interim results announcement. During the first half of 2016, operating expenses of the Group amounted to RMB17,007 million, decreased by 25.33%

During the first half of 2016, the Group's net profit attributable to owners of the parent decreased by 57.96% year-on-year to RMB5,242 million; basic earnings per share decreased by 61.95% year-on-year to RMB0.43; return on weighted average equity was 3.73%, decreased by 8.06 percentage points year-on-year.

### 3.2.2 Asset Structure and Asset Quality

As at 30 June 2016, the Group's equity attributable to owners of the parent amounted to RMB136,220 million, representing a decrease of RMB2,918 million or 2.10% as compared to the end of 2015. This was mainly attributable to the proposed distribution of final dividend for 2015.

As at 30 June 2016, the total assets of the Group amounted to RMB570,059 million, representing a decrease of RMB46,049 million or 7.47% as compared to the end of the previous year; excluding customer brokerage deposits, the total assets of the Group amounted to RMB421,161 million, representing a decrease of RMB44,490 million or 9.55% as compared to the end of the previous year. As at 30 June 2016, the total liabilities of the Group amounted to RMB431,080 million, representing a decrease of RMB43,291 million or 9.13% as compared to the end of the previous year; excluding customer brokerage deposits, the total liabilities of the Group amounted to RMB282,182 million, representing a decrease of RMB41,732 million or 12.88% as compared to the end of the previous year. During the Reporting Period, the Group made corresponding allowance for impairment losses where signs of impairment were detected.

The structure of assets and liabilities was stable. As at 30 June 2016, the total assets of the Group excluding customer brokerage deposits amounted to RMB421,161 million, of which investment assets mainly included investments in associates/joint ventures and financial assets, accounting for 55.09% of the total assets; margin accounts and reverse repurchase agreements, accounting for 22.97% of the total assets; cash and bank balances, accounting for 9.76% of the total assets; and fixed assets, construction in progress, land-use rights and other intangible assets, investment properties, in aggregate accounting for 1.86% of the total assets.

As at 30 June 2016, excluding customer brokerage deposits, the Group's total liabilities amounted to RMB282,182 million, of which repurchase agreements amounted to RMB87,299 million, accounting for 30.94% of the total liabilities; debt instruments issued and long-term loans were RMB65,543 million, accounting for 23.23% of the total liabilities; short-term loans, due to banks and other financial institutions, short-term financing instrument payables and non-current liabilities due within one year amounted to RMB41,790 million, accounting for 14.81% of the total liabilities; financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss and derivative financial liabilities were RMB30,879 million, accounting for 10.94% of the total liabilities; and other liabilities amounted to RMB56,671 million in aggregate, accounting for 20.08% of the total liabilities.

The gearing ratio decreased slightly. As at 30 June 2016, excluding customer brokerage deposits, the gearing ratio of the Group was 67.00%, decreased by 2.56 percentage points year-on-year.

### 3.2.3 Cash Flow Status

Excluding customer brokerage deposits, the Group's net increase in cash and cash equivalents was RMB-28,655 million in the first half of 2016, as compared to RMB39,166 million for the same period in 2015, which was mainly due to an increase in net outflow of cash generated from operating activities and a decrease in bonds issued by the Company.

From a structural perspective, during the first half of 2016, the Group's net cash outflow from operating activities was RMB32,985 million, as compared to an outflow of RMB13,906 million for the same period in 2015, which was mainly attributable to an increase in net outflow of cash in repurchase agreements and customer brokerage deposits. Net cash outflow generated from investing activities in the first half of 2016 was RMB2,988 million, as compared to an outflow of RMB857 million for the same period in 2015, which was mainly attributable to the year-on-year increase in the net cash outflow from the Group's available-for-sale financial assets. Net cash inflow generated from financing activities in the first half of 2016 was RMB7,318 million, as compared to RMB53,929 million for the same period in 2015, representing a decrease of RMB46,611 million, which was mainly attributable to the reduction in bond issuance during the Reporting Period.

### 3.2.4 Explanation of Change in Scope of Statement Consolidation

During the Reporting Period, structured entities which were included in the consolidated financial statements of the Company increased from 9 to 11. The number of primary entities that were included in the consolidated financial statements of the Company changed to 24.

### 3.2.5 Changes in Significant Accounting Policies and Estimates

During the Reporting Period, the Company did not make any change in significant accounting policies and estimates; nor did the Company make any material accounting errors which require correction.

## 3.3 Core Competitiveness Analysis

During the first half of 2016, the Company had focused on the vision of "becoming a domestically leading and internationally first-class Chinese investment bank, most trusted by clients around the world" and persevered in the provision of professionalized services, deepened the system reform, strengthened collaboration of the middle and back offices, established core values, and hence its core competitiveness were re-invented and consolidated continuously.

The traditional business of the Company has maintained its market leading position. The trading turnover of equities and funds handled by the Company was RMB7.42 trillion with a market share of 5.68%, ranking the second highest in the market. The market share of its trading seats leasing from mutual funds was 6.2%, ranking the highest in the industry. The number of QFII trading clients was 140 with a client coverage of 48%. The A-share equity lead underwriting amount of the Company was RMB146,846 million with a market share of 15.19%, ranking the highest in the market. The bond lead underwriting amount of the Company was RMB189,808 million with a market share of 2.45%, ranking the second highest in the industry. The amount of global merger and acquisition transactions involving PRC enterprises was US\$24,567 million, ranking the highest in the industry. The size of AUM entrusted to the Company was RMB1.55 trillion with a market share of 10.6%, ranking the highest in the industry.

The balance-sheet consuming business of the Company stayed ahead of its competitors. With respect to fixed income business, the scale of the Company's sales of fixed and floating rate bonds amounted to RMB179,300 million with a market share of 5.63%, ranking the highest in the industry. The scale of margin financing and securities lending amounted to RMB56,200 million with a market share of 6.6%, ranking the highest in the industry. The size of stock-pledged repo business was RMB56,400 million with a market share of 6.51%, ranking the second highest in the industry.

## **3.4 Risk Management**

### **3.4.1 Overview**

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has implemented comprehensive risk management and internal control processes, through which the Company 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 of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law, and the Articles of Association. By strengthening the relevant internal control arrangements and improving the Company's 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.

### **3.4.2 Structure of Risk Management**

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

#### ***Level 1: Board of Directors***

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

#### ***Level 2: Operation Management***

The Company has established the Assets and Liabilities Management Committee. Within the authority delegated by the Board and Operation Management of the Company, the committee makes decisions on and reviews major issues and related systems involving 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 Operation Management of the Company. All corporate finance activities involving application of capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate finance activities and security of capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and Operation Management of the Company, and is responsible for monitoring and managing the daily risks of the Company within its designated authority, deciding on and approving material matters related to risk management and relevant system and setting limits for risk. The Risk Management Committee comprises a risk management sub-working group and a reputation risk management sub-working group. The risk management sub-working group is the main body responsible for the daily monitoring and management of the financial risks over the buy-side business and facilitating the execution of the decisions made by the Risk Management Committee. The risk management sub-working group comprises a credit risk management sub-working group, which is responsible for supporting and coordinating the execution of decisions regarding daily credit risk monitoring and management; a liquidity risk management sub-working group, which is responsible for monitoring and managing the Company's liquidity risks, promoting the development of the Company's liquidity risk assessment methodology and management system, coordinating the implementation of specific assessment and management measures, and providing relevant decision-making support; and an operational risk management sub-working group, which is responsible for drafting the Company's operational risk management rules, monitoring the execution of the operational processes, collecting information on operational risk events and coordinating and improving the Company's operational risk management mechanism. 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 established the Product Committee. This committee performs planning, coordination, decision making and review under the authority of the Board and Operation Management on major matters such as design, sales and related systems of privately-issued financial products of the Company. The committee manages relevant risks through pre-sale risk assessment of privately-issued financial products and preparation of relevant post-sale risk management measures and risk event handling plans. The committee has set up risk evaluation units to review the qualification of the principal which entrusted the Company to sell privately-issued financial products, manage the risk analysis and assessment of various privately-issued financial products and provide supervision and guidance services during the period of its existence. The product sales panel under the committee is responsible for review of the marketability of such products. The OTC product review panel under the committee is responsible for conducting particular review work in respect of the suitability of products for issue and transfer in the OTC market of the Company.

### ***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".

Front-office business departments/business lines of the Company are the first line of defense of risk management. Such departments establish business management systems and risk management systems for the respective businesses and perform supervision, assessment and reporting on the business risks and contain such risks within limits.

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 line and recommends on optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the operation management, and regularly discloses the general risk portfolio of the Company 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 Audit Department of the Company 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.

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

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 promotes the management over the reputation risk of the Company in conjunction with the Office of the CEO, Risk Management Department, Compliance Department, Human Resources Department and other relevant departments.

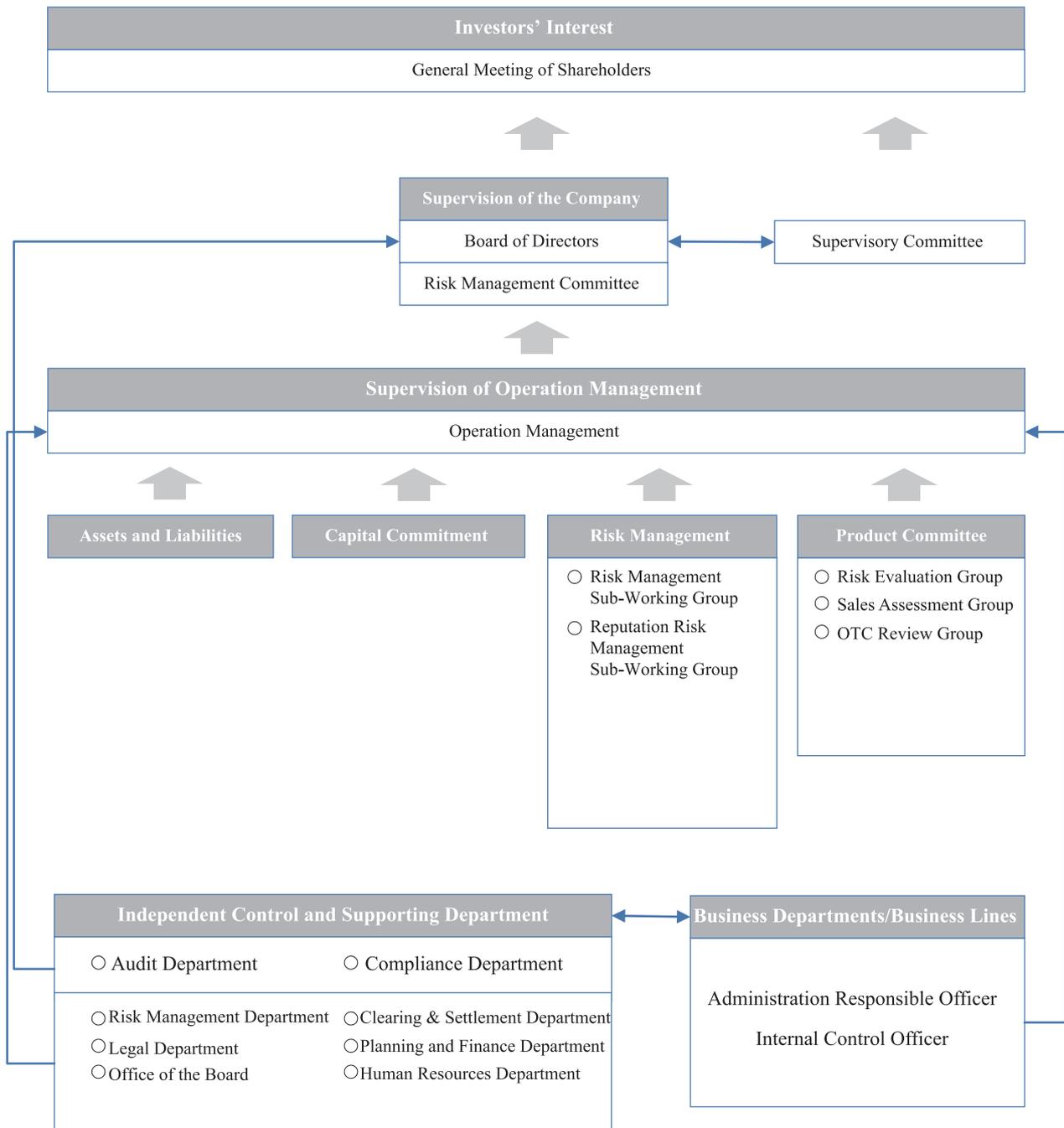


Chart: Structure of the Risk Management

### 3.4.3 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. 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 prevention measure, which is formed by the Risk Management Committee of the Board, Risk Management Committee of the Company and all business departments/business lines and internal control departments. Through allocating the overall risk of the Company to different business departments/business lines, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within an acceptable level.

The Company assesses, monitors and manages its overall market risks through a risk management department, which is independent of the business departments/business lines, and its assessments and testings are reported to the respective business departments/business lines, the operation management of the Company and the Risk Management Committee. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for risk management and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures to reduce or hedge against such risks when the exposures are 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 series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk portfolios and its changes in each of the business departments/business lines. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers of the business departments/business lines and the operation management of the Company.

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company upon occurrence of 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. Through stress tests, the Company could focus on the possible losses to the Company, analyse its risk return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits.

The Company sets 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 relevant committees.

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

In respect of foreign assets, in order to ensure the availability of funds required for foreign business expansion, the Company implemented centralised 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 keeps track of market and business changes, promptly identifies the latest market risk profile and maintains good communication with relevant regulatory authorities and shareholders, with a view to timely control exposure to market risks.

#### **3.4.4 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 transactions 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 thousands*

<b>Investment Rating</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
China's Sovereign Credit Rating	<b>2,263,505</b>	1,976,718
AAA	<b>1,538,489</b>	913,958
AA	<b>1,668,588</b>	1,646,532
A	<b>1,802</b>	18,709
A-1	<b>847,238</b>	776,024
Others	<b>1,916,613</b>	1,751,238
Total exposure	<b>8,236,235</b>	7,083,180

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 thousands*

<b>Investment Rating</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
A	<b>7,303</b>	4,566
B	<b>259,250</b>	176,443
C	<b>584,234</b>	293,861
D	<b>15,909</b>	10,169
NR	<b>108,882</b>	202,205
Total exposure	<b>975,578</b>	687,243

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+~C by Standard & Poor's, and CCC+~B- 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 281% for the Group's margin financing and securities lending clients with outstanding liabilities; an average guarantee ratio of 222% for the Group's stock repo clients with outstanding liabilities; an average guarantee ratio of 332% for the Group's stock-pledged repo clients with outstanding liabilities; and an average guarantee ratio of 231% for the Group's stock returns swap clients with outstanding liabilities.

### **3.4.5 Liquidity Risk**

Liquidity risk is the risk arising from shortage of funds when fulfilling obligations relating to financial liabilities. The Company has consistently adhered to a unified liquidity management and operation policy and set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system. 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, which 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. On the one hand, it measures the solvency of the Company via indicators such as liquidity coverage ratio, and on the other hand, it assesses the intra-day settlement risk of the Company through indicators such as intra-day fund multiples. The Risk Management Department releases a liquidity risk report on a daily basis, and monitors and reports the status of payment risks and settlement risks pursuant to such report. The Company also sets threshold values for relevant indicators, and once exceeded, the Risk Management Department will warn the relevant responsible officers of the operation management of the Company and relevant departments of such risks through independent pathways, 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 Group actively monitored the liquidity supervisory indicators, closely tracked liquidity risk profile, continuously carried out liquidity stress tests and evaluations and took corresponding measures in advance to ensure secured liquidity of the Company.

### **3.4.6 Operational Risk**

Operational risk means the loss-causing risk as a result of the various reasons, such as internal process defects, information systems failure, human errors or misconducts, as well as external factors.

During the Reporting Period, the Company continued to fully push forward the development of operational risk management system, and these well-established mechanisms in respect of the reporting of risk events and tracking of rectification measures, evaluation of new business processes and monthly operational risk working group meetings were on continuous effective operation.

For system development, in order to regulate and specify the accountability mechanism relating to operational risk events and to effectively enhance the risk awareness of staff, the Company has formulated the Accountability Regulations on Operational Risk Events (Trial) and issued for trial implementation on 24 June 2016.

For management tools, to further enhance the completeness and timeliness for the reporting of operational risk events and to timely warn of such issues in the course of operation, the Company were establishing the key risk indicator (KRI) monitoring system to set daily quantitative monitoring indicators for the core business processes and key control nodes of various departments.

For training, based on the online training for all staff, the risk management department conducted a lecture on the “Analysis on Classic Operational Risk Cases of Financial institutions”, and carried out special training in respect of the investment banking business and asset management business to enhance staff awareness of operational risk management.

For vertical management, the Company conducted business exchanges with operational risk management teams under its offshore subsidiaries to share and compare the similarities and differences in their management processes, and received relevant reports on operational risks from these offshore subsidiaries on a regular basis.

## **IV. REPORT OF THE DIRECTORS**

### **4.1 Operation of the Principal Businesses of the Group**

The Group is principally engaged in providing securities brokerage, investment banking, asset management and related financial services. The operation of the businesses of the Group is set out in “3.1 Analysis of Principal Businesses” of this interim results announcement.

### **4.2 Implementation of the 2015 Profit Distribution Plan**

On 28 June 2016, the 2015 profit distribution plan was considered and approved at the 2015 Annual General Meeting of the Company. The Company’s 2015 profit distribution plan declared a distribution by way of cash dividend to A Shareholders and H Shareholders whose names appeared on the register of members on the record dates for the distribution of cash dividend for 2015. On the basis of the total number of shares of the Company as at 31 December 2015, the cash dividend was RMB5.00 (tax inclusive) for every ten shares.

The cash dividend was denominated and declared in RMB and paid in RMB to the A Shareholders and investors of H Shares of Southbound Trading, and paid in Hong Kong dollars to the H Shareholders (excluding investors of H Shares of Southbound Trading). The actual distribution amount in Hong Kong dollars was calculated on the basis of the average benchmark exchange rate for RMB to Hong Kong dollars as published by the People’s Bank of China for the five business days prior to the date of convening of the 2015 Annual General Meeting of the Company (i.e. RMB0.849072 equivalent to HKD1.00) i.e. a cash dividend of HKD5.88878 (tax inclusive) for every ten H Shares.

The Company published an announcement on the record date and the book closure period for distribution of H Share dividend as well as an announcement on the distribution of the 2015 H Share dividend on the HKExnews website of HKEx on 12 May 2016 and 28 June 2016, respectively. On 12 August 2016, the Company published the announcements on the distribution of the 2015 A Share dividend as well as the record date for distribution of A Share dividend, etc. on the website of the SSE, as well as in China Securities Journal, Shanghai Securities News and Securities Times. The A Share and H Share cash dividend distributions of the Company were completed on 19 August 2016.

## 4.3 Use of Proceeds

### 4.3.1 Use of Proceeds in General

In 2013, the Company issued two tranches of RMB-denominated bonds in a total size of RMB20 billion, which was utilized for supplementing the working capital of the Company; a total of 11 tranches of commercial papers were issued to supplement the liquidity of the Company. CITIC Securities Finance 2013, an indirect wholly-owned subsidiary of the Company, issued USD800 million USD-denominated bonds, which was utilized for daily operations.

In 2014, the Company issued two tranches of RMB-denominated subordinated bonds in a total size of RMB13 billion; one tranche of short-term corporate bonds of securities companies was issued in the size of RMB8 billion, all of which were used to supplement the working capital of the Company; 10 tranches of commercial papers and 13 tranches of beneficiary certificates were issued to supplement the liquidity of the Company. CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company, established an offshore medium-term notes program and completed the first tranche issuance in the size of USD650 million, which was utilized for daily operations.

In 2015, the Company issued one tranche of RMB-denominated corporate bonds in the size of RMB8 billion; one tranche of short-term corporate bonds of securities companies was issued in the size of RMB8 billion; two tranches of RMB-denominated subordinated bonds in the size of RMB20 billion, all of which were used to supplement the working capital of the Company; a total of eight tranches of commercial papers and 288 tranches of beneficiary certificates were issued to supplement the liquidity of the Company. CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company, issued eight drawdowns on the USD-denominated medium-term notes, which raised a total of USD439.68 million and was utilized for daily operations.

In 2015, total proceeds from the non-public issuance of H Shares received by the Company were RMB21,122 million. As at 30 June 2016, the use of proceeds was: HKD13,000 million (equivalent to approximately RMB10,400 million) was remitted into China, which was mainly used to supplement the capital and liquidity capital of the Company in developing the equity-based, fixed income and commodity related flow-based businesses; and RMB8,959 million was used in developing overseas business.

As at 30 June 2016, the outstanding balance of corporate bonds issued by the Company was RMB28 billion; the outstanding balance of securities company bonds was RMB1.5 billion; the outstanding balance of subordinated bonds was RMB27 billion; the outstanding balance of USD-denominated bonds was USD1.45 billion (equivalent to approximately RMB9,516 million); the outstanding balance of short-term corporate bonds of securities companies was RMB8 billion; and the outstanding balance of commercial papers was RMB18 billion. The total outstanding amount of all the bonds was approximately RMB92,016 million. In addition, at the end of the Reporting Period, the outstanding balance of beneficiary certificates issued by the Company was RMB9,586 million.

### 4.3.2 Proceeds in Project Commitments

The above utilization of proceeds was in line with the disclosure in the prospectus/offering documents. The Company will continue to utilize the proceeds in accordance with the Company's operation and development strategies with reference to the capital market conditions.

### 4.4 Analysis of Principal Subsidiaries and Non-Controlled Companies

The Company has six principal subsidiaries and two principal non-controlled companies, a summary of which is set out below (related financial data are unaudited):

Name	Shareholding of the Company (%)	Date of Establishment	Registered Capital	Place of Business	Registered Address	Responsible Officer	Contact Number
CITIC Securities (Shandong) Co., Ltd.	100.00	2 June 1988	RMB2,500 million	20/F, Tower 1, Qingdao International Finance Centre, No. 222 Shenzhen Road, Laoshan District, Qingdao	Unit 2001, Tower 1, No. 222 Shenzhen Road, Laoshan District, Qingdao	YANG Baolin	0086-532-85021179
CITIC Securities International Company Limited	100.00	9 April 1998	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	YIN Ke	00852-22376899
GoldStone Investment Company Limited	100.00	11 October 2007	RMB7,200 million	17/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	No. 48 Liangmaqiao Road, Chaoyang District, Beijing	QI Shuguang	0086-10-60837800
CITIC Securities Investment Limited	100.00	1 April 2012	RMB3,000 million	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Unit 2001, Tower 1, International Finance Centre, No. 222 Shenzhen Road, Laoshan District, Qingdao	GE Xiaobo	0086-10-60838838
CITIC Futures Company Limited	93.47	30 March 1993	RMB1,604,792,982	Units 1301-1305 and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	Units 1301-1305 and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	ZHANG Hao	0086-755-83217780
China Asset Management Company Limited	62.20	9 April 1998	RMB238 million	16/F, Tower B, Tong Tai Plaza, No. 33 Finance Street, Xicheng District, Beijing	Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing	YANG Minghui	0086-10-88066688
CITIC Private Equity Funds Management Company Limited	35.00	6 June 2008	RMB1,800 million	11/F, Jin Bao Building, No. 89 Jinbao Street, Dongcheng District, Beijing	District C, Incubator Building, Technology Education and Industrial Park, Technology City, Mianyang, Sichuan	TIAN Yu	0086-10-85079062
Jiantou Zhongxin Asset Management Co., Ltd.	30.00	30 September 2005	RMB1,900 million	9/F, Easyhome Tower, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	5/F, Hong An International Building, No. 188 Chaonei Avenue, Dongcheng District, Beijing	GAO Shixin	0086-10-66276508

- (1) CITIC Securities (Shandong) Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB2,500 million. As at 30 June 2016, the total assets and net assets of CITIC Securities (Shandong) amounted to RMB21,667.37 million and RMB5,065.95 million, respectively, and the revenue, profit before income tax and net profit realized in the first half of 2016 amounted to RMB827.23 million, RMB376.85 million and RMB282.57 million, respectively.

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 consulting business in Shandong and Henan provinces only); margin trading; distribution of securities investment fund; provision of intermediate referral services to futures companies; and distribution of financial products (in Shandong and Henan provinces only).

- (2) CITIC Securities International Co., Ltd. is a wholly-owned subsidiary of the Company with paid-up capital of HK\$6,516.05 million. As at 30 June 2016, the total assets and net assets of CSI amounted to approximately RMB79,967.67 million and approximately RMB6,910.38 million, respectively; the revenue, profit before income tax and net profit realized in the first half of 2016 amounted to approximately RMB1,756.46 million, approximately RMB-247.16 million and approximately RMB-241.34 million, respectively.

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

- (3) GoldStone Investment Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB7.2 billion. As at 30 June 2016, the total assets and net assets of GoldStone Investment amounted to RMB26,799.24 million and RMB13,440.05 million, respectively; the revenue, profit before income tax and net profit realized in the first half of 2016 amounted to RMB1,710.81 million, RMB1,334.69 million and RMB1,081.52 million, respectively.

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

- (4) CITIC Securities Investment Limited is a wholly-owned subsidiary of the Company with a registered capital of RMB3 billion. As at 30 June 2016, the total assets and net assets of CITIC Securities Investment amounted to RMB9,151.54 million and RMB3,973.35 million, respectively; the revenue, profit before income tax and net profit realized in the first half of 2016 amounted to RMB1,714.47 million, RMB221.97 million and RMB163.75 million, respectively.

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

- (5) CITIC Futures Company Limited is held as to 93.47% by the Company with a registered capital of RMB1,604,792,982. As at 30 June 2016, the total assets and net assets of CITIC Futures amounted to RMB31,976.58 million and RMB3,205.12 million, respectively; the revenue, profit before income tax and net profit realized in the first half of 2016 amounted to RMB518.59 million, RMB252.91 million and RMB187.46 million, respectively.

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

- (6) China Asset Management Company Limited is held as to 62.20% by the Company with a registered capital of RMB238 million. As at 30 June 2016, the total assets and net assets of China AMC amounted to RMB7,757.91 million and RMB5,918.30 million, respectively; the revenue, profit before income tax and net profit realized in the first half of 2016 amounted to RMB2,089.52 million, RMB918.78 million and RMB696.74 million, respectively.

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

- (7) CITIC Private Equity Funds Management Company Limited is held as to 35% by the Company with a registered capital of RMB1.8 billion. As at 30 June 2016, the total assets and net assets of CITIC PE Fund amounted to RMB5,931.52 million and RMB4,127.70 million, respectively; the net profit realized in the first half of 2016 amounted to RMB-497.29 million.

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

- (8) Jiantou Zhongxin Asset Management Co., Ltd. is held as to 30% by the Company with a registered capital of RMB1.9 billion. As at 30 June 2016, the total assets and net assets of Jiantou Zhongxin amounted to RMB1,930.01 million and RMB1,787.91 million, respectively; the net profit realized in the first half of 2016 amounted to RMB2.24 million.

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

## V. SIGNIFICANT EVENTS

### 5.1 Material Litigation and Arbitration

During the Reporting Period, material litigation and arbitration cases of the Company and its subsidiaries are as follows (save as stated below, there is no new progress for other material litigations as mentioned in the 2015 Annual Report of the Company):

#### 5.1.1 Dispute between the Company and Zhifu Leather on Breach of Private Bonds

For the background of this case, please refer to the 2015 Annual Report of the Company. The Third Intermediate People's Court of Beijing commenced the second trial for this case on 9 May 2016 and no judgment has been delivered as at the disclosure date of this interim results announcement.

#### 5.1.2 Dispute by China AMC against Stdawee and NBO on Breach of Contract

China AMC is a subsidiary controlled by the Company. For the background of the dispute by China AMC against Stdawee and NBO on breach of contract, please refer to the 2014 Annual Report and 2015 Interim Report of the Company.

##### Claim against Stdawee

- (1) To further facilitate the settlement of the dispute against Stdawee on breach of contract, on 28 June 2016, China AMC filed a lawsuit on behalf of the SME private debt/asset management plan under its management against Huachuang Securities Co., Ltd., the underwriter of the private bonds issued by Stdawee, requesting Huachuang Securities Co., Ltd. to fulfil its compensation obligations to pay damages of approximately RMB35.88 million. The People's Court of Xicheng District, Beijing, accepted the case on 28 June 2016. The trial has not yet been commenced.

##### Claim against NBO

- (2) On 30 June 2016, South China International Economic and Trade Arbitration Commission rendered an arbitration award in support of China AMC's claim for payment of the principals, interests and liquidated damages by the bond issuers and guarantors in respect of the two tranches of private bonds, "12 NBO 01" and "12 NBO 02", issued by three enterprises under Anhui NBO Machinery Group.

#### 5.1.3 Dispute between GoldStone Investment and Jilin Yilai on Breach of Contract

GoldStone Investment is a wholly-owned subsidiary of the Company. For the background of this case, please refer to the 2015 Annual Report and 2016 First Quarterly Report of the Company.

As at 1 April 2016, Jilin Yilai had paid all the consideration for the transfer of the equity interest in Cornell Chemical Industry Company Limited ("**Cornell Chemical**") in an amount of RMB71,481,322 and the relevant equity transfer formalities were completed. The Company did not pursue the remaining default payment after both parties reached a settlement.

#### **5.1.4 Disputes Involving Breach of Contract Cases under Zhongzheng Asset**

Zhongzheng Asset is a wholly-owned subsidiary of CITIC Futures, a subsidiary controlled by the Company. For the background of this case, please refer to the 2015 Annual Report and 2016 First Quarterly Report of the Company.

There are two proceedings in the claim. In particular, the defendants in Litigation Two (i.e. Shanghai Gongxie Jingmao Development Limited, Shanghai Xingdi Inter Satellite Navigation Limited, Shanghai Renli Import and Export Co., Ltd., SHEN Xiaozhong, LI Min, SHEN Peng and ZHENG Xinnong) assumed joint liability in payment obligation in respect of the debts of the defendant in Litigation One (i.e. Shanxi Jincheng Anthracite Mining Group International Trading Co., Ltd.). The amount claimed in Litigation One (i.e. RMB25.7140 million) is included in the amount claimed in Litigation Two (i.e. RMB45.3699 million). On 26 July 2016, the Intermediate People's Court of Shenzhen delivered the judgment of the second trial (final) for Litigation One in support of Zhongzheng Asset's claims. On 22 August 2016, the Intermediate People's Court of Shenzhen delivered the judgment of the second trial (final) for Litigation Two in support of Zhongzheng Asset's claims.

In addition, SHEN Peng, one of the defendants in Litigation Two, sued Zhongzheng Asset on 24 March 2016 for damages arising from property preservation in litigation, claiming for a compensation of RMB11,715,913.86. As the claim is dependent on the judgment of Litigation Two, Zhongzheng Asset applied to the People's Court of Shenzhen Qianhai Cooperation Zone for suspension of the case on 26 April 2016. On 1 June 2016, the People's Court of Shenzhen Qianhai Cooperation Zone ordered that the case be suspended and the proceedings will be resumed after the cause of suspension is removed.

**5.2 During the Reporting Period, there was no event generally questioned by the mass media.**

**5.3 During the Reporting Period, the Company was not subject to any punishment or public reprimands.**

**5.4 Implementation of Share Incentive Scheme of the Company**

The Company did not implement any new share incentive scheme during the Reporting Period.

The current share incentive scheme implemented by the Company was adopted after being considered and approved at the 5th meeting of the Third Session of the Board held on 6 September 2006. Among the incentive shares, 66,081,000 A Shares had been listed and tradable on 6 September 2011.

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

## 5.5 Related Party/Connected Transactions

### 5.5.1 Related party/connected transactions in the ordinary and usual course of business

During the Reporting Period, the Company conducted related party/connected transactions in strict compliance with the “Resolution on the Related Party/Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business of the Company in 2016” which was considered and approved at the 2015 Annual General Meeting of the Company and the related party/connected transactions framework agreements entered into by the Company and CITIC Group, including the Securities and Financial Products Transactions and Services Framework Agreement, the Miscellaneous Services Framework Agreement and the Property Leasing Framework Agreement and its supplemental agreement, the implementation of which are set out in the table below:

*In RMB ten thousands*

Related/connected counterparties	Subject matter	Estimated transaction amount in 2016	Actual transaction amount for the period from January to June 2016	Percentage to total amount of similar transactions (%)	Impact on profit of the Company
CITIC Group and its associates	Income: Securities and financial products services	280,000	89,022.25	4.85	89,022.25
	Expense: Securities and financial products services	120,000	5,189.16	0.85	-5,189.16
	Income: Lease of properties	4,000	199.31	0.12	199.31
	Expense: Lease of properties	5,000	2,579.78	0.33	-2,579.78
	Income: Miscellaneous services	600	48.28	0.03	48.28
	Expense: Miscellaneous services	12,000	7,063.54	0.89	-7,063.54

*Note 1:* In December 2013, the Company and CITIC Group renewed the Securities and Financial Products Transactions and Services Framework Agreement and the Miscellaneous Services Framework Agreement, and entered into the Supplemental Agreement I to the Property Leasing Framework Agreement. The Company set the annual caps for the related party/connected transactions (other than securities and financial products transactions, which are exempted from setting up annual caps) for the three years from 2014 to 2016 under each of the framework agreements, respectively. In particular, the 2016 annual caps for the three types of transactions are set out under “Estimated transaction amount in 2016” in the above table.

*Note 2:* In accordance with the standards under the “Rules on Contents and Formats for Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Format of Annual Reports (2015 Revision)”, other non-material related party transactions have not been disclosed.

In respect of the securities and financial products transactions between the Company and its related/connected parties, in view of the difficulty in estimating the volume of transactions due to the unpredictability of the securities market, the volume of the relevant transactions was approved at the 2015 Annual General Meeting of the Company to be calculated based on the actual amount incurred. In particular, a waiver was granted by the Hong Kong Stock Exchange waiving the Company from setting the annual caps for the securities and financial products transactions between the Company and CITIC Group and its associates. During the Reporting Period, the volume of securities and financial products transactions between the Company and CITIC Group and its associates was approximately RMB82,391 million.

#### **Other Related Party/Connected Transactions in relation to Day-to-day Operation**

According to the Bareboat Leasing Agreement entered into between CITIC Global Trade, a wholly-owned subsidiary of CITIC Securities Investment which was in turn a wholly-owned subsidiary of the Company, and Shanghai CITIC Shipping Corporation Limited, rental income accrued from January to June 2016 was RMB6.1538 million (Please refer to the 2014 Annual Report of the Company for details of approval on this related party/connected transaction).

**5.5.2 During the Reporting Period, the Group had no significant related party/connected transactions involving joint external investment.**

**Matters which have been disclosed but have subsequent implementation progress or changes**

On 8 January 2016, the 47th Meeting of the Fifth Session of the Board considered and approved the “Proposal on the Transfer of Shares held by GoldStone Investment Co., Ltd., a wholly-owned subsidiary of the Company, in CITIC Real Estate Co., Ltd.” pursuant to which the transfer by GoldStone Investment of 90,000,000 shares held by it in CITIC Real Estate (representing a shareholding of 1.325%) to CITIC Corporation Limited at a price of RMB344,965,586.55 was approved and the execution of such transfer of equity by Goldstone Investment according to its internal decision-making procedures was also approved. As at 4 February 2016, all the formalities in relation to the registration of equity transfer and relevant changes with the industry and commerce administrative authority were completed.

**5.5.3 Debts of Related Parties**

*Events not disclosed in provisional announcements*

*In RMB*

Related parties	Relationship	Amount due from related parties			Amount due to related parties		
		Opening balance	Actual amount	Closing balance	Opening balance	Actual amount	Closing balance
China CITIC Bank	subsidiary of the shareholder	711,126.75	-455,544.00	255,582.75	1,568,201.34	-1,146,590.68	421,610.66
China CITIC Bank	subsidiary of the shareholder	1,813.85	84,039.75	85,853.60	353,350.09	4,111,566.96	4,464,917.05
CITIC Pacific	subsidiary of the shareholder	335,108.49	2,200.00	337,308.49	—	—	—
CITIC Industrial Investment Group Corporation Limited	subsidiary of the shareholder	292,244.58	—	292,244.58	—	—	—
CITIC Construction Co., Ltd.	subsidiary of the shareholder	519,423.60	-519,423.60	—	—	—	—
CITIC Pacific	subsidiary of the shareholder	—	550,800.00	550,800.00	—	8,974.04	8,974.04
CITIC Prudential Life Insurance Co., Ltd.	subsidiary of the shareholder	—	303,165.00	303,165.00	—	—	—
Beijing CITIC Investment Company	subsidiary of the shareholder	—	—	—	145,118.58	-35,295.37	109,823.21
Total		1,859,717.27	-34,762.85	1,824,954.42	2,066,670.01	2,938,654.95	5,005,324.96
Settlement of debts and liabilities due from/owed to related parties		This was mainly the rental deposit and custodian fee payable by the Company.					
Impacts of debts and liabilities due from/owed to related parties on the operating results and financial position of the Company		The above related party/connected debts and liabilities have no adverse effect on the operating results and financial conditions of the Company.					

**5.5.4 Guarantees provided by related/connected parties to the Company**

In 2006, the Company issued securities company bonds in an amount of RMB1,500 million for a term of 15 years guaranteed by CITIC Group. The guarantee was inherited by CITIC Corporation Limited according to the reorganization agreement of CITIC Group. As at 30 June 2016, the guarantee provided by CITIC Corporation Limited to the Company amounted to a total of RMB1,500 million.

## 5.6 Material Contracts and their Performance

**5.6.1 During the Reporting Period, the Company was not involved in any material custody, contracting or lease arrangement, and no such arrangement was brought forward to the current Reporting Period from prior periods.**

### 5.6.2 Material Guarantees

#### *Guarantees Provided by the Company*

In 2013, according to the resolution passed at the 12th Meeting of the Fifth Session of the Board, the Company agreed to provide a counter guarantee in favour of Bank of China in relation to the standby letter of credit issued by Bank of China Macau Branch in respect of the first tranche of offshore bonds issued by the Company's subsidiary, CITIC Securities Finance 2013, in an amount of USD902 million (equivalent to approximately RMB5,981 million), covering the principal, interest and related fees of the bonds. The guarantee is a joint liability guarantee, which will expire at the end of six months from the expiration date of the standby letter of credit.

In 2014, according to the resolution passed at the 2013 Annual General Meeting, the duly authorized committee approved the Company's provision of an unconditional and irrevocable guarantee on a joint and several basis for repayment obligations under each batch of notes to be issued pursuant to an overseas medium-term notes program set up by CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company. The scope of the guarantee includes the principal, interest and other contingent payables. On 30 October 2014, CITIC Securities Finance MTN made its first drawdown and issuance of this medium-term notes program in the amount of USD650 million which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. In 2015, CITIC Securities Finance MTN made eight drawdowns under the medium-term notes program with an issue size amounting to USD439.68 million in aggregate, which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. During the Reporting Period, CITIC Securities Finance MTN did not make any drawdowns under the medium-term notes program.

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

#### *Guarantees Provided by Controlled Subsidiaries*

During the Reporting Period, among all the controlled subsidiaries of the Company, only CSI and its wholly-owned subsidiary CLSA Limited had provided guarantees. All those guarantees were provided in favour of their relevant subsidiaries for their business operations, such guarantees mainly included loan guarantees, guarantees for medium-term notes, guarantees for property leasing, guarantees for transactions involving the execution of framework agreements for International Swaps and Derivatives Association and Global Master Securities Lending Agreements with counterparties. As at 30 June 2016, the amount of guarantee was approximately RMB13,888 million.

**5.6.3 During the Reporting Period, there were no other material contracts which should be disclosed but not yet disclosed.**

## **5.7 Performance of Undertakings**

### **5.7.1 Undertakings of the Shareholders of the Company with a Shareholding of 5% or more 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, undertook "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 business days of such transfer; in addition, any such transfers shall not exceed 5% of the total issued shares of the Company within a 12-month period and not exceed 10% within a 24-month period".

Since CITIC Group has transferred all the shares held by it in the Company to CITIC Corporation Limited, the undertaking has been taken up by CITIC Corporation Limited.

The above is a long-term undertaking, 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 further new companies engaging in securities business. In respect of those minor banking and trust investment businesses engaged by its subsidiaries that might potentially compete with our business, 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 was no unperformed open commitment by other shareholders or related/connected parties.

### **5.7.2 The Company did not have any open undertaking that required to be performed**

## **5.8 Appointment of Accounting Firms**

As approved at the 2015 Annual General Meeting of the Company, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were reappointed as the external auditors of the Company for 2016 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; PricewaterhouseCoopers Zhong Tian LLP was appointed as the auditor for internal control of the Company for 2016. Total audit and review fees will not exceed RMB18.63 million (including provision of audit and review services for the primary consolidated subsidiaries of the Company and the relevant consolidated items). If the audit and review fees increase as a result of changes in audit and review scopes and contents, the Board has been authorized by the general meeting to determine audit and review fees according to the actual audit and review scopes and contents.

## **5.9 Punishment and Remedial Actions of the Company, the Board, Directors, Supervisors and Senior Management**

None of the Board, Directors, Supervisors, Senior Management or Shareholders with shareholding of 5% or more of the Company was subject to, investigations by competent authorities, enforcement actions by judiciary authorities or disciplinary departments, being brought before relevant judiciary authorities or investigated for involvement in criminal liabilities, investigations or administrative punishments by the CSRC, prohibitions from entering the securities markets, being identified as an inappropriate person for the posts held, punishment imposed by other administrative authorities or public censures made by any stock exchange.

In November 2015, the Company received an investigation notice from the CSRC. The investigation was made into the suspected violation of the requirements in Article 48 “Failure to execute business contracts with customers as required” under the Regulations on the Supervision and Administration of Securities Companies during the course of carrying out business operations by the Company. As at the disclosure date of this interim results announcement, the Company has not received any investigation conclusion from the CSRC.

### **5.10 Interim Dividend**

The Company does not distribute any interim dividends for 2016.

### **5.11 Repurchase, Sale or Redemption of the Securities of the Company**

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

### **5.12 Audit**

This interim financial statements are unaudited. Each of PwC Zhong Tian and PwC Hong Kong has issued review opinions in respect of this interim financial statements in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively.

The Audit Committee had also reviewed the unaudited interim financial statements and interim report of the Company for the six months ended 30 June 2016, and did not raise any objection to the accounting policy and practices which were adopted by the Company.

### **5.13 Classification Rating by Regulatory Authority**

According to the information published by the China Securities Regulatory Commission on its website on 15 July 2016, the annual classification rating result of the Company for 2016 was Class B with BBB rating.

## 5.14 Other Significant Events and Progress of Events after the Reporting Period

### 5.14.1 Changes to the Branches for Securities Operation

#### *The Company*

During the Reporting Period, the Company completed the same-city relocation of 12 securities branches and one branch office. In addition, the Company changed Tianjin Youyi Road Securities Branch to Tianjin Branch office, Chengdu Tianfu Avenue Securities Branch to Sichuan Branch office, Xi'an Keji Road Securities Branch to Shaanxi Branch office and Kunming Huancheng West Road Securities Branch to Yunnan Branch office. Currently, the Company has 190 securities branches, 17 branch offices and is preparing the establishment of 33 securities branches. Details of the changes are as follows:

Name Before Relocation	Name After Relocation	Address After Relocation
Beijing Hujialou Securities Branch	Beijing Hujialou Securities Branch	Room 125, 1st floor and Room 226, 2nd floor, No. 9 Building, Guanghai Road, Chaoyang District, Beijing
Beijing Jianguo Road Securities Branch	Beijing Haoyun Street Securities Branch	Units 15-18 in Room 802, 8th floor, No.1 Building, Jia 40 Liangmaqiao Road, Chaoyang District, Beijing
Shanghai Pudong Avenue Securities Branch	Shanghai Lianyang Securities Branch	Room 1801 and Room 1804, No.1 Building, 868 Yinghua Road, Pudong New Area, Shanghai
Shanghai Free Trade Pilot Zone Securities Branch	Shanghai Loushanguan Road Securities Branch	Room 2006-2007, 20th floor, 555 Loushanguan Road, Changning District, Shanghai
Shenzhen Qianhai Securities Branch	Shenzhen Binhai Avenue Securities Branch	Unit 37, 1st floor, Podium Building, Block 2, Shenzhen Software Industry Base, Shenzhen, Guangdong
Shenzhen Wanghai Road Securities Branch	Shenzhen Qianhai Free Trade Zone Securities Branch	Tower A, Block 11, Qianhai Qiye Gongguan, Nanshan District, Shenzhen, Guangdong
Yancheng Renmin South Road Securities Branch	Yancheng Yingbin South Road Securities Branch	Room 111-1 and Room 111, No.8 Building, North Area, Qianjiang Fangzhou Community, Huanghai Subdistrict, Chengnan New District, Yancheng, Jiangsu
Dongguan Hongfu Road Securities Branch	Dongguan Dongcheng Road Securities Branch	Rooms 1705, 1706, 1707 and 1708, portion of 1st floor, Yujing Building, Dongcheng Road, Gangbei, Dongcheng Subdistrict, Dongguan, Guangdong
Anshan Shengli Road Securities Branch	Anshan Shengli Road Securities Branch	18 Qianshan Road, Tiedong District, Anshan, Liaoning
Pinghu Renmin East Road Securities Branch	Pinghu Jianguo North Road Securities Branch	No. 5 Building, Songfengtai Building, Danghu Subdistrict, Pinghu, Zhejiang
Fuyang Yingbin Road Securities Branch	Hangzhou Guihua West Road Securities Branch	6th floor, eastern portion of 101 Building, 715 Suo, 82 Guihua West Road, Fuyang, Zhejiang
Tianjin Youyi Road Securities Branch	Tianjin Branch office	7th floor, Tianjin Technology Building, 23 Youyi Road, Hexi District, Tianjin
Guangdong Branch office	Guangdong Branch office	Rooms 01-08 (self-numbered), 57th floor, 15 Zhujiang West Road, Tianhe District, Guangzhou

### ***CITIC Securities (Shandong)***

During the Reporting Period, CITIC Securities (Shandong) finished the same city relocation of its 7 securities branches with details as follows:

<b>Name Before Relocation</b>	<b>Name After Relocation</b>	<b>Address After Relocation</b>
Rizhao Beijing Road Securities Branch	Rizhao Beijing Road Securities Branch	Room 110, Block 1, No. 3 Building, 218 Beijing Road, Donggang District, Rizhao, Shandong
Zoucheng Taiping East Road Securities Branch	Zoucheng Fushan South Road Securities Branch	546 Fushan South Road, Zoucheng, Shandong
Laixi Qingdao Road Securities Branch	Laixi Shanghai Road Securities Branch	23 Shanghai Road, Laixi, Shandong
Luoyang Jiudu East Road Securities Branch	Luoyang Zhongzhou Middle Road Securities Branch	405 Zhongzhou Middle Road, Xigong District, Luoyang, Henan
Weihai Qingdao North Road Securities Branch	Weihai Wenhua East Road Securities Branch	33-8 Wenhua East Road, Huancui District, Weihai Shandong
Binzhou Huanghewu Road Securities Branch	Binzhou Fuqian Street Securities Branch	Fuyou Building, 51 Fuyou Street, Bincheng District, Binzhou, Shandong
Jinan Yangguangxin Road Securities Branch	Jinan Yangguangxin Road Securities Branch	Rooms 03, 04 and 05, No. 1 Building, Quanjing Tianyuan Renyuan, Shizhong District, Jinan, Shandong

In addition, during the Reporting Period, CITIC Securities (Shandong) turned Jinan Shanda Road Securities Branch into Jinan Branch office.

Currently, CITIC Securities (Shandong) has 62 securities branches and three branch offices.

### ***CITIC Futures***

During the Reporting Period, CITIC Futures did not set up any new securities branch, but closed one securities branch, namely Liuzhou Securities Branch.

During the Reporting Period, CITIC Futures changed the name of Suzhou Securities Branch to Suzhou Branch office, Wuhan Securities Branch to Zhongnan Branch office, Xi'an Securities Branch to Western China Branch office; and changed the address of Jinan Securities Branch to Room 811, 8th floor, Main Tower, CITIC Plaza, 150 Luoyuan Avenue, Lixia District, Jinan.

Currently, CITIC Futures has 36 securities branches and seven branch offices.

### ***CSI***

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

## **5.14.2 Other Significant Events**

On 18 August 2016, the Company renewed the Trademark Licensing Agreement with CITIC Group pursuant to which the Company and certain of its subsidiaries have the licence to use the trademark “” (free of charge); the Company will continue to use its existing trademarks. The renewal of the Trademark Licensing Agreement is within the scope of the related party/connected transactions in the ordinary course of business for 2016 as approved at the 2015 Annual General Meeting of the Company (Please refer to the 2015 Annual General Meeting documents published by the Company on 13 May 2016 on the website of the SSE). The use of relevant trademark does not affect the independent operation of the Company.

## VI. CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

### 6.1 Share Capital Structure

The share capital structure of the Company as at 30 June 2016 was as follows:

Name of shareholders	Type of Shares	Number of Shares (Shares)	Percentage of the total number of Shares (%)
CITIC Group <sup>Note</sup>	A Shares	2,018,602,746	16.66
Public holders of A Shares	A Shares	7,819,977,954	64.54
Public holders of H Shares	H Shares	2,278,327,700	18.80
Total	—	12,116,908,400	100.00

Note: CITIC Group holds such A Shares indirectly through its subsidiaries, including CITIC Limited and CITIC Corporation Limited. The above shareholding was based on the latest disclosure of interest by CITIC Group at the HKExnews website of HKEx as at 30 June 2016. Please refer to the section headed “Interests and Short Positions of Substantial Shareholders” in this interim results announcement for details.

### 6.2 Changes in Share Capital

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

## 6.3 Information on Shareholders

**6.3.1 Total number of shareholders of the Company as at 30 June 2016:** 581,526 shareholders including 581,359 A Shareholders and 167 registered H Shareholders.

### 6.3.2 Shareholdings of Top 10 Shareholders of the Company as at 30 June 2016

Name of Shareholder	Type of Shareholder <sup>Note 5</sup>	Number of shares held (shares)	Percentage (%)	Change in the number of shares during the Reporting Period (shares)	Class of shares (A, B, H Shares or others)
HKSCC Nominees Limited <sup>Note 1</sup>	Foreign legal person	2,277,053,208	18.79	-690,430	H Shares
CITIC Corporation Limited <sup>Note 2</sup>	State-owned legal person	1,999,695,746	16.50	110,936,871	A Shares
China Securities Finance Corporation Limited	Unknown	342,022,798	2.82	-7,778,884	A Shares
China Life Insurance Company Limited <sup>Note 3</sup>	Domestic non state-owned legal person	331,059,999	2.73	—	A Shares
Hong Kong Securities Clearing Company Limited <sup>Note 4</sup>	Foreign legal person	258,921,154	2.14	188,498,498	A Shares
Central Huijin Asset Management Corporation Limited	State-owned legal person	198,709,100	1.64	—	A Shares
China Life Insurance (Group) Company – Traditional – General Insurance Products	Domestic non state-owned legal person	161,141,935	1.33	-70,000,000	A Shares
China Academy of Launch Vehicle Technology	State-owned legal person	106,478,308	0.88	—	A Shares
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
Huaxia Fund – Agricultural Bank – Huaxia China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares

Name of Shareholder	Type of Shareholder <sup>Note 5</sup>	Number of shares held (shares)	Percentage (%)	Change in the number of shares during the reporting period (shares)	Class of shares (A, B, H Shares or others)
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares
Central European Fund – Agricultural Bank – Central European China Securities and Financial Assets Management Program	Unknown	104,950,500	0.87	15,383,100	A Shares

Note 1: HKSCC Nominees Limited is the nominal holder on behalf of the H Shareholders who do not register the shares under their names.

Note 2: The presentation is based on the Shares held directly by CITIC Corporation Limited in the Company, according to the register of members of the Company as at 30 June 2016.

Note 3: The number of shares held by China Life Insurance Company Limited is the total number of shares held in two security accounts, namely “China Life Insurance Company Limited – Traditional – General Insurance Products – 005L – CT001Hu” and “China Life Insurance Company Limited – Bonus – Individual Bonus – 005L – FH002Hu”, which held 321,322,773 shares and 9,737,226 shares of the Company, respectively.

Note 4: Shares under the name of Hong Kong Securities Clearing Company Limited are those held by the non-registered shareholders of the Northbound Trading.

Note 5: The type of A Shareholders represents the type of account held by the shareholders with Shanghai branch of CSDCC.

Note 6: As the shares of the Company are margin trading underlying securities, the shareholdings of shareholders are calculated by adding together the number of shares and equity interest in their ordinary securities accounts and credit securities accounts.

### 6.3.3 Shareholdings of the Restricted Shareholders as at 30 June 2016

Name of shares	Number of A Shares held subject to trading moratorium (shares)	Listing and trading of shares subject to trading moratorium		
		Date of listing and trading	Number of increased shares eligible to be listed and traded	Terms of trading moratorium
Incentive shares held under custody and others	23,919,000	To be determined after implementation of the share incentive scheme	—	To be determined after implementation of the share incentive scheme

### 6.3.4 Largest Shareholder of the Company

The largest shareholder of the Company is CITIC Corporation Limited. As at 30 June 2016, it directly held 16.50% of the shares of the Company.

### 6.3.5 Interests and Short Positions of Substantial Shareholders

Pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), substantial shareholders are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed threshold. The following table is derived from the latest interest information disclosed by the substantial shareholders on the HKExnews website of HKEx as at 30 June 2016. 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 30 June 2016.

Name of Shareholders	Capacity	Class of Shares	Number of Shares/Positions	Percentage to the Number of A Shares/H Shares in the Company as at 30 June 2016 (%)	Percentage to Total Number of Shares of the Company as at 30 June 2016 (%)
CITIC Group Corporation	Interest of controlled corporation <sup>Note 1</sup>	A Share	2,018,602,746/ Long positions	20.52	16.66
China Life Insurance (Group) Company	Beneficial owner and interest of controlled corporation <sup>Note 2</sup>	A Share	565,060,815/ Long positions	5.74	4.66
National Council for Social Security Fund	Beneficial owner	H Shares	690,359,200 <sup>Note 3</sup> / Long positions	30.30	5.70
Citigroup Inc.	Others <sup>Note 4</sup>	H Shares	137,113,972/ Long positions	6.02	1.13
			10,061,677/ Short positions	0.44	0.08
			129,566,451/ Lending Pool	5.69	1.07
Cinda Sinorock Global Portfolio Limited Partnership II	Investment manager	H Shares	135,409,762/ Long positions	5.94	1.12
BlackRock, Inc.	Interest of controlled corporation <sup>Note 5</sup>	H Shares	125,615,034/ Long positions	5.51	1.04
			149,500/ Short positions	0.007	0.001

- Note 1: CITIC Group Corporation indirectly held 2,018,602,746 A Shares through its subsidiaries including CITIC Limited and CITIC Corporation Limited.
- Note 2: According to the notices of disclosure of interests on the HKExnews website of HKEx, China Life Insurance (Group) Company had interests in an aggregate of 565,060,815 A Shares, including 231,141,935 A Shares directly held by it and 333,918,880 A Shares indirectly held through its subsidiary, China Life Insurance Company Limited. For details of shareholdings in the Company held by China Life Insurance (Group) Company and China Life Insurance Company Limited as at 30 June 2016, please refer to the section headed "Shareholdings of Top 10 Shareholders of the Company as at 30 June 2016" in this interim results announcement.
- Note 3: According to the notices of disclosure of interests on the HKExnews website of HKEx, the National Council for Social Security Fund had interests in 690,359,200 H Shares of the Company, including an aggregate of 640,000,000 H Shares proposed to be subscribed by it through ICBC Credit Suisse Asset Management (International) Company Limited and through Bosera Asset Management Co. Limited and Bosera Asset Management (International) Co. Limited, pursuant to two subscription agreements both dated 8 June 2015 entered into with the Company for the subscription of shares.
- Note 4: Citigroup Inc. held the relevant interests and short positions in the capacity as custodian corporation/approved lending agent and person with security interest in the shares through its controlled corporations.
- Note 5: BlackRock, Inc. held the relevant interests and short positions through its controlled corporations.
- Note 6: The relevant percentages are calculated based on the total number of 2,278,327,700 H Shares or the total number of 9,838,580,700 A Shares in issue as at 30 June 2016.
- Note 7: According to the notices of disclosure of interests on the HKExnews website of HKEx, Lazard Asset Management LLC and Banco BTG Pactual S.A. were shown as substantial shareholders holding 5% or more of the total issued H Shares of the Company. Upon completion of the non-public issuance of H Shares by the Company in June 2015, the interests in Shares held by these two shareholders should have been reduced to less than 5% of the total issued H Shares and they are accordingly not shown as substantial shareholders in the table above.

Save as disclosed above, as at 30 June 2016, there were no other interest or short positions recorded in the equity interest information disclosed on the HKExnews website of HKEx or the register maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.

## VII. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### 7.1 Changes in Shareholdings of Directors, Supervisors and Senior Management

During the Reporting Period, there was no change in the shareholdings of current Directors, supervisors and Senior Management and those who have resigned during the Reporting Period.

### 7.2 Changes of Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Change	Reasons for the change
ZHANG Youjun	Executive Director and Chairman of the Board	Election	Elected as an executive Director at the general meeting held on 19 January 2016 and elected as the Chairman of the Board at the 1st Meeting of the Sixth Session of the Board.
YANG Minghui	Executive Director and President	Election and appointment	Elected as an executive Director at the general meeting held on 19 January 2016 and appointed as President at the 4th Meeting of the Sixth Session of the Board.
LIU Ke	Independent non-executive Director	Election	Elected as an independent non-executive Director at the general meeting held on 19 January 2016.
HE Jia	Independent non-executive Director	Election	Elected as an independent non-executive Director at the general meeting held on 19 January 2016; on 23 March 2016, formally serving as an independent non-executive Director after his qualification was approved by the Shenzhen Bureau of the CSRC.
CHAN, Charles Sheung Wai	Independent non-executive Director	Election	Elected as an independent non-executive Director at the general meeting held on 19 January 2016; on 9 May 2016, formally serving as an independent non-executive Director after his qualification was approved by the Shenzhen Bureau of the CSRC.
LI Fang	Supervisor and chairman of the Supervisory Committee	Election	Elected as a supervisor at the general meeting held on 19 January 2016 and elected as the chairman of the Supervisory Committee by the Supervisory Committee on 19 January 2016; on 20 July 2016, formally serving as the chairman of the Supervisory Committee of the Company after his qualification was approved by the Shenzhen Bureau of the CSRC.
RAO Geping	Supervisor	Election	Elected as a supervisor of the Company at the general meeting held on 19 January 2016. Upon Mr. HE Jia's formally serving as an independent non-executive Director of the Company on 23 March 2016, Mr. RAO Geping changed his role from an independent non-executive Director to a supervisor of the Company.
CAI Jian	Chief Risk Management Officer	Appointment	Appointed by the Board on 19 January 2016.

Note 1: Upon expiration of the term of office of the Fifth Session of the Board and the Supervisory Committee of the Company, the appointments of the Directors, supervisors and senior management who were not re-elected were terminated on 19 January 2016. Please refer to “Changes of Directors, Supervisors and Senior Management” in the 2015 Annual Report of the Company for details.

Note 2: On 28 June 2016, Mr. CHEN Zhong was elected as a non-executive Director of the Company at the 2015 Annual General Meeting of the Company. The appointment of Mr. CHEN Zhong will become effective after he obtains the relevant qualification, and Mr. FANG Jun then will cease to be a non-executive Director of the Company.

### 7.3 Number, Remuneration and Training Programmes of Employees

As at 30 June 2016, the Group had a total number of 16,708 employees (including brokers and despatched staff), of which 10,127 (including brokers and despatched staff) were employees of the Company.

During the Reporting Period, there was no change in the remuneration policy and training programmes of the Company. For related information, please refer to “Directors, Supervisors, Senior Management and Employees” in the 2015 Annual Report of the Company.

### 7.4 Interests and Short Positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures of the Company or Associated Corporations

As at 30 June 2016, the following persons had interests or short positions in the shares, underlying shares and debentures of the Company or any of 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 contained in Appendix 10 to the Hong Kong Listing Rules (the “Model Code”), to be notified to the Company and the Hong Kong Stock Exchange.

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

Pursuant to the Securities and Futures Ordinance, the chief executive who was required to disclose his interests to the Hong Kong Stock Exchange was the President and did not include other senior management members. In addition, as at 30 June 2016, no other Directors, supervisors and senior management officers or any of their spouses or children under 18 years of age were granted equity securities or warrants of the Company.

## VIII. CORPORATE GOVERNANCE

During the Reporting Period, the Company had strictly complied with the Company Law, Securities Law, the Code and the Articles of Association of the Company, continued to improve its corporate governance structure and was in full compliance with all the code provisions under the Code. The corporate governance of the Company in practice complied with the requirements of the Company Law, relevant regulations of the CSRC as well as most of the recommended best practices set out in the Code.

According to the domestic regulatory requirements, the 23rd Meeting of the Third Session of the Board of the Company considered and adopted the “Measures for the Management of the Holding and Changes in the Shares of CITIC Securities Company Limited by Directors, Supervisors and Senior Management” (the “**Management Measures**”) on 13 March 2008, to regulate the holding and dealing of shares of the Company by Directors, Supervisors and Senior Management. The Management Measures are more stringent than the compulsory provisions set out in the Model Code. After inquiries, all Directors and Supervisors have confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period.

The Company made amendments to Rules of Procedure of the Audit Committee of the Board of Directors and Rules of Procedure of the Risk Management Committee of the Board of Directors on 29 April 2016 with reference to the amendments relating to risk management and internal control contained in the Code; the Company has also set up its “Comprehensive Risk Management Systems” and “Risk Preference Statement”.

# IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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# **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

## **To the Board of Directors of CITIC Securities Company Limited**

(Incorporated in the People's Republic of China with Limited Liability)

### **Introduction**

We have reviewed the interim financial information set out on pages 54 to 99, which comprises the condensed consolidated interim statement of financial position of CITIC Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

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

### **Conclusion**

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

PricewaterhouseCoopers  
Certified Public Accountants

Hong Kong, 24 August 2016

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
<b>Revenue</b>			
Fee and commission income		<b>12,580,812</b>	17,321,098
Interest income	6	<b>5,784,060</b>	7,784,667
Investment income	7	<b>4,099,513</b>	12,017,496
		<b>22,464,385</b>	37,123,261
Other income	8	<b>1,826,682</b>	2,177,357
<b>Total revenue and other income</b>		<b>24,291,067</b>	39,300,618
Fee and commission expenses	9	<b>1,306,745</b>	2,365,985
Finance costs	9	<b>4,809,204</b>	6,203,500
Staff costs	9	<b>5,509,579</b>	7,984,249
Business tax and surcharges		<b>664,640</b>	1,456,475
Depreciation		<b>183,276</b>	134,872
Other operating expenses and costs	9	<b>3,742,874</b>	4,475,485
Impairment losses	10	<b>790,835</b>	155,043
<b>Total operating expenses</b>		<b>17,007,153</b>	22,775,609
<b>Operating profit</b>		<b>7,283,914</b>	16,525,009
Share of profits and losses of:			
Associates		<b>44,468</b>	404,658
Joint ventures		<b>1,523</b>	(2,948)
<b>Profit before income tax</b>		<b>7,329,905</b>	16,926,719
Income tax expense	11	<b>1,835,556</b>	4,184,416
<b>Profit for the period</b>		<b>5,494,349</b>	12,742,303
Attributable to:			
Owners of the Parent		<b>5,242,132</b>	12,470,274
Non-controlling interests		<b>252,217</b>	272,029
		<b>5,494,349</b>	12,742,303
Earnings per share attributable to Owners of the Parent (in RMB yuan)			
– Basic	13	<b>0.43</b>	1.13
– Diluted	13	<b>0.43</b>	1.13

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
<b>Profit for the period</b>	<b>5,494,349</b>	12,742,303
<b>Other comprehensive income</b>		
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>		
Available-for-sale financial assets:		
Changes in fair value	(2,011,315)	3,354,560
Income tax effect on changes in fair value	499,725	(837,459)
Gains transferred included in the consolidated income statement, net	(1,007,816)	(1,581,895)
	<b>(2,519,406)</b>	935,206
Share of other comprehensive income of associates and joint ventures	2,248	145
Exchange differences on translation of foreign operations	381,236	(60,863)
Other	1,253	(389)
<b>Other comprehensive income that may not be reclassified to profit or loss in subsequent periods</b>	<b>—</b>	<b>—</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(2,134,669)</b>	874,099
<b>Total comprehensive income for the period</b>	<b>3,359,680</b>	13,616,402
Attributable to:		
Owners of the Parent	3,123,846	13,289,061
Non-controlling interests	235,834	327,341
	<b>3,359,680</b>	13,616,402

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

(In RMB thousands, unless otherwise stated)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	14	3,900,023	3,856,121
Investment properties		69,535	70,921
Goodwill	15	10,307,743	10,265,277
Land-use rights and other intangible assets	16	3,868,856	3,985,413
Investments in associates		3,732,651	4,480,218
Investments in joint ventures		5,179	3,946
Available-for-sale financial assets	17	14,414,727	12,154,939
Financial assets designated as at fair value through profit or loss	18	4,780,056	353,524
Refundable deposits	19	1,088,463	3,463,395
Deferred income tax assets	20	3,065,583	3,141,288
Other non-current assets	21	3,256,969	3,634,339
<b>Total non-current assets</b>		<b>48,489,785</b>	<b>45,409,381</b>
<b>Current assets</b>			
Fee and commission receivables		1,143,690	1,158,753
Margin accounts	22	57,711,570	75,523,403
Available-for-sale financial assets	17	78,954,170	79,980,146
Financial assets held for trading	23	118,957,789	126,438,796
Financial assets designated as at fair value through profit or loss	18	6,323,383	10,000,078
Derivative financial assets	24	4,830,209	11,594,613
Reverse repurchase agreements	25	39,041,730	36,770,724
Other current assets	26	38,531,994	16,771,559
Cash held on behalf of customers	27	134,975,517	143,553,897
Cash and bank balances	28	41,098,963	68,906,892
<b>Total current assets</b>		<b>521,569,015</b>	<b>570,698,861</b>
<b>Current liabilities</b>			
Customer brokerage deposits	29	148,897,702	150,456,676
Derivative financial liabilities	24	1,684,346	4,765,284
Financial liabilities held for trading	30	3,140,889	3,456,175
Financial liabilities designated as at fair value through profit or loss	31	24,667,158	21,342,602
Repurchase agreements	32	87,298,703	127,788,537
Due to banks and other financial institutions		6,250,000	18,033,000
Taxes payable	33	2,994,047	4,618,751
Short-term loans	34	2,623,951	4,721,632
Short-term financing instruments payable	35	26,614,963	12,848,079
Other current liabilities	36	58,150,274	52,182,331
<b>Total current liabilities</b>		<b>362,322,033</b>	<b>400,213,067</b>
<b>Net current assets</b>		<b>159,246,982</b>	<b>170,485,794</b>
<b>Total assets less current liabilities</b>		<b>207,736,767</b>	<b>215,895,175</b>

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Non-current liabilities</b>			
Debt instruments issued	37	64,629,992	67,835,803
Deferred income tax liabilities	20	1,476,901	2,542,466
Long-term loans	38	912,909	2,345,210
Financial liabilities designated as at fair value through profit or loss	31	1,386,649	1,140,679
Other non-current liabilities	39	351,463	293,919
<b>Total non-current liabilities</b>		<b>68,757,914</b>	<b>74,158,077</b>
<b>Net assets</b>		<b>138,978,853</b>	<b>141,737,098</b>
<b>Equity</b>			
Equity attributable to Owners of the Parent			
Share capital	40	12,116,908	12,116,908
Reserves	41	80,220,440	82,233,809
Retained earnings		43,882,683	44,787,070
		<b>136,220,031</b>	<b>139,137,787</b>
Non-controlling interests		2,758,822	2,599,311
<b>Total equity</b>		<b>138,978,853</b>	<b>141,737,098</b>

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

Approved and authorized for issue by the Board of Directors on 24 August 2016.

**ZHANG Youjun**

Chairman

**YANG Minghui**

Executive Director and President

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In RMB thousands, unless otherwise stated)

	Attributable to Owners of the Parent										
	Reserves							Retained earnings	Subtotal	Non-controlling interests	Total
	Share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve					
<b>At 1 January 2016</b>	<b>12,116,908</b>	<b>54,453,478</b>	<b>7,524,925</b>	<b>17,174,481</b>	<b>3,100,360</b>	<b>(19,435)</b>	<b>44,787,070</b>	<b>139,137,787</b>	<b>2,599,311</b>	<b>141,737,098</b>	
Profit for the period	—	—	—	—	—	—	5,242,132	5,242,132	252,217	5,494,349	
Other comprehensive income for the period	—	—	—	—	(2,487,028)	368,742	—	(2,118,286)	(16,383)	(2,134,669)	
Total comprehensive income for the period	—	—	—	—	(2,487,028)	368,742	5,242,132	3,123,846	235,834	3,359,680	
Dividend — 2015	—	—	—	—	—	—	(6,058,454)	(6,058,454)	—	(6,058,454)	
Appropriation to general reserve	—	—	—	105,873	—	—	(105,873)	—	—	—	
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	—	—	
– Capital contribution by equity holders	—	93	—	—	—	—	—	93	39,380	39,473	
– Others	—	(1,049)	—	—	—	—	17,808	16,759	9,070	25,829	
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(124,773)	(124,773)	
<b>At 30 June 2016 (Unaudited)</b>	<b>12,116,908</b>	<b>54,452,522</b>	<b>7,524,925</b>	<b>17,280,354</b>	<b>613,332</b>	<b>349,307</b>	<b>43,882,683</b>	<b>136,220,031</b>	<b>2,758,822</b>	<b>138,978,853</b>	

	Attributable to Owners of the Parent										
	Reserves							Retained earnings	Subtotal	Non-controlling interests	Total
	Share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve					
<b>At 1 January 2015</b>	<b>11,016,908</b>	<b>34,122,744</b>	<b>7,092,744</b>	<b>13,338,581</b>	<b>1,778,526</b>	<b>(961,175)</b>	<b>32,710,342</b>	<b>99,098,670</b>	<b>2,032,815</b>	<b>101,131,485</b>	
Profit for the period	—	—	—	—	—	—	12,470,274	12,470,274	272,029	12,742,303	
Other comprehensive income for the period	—	—	—	—	871,318	(52,531)	—	818,787	55,312	874,099	
Total comprehensive income for the period	—	—	—	—	871,318	(52,531)	12,470,274	13,289,061	327,341	13,616,402	
Dividend — 2014	—	—	—	—	—	—	(3,415,242)	(3,415,242)	—	(3,415,242)	
Appropriation to general reserve	—	—	—	163,321	—	—	(163,321)	—	—	—	
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	—	—	
– Capital contribution by equity holders	1,100,000	20,234,293	—	—	—	—	—	21,334,293	118,943	21,453,236	
– Others	—	(294)	—	—	—	—	(14,311)	(14,605)	(11,015)	(25,620)	
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(9,690)	(9,690)	
<b>At 30 June 2015 (Unaudited)</b>	<b>12,116,908</b>	<b>54,356,743</b>	<b>7,092,744</b>	<b>13,501,902</b>	<b>2,649,844</b>	<b>(1,013,706)</b>	<b>41,587,742</b>	<b>130,292,177</b>	<b>2,458,394</b>	<b>132,750,571</b>	

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	7,329,905	16,926,719
Adjustments for:		
Financing interest expense	2,142,464	2,297,065
Share of profits and losses of associates and joint ventures	(45,991)	(401,710)
Dividend income and interest income from available-for-sale financial assets	(1,271,859)	(946,848)
Net gains on disposal of available-for-sale financial assets	(1,992,976)	(4,081,728)
Net gains on disposal of property, plant and equipment and other assets	(56)	(1,979)
Gains on disposal of subsidiaries	—	(3)
Fair value gains on financial instruments measured at fair value through profit or loss	1,276,969	(3,763,689)
Depreciation	184,662	136,259
Amortisation	228,775	182,920
Impairment on available-for-sale financial assets	592,964	134,000
Impairment on other assets	197,871	21,043
	<b>8,642,728</b>	<b>10,502,049</b>
<b>Net decrease/(increase) in operating assets</b>		
Financial assets held for trading	3,104,723	(41,427,664)
Cash held on behalf of customers	8,578,380	(149,769,277)
Other assets	(680,685)	(54,295,933)
	<b>11,002,418</b>	<b>(245,492,874)</b>
<b>Net increase/(decrease) in operating liabilities</b>		
Customer brokerage deposits	(12,455,371)	149,634,144
Repurchase agreements	(40,489,834)	43,821,055
Other liabilities	4,185,387	30,431,845
	<b>(48,759,818)</b>	<b>223,887,044</b>
<b>Net cash outflow from operating activities before tax</b>	<b>(29,114,672)</b>	<b>(11,103,781)</b>
Income tax paid	(3,870,130)	(2,802,221)
<b>Net cash outflow from operating activities</b>	<b>(32,984,802)</b>	<b>(13,906,002)</b>

	Notes	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
<b>Cash flows from investing activities</b>			
Dividend income and interest income received from available-for-sale financial assets		1,289,812	1,096,435
Net cash flow from purchases, leases and sales of items of property, plant and equipment and other assets		(175,440)	(284,631)
Net cash flow from disposal of subsidiaries		—	(6)
Net cash flow from acquisition of subsidiaries		—	(144,675)
Net cash flow from investments in associates and joint ventures		431,227	8,404
Net cash flow from disposal or purchase of available-for-sale financial assets		(4,533,324)	(1,522,687)
Other cash outflows from investing activities		(88)	(9,714)
<b>Net cash outflow from investing activities</b>		<b>(2,987,813)</b>	<b>(856,874)</b>
<b>Cash flows from financing activities</b>			
Cash inflows from financing activities		2,507,834	21,508,200
Cash inflows from borrowing activities		12,600	3,410,518
Cash inflows from issuing bonds		23,486,765	93,679,170
Payment of debts		(15,954,411)	(55,527,994)
Dividends and interest expense		(2,721,088)	(3,120,069)
Other cash outflows from financing activities		(13,716)	(6,020,622)
<b>Net cash inflow from financing activities</b>		<b>7,317,984</b>	<b>53,929,203</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(28,654,631)</b>	<b>39,166,327</b>
Cash and cash equivalents at the beginning of the period		65,670,756	35,568,511
Effect of exchange rate changes on cash and cash equivalents		437,593	(78,404)
<b>Cash and cash equivalents at the end of the period</b>	42	<b>37,453,718</b>	<b>74,656,434</b>
Cash and bank balances	28	41,098,963	77,301,631
Less: Restricted funds	28	3,645,245	2,645,197
<b>Cash and cash equivalents</b>		<b>37,453,718</b>	<b>74,656,434</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2016

(In RMB thousands, unless otherwise stated)

### 1 CORPORATE INFORMATION

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

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

According to a resolution relating to the additional issuance and listing of H shares in Hong Kong passed in the first extraordinary general meeting of the shareholders in 2015, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities the Approval relating to Additional Issuance of Overseas Listed Foreign Shares of CITIC Securities Company Limited (CSRC [2015] No. 936)” issued by the CSRC, on 23 June 2015, the Company completed its additional issuance and listing of H shares in Hong Kong. Under this offering, the Company offered a total of 1,100,000,000 H shares with offering price of HKD 24.60 per share. As at 31 December 2015, the total share capital of the Company increased to RMB12,116,908,400. The capital increase has been verified by PricewaterhouseCoopers Zhong Tian Yan Zi (2015) No.748.

The Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

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

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), as well as with all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at and for the year ended 31 December 2015.

### 2.2 SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

#### ***Amendments to the accounting standards effective in 2016 and adopted by the Group:***

In the current interim period, the Group has adopted the following amendments to the International Financial Reporting Standards (“IFRSs”), issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2015.

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Acquisition of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRSs	Annual Improvements to IFRSs 2012 - 2014 cycle
Amendments to IAS1	Disclosure Initiative
IFRS 14	Regulatory Deferral Account
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

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

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)	Amendments to IAS 12	Income Taxes
(1)	Amendments to IAS 7	Statement of Cash Flows
(3)	IFRS 15	Revenue from Contracts with Customers
(2)	Amendments to IFRS 2	Share - based Payment
(3)	IFRS 9	Financial Instruments
(3)	IFRS 16	Leases
(1)	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 indefinitely.

(1) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(2) On 20 June 2016, the IASB issued an amendment to IFRS 2, 'Share-based Payment', addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

(3) Descriptions of these standards were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group is in the process of assessing the impact on the Group's consolidated financial statements from these new standards.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2015.

### 4 TAXATION

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

#### (1) *Income tax*

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

**(2) Business tax**

The Company's computation and payment of business tax were governed by the "Implementation Rules for the Interim Regulations of the PRC on Business Tax" (Ministry of Finance Order [2011] No. 65), the "Announcement of the State Administration of Taxation Regarding the Business Tax Regulation of the transfer of Financial Items" (Guo Shui [2013] No.63), the "Notice of the Ministry of Finance and the State Administration of Taxation on the Business Tax Policies for Capital Markets" (Cai Shui [2004] No.203) and other relevant policies. Business tax of financial institutions was generally calculated and paid at the rate of 5% of relevant taxable revenue.

According to the "Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Business Tax Related to the Securities Investor Protection Fund" (Cai Shui [2006] No. 172), securities companies are allowed to deduct their investor protection fund contributions from their taxable business income.

**(3) Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")**

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) and 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 fee income on financial services and trading of financial products at 6%, instead of business tax at 5% prior to 1 May 2016.

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

**(5) 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.**

## **5 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.

Six months ended 30 June 2016 (Unaudited)	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income	2,989,082	7,486,035	6,762,336	3,649,036	3,404,578	24,291,067
Fee and commission income	2,962,290	5,882,378	320,380	3,272,895	142,869	12,580,812
Interest income	50	1,548,877	3,941,325	125,531	168,277	5,784,060
Investment income	—	1,115	2,468,586	209,507	1,420,305	4,099,513
Other income	26,742	53,665	32,045	41,103	1,673,127	1,826,682
Operating expenses	1,412,033	4,643,283	5,986,612	2,221,680	2,743,545	17,007,153
Including: Finance costs	—	227,608	4,290,741	46,044	244,811	4,809,204
Impairment losses	—	(11)	539,255	245,120	6,471	790,835
Operating profit	1,577,049	2,842,752	775,724	1,427,356	661,033	7,283,914
Share of profits and losses of associates and joint ventures	—	—	—	—	45,991	45,991
Profit before income tax	1,577,049	2,842,752	775,724	1,427,356	707,024	7,329,905
Income tax expenses	—	—	—	—	—	1,835,556
Net profit for the period	—	—	—	—	—	5,494,349
Other segment information:						
Depreciation and amortisation	2,890	102,199	5,096	12,585	290,667	413,437
Capital expenditure	5,808	107,436	2,976	38,876	22,811	177,907
Six months ended 30 June 2015 (Unaudited)	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income	1,876,929	13,736,126	16,664,789	3,897,529	3,125,245	39,300,618
Fee and commission income	1,866,909	12,131,305	117,573	3,113,911	91,400	17,321,098
Interest income	204	1,579,044	5,979,548	120,465	105,406	7,784,667
Investment income	—	(21,233)	10,660,120	644,590	734,019	12,017,496
Other income	9,816	47,010	(92,452)	18,563	2,194,420	2,177,357
Operating expenses	717,116	6,560,955	10,181,017	1,993,904	3,322,617	22,775,609
Including: Finance costs	30	257,939	5,662,716	35,096	247,719	6,203,500
Impairment losses	—	154	133,235	—	21,654	155,043
Operating profit	1,159,813	7,175,171	6,483,772	1,903,625	(197,372)	16,525,009
Share of profits and losses of associates and joint ventures	—	—	—	—	401,710	401,710
Profit before income tax	1,159,813	7,175,171	6,483,772	1,903,625	204,338	16,926,719
Income tax expenses	—	—	—	—	—	4,184,416
Net profit for the period	—	—	—	—	—	12,742,303
Other segment information:						
Depreciation and amortisation	3,273	89,735	4,675	12,329	209,167	319,179
Capital expenditure	42,064	113,745	20,299	59,605	52,382	288,095

## 6 INTEREST INCOME

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Interest income on margin and other financing	<b>3,667,418</b>	5,665,852
Bank interest income	<b>2,096,406</b>	2,111,408
Others	<b>20,236</b>	7,407
Total	<b>5,784,060</b>	7,784,667

## 7 INVESTMENT INCOME

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Net gains/(losses) from financial assets held for trading	<b>(4,856,249)</b>	17,361,670
Net gains from disposal of available-for-sale financial assets	<b>1,992,976</b>	4,081,728
Dividend and interest income from available-for-sale financial assets	<b>1,271,859</b>	946,848
Net gains/(losses) from financial liabilities held for trading	<b>(208,354)</b>	38,164
Net gains/(losses) from financial instruments designated as at fair value through profit or loss	<b>375,691</b>	(174,192)
Net gains/(losses) from derivatives and others	<b>5,523,590</b>	(10,236,722)
Total	<b>4,099,513</b>	12,017,496

## 8 OTHER INCOME

		Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
Gains on disposal of property, plant and equipment		<b>189</b>	480
Others	(i)	<b>1,826,493</b>	2,176,877
Total		<b>1,826,682</b>	2,177,357

- (i) For the six months ended 30 June 2016, others mainly represented income from bulk commodity trading of RMB 1,415 million (Six months ended 30 June 2015: RMB2,099 million).

## 9 OPERATING EXPENSES

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Fee and commission expenses:		
– Commission expense	<b>1,259,402</b>	2,305,225
– Others	<b>47,343</b>	60,760
Total	<b>1,306,745</b>	2,365,985

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Finance costs:		
– Due to banks and other financial institutions	2,144,653	3,316,899
– Debt instruments issued and short-term financing instruments payable	2,021,975	2,056,244
– Customer brokerage deposits	223,748	251,001
– Others	418,828	579,356
<b>Total</b>	<b>4,809,204</b>	<b>6,203,500</b>

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Staff costs (including directors', supervisors' and senior executives' remuneration):		
– Salaries and bonuses	4,764,020	7,334,063
– Staff benefits	469,288	405,335
– Contributions to defined contribution schemes (i)	276,271	244,851
<b>Total</b>	<b>5,509,579</b>	<b>7,984,249</b>

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

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

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Other operating expenses and costs:		
– Leasing expenses	576,063	500,022
– Fund distribution and administration expenses	261,361	270,463
– Electronic device operating costs	214,331	226,595
– Amortisation of intangible assets	184,141	141,332
– Investor protection fund	160,070	141,115
– Business travel expenses	131,669	128,119
– Postal and communication expenses	123,214	122,246
– Business publicity expenses	122,902	97,781
– Miscellaneous office expenses	72,179	76,884
– Business entertainment expenses	68,678	80,466
– Auditors' remuneration	11,440	8,742
– Others (i)	1,816,826	2,681,720
<b>Total</b>	<b>3,742,874</b>	<b>4,475,485</b>

(i) Others mainly include cost of bulk commodity trading, which amount was RMB 1,416 million for the six months ended 30 June 2016 (Six months ended 30 June 2015: RMB2,090 million).

## 10 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Available-for-sale financial assets	592,964	134,000
Margin accounts	(53,534)	—
Reverse repurchase agreements	(187)	—
Others	251,592	21,043
<b>Total</b>	<b>790,835</b>	<b>155,043</b>

## 11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Current income tax expense	1,997,992	3,834,097
Mainland China	1,937,665	3,607,517
Outside Mainland China	60,327	226,580
Deferred income tax expense	(162,436)	350,319
<b>Total</b>	<b>1,835,556</b>	<b>4,184,416</b>

## 12 DIVIDENDS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Dividends on ordinary shares proposed but not paid	6,058,454	3,415,242
Dividends on ordinary shares paid	—	—

The distribution of year 2015 dividends on ordinary shares approved by the General Meeting of Shareholders on 28 June 2016 was distributed on 19 August 2016.

## 13 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
<b>Earnings:</b>		
Profit attributable to owners of the parent	5,242,132	12,470,274
<b>Shares:</b>		
Weighted average number of ordinary shares in issue (thousand)	12,116,908	11,059,450
Basic and diluted earnings per share (in RMB yuan)	0.43	1.13

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

There were no dilutive items during the six months ended 30 June 2016 (Six months ended 30 June 2015: None).

## 14 PROPERTY, PLANT AND EQUIPMENT

	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
<b>30 June 2016 (Unaudited)</b>										
<b>Cost</b>										
31 December 2015										
(Audited)	718,858	67,476	241,558	2,381,301	4,860	2,150,755	82,299	5,647,107	536,440	6,183,547
Increases	274,981	872	37,345	—	248	56,632	6,935	377,013	95,911	472,924
Decreases	(508)	(64)	(4,022)	(837)	(107)	(63,637)	(17,986)	(87,161)	(283,913)	(371,074)
Effect of exchange rate change	3,652	1,349	2,207	47,104	—	30,388	1,891	86,591	—	86,591
30 June 2016 (Unaudited)	996,983	69,633	277,088	2,427,568	5,001	2,174,138	73,139	6,023,550	348,438	6,371,988
<b>Accumulated depreciation</b>										
31 December 2015										
(Audited)	258,008	40,076	200,938	61,708	4,241	1,689,906	72,549	2,327,426	—	2,327,426
Increases	13,362	5,804	35,954	40,514	140	106,038	3,293	205,105	—	205,105
Decreases	(131)	(15)	(3,196)	(812)	(96)	(65,299)	(17,727)	(87,276)	—	(87,276)
Effect of exchange rate change	3,400	822	1,620	502	—	19,338	1,028	26,710	—	26,710
30 June 2016 (Unaudited)	274,639	46,687	235,316	101,912	4,285	1,749,983	59,143	2,471,965	—	2,471,965
<b>Allowances for impairment</b>										
31 December 2015										
(Audited)	—	—	—	—	—	—	—	—	—	—
Increases	—	—	—	—	—	—	—	—	—	—
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—	—	—	—	—
30 June 2016 (Unaudited)	—	—	—	—	—	—	—	—	—	—
<b>Net carrying amount</b>										
30 June 2016 (Unaudited)	722,344	22,946	41,772	2,325,656	716	424,155	13,996	3,551,585	348,438	3,900,023
31 December 2015 (Audited)	460,850	27,400	40,620	2,319,593	619	460,849	9,750	3,319,681	536,440	3,856,121

	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
<b>31 December 2015</b>										
<b>(Audited)</b>										
<b>Cost</b>										
31 December 2014	622,600	67,431	219,773	187,727	5,497	1,993,657	80,589	3,177,274	239,826	3,417,100
Increases	103,641	3,600	33,193	2,214,224	203	294,379	8,985	2,658,225	500,922	3,159,147
Decreases	(9,497)	(5,870)	(11,386)	(20,726)	(840)	(182,616)	(8,751)	(239,686)	(204,308)	(443,994)
Effect of exchange rate change	2,114	2,315	(22)	76	—	45,335	1,476	51,294	—	51,294
31 December 2015	718,858	67,476	241,558	2,381,301	4,860	2,150,755	82,299	5,647,107	536,440	6,183,547
<b>Accumulated depreciation</b>										
31 December 2014	232,785	30,857	190,781	52,248	4,663	1,615,559	67,883	2,194,776	—	2,194,776
Increases	24,476	11,239	20,863	28,261	331	212,647	12,176	309,993	—	309,993
Decreases	(1,044)	(3,530)	(10,494)	(18,864)	(753)	(175,797)	(8,469)	(218,951)	—	(218,951)
Effect of exchange rate change	1,791	1,510	(212)	63	—	37,497	959	41,608	—	41,608
31 December 2015	258,008	40,076	200,938	61,708	4,241	1,689,906	72,549	2,327,426	—	2,327,426
<b>Allowances for impairment</b>										
31 December 2014	—	—	—	—	—	—	—	—	—	—
Increases	—	—	—	—	—	—	—	—	—	—
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—	—	—	—	—
31 December 2015	—	—	—	—	—	—	—	—	—	—
<b>Net carrying amount</b>										
31 December 2015	460,850	27,400	40,620	2,319,593	619	460,849	9,750	3,319,681	536,440	3,856,121
31 December 2014	389,815	36,574	28,992	135,479	834	378,098	12,706	982,498	239,826	1,222,324

## 15 GOODWILL

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Carrying amount at the beginning of the period/year:		
Cost	10,622,420	10,075,152
Accumulated impairment	357,143	—
Net carrying amount	10,265,277	10,075,152
Movement during the period/year:		
Change in shareholders' equity in subsidiaries and effect of exchange rate changes	49,668	547,268
Impairment and effect of exchange rate changes	7,202	357,143
Carrying amount at the end of the period/year:		
Cost	10,672,088	10,622,420
Accumulated impairment	364,345	357,143
Net carrying amount	10,307,743	10,265,277

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
China Asset Management Co., Ltd.	7,418,587	7,418,587
CITIC Securities International Company Limited	2,128,460	2,085,994
CITIC Securities Overseas Investment Company Limited	434,695	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
Total	<u>10,307,743</u>	<u>10,265,277</u>

## 16 LAND-USE RIGHTS AND OTHER INTANGIBLE ASSETS

	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-Use Rights	Total
<b>30 June 2016 (Unaudited)</b>						
<b>Cost</b>						
31 December 2015 (Audited)	123,957	1,103,489	1,224,319	275,976	2,251,043	4,978,784
Increases	1,866	9,485	20,558	—	10,390	42,299
Decreases	(14)	(3,080)	—	—	—	(3,094)
Effect of exchange rate change	1,695	12,570	23,352	5,872	—	43,489
30 June 2016 (Unaudited)	<u>127,504</u>	<u>1,122,464</u>	<u>1,268,229</u>	<u>281,848</u>	<u>2,261,433</u>	<u>5,061,478</u>
<b>Accumulated amortisation</b>						
31 December 2015 (Audited)	97,496	587,467	277,898	—	30,510	993,371
Increases	746	93,319	63,300	—	30,793	188,158
Decreases	(14)	(2,633)	—	—	—	(2,647)
Effect of exchange rate change	565	6,735	6,440	—	—	13,740
30 June 2016 (Unaudited)	<u>98,793</u>	<u>684,888</u>	<u>347,638</u>	<u>—</u>	<u>61,303</u>	<u>1,192,622</u>
<b>Allowance for impairment</b>						
31 December 2015 (Audited)	—	—	—	—	—	—
Increases	—	—	—	—	—	—
Decreases	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—
30 June 2016 (Unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net carrying amount</b>						
30 June 2016 (Unaudited)	<u>28,711</u>	<u>437,576</u>	<u>920,591</u>	<u>281,848</u>	<u>2,200,130</u>	<u>3,868,856</u>
31 December 2015 (Audited)	<u>26,461</u>	<u>516,022</u>	<u>946,421</u>	<u>275,976</u>	<u>2,220,533</u>	<u>3,985,413</u>

	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-Use Rights	Total
<b>31 December 2015 (Audited)</b>						
<b>Cost</b>						
31 December 2014	124,274	934,124	1,160,812	260,005	55,081	2,534,296
Increases	600	139,098	—	—	2,197,212	2,336,910
Decreases	(1,000)	(1,023)	—	—	(1,250)	(3,273)
Effect of exchange rate change	83	31,290	63,507	15,971	—	110,851
31 December 2015	123,957	1,103,489	1,224,319	275,976	2,251,043	4,978,784
<b>Accumulated amortisation</b>						
31 December 2014	94,788	403,667	143,176	—	5,390	647,021
Increases	2,136	178,818	122,432	—	25,120	328,506
Decreases	—	(695)	—	—	—	(695)
Effect of exchange rate change	572	5,677	12,290	—	—	18,539
31 December 2015	97,496	587,467	277,898	—	30,510	993,371
<b>Allowance for impairment</b>						
31 December 2014	—	—	—	—	—	—
Increases	—	—	—	—	—	—
Decreases	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—
31 December 2015	—	—	—	—	—	—
<b>Net carrying amount</b>						
31 December 2015	26,461	516,022	946,421	275,976	2,220,533	3,985,413
31 December 2014	29,486	530,457	1,017,636	260,005	49,691	1,887,275

## 17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

### Non-current

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
At fair value:		
Equity investments	937,955	402,288
At cost:		
Equity investments	13,964,827	12,367,452
	<u>14,902,782</u>	<u>12,769,740</u>
Less: impairment losses	488,055	614,801
Total	<u><u>14,414,727</u></u>	<u><u>12,154,939</u></u>
Analysed into:		
Listed	937,955	402,288
Unlisted	13,476,772	11,752,651
	<u>14,414,727</u>	<u>12,154,939</u>

### Current

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
At fair value:		
Debt securities	37,207,908	33,192,595
Equity investments	12,480,074	14,004,989
Others (i)	31,332,329	34,521,099
	<u>81,020,311</u>	<u>81,718,683</u>
Less: impairment losses	2,066,141	1,738,537
Total	<u><u>78,954,170</u></u>	<u><u>79,980,146</u></u>
Analysed into:		
Listed	47,192,914	44,654,277
Unlisted	31,761,256	35,325,869
	<u>78,954,170</u>	<u>79,980,146</u>

- (i) As at 30 June 2016, others mainly included the investment portfolio, operating by China Securities Finance Corporation Limited (“CSF”), which was jointly invested by the Company and other securities companies. On 6 July 2015 and 1 September 2015, the Company made aggregate investment with a total amount of RMB 21.1 billion. Under the investment agreement, the Company and other joint investors share the income/loss based on contribution proportion.

## 18 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Non-current</b>		
Equity investments	1,424,525	147,533
Others	3,355,531	205,991
	<u>4,780,056</u>	<u>353,524</u>
Analysed into:		
Listed	1,256,312	—
Unlisted	3,523,744	353,524
	<u>4,780,056</u>	<u>353,524</u>
<b>Current</b>		
Equity investments	6,042,630	9,352,528
Others	280,753	647,550
	<u>6,323,383</u>	<u>10,000,078</u>
Analysed into:		
Listed	6,041,784	7,183,636
Unlisted	281,599	2,816,442
	<u>6,323,383</u>	<u>10,000,078</u>

## 19 REFUNDABLE DEPOSITS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Margin trading deposits	844,461	3,027,976
Credit deposits	132,940	368,615
Performance bonds	111,062	66,804
Total	<u>1,088,463</u>	<u>3,463,395</u>

## 20 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets (Unaudited)	Depreciation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Change in the fair value of available- for-sale financial assets	Allowance for impairment losses on available- for-sale financial assets	Change in the fair value of derivatives	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2015 (Audited)	23,835	908	—	514,701	518,016	1,953,541	130,287	3,141,288
Credited/(debited) to the statement of profit or loss	2,517	1,087	19,916	50,726	(518,016)	(228,355)	6,042	(666,083)
Credited/(debited) to other comprehensive income	469	—	587,909	—	—	990	1,010	590,378
At 30 June 2016 (Unaudited)	26,821	1,995	607,825	565,427	—	1,726,176	137,339	3,065,583

Deferred income tax assets (Audited)	Depreciation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Allowance for impairment losses on available- for-sale financial assets	Change in the fair value of derivatives	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2014	35,842	—	150,928	1,368,203	993,845	47,467	2,596,285
Credited/(debited) to the statement of profit or loss	(13,417)	908	363,773	(850,187)	1,001,361	36,956	539,394
Credited/(debited) to other comprehensive income	1,410	—	—	—	(41,936)	45,434	4,908
Others	—	—	—	—	271	430	701
At 31 December 2015	23,835	908	514,701	518,016	1,953,541	130,287	3,141,288

Deferred income tax liabilities (Unaudited)	Amortisation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Change in the fair value of available- for-sale financial assets	Change in the fair value of financial liabilities measured at fair value through profit or loss	Change in the fair value of derivatives	Others	Total
At 31 December 2015 (Audited)	512,785	927,645	1,020,822	34,347	42	46,825	2,542,466
Debited/(credited) to the statement of profit or loss	(40,172)	(906,386)	—	(34,347)	154,487	(2,101)	(828,519)
Debited/(credited) to other comprehensive income	10,326	(6)	(247,749)	—	—	383	(237,046)
At 30 June 2016 (Unaudited)	482,939	21,253	773,073	—	154,529	45,107	1,476,901

Deferred income tax liabilities (Audited)	Amortisation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Change in the fair value of available-for-sale financial assets	Change in the fair value of financial liabilities measured at fair value through profit or loss	Change in the fair value of derivatives	Others	Total
At 31 December 2014	555,138	1,450,136	573,508	5,977	—	25,695	2,610,454
Debited/(credited) to the statement of profit or loss	(72,689)	(522,491)	9,959	28,370	42	19,601	(537,208)
Debited/(credited) to other comprehensive income	30,336	—	437,355	—	—	1,010	468,701
Others	—	—	—	—	—	519	519
At 31 December 2015	<u>512,785</u>	<u>927,645</u>	<u>1,020,822</u>	<u>34,347</u>	<u>42</u>	<u>46,825</u>	<u>2,542,466</u>

## 21 OTHER NON-CURRENT ASSETS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Project investment	<b>1,592,245</b>	1,568,335
Others	<b>1,664,724</b>	2,066,004
Total	<u><b>3,256,969</b></u>	<u>3,634,339</u>

## 22 MARGIN ACCOUNTS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Margin accounts	<b>57,879,949</b>	75,745,319
Less: impairment loss	<b>168,379</b>	221,916
Total	<u><b>57,711,570</b></u>	<u>75,523,403</u>

Margin accounts are the funds the Group lends to its customers through margin financing and securities lending business. As at 30 June 2016, RMB 168 million impairment loss was recognised (31 December 2015: RMB 222 million).

## 23 FINANCIAL ASSETS HELD FOR TRADING

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Debt securities	<b>68,330,860</b>	66,766,316
Equity investments (i)	<b>47,789,787</b>	56,461,175
Others	<b>2,837,142</b>	3,211,305
Total	<u><b>118,957,789</b></u>	<u>126,438,796</u>
Analysed into:		
Listed	<b>99,094,516</b>	103,045,025
Unlisted	<b>19,863,273</b>	23,393,771
	<u><b>118,957,789</b></u>	<u>126,438,796</u>

(i) Included RMB 57 million of securities lent out under securities lending arrangements as at 30 June 2016 (31 December 2015: RMB 28 million).

## 24 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016		31 December 2015	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Interest rate derivatives	399,883	334,454	472,655	677,513
Currency derivatives	164,096	150,984	415,342	116,180
Equity derivatives	4,038,044	1,015,138	10,530,910	3,943,703
Credit derivatives	65,134	49,131	—	358
Others	163,052	134,639	175,706	27,530
<b>Total</b>	<b>4,830,209</b>	<b>1,684,346</b>	<b>11,594,613</b>	<b>4,765,284</b>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures were settled daily and the corresponding payments or receipts were included in "cash and bank balances" as at 30 June 2016. Accordingly, the amount of mark-to-market gain or loss of unexpired futures contracts included in derivative financial instruments above was nil.

## 25 REVERSE REPURCHASE AGREEMENTS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by collateral:		
Securities	31,275,801	30,129,245
Debts	2,115,476	6,731,852
Others	5,740,654	15
Less: impairment loss	90,201	90,388
<b>Total</b>	<b>39,041,730</b>	<b>36,770,724</b>
Analysed by counterparty:		
Banks	6,756,436	5,476,491
Other financial institutions	60,088	487,031
Others	32,315,407	30,897,590
Less: impairment loss	90,201	90,388
<b>Total</b>	<b>39,041,730</b>	<b>36,770,724</b>

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to re-pledge in the absence of default by their owners. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group has an obligation to return the collateral to its counterparties at the maturity of the contracts. As at 30 June 2016, the Group received securities as collateral with a fair value of approximately RMB 406.89 million on these terms (31 December 2015: RMB 810.44 million). No securities as shown above were re-pledged (31 December 2015: Nil).

## 26 OTHER CURRENT ASSETS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Accounts due from clients	20,317,935	6,302,988
Accounts due from brokers	8,803,476	2,891,244
Interest receivable	3,803,380	3,663,622
Settlement deposits receivable	2,509,280	2,428,775
Deferred expenses	232,010	312,632
Dividends receivable	7,462	21,767
Others	3,011,339	1,299,111
Less: Impairment loss	152,888	148,580
<b>Total</b>	<b>38,531,994</b>	<b>16,771,559</b>

## 27 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 29). 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” implementing 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 authorised institutions.

## 28 CASH AND BANK BALANCES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash on hand	427	348
Deposits in banks	41,098,536	68,906,544
Total	41,098,963	68,906,892

As at 30 June 2016, the Group had restricted funds of RMB 3,645.25 million (31 December 2015: RMB 3,236.14 million).

## 29 CUSTOMER BROKERAGE DEPOSITS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Customer brokerage deposits	148,897,702	150,456,676

Customer brokerage deposits represent the amount received from and repayable to clients arising in the ordinary course of the Group’s securities brokerage activities. For more details, please refer to Note 27 “Cash held on behalf of customers”.

## 30 FINANCIAL LIABILITIES HELD FOR TRADING

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Current</b>		
Debt securities	1,656,038	879,246
Equity investments	1,484,851	1,239,769
Others	—	1,337,160
Total	3,140,889	3,456,175

## 31 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Non-current</b>		
Others	1,386,649	1,140,679
<b>Current</b>		
Others	24,667,158	21,342,602

### 32 REPURCHASE AGREEMENTS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by collateral:		
Securities	592,286	847,587
Debts	42,333,302	41,659,266
Others	44,373,115	85,281,684
<b>Total</b>	<b>87,298,703</b>	<b>127,788,537</b>
Analysed by counterparty:		
Banks	46,484,231	85,049,527
Non-bank financial institutions	4,652,631	9,702,108
Others	36,161,841	33,036,902
<b>Total</b>	<b>87,298,703</b>	<b>127,788,537</b>

### 33 TAXES PAYABLE

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Income tax	1,855,730	3,710,157
Business tax	12,590	395,661
VAT and Others	1,125,727	512,933
<b>Total</b>	<b>2,994,047</b>	<b>4,618,751</b>

### 34 SHORT-TERM LOANS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by nature:		
Credit loans	2,256,443	4,721,632
Mortgage loans	367,508	—
<b>Total</b>	<b>2,623,951</b>	<b>4,721,632</b>
Analysed by maturity:		
Maturity within one year	2,623,951	4,721,632

As at 30 June 2016, the annual interest rates on the short-term loans were in the range of 1.11% to 1.94% (31 December 2015: 1.07% to 2.39%).

## 35 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

From January to June 2016 (Unaudited)

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending balance
15 CITIC D1	27/10/2015	27/10/2016	3.90%	7,993,011	4,212	—	7,997,223
16 CITIC CP001	27/01/2016	27/04/2016	2.89%	—	3,001,081	3,001,081	—
16 CITIC CP002	15/04/2016	15/07/2016	2.83%	—	5,001,923	2,238	4,999,685
16 CITIC CP003	09/05/2016	08/08/2016	2.85%	—	5,000,649	1,357	4,999,292
16 CITIC CP004	25/05/2016	24/08/2016	2.83%	—	3,000,555	1,369	2,999,186
16 CITIC CP005	17/06/2016	14/09/2016	2.91%	—	5,000,265	1,690	4,998,575
Structured notes	22/01/2015~ 22/06/2016	22/01/2016~ 27/02/2017	2.40%~ 6.10%	4,855,068	884,502	5,118,568	621,002
<b>Total</b>				<b>12,848,079</b>	<b>21,893,187</b>	<b>8,126,303</b>	<b>26,614,963</b>

Year 2015 (Audited)

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending Balance
14 CITIC CP009	15/10/2014	14/01/2015	4.40%	4,999,743	257	5,000,000	—
14 CITIC CP010	03/12/2014	04/03/2015	4.50%	4,998,777	1,223	5,000,000	—
14 CITIC D1	15/12/2014	15/12/2015	5.50%	7,999,138	862	8,000,000	—
15 CITIC CP001	12/01/2015	13/04/2015	4.93%	—	5,001,792	5,001,792	—
15 CITIC CP002	05/02/2015	07/05/2015	5.10%	—	5,001,793	5,001,793	—
15 CITIC CP003	06/03/2015	05/06/2015	4.90%	—	5,001,792	5,001,792	—
15 CITIC CP004	03/04/2015	03/07/2015	5.00%	—	5,001,812	5,001,812	—
15 CITIC CP005	22/04/2015	22/07/2015	4.00%	—	5,802,326	5,802,326	—
15 CITIC CP006	14/05/2015	13/08/2015	3.09%	—	5,001,792	5,001,792	—
15 CITIC CP007	12/06/2015	11/09/2015	3.25%	—	5,001,792	5,001,792	—
15 CITIC CP008	10/07/2015	09/10/2015	3.20%	—	5,001,792	5,001,792	—
15 CITIC D1	27/10/2015	27/10/2016	3.90%	—	8,001,507	8,496	7,993,011
Structured notes	26/09/2014~ 21/10/2015	15/04/2015~ 20/07/2016	3.95%~ 6.20%	—	9,329,441	4,474,373	4,855,068
<b>Total</b>				<b>17,997,658</b>	<b>58,148,181</b>	<b>63,297,760</b>	<b>12,848,079</b>

As at 30 June 2016, short-term financing instruments payable comprised of commercial paper, short-term corporate bonds and structured notes with an original tenor of less than one year.

As at 30 June 2016, there was no default related to any short-term financing instruments payable issued (31 December 2015: Nil).

### 36 OTHER CURRENT LIABILITIES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Settlement deposits payable	20,338,866	23,551,103
Accounts due to brokers	10,227,250	4,118,956
Salaries, bonuses and allowances payable	8,127,000	9,686,036
Other non-current liabilities due within one year	6,301,575	5,564,395
Dividends payable	6,060,504	2,049
Interest payable	2,293,162	3,242,288
Fee and commissions payable	560,413	403,099
Accrued liabilities	436,352	436,352
Funds payable to securities holders	186,914	184,287
Funds payable to securities issuers	40,916	61,651
Others	3,577,322	4,932,115
<b>Total</b>	<b>58,150,274</b>	<b>52,182,331</b>

### 37 DEBT INSTRUMENTS ISSUED

By category		30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bonds and medium term notes issued (a)		60,986,992	60,762,803
Structured notes issued (b)		3,643,000	7,073,000
		<b>64,629,992</b>	<b>67,835,803</b>

By maturity		30 June 2016 (Unaudited)	31 December 2015 (Audited)
Maturity within five years		50,153,492	51,860,681
Maturity over five years		14,476,500	15,975,122
		<b>64,629,992</b>	<b>67,835,803</b>

As at 30 June 2016, there was no default related to any issued debt instruments (31 December 2015: Nil).

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

Item		30 June 2016 (Unaudited)	31 December 2015 (Audited)
06 CITICS Bond (i)		1,500,000	1,500,000
13 CITICS 01 (ii)		2,996,924	2,996,176
13 CITICS 02 (iii)		11,977,315	11,975,972
14 CITICS C2 (iv)		6,999,887	6,999,712
CITIC SEC B1805 (v)		5,222,106	5,092,149
15 CITICS 01 (vi)		5,498,610	5,498,453
15 CITICS 02 (vii)		2,499,185	2,499,150
15 CITICS C1 (viii)		11,499,474	11,499,329
15 CITICS C2 (ix)		8,499,433	8,499,303
CITIC SEC MTN (x)		4,294,058	4,202,559
<b>Carrying amount</b>		<b>60,986,992</b>	<b>60,762,803</b>

- (i) Pursuant to the approval by the CSRC, the Company issued a 15-year bond with a face value of RMB 1.5 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 5-year unguaranteed bond with a face value of RMB 3 billion from 7 June to 14 June 2013. The coupon rate of the bond is 4.65% and the maturity date is 7 June 2018.
- (iii) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB 12 billion from 7 June to 14 June 2013. The coupon rate of the bond is 5.05% and the maturity date is 7 June 2023.
- (iv) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed subordinated bond with a face value of RMB 7 billion on 24 October 2014. The coupon rate of the bond is 5.65% and the maturity date is 24 October 2019. The Company has an option to redeem all of the bonds at their face value on their second anniversary.
- (v) CITIC Securities Finance 2013 Co., Ltd. issued a 5-year bond with a face value of USD 0.8 billion (equivalent to RMB 4.94 billion) from 25 April to 3 May 2013, which was guaranteed by Bank of China (Macau Branch). The Company provides a counter-guarantee to Bank of China Limited. The coupon rate of the bond is 2.50% and the maturity date is 3 May 2018.
- (vi) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB 5.5 billion from 24 June to 25 June 2015. The coupon rate is 4.60% and the maturity date is 25 June 2020.
- (vii) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB 2.5 billion from 24 June to 25 June 2015. The coupon rate is 5.10% and the maturity date is 25 June 2025.
- (viii) The company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB 11.5 billion on 16 March 2015. The coupon rate of the bond is 5.50% and the maturity date is 16 March 2020. The Company has an option to redeem all of the bonds at their face value at their third anniversary. If the Company does not exercise the option, the coupon rate of the bond would increase to 8.50%.
- (ix) The Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB 8.5 billion on 16 July 2015. The coupon rate of the bond is 5.00% and the maturity date is 16 July 2020. The Company has an option to redeem all of the bonds at their face value at their third anniversary. If the Company did not exercise the option, the coupon rate of the bond would increase by 300BP.
- (x) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders Meeting in 2013 and approval of relevant Regulatory, CITIC Securities Finance MTN Co., Ltd. established a USD 3 billion (or other equivalents) Medium Term Note Programme on 17 October 2014. During the year of 2014, CITIC Securities Finance MTN Co., Ltd. had its first drawdown under the Programme to issue notes with a face value of USD 650 million. During the year of 2015, CITIC Securities Finance MTN Co., Ltd. had eight drawdowns under the Programme to issue notes with an aggregate face value of USD 439.68 million. Above Medium Term Notes are guaranteed by the Company with no counter-guarantee arrangement.

**(b) Structured notes issued**

As at 30 June 2016, the structured notes, with remaining tenors greater than one year, issued by the Company amounted to RMB 3.64 billion (31 December 2015: RMB 7.07 billion), with coupon rates ranging from 3.40% to 5.20% (31 December 2015: 2.60% to 5.50%).

## 38 LONG-TERM LOANS

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Analysed by nature:		
Credit loans	—	996,149
Mortgage loans	604,265	595,823
Collateralised loans	308,644	753,238
Total	<u>912,909</u>	<u>2,345,210</u>
Analysed by maturity:		
Maturity within five years	<u>912,909</u>	<u>2,345,210</u>

As at 30 June 2016, the interest rates on the long-term loans were in the range of 1.77% to 6.40% (31 December 2015: 2.56% to 10.00%).

## 39 OTHER NON-CURRENT LIABILITIES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Regulatory risk provision payables	333,483	275,939
Others	17,980	17,980
Total	<u>351,463</u>	<u>293,919</u>

## 40 SHARE CAPITAL

	30 June 2016		31 December 2015	
	Number of shares (Thousand) (Unaudited)	Nominal Value (Unaudited)	Number of shares (Thousand) (Audited)	Nominal Value (Audited)
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
	<u>12,116,908</u>	<u>12,116,908</u>	<u>12,116,908</u>	<u>12,116,908</u>

## 41 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.

#### (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 Accounting Standards of Business Enterprises, to its discretionary surplus reserve upon approval by the equity holders in a general meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

### (c) General reserve

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. Regulatory reserve represents reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein. Regulatory reserves are not available for distribution.

(d) **Investment revaluation reserve**

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

(e) **Foreign currency translation reserve**

The foreign currency translation reserve 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 profits of the Company as determined under China Accounting Standards and IFRSs, whichever is lower.

## 42 CASH AND CASH EQUIVALENTS

	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Cash on hand	427	722
Deposits in banks	37,453,291	74,655,712
Total	<u>37,453,718</u>	<u>74,656,434</u>

## 43 COMMITMENTS AND CONTINGENT LIABILITIES

(a) **Capital commitments**

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Contracted, but not provided for	<u>775,179</u>	<u>194,367</u>

(b) **Operating lease commitments**

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

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within one year	1,118,085	985,364
After one year but no more than two years	936,452	896,690
After two years but no more than three years	815,673	788,415
After three years	910,682	1,268,278
Total	<u>3,780,892</u>	<u>3,938,747</u>

(ii) *Operating lease commitments - as a lessor*

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within one year	278,573	233,964
After one year but no more than two years	269,541	233,964
After two years but no more than three years	269,224	233,964
After three years	1,677,872	1,755,656
Total	<u>2,495,210</u>	<u>2,457,548</u>

(c) *Legal proceedings*

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 30 June 2016, the Group was not involved in any material legal, or arbitration that if adversely determined, the Group would expect materially adversely affect their financial position or results of operations.

## 44 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
CITIC Corporation Limited	Largest Equity Holder	State-controlled	Beijing	Zhenming Chang	Financial industrial and other services	RMB 139 billion	16.50%	16.50%

### (2) Related party transactions

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

##### 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. The bond was guaranteed by CITIC Corporation Limited. As at 30 June 2016, the total guarantees provided by CITIC Corporation Limited amounted to RMB 1.5 billion (31 December 2015: RMB1.5 billion).

#### (b) Subsidiaries

##### Transactions during the period

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Interest income	218,694	589,382
Investment income	288,531	59,494
Income from providing services	2,044	8,007
Lease fees received	1,989	1,956
Interest expense	91,186	127,403
Expense from receiving services	251	36,040

##### Balances at the end of the period/year

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Available-for-sale financial assets	11,436,051	8,825,950
Other current assets	9,254,318	12,546,953
Reverse repurchase agreements	2,956,520	1,896,000
Deposits for investments - Stock index futures	1,155,558	7,349,462
Financial assets held for trading	254,062	—
Refundable deposits	202,934	90,596
Derivative financial assets	62,358	173,103
Other current liabilities	4,999,183	4,528,976
Derivative financial liabilities	2,062,992	1,493,467
Debt instruments issued	1,080,000	—
Customer brokerage deposits	148,254	34,115

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

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

**Transactions during the period**

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Interest income	285,288	183,849
Income from providing services	26,657	4,369
Lease fees received	1,993	1,784
Investment income	(13,502)	(6,315)
Expense from receiving services	102,513	74,125
Interest expense	16,549	18,887
Lease expenses paid	7,730	5,733
Equity investment transfer	344,966	—

**Balances at the end of the period/year**

		30 June	31 December
		2016 (Unaudited)	2015 (Audited)
Cash held on behalf of customers	(i)	21,658,387	23,612,248
Cash and bank balances	(i)	6,196,452	6,704,326
Other current assets		937	1,525
Other current liabilities		4,887	1,922

(i) Represents deposits placed with financial institutions, which are the 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 period**

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Income from providing services	598,416	20,825
Lease expenses paid	18,067	682
Expense from receiving services	2,052	2,101
Interest expense	1,414	2

**Balances at the end of the period/year**

	30 June	31 December
	2016 (Unaudited)	2015 (Audited)
Other current assets	888	335
Other current liabilities	119	145

(e) *Associates*

**Transactions during the period**

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Income from providing services	194	12,414
Lease fees received	1,748	—
Interests expense	3	505

**Balances at the end of the period/year**

	30 June	31 December
	2016 (Unaudited)	2015 (Audited)
Other current liabilities	874	—

(f) *Other transactions during the period*

As at 30 June 2016, the collective asset management plans managed by the Company and held by the Company and its subsidiaries amounted to RMB 1,890 million (31 December 2015: RMB 1,954 million).

## 45 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 between market participants at the measurement date.

The fair values of 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 approximate to their carrying amounts, largely due to the remaining maturities of these instruments generally being less than one year.

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).

The Group uses valuation techniques or counterparty quotations to determine fair value when it is unable to obtain market quotation in active markets.

The major parameters used in valuation techniques include underlying securities prices, interest rates, foreign exchange rates, volatilities, correlations and counterparty credit spreads and others, which are all observable and obtainable from an active market.

For certain unlisted or thinly traded equity securities, unlisted funds, and certain over-the-counter derivatives transactions, management obtains valuation quotations from counterparties or uses valuation techniques to determine fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs may have impact on the valuation include weighted average cost of capital, liquidity discount, and price to book ratio. As at 30 June 2016, fair value changes resulting from changes in the unobservable inputs were not significant. The Group has implemented internal control procedures to control the Group's exposure to such financial instruments within specified limits.

(a) *Financial instruments recorded at fair value*

<b>30 June 2016 (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Financial assets held for trading	70,696,756	47,440,646	820,387	118,957,789
- Debt securities	24,737,172	43,521,992	71,696	68,330,860
- Equity investments	45,524,420	1,516,676	748,691	47,789,787
- Others	435,164	2,401,978	—	2,837,142
Financial assets designated as at fair value through profit or loss	6,517,519	1,429,341	3,156,579	11,103,439
Derivative financial assets	1,036	4,829,173	—	4,830,209
Available-for-sale financial assets	8,636,773	70,208,729	1,046,623	79,892,125
- Debt securities	947,246	36,216,662	—	37,163,908
- Equity investments	7,325,168	3,128,386	1,046,623	11,500,177
- Others	364,359	30,863,681	—	31,228,040
Total	<u>85,852,084</u>	<u>123,907,889</u>	<u>5,023,589</u>	<u>214,783,562</u>
<b>Financial liabilities:</b>				
Financial liabilities held for trading	1,575,512	1,565,377	—	3,140,889
Financial liabilities designated as at fair value through profit or loss	—	21,562,800	4,491,007	26,053,807
Derivative financial liabilities	7,711	1,676,635	—	1,684,346
Total	<u>1,583,223</u>	<u>24,804,812</u>	<u>4,491,007</u>	<u>30,879,042</u>
<b>31 December 2015 (Audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets:</b>				
Financial assets held for trading	73,330,911	51,763,712	1,344,173	126,438,796
- Debt securities	18,371,880	48,094,785	299,651	66,766,316
- Equity investments	54,770,639	646,014	1,044,522	56,461,175
- Others	188,392	3,022,913	—	3,211,305
Financial assets designated as at fair value through profit or loss	7,311,357	956,103	2,086,142	10,353,602
Derivative financial assets	2,832	11,591,781	—	11,594,613
Available-for-sale financial assets	9,947,070	70,017,737	417,627	80,382,434
- Debt securities	1,160,825	31,987,770	—	33,148,595
- Equity investments	8,456,245	3,948,751	417,627	12,822,623
- Others	330,000	34,081,216	—	34,411,216
Total	<u>90,592,170</u>	<u>134,329,333</u>	<u>3,847,942</u>	<u>228,769,445</u>
<b>Financial liabilities:</b>				
Financial liabilities held for trading	1,246,433	2,209,742	—	3,456,175
Financial liabilities designated as at fair value through profit or loss	—	19,225,286	3,257,995	22,483,281
Derivative financial liabilities	15,849	4,749,435	—	4,765,284
Total	<u>1,262,282</u>	<u>26,184,463</u>	<u>3,257,995</u>	<u>30,704,740</u>

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

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

Unaudited	As at 1 January 2016	Total gains/ (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 30 June 2016
<b>Financial assets:</b>									
Financial assets held for trading	1,344,173	(274,014)	—	177,338	358,089	149,193	153,180	65,034	820,387
- Debt securities	299,651	(61,250)	—	134,295	235,966	—	—	65,034	71,696
- Equity investments	1,044,522	(212,764)	—	43,043	122,123	149,193	153,180	—	748,691
Financial assets designated as at fair value through profit or loss	2,086,142	697,753	—	589,267	14,342	—	—	202,241	3,156,579
Available-for-sale financial assets	417,627	8,662	(37,167)	725,921	4,715	—	63,705	—	1,046,623
- Equity investments	417,627	8,662	(37,167)	725,921	4,715	—	63,705	—	1,046,623
<b>Financial liabilities:</b>									
Financial liabilities designated as at fair value through profit or loss	3,257,995	224,140	—	1,020,000	11,128	—	—	—	4,491,007

Audited	As at 1 January 2015	Total gains/ (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2015
<b>Financial assets:</b>									
Financial assets held for trading	1,633,703	181,331	—	1,147,053	83,243	—	1,534,281	390	1,344,173
- Debt securities	—	10,878	—	288,773	—	—	—	—	299,651
- Equity investments	1,633,703	170,453	—	858,280	83,243	—	1,534,281	390	1,044,522
Financial assets designated as at fair value through profit or loss	139,817	121,100	—	1,739,961	177,177	262,441	—	—	2,086,142
Available-for-sale financial assets	5,698,102	(4,468)	(1,633,943)	52,155	15,989	—	3,620,810	57,420	417,627
- Equity investments	5,698,102	(4,468)	(1,633,943)	52,155	15,989	—	3,620,810	57,420	417,627
<b>Financial liabilities:</b>									
Financial liabilities designated as at fair value through profit or loss	21,218	221,990	172	652,235	10,000	2,372,380	—	—	3,257,995

Gains on Level 3 financial instruments included in profit or loss are summarized below:

	Six months ended 30 June 2016 (Unaudited)		
	Realised	Unrealised	Total
Total gains for the period	<u>7,560</u>	<u>200,701</u>	<u>208,261</u>

	Year 2015 (Audited)		
	Realised	Unrealised	Total
Total gains/(losses) for the year	<u>(137,173)</u>	<u>213,146</u>	<u>75,973</u>

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

During the six months ended 30 June 2016, there were no transfers of fair value measurement between Level 1 and Level 2 (31 December 2015: Nil).

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

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

	Carrying amount		Fair value	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Debt instruments issued	<u>64,629,992</u>	<u>67,835,803</u>	<u>68,194,559</u>	<u>71,891,209</u>

At the end of the reporting period, except for the debt instruments issued, the fair value of the Group's other financial assets and liabilities not measured at fair value are not significantly different from their carrying amounts.

## 46 FINANCIAL INSTRUMENTS RISK MANAGEMENT

### Overview

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has implemented comprehensive risk management and internal control processes, through which the Company 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 of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law, and the Articles of Association. By strengthening the relevant internal control arrangements and improving the Company's 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 framework of the risk management of the Company consists of the Risk Management Committee under the Board, the related professional committees under the Operation Management, the relevant internal control departments and business departments/business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making among the respective committees, and close cooperation between internal control departments and business departments/business lines, and manages risks through review, decision, execution and supervision.

#### *Level 1: Board of Directors*

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

#### *Level 2: Operation Management*

The Company has established the Assets and Liabilities Management Committee. Within the authority delegated by the Board and Operation Management of the Company, the committee makes decisions on and reviews major issues and related systems involving 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 Operation Management of the Company. All corporate finance activities involving application of capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate finance activities and security of capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and Operation Management of the Company, and is responsible for monitoring and managing the daily risks of the Company within its designated authority, deciding on and approving material matters related to risk management and relevant system and setting limits for risk. The Risk Management Committee comprises a risk management sub-working group and a reputation risk management sub-working group. The risk management sub-working group is the main body responsible for the daily monitoring and management of the financial risks over the buy-side business and facilitating the execution of the decisions made by the Risk Management Committee. The risk management sub-working group comprises a credit risk management sub-working group, which is responsible for supporting and coordinating the execution of decisions regarding daily credit risk monitoring and management; a liquidity risk management sub-working group, which is responsible for monitoring and managing the Company's liquidity risks, promoting the development of the Company's liquidity risk assessment methodology and management system, coordinating the implementation of specific assessment and management measures, and providing relevant decision-making support; and an operational risk management sub-working group, which is responsible for drafting the Company's operational risk management rules, monitoring the execution of the operational processes, collecting information on operational risk events and coordinating and improving the Company's operational risk management mechanism. The reputation risk management sub-working group is the daily management body of reputation risks, 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 established the Product Committee. This committee performs planning, coordination, decision making and review under the authority of the Board and Operation Management on major matters such as design, sales and related systems of privately-issued financial products of the Company. The committee manages relevant risks through pre-sale risk assessment of privately-issued financial products and preparation of relevant post-sale risk management measures and risk event handling plans. The committee has set up risk evaluation units to review the qualification of the principal which entrusted the Company to sell privately-issued financial products, manage the risk analysis and assessment of various privately-issued financial products and provide supervision and guidance services during the period of its existence. The product sales panel under the committee is responsible for review of the marketability of such products. The OTC product review panel under the committee is responsible for conducting particular review work in respect of the suitability of products for issue and transfer in the OTC market of the Company.

#### *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".

Front-office business departments/business lines of the Company are the first line of defense of risk management. Such departments establish business management systems and risk management systems for the respective businesses and perform supervision, assessment and reporting on the business risks and contain such risks within limits.

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 line and recommends on optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the operation management, and regularly discloses the general risk portfolio of the Company 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 Audit Department of the Company 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.

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

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 Office of the CEO, Risk Management Department, Compliance Department, Human Resources Department and other relevant departments.

(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.

Securities brokerage business transactions 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.

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

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Available-for-sale financial assets	52,434,605	48,477,150
Refundable deposits	1,088,463	3,463,395
Margin accounts	57,711,570	75,523,403
Financial assets held for trading	88,472,894	84,916,621
Derivative financial assets	4,830,209	11,594,613
Reverse repurchase agreements	39,041,730	36,770,724
Cash held on behalf of customers	134,975,517	143,553,897
Bank balances	41,098,536	68,906,544
Others	40,445,370	18,156,481
Total maximum credit risk exposure	<u>460,098,894</u>	<u>491,362,828</u>

(ii) **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.

30 June 2016 (Unaudited)	By geographical area		Total
	Mainland China	Outside Mainland China	
Available-for-sale financial assets	52,434,605	—	52,434,605
Refundable deposits	1,051,042	37,421	1,088,463
Margin accounts	55,958,104	1,753,466	57,711,570
Financial assets held for trading	71,620,922	16,851,972	88,472,894
Derivative financial assets	1,450,938	3,379,271	4,830,209
Reverse repurchase agreements	38,378,557	663,173	39,041,730
Cash held on behalf of customers	130,461,219	4,514,298	134,975,517
Bank balances	28,519,586	12,578,950	41,098,536
Others	7,133,092	33,312,278	40,445,370
Total maximum credit risk exposure	387,008,065	73,090,829	460,098,894

31 December 2015 (Audited)	By geographical area		Total
	Mainland China	Outside Mainland China	
Available-for-sale financial assets	48,477,150	—	48,477,150
Refundable deposits	3,404,150	59,245	3,463,395
Margin accounts	73,749,966	1,773,437	75,523,403
Financial assets held for trading	70,185,973	14,730,648	84,916,621
Derivative financial assets	1,658,577	9,936,036	11,594,613
Reverse repurchase agreements	36,283,708	487,016	36,770,724
Cash held on behalf of customers	139,155,292	4,398,605	143,553,897
Bank balances	55,245,587	13,660,957	68,906,544
Others	6,677,619	11,478,862	18,156,481
Total maximum credit risk exposure	434,838,022	56,524,806	491,362,828

(b) **Liquidity risk**

Liquidity risk is the risk arising from shortage of funds when fulfilling obligations relating to financial liabilities. The Company has consistently adhered to a unified liquidity management and operation policy and set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system. 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, which 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. On the one hand, it measures the solvency of the Company via indicators such as liquidity coverage ratio, and on the other hand, it assesses the intra-day settlement risk of the Company through indicators such as intra-day fund multiples. The Risk Management Department releases a liquidity risk report on a daily basis, and monitors and reports the status of payment risks and settlement risks pursuant to such report. The Company also sets threshold values for relevant indicators, and once exceeded, the Risk Management Department will warn the relevant responsible officers of the operation management of the Company and relevant departments of such risks through independent pathways, 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 Group actively monitored the liquidity supervisory indicators, closely tracked liquidity risk profile, continuously carried out liquidity stress tests and evaluations and took corresponding measures in advance to ensure secured liquidity of the Company.

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

	30 June 2016 (Unaudited)						Total
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
<b>Non-derivative financial liabilities:</b>							
Customer brokerage deposits	148,897,702	—	—	—	—	—	148,897,702
Financial liabilities held for trading	—	69,666	161,982	1,437,099	553,320	1,512,228	3,734,295
Financial liabilities designated as at fair value through profit or loss	4,734,597	3,268,057	5,820,123	1,656,711	—	10,574,319	26,053,807
Repurchase agreements	585,681	62,827,631	24,494,572	287,224	—	—	88,195,108
Due to banks and other financial institutions	—	6,253,771	—	—	—	—	6,253,771
Short-term loans	184,779	2,442,116	—	—	—	—	2,626,895
Short-term financing instruments payable	—	18,726,673	8,344,101	—	—	—	27,070,774
Debt instruments issued	—	425,000	2,501,234	61,782,233	16,222,000	—	80,930,467
Long-term loans	—	8,566	26,242	1,011,494	—	—	1,046,302
Others	31,519,913	13,084,806	959,652	1,329	—	417	45,566,117
<b>Total</b>	<b>185,922,672</b>	<b>107,106,286</b>	<b>42,307,906</b>	<b>66,176,090</b>	<b>16,775,320</b>	<b>12,086,964</b>	<b>430,375,238</b>
Cash flows from derivative financial liabilities settled on a net basis	3,674	160,979	520,210	690,514	—	351,886	1,727,263
<b>Gross-settled derivative financial liabilities:</b>							
Contractual amounts receivable	—	(619,994)	—	—	—	(120,000)	(739,994)
Contractual amounts payable	—	623,037	—	—	—	121,589	744,626
	—	3,043	—	—	—	1,589	4,632

	31 December 2015 (Audited)						Total
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
<b>Non-derivative financial liabilities:</b>							
Customer brokerage deposits	150,456,676	—	—	—	—	—	150,456,676
Financial liabilities held for trading	—	1,380,806	85,653	306,919	804,909	1,239,769	3,818,056
Financial liabilities designated as at fair value through profit or loss	2,216,078	2,400,295	2,361,058	1,141,111	—	14,364,738	22,483,280
Repurchase agreements	219,510	74,925,768	45,227,723	9,817,776	—	—	130,190,777
Due to banks and other financial institutions	—	18,014,252	34,040	—	—	—	18,048,292
Short-term loans	22,951	4,698,680	—	—	—	—	4,721,631
Short-term financing instruments payable	—	5,074,236	8,378,711	—	—	—	13,452,947
Debt instruments issued	—	632,500	2,280,359	64,631,955	18,519,250	—	86,064,064
Long-term loans	—	996	3,519	2,588,850	—	—	2,593,365
Others	30,831,047	2,879,904	5,946,174	13,420	—	417	39,670,962
<b>Total</b>	<b>183,746,262</b>	<b>110,007,437</b>	<b>64,317,237</b>	<b>78,500,031</b>	<b>19,324,159</b>	<b>15,604,924</b>	<b>471,500,050</b>
Cash flows from derivative financial liabilities settled on a net basis	5,505	635,393	1,879,057	1,451,627	17,106	608,149	4,596,837
<b>Gross-settled derivative financial liabilities:</b>							
Contractual amounts receivable	—	(6,081,979)	(1,070,000)	—	—	(6,048,198)	(13,200,177)
Contractual amounts payable	—	6,256,084	1,088,260	—	—	6,114,691	13,459,035
	—	174,105	18,260	—	—	66,493	258,858

(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. 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 prevention measure, which is formed by the Risk Management Committee of the Board, Risk Management Committee of the Company and all business departments/business lines and internal control departments. Through allocating the overall risk of the Company to different business departments/business lines, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within an acceptable level.

The Company assesses, monitors and manages its overall market risks through a risk management department, which is independent of the business departments/business lines, and its assessments and testings are reported to the respective business departments/business lines, the operation management of the Company and the Risk Management Committee. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for risk management and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures to reduce or hedge against such risks when the exposures are 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 series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk portfolios and its changes in each of the business departments/business lines. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers of the business departments/business lines and the operation management of the Company.

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company upon occurrence of 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. Through stress tests, the Company could focus on the possible losses to the Company, analyse its risk return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits.

The Company sets 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 relevant committees.

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

In respect of foreign assets, in order to ensure the availability of funds required for foreign business expansion, the Company implemented centralised 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.

(i) *VaR*

The Group adopts VaR as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, 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:

	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Stock price-sensitive financial instruments	242,697	692,812
Interest rate-sensitive financial instruments	21,117	30,931
Exchange rate-sensitive financial instruments	35,910	16,818
Total portfolio VaR	241,909	691,958

(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 shareholders' 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:

	Six months ended 30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
<b>Sensitivity of revenue</b>		
<b>Change in basis points</b>		
+25 basis points	(142,866)	(163,033)
- 25 basis points	142,597	164,840

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
<b>Sensitivity of equity</b>		
<b>Change in basis points</b>		
+25 basis points	(76,527)	(62,506)
- 25 basis points	76,969	62,858

(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	Six months ended 30 June	
		2016 (Unaudited)	2015 (Unaudited)
USD	-3%	(233,482)	76,723
HKD	-3%	113,618	(339,155)

Sensitivity of equity

Currency	Change in currency rate	30 June 2016	31 December 2015
		(Unaudited)	(Audited)
USD	-3%	(181,752)	(197,073)
HKD	-3%	(214,404)	(216,776)

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 summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2016 and 31 December 2015. 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, categorised by the original currencies.

	RMB	As at 30 June 2016 (Unaudited)			Total
		USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	114,747,757	10,614,800	7,441,539	6,174,757	138,978,853

	RMB	As at 31 December 2015 (Audited)			Total
		USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	121,701,679	8,617,553	4,128,033	7,289,833	141,737,098

(iv) Price risk

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

As at 30 June 2016, the proportion of the Group's equity investment to total assets further decreased. The financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for approximately 9.69% of the total assets as at 30 June 2016 with a decrease of 0.55 percentage points as compared to 31 December 2015, while the available-for-sale financial assets accounted for approximately 2.02 % of the total assets with a decrease of 0.06 percentage points.

## **47 EVENTS AFTER THE REPORTING PERIOD**

### Issuance of commercial papers

On 14 July 2016 and 4 August 2016, the Company completed the sixth and seventh tranche issuance of RMB 5 billion each of commercial papers, with a term of 91 days and coupon rates of 2.64% and 2.58%, 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 [2015] No.244), and, the resolution passed by the 2013 Third Extraordinary General Meeting of the Shareholders of the Company, and the resolution passed by the 17th Meeting of the 5th Session of the Board of Directors.

### Classification rating downgraded

On 15 July 2016, the CSRC announced the 2015 regulatory rating of securities firms. The Company's regulatory rating was downgraded from "Class A Grade AA" to "Class B Grade BBB", and as a result, the Company is required to contribute more funds to the securities investor protection fund.

### Proposed profit distribution plan

According to the 2015 profit distribution plan passed in the 2015 Annual General Meeting of the Shareholders of the Company held on 28 June 2016, the Company declared cash dividends on its year 2015's profits. The A Share and H Share cash dividend distributions of the Company were completed on 19 August 2016.

## **48 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

The financial information was approved and authorised for issue by the Board of Directors on 24 August 2016.

## **X. DOCUMENTS AVAILABLE FOR INSPECTION**

Financial statements with the signatures and chops of the Company's head, the person-in-charge of accounting affairs and the head of the accounting department.

The original copy of the review report with signatures and chops 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.

Interim reports posted on other stock exchanges.

The Articles of Association of the Company.

By order of the Board  
**CITIC Securities Company Limited**  
**ZHANG Youjun**  
*Chairman*

Beijing, the PRC  
24 August 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. ZHANG Youjun, Mr. YIN Ke and Mr. YANG Minghui; the non-executive Director is Mr. FANG Jun; and the independent non-executive Directors are Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai.*

## APPENDIX 1: 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	2016-1-5	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2015
2	2016-1-9	Announcement on the Resolutions Passed at the 47th Meeting of the 5th Session of the Board
3	2016-1-12	Announcement on the Financial Data for December 2015
4	2016-1-13	Change of Venue of the 2016 First Extraordinary General Meeting
5	2016-1-20	Announcement on the Resolutions Passed at the 1st Meeting of the 6th Session of the Board; Announcement on the Resolutions Passed at the 1st Meeting of the 6th Session of the Supervisory Committee; Announcement of Resolutions Passed at the 2016 First Extraordinary General Meeting; Legal Opinion of the 2016 First Extraordinary General Meeting
6	2016-1-26	Announcement on the Change of Legal Representative of the Company
7	2016-1-28	Announcement on the Results of Issuance of Tranche 1 of Commercial Papers in 2016
8	2016-1-29	Preliminary Financial Data for the Year of 2015
9	2016-2-3	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2016
10	2016-2-5	Announcement on the Financial Data for January 2016; Announcement – Further Updates on Our Employees' Assisting of Investigations by Public Security Department
11	2016-3-1	Announcement on the Increase of Shareholding in the Company by the Largest Shareholder
12	2016-3-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2016
13	2016-3-5	Announcement on the Financial Data for February 2016; Indicative Announcement on the Increase of Shareholding in the Company by the Largest Shareholder
14	2016-3-10	Announcement on Interest Payment in 2016 for 2015 First Tranche of Sub-ordinated Bonds; H Share Announcement – Notification of Board Meeting
15	2016-3-24	2015 Annual Report and its Summary; Announcement on the Resolutions Passed at the 2nd Meeting of the 6th Session of the Board; Announcement on the Resolutions Passed at the 2nd Meeting of the 6th Session of the Supervisory Committee; Announcement on Related Party/Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2016; 2015 Annual Financial Statements and Audit Report; 2015 Annual Internal Control Evaluation Report; 2015 Annual Audit Report on Internal Control; Special Statement Regarding the Appropriation of the Company's Funds by the Largest Shareholder and Other Related Parties; 2015 CSR Report; 2015 Work Reports of the Independent Non-executive Directors; Annual Report of the Audit Committee on the Performance of Duties in 2015; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the 6th Session of the Board on Relevant Matters at the 2nd Meeting of the 6th Session of the Board
16	2016-3-29	Announcement - Mr. HE Jia formally acts as an independent non-executive director of the Company
17	2016-4-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2016
18	2016-4-12	Announcement on the Financial Data for March 2016
19	2016-4-16	Announcement on the Results of Issuance of Tranche 2 of Commercial Papers in 2016
20	2016-4-20	H Share Announcement – Notification of Board Meeting
21	2016-4-25	Announcement on Approval of the Establishment of 33 Securities Branches
22	2016-4-26	Announcement on Follow-up Rating Results of the 13 CITICS 01, 13 CITICS 02, 13 CITICS 03 and 15 CITICS 01; Follow-up Rating Report on the 2015 Corporate Bonds (2016); Trustee Report for 2015 Corporate Bonds (2015); Announcement on Trustee Report for the Corporate Bonds (Tranche 1) in 2013 (2015); Follow-up Rating Report for the Corporate Bonds (Tranche 1) in 2013 (2016); Announcement on Trustee Report for the Corporate Bonds (Tranche 2) in 2013 (2015); Follow-up Rating Report for the Corporate Bonds (Tranche 2) in 2013 (2016)
23	2016-4-30	2016 First Quarterly Report; Announcement on the Resolutions Passed at the 3rd Meeting of the 6th Session of the Board; Rules of Procedure of the Risk Management Committee of the Board of Directors; Rules of Procedure of the Audit Committee of the Board of Directors; Comprehensive Risk Management Systems

No.	Date of Publication	Subject Matter
24	2016-5-4	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2016
25	2016-5-7	Announcement on the Financial Data for April 2016
26	2016-5-10	Announcement on the Results of Issuance of Tranche 3 of Commercial Papers in 2016
27	2016-5-11	Announcement – Mr. CHAN, Charles Sheung Wai formally acts as an independent non-executive director of the Company
28	2016-5-13	Notice of the 2015 Annual General Meeting; Documents of the 2015 Annual General Meeting
29	2016-5-26	Announcement on the Results of Issuance of Tranche 4 of Commercial Papers in 2016
30	2016-6-1	Announcement on Interest Payment in 2016 for the Corporate Bonds (Tranche 1) in 2013
31	2016-6-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2016
32	2016-6-7	Announcement on the Financial Data for May 2016
33	2016-6-8	Second Notice of the 2015 Annual General Meeting
34	2016-6-18	Announcement on the Results of Issuance of Tranche 5 of Commercial Papers in 2016
35	2016-6-21	Announcement on Interest Payment in 2016 for the Corporate Bonds in 2015
36	2016-6-28	Announcement on the Resolutions Passed at the 4th Meeting of the 6th Session of the Board
37	2016-6-29	Announcement on the Resolutions Passed at the 2015 Annual General Meeting; Legal Opinion of the 2015 Annual General Meeting

Note: The dates set out in the above table under the column entitled “Date of Publication” 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 Shanghai Stock Exchange. Each of these announcements was published on the HKExnews website of HKEx in the morning on its respective “Date of Publication” or in the evening on the immediately preceding date.

Information disclosures made by the Company on the HKExnews websites of HKEx (<http://www.hkexnews.hk>) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2016-1-4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2015
2	2016-1-8	Connected Transaction - Disposal of 1.325% Equity Interest in CITIC Real Estate by Goldstone Investment
3	2016-1-11	Announcement on the Financial Data for December 2015
4	2016-1-12	Change of Venue of the 2016 First Extraordinary General Meeting
5	2016-1-19	List of Directors and Their Roles and Functions; Poll Results of the 2016 First Extraordinary General Meeting; Re-election and Appointments of Chairman of the Board and Members of Special Committees of the Board; Appointment of Chairman of the Supervisory Committee; and Appointment of Senior Management
6	2016-1-25	Announcement on the Change of Legal Representative
7	2016-1-27	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 1 of Commercial Papers in 2016
8	2016-1-28	Preliminary Financial Data for the Year of 2015
9	2016-2-2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2016
10	2016-2-4	Announcement on the Financial Data for January 2016; Voluntary Announcement – Further Updates on Our Employees’ Assisting of Investigations by Public Security Department
11	2016-2-29	Announcement - Change in Shareholding
12	2016-3-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2016
13	2016-3-4	Announcement on the Financial Data for February 2016; Indicative Announcement on Changes in Shareholding
14	2016-3-9	Notification of Board Meeting; Overseas Regulatory Announcement – Announcement on Interest Payment in 2016 for 2015 First Tranche of Sub-ordinated Bonds
15	2016-3-23	2015 Annual Results Announcement; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 2nd Meeting of the Sixth Session of the Board; Announcement on the Resolutions Passed at the 2nd Meeting of the Sixth Session of the Supervisory Committee; Announcement on Related Party/Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2016; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 2nd Meeting of the Sixth Session of the Board; 2015 Work Reports of the Independent Non-executive Directors; 2015 Annual Internal Control Evaluation Report; 2015 Annual Audit Report on Internal Control; Special Statement Regarding the Appropriation of the Company’s Funds by the Largest Shareholder and Other Related Parties; 2015 CSR Report; Annual Report of the Audit Committee under the Sixth Session of the Board on the Performance of Duties in 2015
16	2016-3-28	Voluntary Announcement – Mr. HE Jia formally acts as an independent non-executive director of the Company
17	2016-3-30	List of Directors and their Roles and Functions
18	2016-4-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2016
19	2016-4-11	Announcement on the Financial Data for March 2016
20	2016-4-15	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 2 of Commercial Papers in 2016
21	2016-4-19	Notification of Board Meeting
22	2016-4-24	Overseas Regulatory Announcement – Announcement on Approval of the Establishment of 33 Securities Branches
23	2016-4-25	Overseas Regulatory Announcement – Announcement on Trustee Report for the Corporate Bonds (Tranche 1) in 2013; Announcement on Trustee Report for the Corporate Bonds (Tranche 2) in 2013; Announcement on Trustee Report for 2015 Corporate Bonds
24	2016-4-26	Overseas Regulatory Announcement – Announcement on Follow-up Rating Results of the 13 CITICS 01, 13 CITICS 02, 13 CITICS 03 and 15 CITICS 01
25	2016-4-29	2015 Annual Report; 2016 First Quarterly Results; Proposed Change of Non-executive Director; Rules of Procedure of the Audit Committee of the Board of Directors; Rules of Procedure of the Risk Management Committee of the Board of Directors; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 3rd Meeting of the Sixth Session of the Board; Comprehensive Risk Management Systems

No.	Date of Publication	Subject Matter
26	2016-5-3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2016
27	2016-5-6	Announcement on the Financial Data for April 2016
28	2016-5-9	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 3 of Commercial Papers in 2016
29	2016-5-10	Announcement – Mr. CHAN, Charles Sheung Wai formally acts as an independent non-executive director of the Company; List of Directors and their Roles and Functions
30	2016-5-12	Notice of Annual General Meeting; Reply Slip; Proxy Form; Circular
31	2016-5-25	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 4 of Commercial Papers in 2016
32	2016-5-31	Overseas Regulatory Announcement – Announcement on Interest Payment in 2016 for the Corporate Bonds (Tranche 1) in 2013
33	2016-6-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2016
34	2016-6-6	Announcement on the Financial Data for May 2016
35	2016-6-7	Second Notice of the 2015 Annual General Meeting
36	2016-6-17	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 5 of Commercial Papers in 2016
37	2016-6-20	Overseas Regulatory Announcement – Announcement on Interest Payment in 2016 for the Corporate Bonds in 2015
38	2016-6-27	Announcement – Mr. YANG Minghui formally acts as President of the Company
39	2016-6-28	Poll Results of the 2015 AGM and Distribution of the 2015 Final Dividend

## APPENDIX 2: ADMINISTRATIVE CONSENTS AND APPROVALS OBTAINED DURING THE REPORTING PERIOD

No.	Date of approval	Title and number of approval
1	2016-01-11	Approval by the Shenzhen Bureau of the CSRC of Qualifications of CAI Jian as a Senior Executive of a Securities Company (Shen Zheng Ju Xu Ke Zi [2016] No. 12)
2	2016-01-15	Approval by the Shenzhen Bureau of the CSRC of Qualifications of ZHANG Youjun as a Senior Executive of a Securities Company (Shen Zheng Ju Xu Ke Zi [2016] No. 13)
3	2016-01-15	Approval by the Shenzhen Bureau of the CSRC of Qualifications of LI Fang as a Supervisor of a Securities Company (Shen Zheng Ju Xu Ke Zi [2016] No. 14)
4	2016-01-15	Approval by the Shenzhen Bureau of the CSRC of Qualifications of LIU Ke as an Independent Director of a Securities Company (Shen Zheng Ju Xu Ke Zi [2016] No. 15)
5	2016-03-21	Approval by the Shenzhen Bureau of the CSRC of Qualifications of HE Jia as an Independent Director of a Securities Company (Shen Zheng Ju Xu Ke Zi [2016] No. 33)
6	2016-04-15	Approval for the Establishment of 33 Branches by CITIC Securities Company Limited issued by the Shenzhen Bureau of the CSRC (Shen Zheng Ju Xu Ke Zi [2016] No. 39)
7	2016-04-22	Approval by the Shenzhen Bureau of the CSRC of Qualifications of CHAN, Charles Sheung Wai as an Independent Director of a Securities Company (Shen Zheng Ju Xu Ke Zi [2016] No. 41)