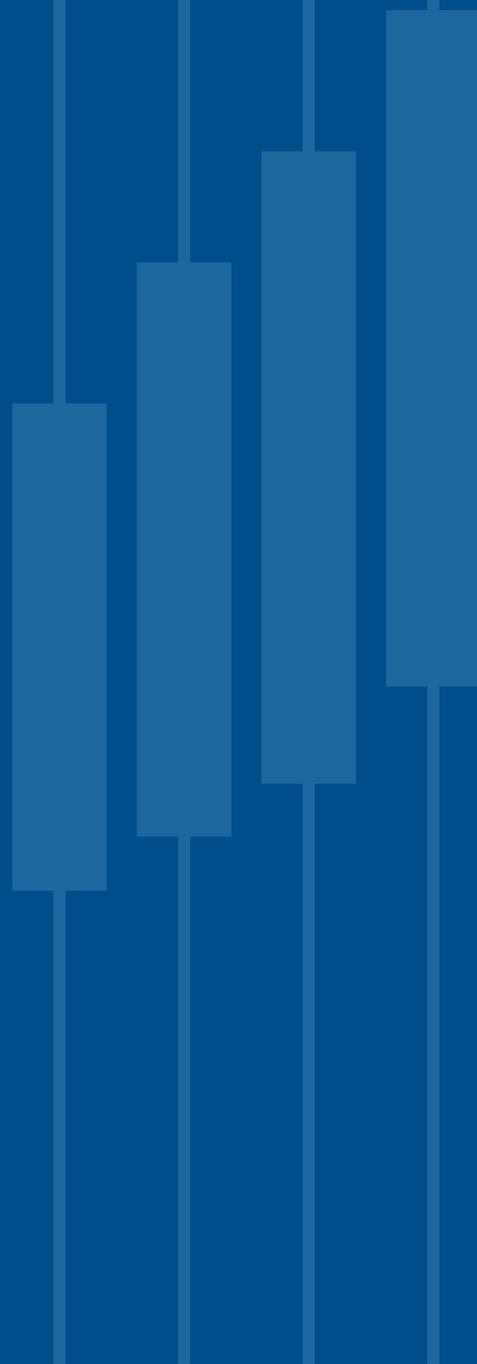




中信証券股份有限公司 CITIC Securities Company Limited

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

(STOCK CODE : 6030)



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ANNUAL REPORT

IMPORTANT NOTICE

The board of directors (the “**Board**”) and supervisory committee (the “**Supervisory Committee**”) of the Company and its directors (the “**Director(s)**”), supervisors (the “**Supervisor(s)**”) and senior management warrant that there are no false representations, misleading statements contained in or material omissions from this report and they will assume joint and several liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.

This report was considered and approved at the 38th Meeting of the 4th Session of the Board of the Company. Among 12 Directors of the Company, 10 Directors attended the meeting, among them, Mr. ZHANG Jijing attended by video conferencing, Mr. ZHANG Youjun attended by telephone conferencing. Mr. JU Weimin and Mr. LIU Lefei did not attend the meeting in person and, by a written proxy, authorized Mr. WANG Dongming, the chairman, to exercise his voting right on his behalf.

No Directors or Supervisors submitted any objection to this report.

The domestic and international annual financial reports of the Company were audited by Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. and Ernst & Young LLP respectively, and a standard unqualified audit opinion was issued on each financial report.

Mr. WANG Dongming, Chairman of the Company, and Mr. GE Xiaobo, the person-in-charge of accounting affairs and head of the financial department of the Company, warrant that the financial statements set out in this annual report are true, accurate and complete.

There was no appropriation of funds of the Company for non-operating purposes by any connected party.

There was no external guarantee provided by the Company.



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Company Information

Profile

Registered Name in Chinese:	中信証券股份有限公司
Abbreviation in Chinese:	中信証券
Registered Name in English:	CITIC Securities Company Limited
Abbreviation in English:	CITIC Securities Co., Ltd.
Legal Representative:	WANG Dongming
Authorized Representatives:	YIN Ke, ZHENG Jing
President:	CHENG Boming
Secretary to the Board, Company Secretary:	ZHENG Jing
Compliance Officer:	WU Jianwei
Registered Address:	Level A, China Merchants Bank Tower, No. 7088 Shen Nan Boulevard, Futian District, Shenzhen, Guangdong Province (Postal Code: 518040)
Office Address:	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province (Postal Code: 518048) CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing (Postal Code: 100125)
Internet Website:	http://www.cs.ecitic.com
Email:	ir@citics.com
Telephone:	+86-755-2383 5383, +86-10-6083 6030
Facsimile:	+86-755-2383 5525, +86-10-6083 6031
Brokerage Customer Services Hotline:	+86-40088 95548
Asset Management Customer Service Hotline:	+86-10-6083 6688
Place of Business in Hong Kong:	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Newspapers for Information Disclosure:	China Securities Journal, Shanghai Securities Journal, Securities Times
Websites for Information Disclosure:	Website designated by the CSRC: http://www.sse.com.cn Website designated by the SEHK: http://www.hkex.com.hk
Places Where Annual Report is Kept:	Floor 16, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province Floor 15, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Company Information

Legal Advises as to PRC Laws:	Beijing Jiayuan Law Firm
Legal Advises as to Hong Kong Laws:	Baker & McKenzie LLP
Domestic Auditor:	Ernst & Young Hua Ming Certified Public Accountants Floor 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang'an Avenue, Dongcheng District, Beijing Signature Auditors: LIANG Chengjie, CHEN Shan
International Auditor:	Ernst & Young LLP Floor 22, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
A Share Registrar:	China Securities Depository and Clearing Corporation Limited Shanghai Branch Floor 36, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
H Share Registrar:	Computershare Hong Kong Investor Services Limited Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Places Where Shares are Listed, Stock Name and Stock Code:	A Shares Shanghai Stock Exchange CITIC SECURITIES 600030 H Shares The Stock Exchange of Hong Kong Limited CITIC SEC 6030
Date of First Registration:	25 October 1995
Date of Latest Change in Registration:	30 August 2010
Registration Number of Corporate Legal Person Business License:	100000000018305
Tax Registration Number:	Shen Guo Shui You Zi 440300101781440; Shen Di Shui Zi 440300101781440
Certificate of Organization Code:	10178144-0
Registered Capital:	RMB9,945,701,400 (Due to the H Share Offering, the registered capital will be changed to RMB11,016,908,400, and related registration formality for the change is under process)
Total Shares:	11,016,908,400 Shares (9,838,580,700 A Shares and 1,178,327,700 H Shares)
Net Capital:	RMB50,029,842,800

Company Information

Changes in industrial and commercial registration:

On 25 October 1995, CITIC Securities Limited was established with a registered capital of RMB300,000,000;

On 29 December 1999, the Company was converted into a joint limited stock company known as CITIC Securities Company Limited, and the registered capital was increased to RMB2,081,500,000;

On 6 April 2000, the Company changed its registered address to Hailongwang Tower, 1030 Hubei Road, Luohu District, Shenzhen;

On 25 June 2003, the registered capital was increased to RMB2,481,500,000 (initial public offering of 400,000,000 A Shares);

On 5 December 2006, the registered capital was increased to RMB2,981,500,000 (private placement of 500,000,000 A Shares);

On 7 January 2008, the registered capital was increased to RMB3,315,233,800 (public offering of 333,733,800 A Shares);

On 30 June 2008, the Company changed its registered address to Capital Mansion, No. 6 Xinyuan South Road, Chaoyang District, Beijing;

On 24 October 2008, the registered capital was increased to RMB6,630,467,600 (capitalization issue on the basis of 10 bonus shares for every 10 then existing A Shares);

On 11 November 2008, the Company changed its registered address to Level A, China Merchants Bank Tower, No. 7088 Shen Nan Boulevard, Futian District, Shenzhen City, Guangdong Province;

On 28 August 2009, the scope of business was amended according to the License for Securities Business Operation reissued by the China Securities Regulatory Commission (the “**CSRC**”);

On 22 March 2010, the scope of business was extended to include margin financing and securities lending;

On 30 August 2010, the registered capital was increased to RMB9,945,701,400 (capitalization issue on the basis of 10 bonus shares for every 5 then existing A Shares); in the scope of business, “securities brokerage” was amended to “securities brokerage (for areas other than Shandong Province, Henan Province, Zhejiang Province, Fujian Province and Jiangxi Province)”.

Corporate Information

History

The Company was incorporated in Beijing on 25 October 1995, under the name of CITIC Securities Limited with a registered capital of RMB300,000,000. The principal shareholder of the Company was CITIC Group (“**CITIC Group**”, formerly known as China International Trust and Investment Corporation).

Company Information

On 29 December 1999, CITIC Securities Limited completed the increase in share capital, and was converted into a joint stock limited company known as CITIC Securities Company Limited (the “**Company**”, or “**CITIC Securities**”). The registered capital of the Company was increased to RMB2,081,500,000.

On 6 April 2000, with the approval of the CSRC and the State Administration for Industry & Commerce of the People’s Republic China (the “**PRC**”), the registered address of the Company was changed to Shenzhen City.

In December 2002, the Company offered 400,000,000 shares of Renminbi ordinary shares (A Shares) at the price of RMB4.50 per share, and such Shares were listed on Shanghai Stock Exchange on 6 January 2003. Upon completion of the A Share IPO, the total number of Shares of the Company was increased to 2,481,500,000.

On 15 August 2005, the Company completed the non-tradable shares reform. Upon completion of the non-tradable shares reform, the total number of issued Shares of the Company remained at 2,481,500,000 but all such Shares were tradable shares, of which, 1,941,500,000 Shares were subject to trading moratorium, accounting for 78.24% of the total issued Shares of the Company. On 15 August 2008, all Shares held by the promoters which previously were subject to trading moratorium became tradable on the market.

On 29 May 2006, the Company issued 500,000,000 A Shares by private placement at the price of RMB9.29 per share. Upon completion of the issuance, the total number of issued Shares of the Company increased from 2,481,500,000 to 2,981,500,000.

On 27 August 2007, the Company issued 333,733,800 A Shares by public offering at the price of RMB74.91 per share. Upon completion of the offering, the total number of issued Shares of the Company increased from 2,981,500,000 to 3,315,233,800.

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

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

In September and October 2011, the Company conducted an initial public offering of 1,071,207,000 overseas listed foreign invested shares (H Shares, inclusive of the H Shares issued upon partial exercise of the over-allotment option) at the offering price of HK\$13.30 per share. All such Shares are ordinary shares, with a par value of RMB1.00 per share. According to the *Administrative Measures for Reducing the State-owned Shares to Raise the Social Security Funds* and with the approval of the Ministry of Finance, the 13 State-owned shareholders of the Company transferred their 107,120,700 State-owned shares (inclusive of the shares reduced according to the partial exercise of the over-allotment options) to the National Council for Social Security Fund (the “**NSSF**”) and converted them into H Shares. The 1,094,830,000 H Shares issued pursuant to the global offering (including the H Shares converted from the

Company Information

corresponding State-owned shares), the 75,907,000 H Shares issued upon the partial exercise of the over-allotment option and the 7,590,700 H Shares converted from the corresponding State-owned shares, respectively, were listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 6 October 2011, 1 November 2011 and 7 November 2011. Upon completion of the offering, the total number of issued Shares of the Company increased from 9,945,701,400 to 11,016,908,400, of which, 9,838,580,700 Shares are A Shares and 1,178,327,700 Shares are H Shares.

The Company was established against the background of increasing development and maturity of the securities market in China. Since its establishment, the Company has continuously improved its business operations following the principle of “Standardized operation and healthy development”. At the end of 1996, the Company became one of the first ten securities houses whose stock underwriting qualification was re-approved by the CSRC; in October 1999, the Company became one of the first batch of comprehensive securities companies approved by the CSRC and one of the first batch of securities houses whose qualification as a lead underwriter for equity product was re-approved by the CSRC. The Company is one of the chief supervisor members of the Securities Association of China, one of the first securities companies to enter into the national interbank lending market, and one of the first securities companies authorized to engage in stock-secured loans. In 2002, the Company obtained approval of the CSRC on the qualifications to engage in entrusted investment management and fund sales agency service. In 2006, the Company became the only securities company to obtain the qualification approved the People’s Bank of China as a lead underwriter of commercial paper. In 2007, the Company obtained the qualifications for the trial business of direct investment and overseas securities investment management as a qualified domestic institutional investor. In 2008, the Company became a Class-A clearing participant of China Securities Depository and Clearing Company Limited, and obtained the qualification for provision of brokerage service to futures companies. In 2009, the Company obtained the qualification to manage the converted shares held by the NSSF. In 2010, the Company obtained the qualifications for securities margin trading, stock index futures trading in the proprietary business and stock index futures trading in the assets management business. In the same year, it became a domestic investment manager of the NSSF. In 2011, the Company became one of the first companies to obtain the stock repo trading qualification.

The Company was rated A-class, AA-level in all the securities companies ratings published from 2008 to 2011.

The Company currently owns four wholly-owned principal subsidiaries, namely: CITIC Securities (Zhejiang) Co., Ltd (“**CITIC Securities (Zhejiang)**”), CITIC Securities International Company Limited (“**CSI**”), CITIC Futures Co., Ltd (“**CITICS Futures**”), GoldStone Investment Co., Ltd (“**GoldStone**”); and has one non-wholly-owned principal subsidiary, namely CITIC Wantong Securities Co., Ltd (“**CITIC Wantong**”) (the Company and its subsidiaries, the “**Group**”).

After its listing on the Shanghai Stock Exchange, the Company has since been included in the SSE 180 Index, SSE 50 Index, CSI 300 Index and SSE Corporate Governance Index. After its listing on the Hong Kong Stock Exchange, the Company has since been included in the Hang Seng China H-Financials Index, Hang Seng China AH Index Series, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index — Financials and Hang Seng Composite MidCap Index in March 2012, which greatly enhanced the image of the Company.

Business Qualifications

In accordance with the License for Securities Business Operation issued by the CSRC, the business scope of the Company covers: securities brokerage (for areas other than Shandong Province, Henan Province, Zhejiang Province, Fujian Province and Jiangxi 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; and provision of brokerage service to futures companies. In addition, the Company possesses the following business qualifications:

Business qualifications approved or certified by the CSRC: online trading; open-ended securities investment fund sales agency; entrusted wealth management; operation of overseas securities investment management business by qualified domestic institutional investors (“**QDII**”); direct investment; interbank market interest rate swap; and stock repo.

Business qualifications approved by the Shanghai Stock Exchange: SSE fixed income platform market maker; warrants trading.

Business qualifications approved by the Securities Association of China: quoted transfer; stock transfer agency.

Business qualifications approved by the People’s Bank of China: member of national interbank lending market; commercial paper underwriting; inter-bank bond market market-maker and open market Class A trader.

Other business qualifications: member of book-entry government bond underwriting syndicates; clearing participant of China Securities Depository & Clearing Corporation Limited; License for Operating Foreign Exchanges in Securities Business (foreign-currency negotiable securities brokerage, foreign-currency negotiable securities underwriting and entrusted foreign-exchange asset management); qualification of enterprise annuity fund management institution; qualification of policy bank underwriter; qualification for stock index futures trading in proprietary business; qualification for stock index futures trading in asset management business; qualification for management of converted shares of the NSSF; and the qualification of the NSSF domestic investment manager.

During the reporting period, the Company actively promoted business innovation and opened up new investment areas. The Company is among the first batch of companies to obtain the qualification for stock repo; during the year, the Company completed 12 initial transactions; the Company took the lead in the IPO of Hui Xian Real Estate Investment Trust, which was the first IPO denominated in Renminbi in Hong Kong; and the Company for the first time took up the role as lead manager in arranging the RMB bond issuances of COFCO and SINOCEM.

In addition, CSI was granted RMB Qualified Foreign Institutional Investors (“**RQFII**”) qualification by the CSRC in December 2011 and launched the first RQFII product, “CSI Alpha Fund Series — CSI RMB Income Fund” in January 2012, offering opportunities for Hong Kong investors to invest in mainland China’s capital markets. The launch of RQFII business will help diversify the business scope, and at the same time contribute towards the internationalization of the RMB.

Company Information

Awards in 2011

Issued by: *The Asset*

Best Debt House — China

Issued by: *FinanceAsia*

Best Equity House — China
Best Brokerage in China

Issued by: *IFR Asia*

Annual Awards in Asia:

Best Equity House — China

Issued by: *The Banker*

Most Innovative Investment Bank in Asia

Issued by: *AsiaMoney*

Ranking No. 2 on the list of Best Local Brokerage in China

Issued by: *Shenzhen Stock Exchange*

Outstanding Sponsor on the SME Board in 2010

Issued by: *National Interbank Loans Centre* **Interbank Local Currency Market Awards in 2010:**

Greatest Market Influence Award
Best Progress Award
Outstanding Trader

Issued by: *New Fortune Magazine*

The 9th New Fortune Best Analyst:

Ranked No. 1 — Best Local Research Team

Ranked No. 1 — Best Small and Medium Market
Capitalization Research Institution

Ranked No. 2 — Best Sales Service Team

Ranked No. 2 — Most Influential Research Institution

Ranked No. 3 — Best Sales Service Team in Shanghai
New Fortune Platinum Analyst (two analysts of the
Company awarded)

Ranked No. 1 in the Industry — Macro Economy/
Banking/Household Appliance/Social Service/
Automotive and Automotive Parts/Construction and
Engineering/Media and Entertainment/Utility/
Agriculture, Forestry, Animal Husbandry and Fishery

The 5th New Fortune Best Investment Bank:

Ranked No. 2 — Best Local Investment Bank Team

Ranked No. 1 — Most Respected Investment Bank

Ranked No. 1 — Best Investment Bank with Business
Capability in Big Projects

Ranked No. 1 — Best IPO Project on the Main Board
(Agricultural Bank of China)

Ranked No. 2 — Best IPO Project on the Main Board
(Zhengzhou Coal Mining Machinery)

Ranked No. 3 — Best IPO Project on the Main Board
(Yonghui Supermarket)

Ranked No. 2 — Best IPO Project on the SME Board
(Haining Leather City)



Ranked No. 1 — Best Additional Issue Project (Air China)
 Ranked No. 2 — Best Allotment Project (Bank of China)
 Ranked No. 2 — Best Bond Project (10 BOC 01)
 Ranked No. 3 — Best Convertible Bond Project (Convertible Bond of BOC)

Issued by: *Securities Market Weekly*

The 5th Crystal Ball Awards for Sell-side Analysts:

Ranked No. 1 — Most Influential Research Institution
 Ranked No. 1 — Gold Medal Sales Service Team
 Ranked No. 1 — Local Gold Medal Research Team
 Ranked No. 1 — Gold Medal Conference Sponsor
 Ranked No. 1 — Gold Medal Roadshow and Client Visitor
 Ranked No. 1 in the Industry — Banking/Petrochemical/
 Construction and Engineering/Automotive and
 Automotive Parts/Household Appliance, Leisure and
 Luxury/Social Service/Agriculture, Forestry, Animal
 Husbandry and Fishery/SME Stocks Research

Issued by: *China Securities Journal*

2011 Gold Bull Analysts in China Securities Industry:

Ranked No. 1 — Securities Company with
 Comprehensive Research Strength Award
 Ranked No. 1 in the Industry — Transportation
 Equipment (including Alternative Energy Vehicles)/
 Utility/Public Undertaking/Commercial and Trading/
 Household Appliance/Textile and Apparel

Issued by: *Securities Times*

2011 Outstanding Investment Banks in China:

Most Influential Investment Bank
 Best Investment Bank on the Main Board
 Best Refinancing Investment Bank
 Best Investment Bank in M&A and Restructuring
 Best Investment Bank in Bond Underwriting
 Best IPO Project (Agricultural Bank of China)
 Best Refinancing Project (Bank of China A+H Rights
 Issue)
 Best Bond Underwriting Project (Taikang Life Insurance
 Subordinated Bond)
 Best Private Equity Investment Subsidiary (GoldStone)
 Most Innovative Project — (Dalian Port IPO & Dalian Port
 Group Overall Listing Project)

Issued by: *Financial Times*

2011 Gold Medals for Chinese Financial Institutions:

Best Investment Bank Securities Broker of the Year
 (Golden Dragon Award)

Issued by: *IChina.com*

2011 Best Investment Bank of China (Platinum Award)

Issued by: *China Business Law Association*

2011 Top Ten Chinese Listed Companies with Best Legal
 Risk Management Award



Financial Summary

Key Financial Data

Key Accounting Data

In RMB thousands

Items	2011	2010	Variance in comparison with last year (%)	2009
Total revenue and other income	26,370,873	30,280,871	-12.91	23,867,892
Operating profit	14,615,240	16,295,653	-10.31	13,199,253
Profit before income tax	15,031,003	16,319,941	-7.90	13,301,992
Net profit attributable to owners of the parent	12,576,483	11,311,343	11.18	8,984,029
Net cash inflow/(outflow) from operating activities	122,346	-9,457,295	101.29	13,880,554

Items	31 December 2011	31 December 2010	Variance in comparison with last year (%)	31 December 2009
Total assets	148,280,380	153,177,670	-3.20	206,807,444
Total liabilities	61,290,177	82,329,955	-25.56	141,993,065
Equity attributable to owners of the parent	86,587,285	70,434,899	22.93	61,599,436
Issued share capital	11,016,908	9,945,702	10.77	6,630,468

Key Financial Indicators

Items	2011	2010	Variance in comparison with last year (%)	2009
Basic earnings per share (in RMB yuan)	1.23	1.14	7.89	0.90
Diluted earnings per share (in RMB yuan)	1.23	1.14	7.89	0.90
Return on weighted average equity (%)	17.00	17.28	Decreased by 28 basis points	15.38

Financial Summary

Items	31 December 2011	31 December 2010	Variance in comparison with last year (%)	31 December 2009
Net assets per share attributable to owners of the parent (in RMB yuan)	7.86	7.08	11.02	6.19
Gearing ratio (%)	22.19	22.23	Decreased by 4 basis points	31.29

Note: In calculating the gearing ratio for the reporting periods above, the amounts of cash held on behalf of customers, customers' refundable deposits and accounts payable to customers have been excluded from the assets and the liabilities.

Net capital and relevant risk control indices of the parent company

As at 31 December 2011, the net capital of the parent company was RMB50,029.84 million, representing an increase of 21.88% compared with that of RMB41,049.61 million as at 31 December 2010. The increase was mainly due to the increase in profit and the issuance of H Shares during the reporting period.

Items	In RMB Yuan	
	31 December 2011	31 December 2010
Net capital	50,029,842,757.01	41,049,607,708.61
Net assets	73,770,509,385.01	61,522,834,602.63
Net capital/total risk capital reserves (%)	618.93	524.56
Net capital/net assets (%)	67.82	66.72
Net capital/total liabilities (%)	213.69	241.75
Net assets/total liabilities (%)	315.09	362.33
Value of equity securities and derivatives held/net capital (%)	56.86	61.86
Value of fixed income securities held/net capital (%)	52.74	55.06

Note: The risk control indices for every business of the Company comply with the relevant requirements of *Measures for the Risk Control Indices of Securities Companies of the PRC* issued by the CSRC.

Financial Data for the Last 5 Years

Operating results

	In RMB thousands				
	2011	2010	2009	2008	2007
Total revenue and other income	26,370,873	30,280,871	23,867,892	19,837,193	32,985,873
Operating expenses	11,755,633	13,985,218	10,668,639	10,276,449	13,090,809
Share of profits and losses of associates and jointly-controlled entities	415,763	24,288	102,739	633	9,109
Profit before income tax	15,031,003	16,319,941	13,301,992	9,561,377	19,904,173
Net profit attributable to owners of the parent	12,576,483	11,311,343	8,984,029	7,305,001	12,388,521

Financial Summary

Financial position

	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Issued share capital	11,016,908	9,945,702	6,630,468	6,630,468	3,315,234
Total equity	86,990,203	70,847,715	64,814,379	57,526,310	54,023,426
Equity attributable to owners of the parent	86,587,285	70,434,899	61,599,436	55,221,765	51,599,432
Total liabilities	61,290,177	82,329,955	141,993,065	79,361,962	135,630,456
Accounts payable	36,477,143	62,081,222	112,477,670	61,069,719	117,805,514
Total assets	148,280,380	153,177,670	206,807,444	136,888,272	189,653,882

Key financial indicators

	2011	2010	2009	2008	2007
Dividends per share (in RMB yuan)	0.43	0.50	0.50	0.50	0.50
Basic earnings per share (in RMB yuan)	1.23	1.14	0.90	0.73	1.25
Diluted earnings per share (in RMB yuan)	1.23	1.14	0.90	0.73	1.25
Return on weighted average equity (%)	17.00	17.28	15.38	13.49	46.46
Gearing ratio (%)	22.19	22.23	31.29	24.13	24.81

Notes: (1) Accounts payable represents the amount received from and repayable to clients arising from the normal course of the Group's securities brokerage business. The fund is restricted and governed by the relevant third-party deposit regulations.

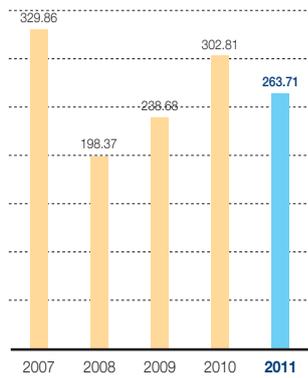
(2) Earnings per share for each reporting period from 2007 to 2010 is calculated based on the number of shares with capital reserve converted into issued share capital in 2010.

(3) In calculating the gearing ratio for the reporting period listed above, the amounts of cash held on behalf of customers, customers' refundable deposits and accounts payable to customers have been excluded from the assets and the liabilities.

Financial Summary

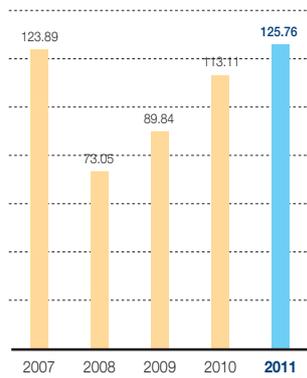
Total revenue and other income

In RMB100 million



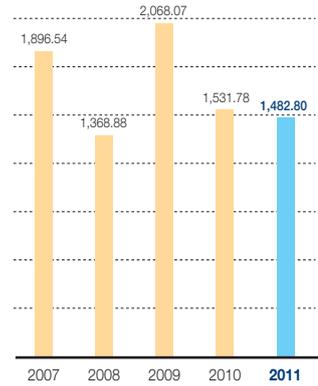
Net profit attributable to owners of the parent

In RMB100 million



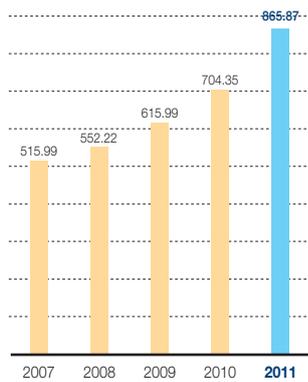
Total assets

In RMB100 million



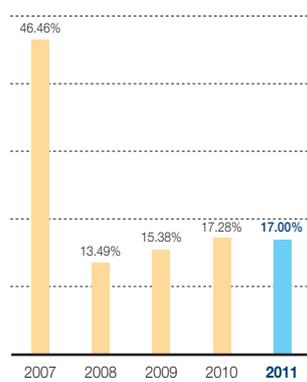
Equity attributable to owners of the parent

In RMB100 million



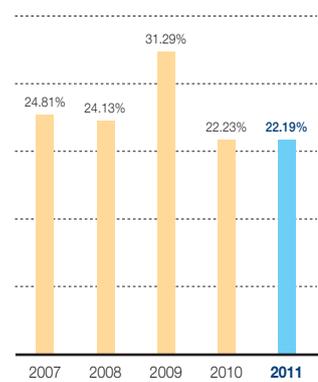
Return on weighted average equity

%



Gearing ratio

%



A white sailboat is shown from a low angle, sailing on a deep blue sea. The sky is clear and blue. In the background, there are faint, hazy mountains. A semi-transparent financial bar chart with vertical bars of varying heights is overlaid on the right side of the image, extending from the bottom towards the top. The text is positioned in the lower-left quadrant of the image.

*We completed the H Share Offering
and the proceeds raised amounted to*

RMB11,271 million

Fight against pressure
Speed up transformation

Achieve mutual growth
with our customers



Chairman's Statement



2011 was a milestone in the development of CITIC Securities. Our net profit increased by 11.18% compared to that of 2010 and we completed our H Share offering, becoming the first investment bank concurrently listed in mainland China and Hong Kong. This marked a concrete step forward in our internationalization.

WANG Dongming
Chairman

Dear Shareholders,

The global economy continued to fluctuate in 2011 and the financial industry worldwide remained focused on managing risks. As the leading investment bank in China, we, as well as other peers, have proactively dealt with market fluctuations, strengthened our capital and liquidity, reinforced our creditability and promoted industry reform.

2011 was a milestone in the development of CITIC Securities. In respect of financial performance, our net profit attributable to shareholders increased by 11.18%

compared to that of 2010. In addition, we completed our IPO in Hong Kong, becoming the first investment bank concurrently listed in mainland China and Hong Kong. By disposing our 51% equity interest in China AMC, we not only gained from the disposal, but also complied with the shareholding percentage requirement of a securities company in a subsidiary fund management company. More importantly, we saw a new round of business development opportunities emerging from the growth of China's economy and capital market development, and played the role as the pursuer to promote such market development.

Admittedly, there are still challenges ahead in our economy, market and industry, but as what we presented to our investors during our Hong Kong listing: “back to the basic”, we will redefine the business model of Chinese investment bank by taking advantage of the development opportunities emerging from the China capital market.

— 2011 RESULTS

Our Financial Performance

Adverse conditions in the capital market have impacted our revenue. Both the primary and secondary markets are less active on the whole, resulting in revenue decrease in certain business segments. For instance, fee and commission income from brokerage and investment banking decreased by 20.66% and 20.20% respectively compared to the corresponding period last year (excluding contribution of China Securities Co., Ltd. for 2010 in both cases). However, with our successful exit from certain strategic investments, we recorded a 25.15% increase in our investment income from 2010 to 2011. The profitability of the Company continued to grow in 2011.

In terms of our capital strength, with our successful listing overseas and the profits realized in 2011, the total equity of the Company at the end of 2011 reached RMB86.99 billion, representing an increase of 22.78% compared to the corresponding period last year. We successfully enhanced our capital strength and risk resistance capacity by way of our listing, amidst an unfavorable market environment, and established a solid foundation for our fast development in the future.

Our Business Achievements

In 2011, we continued to maintain our industry leading position in various businesses. For example, we ranked first in our various businesses, including total proceeds raised from equity and bonds issuances, trading turnover

of stock and fund products, and research capabilities etc in China. Our business achievements were widely recognized by the market and we have received a number of awards issued by domestic and overseas institutions, such as Shenzhen Stock Exchange, *The Asset*, *The Banker*, *FinanceAsia*, *IFR Asia* and *New Fortune Magazine*.

While maintaining our leading position in our traditional business, we have actively developed flow-based business, increased the variety of our financial services and products such as stock repo, prime services, block trading, equity management, structuring and market making for equity and fixed income structural products, to satisfy the investment demand and finance needs of our customers.

In respect of our strategic development, our H Share IPO has marked a concrete step forward in our internationalization, and we are planning to deepen our international business cooperation through investing in CLSA and CA Cheuvreux. As of today, we have established and commenced our operations in US, thereby extending the footprint of our international business.

— TRENDS AND OPPORTUNITIES IN OUR INDUSTRY

The market's concerns about the global and China's economic growth momentum have impacted the corporate and investor's activities in the capital market. Wide market fluctuations and decreased trading volume have affected our trading and brokerage business to certain extent. Such negative effects have impacted our operation in 2011. The traditional licensing business in the securities industry has seen increased competition, narrowed profit margin, and continuously higher cost to participants for maintenance of market shares.

Chairman's Statement

However, we firmly believe that as China's economy keeps growing, the services provided by us will bring positive effect to the development of the real economy and the business growth of our customers. Currently, CITIC Securities has over 400 institutional clients, more than 700 corporate clients and 3.5 million retail clients. Our prolonged and long-term services commitment to clients will not be affected by the short-term market fluctuations. Our ability to serve the real economic development in China and to grow with our clients is the foundation for our bringing long-term and sustainable returns to our shareholders with controllable risk.

It is encouraging to note that a new round of reform in the securities industry is coming up, and policies that have significant influence on the development of China's capital market are changing. In terms of economic policy, to develop the real economy is one of the major tasks in the near future. In terms of financial policy, the direction is to persist in using financial services to serve the real economy, to allocate financial resources according to the market, and to balance innovation and regulation. In terms of industry regulation, CSRC has proposed to "improve the capital market structure" and "build first class international investment banks with China characteristics", which will have a long-term impact on the reform of China's securities industry.

We note that at the current stage of China's real economic development, it is inevitable that the securities industry has to provide large scale and multi-level products and services to meet the demands from different real economic entities (corporates, governmental bodies, investment institutions and individuals) and to deepen the diversification of financial industry risks and enterprise operation risks. For China's financial industry, concentration of risks associated with economic entities among commercial banks, and a general lack of credit assets securitization must be changed. Corporations in

China need to enrich their methods in investing, financing and risk control through the capital market. As such, the reform of the securities industry is a necessary step to realize the goal of using capital market to serve the real economy.

A regulatory environment that encourages innovation is essential for the reform of China's securities industry, and we, as the principal participant in the industry, endeavor to promote such reform. On the one hand, through our experience in our own development, we are maintaining a positive interaction with the regulatory authorities, and are calling for relaxation of the regulations. On the other hand, we are actively encouraging product and service innovation in the capital market to serve real economic growth. We are pleased to note that changes are already taking place in the regulatory level. For example, the regulatory authority has recently put forward the view of "promoting market development through differentiating regulations" with the top industry practitioners engaging in innovative practices as test points and then gradually extend such practices to other participants.

All these changes provided the pre-requisites for our business transformation: we have to transform from a passive licensing business provider and a standard product supplier to an integrated financial services provider with multiple roles, such as a market maker, liquidity provider, product creator, product dealer, wealth manager and trading counterparty.

— OUR STRATEGIES AND MEASURES

Our value to shareholders is not only to maximize gains during bull market, but also to act correctly amid different market conditions. This is what CITIC Securities is committed to during the market cycles in the past 16 years. With challenges and opportunities, we respect the market, work hard, and continue to extend our tradition.

To grasp the opportunities emerging during industrial reform, accelerate our business transformation

All principal businesses of the Company must undergo transformation. Although our licensed business, such as brokerage, investment banking, and assets management, still maintained their respective leading positions in the market, all these businesses have similar nature and are characterized by over reliance on the stock market. Leveraging on the industry reform, we should take full advantage of CITIC Securities' tradition of innovation, so as to accelerate our business transformation in three aspects: firstly, to shift our business from homogeneous competition to differentiated competition; secondly, to diversify from a stock-oriented business model to a diversified stock and bonds focused business model; and thirdly, to change from product-oriented to customer-oriented.

To build a full-service platform by leveraging our advantages and focusing on our customers

We are a full-service integrated investment bank. Although we have to face different competitors in different business lines, we are the only integrated service platform in the industry with leading positions in the main business lines. Through interactions among our various business lines, we aim to enhance our overall service capability and provide diversified products and services as the "one-stop" investment bank to our clients. For example, we plan to centralize the management of certain cross-border businesses, such as fixed income, prime service and alternative investment, and to take advantage of our domestic and international platforms for the provision integrated services, with a view to becoming our customers' preferred choice of cross-border integrated investment bank.

To keep implementing our internationalization strategy, and to explore specific international business platform

We deeply understand that to serve China's real economy is the foundation of our business and to bring sustainable and reasonable returns to our shareholders is the pre-requisite for our engaging in any new business. The internationalization of CITIC Securities is to take advantage of the globalization of China's economy, by aiming at serving the comprehensive demands of Chinese customers, and to mutually complement the domestic and overseas platforms. From the step-by-step establishment of our platform in Hong Kong, shareholders would note that the internationalization of CITIC Securities is a prudent and cautious process. However, our cautiousness should not be regarded as lacking momentum or the courage to draw up a strategy plan. We believe that a volatile financial market in our internationalization process may provide us with opportunities for organic growth or merger and acquisitions. Although there are challenges and uncertainties in the process of merger and acquisitions, we will manage such process with caution and care.

To better leverage on our financial position

As at the end of 2011, our net assets reached approximately RMB87 billion. Our financial gearing ratio was at a very low level compared with that of the overseas peers. Sound financial position has provided a solid base for our business development, but at the same time has posed great challenges for us to increase the rate of return to shareholders.

In order to increase return to shareholders, we must fully utilize our balance sheet to generate profit by means of providing corresponding services to our clients. At the same time, we are very clear that the nature of

Chairman's Statement

investment bank is to act as a trading intermediary. Its functions are to organize the market, provide liquidity and facilitate transactions. The most important work for our everyday operation is risk management, and not to leave excessive risks on the balance sheet. As such, we must effectively use our balance sheet and allocate our capital between capital-efficient investment and flow-based business. We will stimulate our customers' transactions through vigorously developing our flow-based business, and to provide market liquidity such as margin financing and securities lending business, prime services and structured financing business at a low balance sheet risk. Such businesses will enable us to safely raise our gearing ratio, expand our scale and increase our gains from stable sources.

The securities industry has distinct cyclical factors, thus we need to conduct our businesses with a long-term goal. As mentioned above, our mission is to bring long-term value to our shareholders within controllable risks, rather than opportunities for profits through short-term speculations.

To enhance risk management, to adhere to our corporate culture, and to continue pursuit business excellence

To operate in a prudent and sound manner is the foundation for sustainable operation and development of our Company. In 2011, our proprietary trading business incurred losses due to the drastic fluctuations of the market. All these have reminded us of the importance of enhancing our risk management mechanism to actively manage our risk exposure and to effectively monitor various business risks.

In the meantime, in order to enhance our competitiveness, we need to keep attracting, encouraging and retaining high caliber talent, improving internal management and

upgrading the IT system. Today when the "western investment banking culture" has aroused much social controversies, we must firmly insist on our belief, continue to be customer focused, and do business in an upright, professional, diligent, and responsible manner in pursuit of excellence in every respect.

— LOOKING FORWARD

Our target is to become a "world-class, China-focused, global investment bank". 2011 has marked an important step forward towards the above target for us. As the first Chinese investment bank with A+H Share listing, we deeply feel our responsibility to realize return to our shareholders. The opportunity of a substantial one-off gain such as that realized from the disposal of the equity interest in China AMC in 2011 will not emerge again in 2012. We will leverage our leading position in the industry to broaden our income source and control our costs, and will endeavor to enhance our profitability and returns to our shareholders.

We need to make ourselves clear that China's securities industry is still in the preliminary stage of its development. The general scale of the industry is small and the concentration is low. Although CITIC Securities is the leader in the industry, there is still a noticeable difference with first class international investment bank. However, this provides us with rooms for further growth, and we are facing the best development opportunities in history. The continuing growth of the real economy of China is the solid base for the rapid growth of the securities industry; in the meantime, the change in economic structure and industry upgrade have provided a platform for our financing and merger and acquisition business. We are the promoter, and at the same time, the beneficiaries in the process of building up a multi-layer capital market. The increases in the residents' income and assets as well as the establishment of the

Chairman's Statement

social security system have brought opportunities for our products sales and assets management business. These represent opportunities that we need to grasp, and matters that must be performed well.

The market still has many uncertainties, and we need to always stay focused. We believe that we are well prepared in every aspect to face the challenges in the future. We will continue to use all our efforts to bring returns to our shareholders, clients and employees in 2012 and in the future. I hereby express my gratitude to all our shareholders for their trust and support given to CITIC Securities. We understand your expectation for your investing in China's securities industry and CITIC Securities. We will use our best endeavors to bring along long-term and stable returns to you all.



Chairman: **WANG Dongming**

29 March 2012

Management Discussion and Analysis

Business Overview

Investment Banking

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

Brokerage

The brokerage business of the Group mainly engages in securities and futures dealing and broking, financial products sale.

Trading

The trading business of the Group engages in trading and market-making of equity products, fixed income products and derivatives, as well as margin financing and securities lending business.

Asset Management

The Group provides asset management services and products to clients in China and globally. Asset management businesses already commenced by the Group include: collective asset management (“**CAM**”),

targeted asset management (“**TAM**”), specified asset management (“**SAM**”) and other investment accounts management.

Investment

The investment business of the Group engages in private equity investments, principal investments and other businesses.

Analysis of principle business

Investment Banking

Equity Finance

Market Condition

In 2011, the scale and structure of equity financing in China kept changing, and the traditional investment banking business is under pressure. As the number of scalable quality IPO projects for large commercial banking, insurance, energy, transportation and construction industry was reducing, together with the tightening financing policy in the real property sector, the A share market dropped for the second consecutive year. In addition to the decrease in the scale of underwriting for IPOs and follow-on offerings, lots of projects were postponed or having their offering scale reduced substantially.



Management Discussion and Analysis

In respect of financing structure, the amount of capital raised from small and medium projects kept rising, Small and Medium Enterprise Board and ChiNext Board have become the focus for equity financing business in 2011. On the other hand, market concentration on IPOs has been further reduced. During the past three years, sizable investment banks faced severe competition from small and medium investment banks, and the concentration level of the top 10 investment banks in terms of underwritten amount kept decreasing.

Actions and Achievements

Facing the ever changing industry environment, the Company has adjusted its organization structure at the beginning of 2011, by setting up the Investment Banking Service (“**IBS**”) team, as well as a product and execution team. The core of the new organization structure will be the full coverage of IBS products and professional division of task. It requires every IBS team to be customer-oriented, and responsible for analyzing target customer; to manage and allocate internal and external resources of the Company; to keep pursuing business opportunity of providing full range products (including innovative products) to target customers to enable full products coverage, so as to provide an all-around solution and comprehensive products and services to the customers that best suit their needs. The product and execution team covers every major industry; it focuses on project execution, as well as pursues all sort of business opportunities in coordination with IBS team, thus achieving efficiency from professional division of the task. The Company has deepened the exploration of customers and business opportunities through the new organization structure reform, which enriched the robust project pipeline and firmed the leading market position of the Company.

In order to capture emerging business opportunities in China, the Company established the corporate financing and development department in 2006 to focus on small and medium enterprises in industries (such as technology and consumer sector) that have greater growing potential. After five years of hard work, the team has grown stronger, and has earned reputation in small and medium project sector. The Company has also established distinct competitive advantage in various sectors including consumer sector, advanced equipment manufacturing sector, electronic information science and technology sector, thus having stronger influence on the market. In 2011, the corporate development and financing department completed 4 IPOs, 3 of which were listed on the ChiNext Board, and 1 listed on the main board, and the total capital raised from IPOs amounted to RMB6.85 billion. The total underwritten amount of the aforementioned 3 IPOs in ChiNext market amounted to RMB4.21 billion, and ranked fourth in the ChiNext IPO market in terms of total underwritten amount.

Under the harsh market condition, the Company completed 15 equity underwriting transactions, of which the underwritten amount was approximately RMB45.02 billion, with a market share of approximately 8.4%, ranking second in the market. Of which, the Company completed 8 IPOs, with the underwritten amount of approximately RMB17.79 billion. The Company also completed 6 follow-on transactions and 1 convertible bond transaction, with the underwritten amount of approximately RMB23.40 billion and approximately RMB3.83 billion, respectively.

For international business, the Company kept increasing its effort in exploring international business and building up international business network; and positioning properly that can optimize its advantage during the initial stage of internationalization.

Management Discussion and Analysis

	2010		2011	
	Amount underwritten (in RMB millions)	Number of issues	Amount underwritten (in RMB millions)	Number of issues
IPOs	57,846	24	17,786	8
Follow-on offerings	59,605	16	23,402	6
Convertible bonds	20,000	1	3,833	1
Total	137,451	41	45,021	15

Data Source: Wind Information Co., Ltd ("**Wind Info**"), company internal operating data

2012 Outlook

In 2012, the Company will reinforce its advantage in traditional investment banking business, and continue to secure the strategic customer base. In order to maintain the leading position in the underwriting business, capturing strategic client will still be the focus the Company in the future. The Company will also keep a close eye on new products, as well as strengthen project pipeline. The Company will capture the business opportunities from small and medium enterprises financing as a result of economic restructuring and industrial upgrading, remain the competitive strength in business related to technology, consumer and advanced manufacturing sectors, by enhancing the capabilities of understanding the economic cycle, sourcing quality projects and exploring enterprise value. At the meantime, the Company will also focus on project quality control and brand enhancement.

Debt and Structured Finance

Market Condition

The raise of the expected yield in China bond market, as well as the increase in supply put the Company's bond underwriting business in pressure in 2011. Affected by factors such as tense capital supply in the market, high inflation pressure and unpleasant condition for overseas market, the overall expected yield for the China bonds market was on an increasing trend, the expected yield for bonds of different kinds reached or approached historical high. With respect to the bond supply in 2011, the CSRC has simplified the approval procedures for corporate bonds, and shortened the approval cycle, in order to encourage companies to issue corporate bonds, resulting in a faster growth in the scale of corporate bonds issue. In addition, as affected by the credit loan scale tightening in China, medium-term notes and commercial paper financing increased accordingly, which enlarged the supply in the market.

Management Discussion and Analysis

Actions and Achievements

Even under the adverse market condition, the Company maintained leading position in debt and structured finance business. In 2011, the Company has completed a total of 60 transactions, including underwriting for enterprise bonds, corporate bonds, financial bonds, medium-term notes and commercial paper, with the underwritten amount of approximately RMB153.44 billion, representing 5.6% of the market share in terms of amount underwritten. The Company ranked first in 2011, in terms of number of issues and amount underwritten.



	2010		2011	
	Amount underwritten (In RMB billions)	Number of issues	Amount underwritten (In RMB billions)	Number of issues
Enterprise bond	38.4	33	16.5	12
Corporate bond	—	—	10.5	6
Financial bond	55.5	18	93.9	19
Medium-term notes	13.1	10	18.9	14
Commercial paper	9.7	10	13.5	8
Collective notes	—	—	0.1	1
Total	116.7	71	153.4	60

Data Source: Wind Info, company internal operating data

For interest rates products, in 2011, the Company ranked first among its peers in terms of the treasury underwriting and underwriting of policy financial bonds issued by China Development Bank, the Export-Import Bank of China and Agricultural Development Bank of China, respectively.

In 2011, the Company not only maintained its leading position in traditional bond business, but also continued to explore businesses with its “blue ocean strategy”, and has made remarkable breakthroughs in various new business sectors, such as assets securitization, structured financing and RMB denominated bonds in Hong Kong.

Management Discussion and Analysis

In respect of corporate assets securitization, the Company completed the first and the only securitization project after the CSRC restarted the pilot program of corporate specified assets beneficiary certificate, with capital raised achieving approximately RMB1.28 billion.

In 2011, the Company has completed a number of structured financing transactions, with an aggregated offering scale of over RMB6.0 billion, and has become the leader of structured financing business among the investment banks in China.

In respect of the RMB denominated bond business in Hong Kong, since the RMB deposits has increased rapidly while the relevant investing channel is rather limited, together with the intensive anticipation of the RMB appreciation, the cost for issuing RMB denominated bonds in Hong Kong is lower, representing a vivid contrast with China's bond market. In 2011, the amount of the RMB denominated bond underwritten by the Company was one of the biggest in the market; the amount underwritten was approximately RMB2.75 billion. The Company has enriched its business structure and extended its business vision and platform through the RMB denominated bond transactions in Hong Kong. The reputation in the international market and the accumulated business experience provided a solid foundation to secure other overseas bond underwriting project.

2012 Outlook

In 2012, the Company will focus on the following aspects: keep a close eye on market developments and the changes in regulatory policy; take full advantage of being a full-licensed firm; thoroughly explore the demands for debt financing and other businesses of the Company's customers; maintain the leading market position and influence, and strive to make breakthrough in product innovation.

Financial advisory business

Market Condition

In 2011, the total amount for global merger and acquisition transactions was approximately US\$2.2 trillion, representing an increase of approximately 2.5% compared to that of 2010, which is the highest since 2008. Cross-border mergers and acquisitions has become more important in global mergers and acquisitions' activities. Transaction amount for cross-country or cross-region mergers and acquisitions in 2011 has increased to approximately US\$1.5 trillion, representing an increase of 13.6% compared to that of 2010, accounted for 67% of the total transaction amount for global mergers and acquisitions. Energy, minerals and utility are the major sectors for cross-border mergers and acquisitions, the transaction amount of which was approximately US\$557.1 billion, accounted for approximately 25% of the total transaction amount for the global merger and acquisition transactions.

Actions and Achievements

In 2011, along with the Company's promotion to the full coverage of IBS product offerings, the opportunities of financial advisory business, such as mergers and acquisitions and restructuring for the major sizeable clients of the Company, have been deeply explored; the projects pipeline of financial advisory business in relation to mergers and acquisitions and restructuring have been continuously enriched; the leading market shares have been secured and the financial advisory business has been significantly increased.



Management Discussion and Analysis

In addition to maintaining the leading position in domestic mergers and acquisitions business, the Company has significantly expanded the cross-border mergers and acquisitions business. The cross-boarder mergers and acquisitions business is the most practicable and feasible breakout for the Company's international strategy. 2011, the Company completed a number of sizable transactions with significant meanings to the market. In addition to the teams based in Hong Kong and Australia, the Company has engaged in an all-around strategic cooperation with a number of foreign partners in Europe and America for business expansion.

Apart from domestic and overseas mergers and acquisitions and restructuring financial advisory business, the Company was also dedicated in the expansion of innovative financial advisory business and has completed several financial advisory projects of such kind in 2011.

2012 Outlook

In 2012, the Company will spare no effort to strengthen its position as a leading investment bank in domestic mergers and acquisitions business. Leveraging on the quality services the Company provides to the existing clients, the Company will provide more value-added mergers and acquisitions and restructuring financial advisory services and further its development in a more diversified product offering profile. It is also the goal to the Company to consolidate the competitiveness for a more comprehensive and diversified application of financial instruments in the merger and acquisition deals to explore more business growth points.

For overseas mergers and acquisitions, the Company will gradually participate in certain influential cross-border mergers and acquisitions deals around the globe to raise its brand name and influence on the international mergers and acquisitions market.

Brokerage

Market Condition

In 2011, the market opened sharply but ended up in its low, with a thinner trading volume towards the end of

the year. The total turnover of A share in the secondary market for the year amounted to merely RMB41.90 trillion, representing a decrease of approximately 22.8%. Subsequent to the noticeable slide of over 20% per year in 2009 and 2010, commission rates went through a rather steady stage during first half 2011. However, due to the renewed plunge in commission rates seen in the third quarter of 2011, the industrial average net commission rates fell to 0.08%, representing a decrease of 18% compared with the previous year.

Actions and Achievements

The Group's brokerage business kept its market leading position despite the adverse market condition it has been experienced. The Group recorded a total trading turnover (excluding the securities repurchases) of approximately RMB4.95 trillion in Shanghai Stock Exchange and Shenzhen Stock Exchange, of which the trading turnover for stocks, fund products aggregated to RMB4.67 trillion, ranked first among all peers in 2011.

The Group managed to maintain its leading position in commission fees received from fund management companies and increased the number of QFII clients steadily. There have been certain major breakthroughs in the QFII business in Hong Kong, not only in terms of the number of clients the Group has, but also in terms of the income it received. The Group strived to expand institutional clients coverage, continuously firmed and developed private fund clients, further explored insurance companies, large state-owned enterprises and hedge fund clients.

The Group made great efforts in the transformation of its retail brokerage business from a traditional-only approach to an approach with emphasis on both traditional and innovative businesses. Brokerage business management department developed to brokerage business development and management committee with four sub-divisions established thereunder, namely financial products research and development division, marketing division, customer service division and operation management division. Through the segregation between the functions of products and marketing and

Management Discussion and Analysis

that of service and operation, a faster expansion of the innovative businesses and a more efficient product committee of the Group were guaranteed, which in turn contributed to the professional division of task of the internal control and external customer relationship.

As part of the high-net-worth client oriented approach, the Group strived to explore different modes of comprehensive financial service for wealth management needs. The Group continued its strategy to upsize its investment advisory team during 2011, with the total number of registered investment advisors added up to be over 900. Such move has speeded up the contract signing process for standardized services or products and optimized the appraisal and incentive mechanism of the investment advisors. Besides, the Group has achieved a unified operation in the customer relationship centers and enhanced the quality of the services and the experience of the customers.

For marketing and sales of products, the Company consolidated the retail brokerage business of its two subsidiaries, CITIC Securities (Zhejiang) and CITIC Wantong to achieve unified sales. The Group also established 5 branches in Beijing, Shanghai, Jiangsu, Guangdong and Wuhan to explore opportunities in the respective regions. In addition, the Group has also built up the specialized sales team and expanded the scale and diversity in the financial products offerings.

For the international business, the Company has consolidated the retail brokerage business of CSI into the central platform of brokerage business development and management committee in pursuit of the further cooperation between the brokerage business in the PRC and Hong Kong.

In 2011, the Group continually increased the number of brokerage branches and enhanced the regional coverage. As of December 31 2011, The Group had a total of 160 securities branches and 18 futures branches in the PRC and Hong Kong, representing an increase of 18 and 12 branches, separately, compared with those as of the end of 2010.

2012 Outlook

In 2012, the Group will continue to maintain leading position in the market and enhance clients' experience and satisfaction in services; Meanwhile, the Group also aims at a full coverage on various institutional clients in the PRC to capture new clients and generate additional streams of revenues on top of traditional commission income. The Group also plans to expand business among overseas clients and seek further opportunities in cross-border business. The Group will capitalize on its product committee to consolidate internal and external resources, by which the Group aims to enrich the quantities and types of financial product offerings to meet diversified client needs. In addition, the Group will continue to spare efforts in building its specialized sales team as well as to increase the sales of its products. The Group also aims at accelerating the transformation of traditional businesses and focuses on the dynamic needs of the market leading investors. The Group strives to avoid homogenous competition and achieve better customer services through a differentiated business model.

Trading

Market Condition

The A share market experienced a tumbling downtrend in 2011. Both domestic and international environments deteriorated in the third quarter of the year. Globally Standard & Poor downgraded the US sovereign bonds and the European debt crisis intensified, while China faced the unprecedented inflation pressure, economic growth slow-down and expected corporate earnings decline. Market competition in quantitative investment has also been intensified. With fund management companies, securities firms, asset management companies and private equity funds eagerly participating in the quantitative investment segment, room for potential gains from arbitrage diminished.

For margin financing and securities lending, there has been a significant growth in 2011. The outstanding balance of the entire market reached approximately RMB37.95 billion, representing an increase of 197.1% compared with the previous year. During 2011, the

Management Discussion and Analysis

Company noticed two major developments in regulation and policy on margin financing and securities lending business. The first one is the normalization of margin financing and securities lending business, and the second one is the progress made in the Centralized Securities Lending Exchange with China Securities Finance Corporation Limited set up.

Actions and Achievements

Flow-based Trading

In 2011, the Company recorded fast growth in flow-based business.

For equity products, the Company provided a full spectrum of market making services to the customers such as equity management services, block trades, provision of liquidity to exchange-traded funds (“**ETF**”) and structured products building. In respect of the equity management services, the Company, as the first group, commenced the stock repo business in 2011. Through innovation in the mode of business and increased capital investment, the Company realized a growth in revenues from block trades. In respect of the provision of liquidity to ETF, the Company participated in the secondary ETF market as a “market-maker” and met with the ETF investors’ needs to invest and divest the market via the provision of liquidity to two-way ETF quotes with its own capital.

For fixed income products, leveraging our extensive clientele network and superior capability in product design, the Company is dedicated in the provision of product design and development, market-making and risk management services to meet the investment and financing needs of its clients, including: the provision of market-making and transaction services to commercial banks’ wealth management plans; the Company provided its clients with consultancy, product design, and market-making services in respect of asset-backed securities business; The development of several self-branded and self-managed wealth management products; the provision of trading and market-making



services for interest rate swaps and securities margin transaction. In 2011, the Company continuously ranked first in terms of trading turnover in the interbank bond market. Besides, the Company was again awarded the “Outstanding Trader in Interbank Local Currency Market” and “Outstanding Market-Maker in Interbank Market”.

For margin financing and securities lending business, the Company stepped up its efforts in the marketing of business, such that the Company was able to sustain steady growth in its business volume. As of 31 December 2011, the number of margin accounts of the Company accumulated to a total of 4,534, representing a growth of 230.2% compared with the previous year. The Company recorded an outstanding balance of margin financing and securities lending of RMB2.62 billion, representing an increase of 67.4% compared with the previous year and a market share of approximately 6.9%. The Company is in active preparation and pursuit of the qualification to conduct pilot Centralized Securities Lending Exchange business. The pilot scheme of the Centralized Securities Lending Exchange business, the relevant management systems and the technical systems are basically ready. Meanwhile, the applications for qualifications of margin financing and securities lending business by CITIC Securities (Zhejiang) and CITIC Wantong are also under process.

Management Discussion and Analysis

	31 December 2010	31 December 2011
Number of margin accounts	1,373	4,534
Margin accounts balance (In RMB millions)	1,563	2,616

Data Source: company internal operating data

In addition to traditional margin financing and securities lending businesses, the Company also provided prime service business and has commenced various businesses on top of the four major themes, namely sales, innovation, technology and operation. Currently, the major activities include research and development of trading strategy, leverage financing, securities lending, settlement custodian and risk management. During 2011, the Company convened and held the First Hedge Funds Summit, with the participation of over 170 representatives from various foreign hedge funds, domestic mutual funds, private equity funds, commercial banks, insurance companies and assets management institutions. Through such conference, the Company developed a number of potential institutional clients and partners that laid a solid foundation for the development of margin financing and securities lending businesses in the PRC and Hong Kong in the future.

Proprietary Trading

The year 2011 has been a difficult year for the Company as the adverse condition throughout the capital market over the year has posed substantial influence on the proprietary stock trading business of the Company. The Company recorded loss during the third quarter since its failure to take immediate action to manage the position amid the deep market correction. Risk management is still the key focus in the Company's investment activities.

Currently, the Company focuses on quantitative analysis and conducting its proprietary trading business through its multi-strategy trading model. The multi-strategy trading business model refers to a trading strategy to generate diversified and steady gains with low risk exposure mainly by means of arbitrage, market-making and high frequency trading, and to achieve stable and reasonable trading returns by managing the risk position of proprietary trading. The multi-strategy trading consists of index futures arbitrage strategies, basic factor quantitative strategies, multi-factor quantitative strategies, etc. Meanwhile, the Company also actively developed and implemented new trading strategies such as statistical arbitrage strategies and high frequency trading strategies.

2012 Outlook

In 2012, along with the establishment and operation commencement of the subsidiary specializing in financial products investments and the business line of specialized investment, the Company's ability to provide flow-based products will be enhanced. Based on expanding the existing business scale, the Company targets to provide more characterized and tailor-made products



Management Discussion and Analysis

and solution to its clients, in order to satisfy the clients' needs of financing and investment. Furthermore, for the fixed income products, the Company will put more effort on the development of cross-border businesses under the FICC (Fixed Income, Currencies and Commodities) structure.

For the margin financing and securities lending business in 2012, the Company will accelerate the development of its institutional clients through technology cooperation, system construction and research services; strive to obtain the qualification to conduct pilot Centralised Securities Lending Exchange business and further enlarge its market share, lower its operating costs and investor trading costs; improve its services on strategy trading as well as strictly control its market risk and credit risk.

Asset Management

Market Condition

The asset management business has faced tremendous challenge in 2011 due to the unfavorable China and overseas economic conditions. Firstly, the securities market remains weak with limited room for profitability. Investors have taken a conservative approach in their investments, leading to poor condition for product marketing. Secondly, there was hardly opportunity in the stock market or the bond market. The performance of most wealth management products in the market were under expectation. Thirdly, competition in the asset management sector has become increasingly fierce.

Actions and Achievements

As of 31 December 2011, the Company's total assets under management ("AUM") amounted to RMB62.0 billion, of which the AUM of the Company's TAM (includes enterprise annuity and National Social Security Fund) and SAM amounted to over RMB46 billion and RMB1 billion respectively.

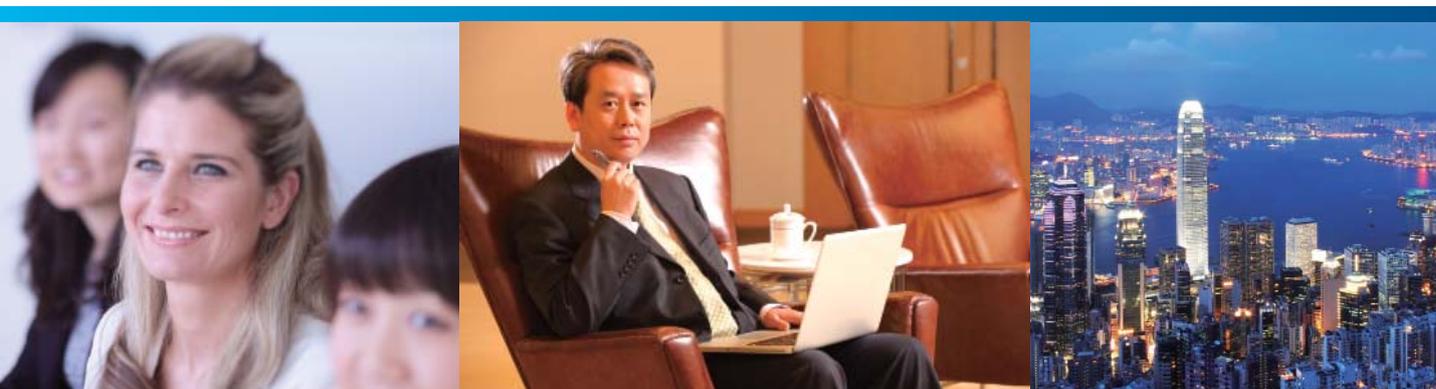
	2010		2011	
	AUM (In RMB millions)	Management fees (In RMB millions)	AUM (In RMB millions)	Management fees (In RMB millions)
CAM plans	15,659	157.6	14,066	187.9
TAM plans	29,914	22.9	46,905	29.5
SAM plans	383	0.4	1,037	0.4
Total	45,956	180.9	62,008	217.8

Data Source: company internal operating data

Meanwhile, the Company's asset management business has actively developed stock index futures business and launched its first CAM product investing in stock index futures on 7 April 2011, namely CITIC Securities VIP #3 Strategic Return Collective Asset Management Scheme.

Such product hedged systematic market risk by stock index futures. It was one of the pioneer CAM products investing in stock index futures, which became an effective asset allocation vehicle for investors.

Management Discussion and Analysis



For China Asset Management Co., Ltd. (“**China AMC**”), 26 funds have been under its management in 2011, with AUM amounted to RMB179.0 billion. For details about China AMC, please refer to “Investment — Principal Investment — China AMC” of this section.

2012 Outlook

In 2012, the Company’s asset management business will keep on its launching of new collective asset management schemes and work on renewal of products soon-to-expire; explore more enterprise annuity business of large-scale institutional clients; proactively promote QDII investment business; improve investment management standards regarding to various types of products, and to the collective schemes in particular, create benchmark effects and brand effects on traditional products aiming to effectively promote overall business growth.

Investment

Private Equity Investment

Market Condition

After the 2008 financial tsunami and the weak private equity markets in 2009, the PRC private equity investment market has shown strong rebound during 2010 and 2011. In 2011, the amount of fund-raising as well as the amount and the number of investment increased significantly compared to 2010.

Actions and Achievements

Since its establishment in 2007, GoldStone has commenced its direct investment business with its own funds and under the supervision and administration of the CSRC during the course of its business. After the *Guideline on Supervision and Administration of Direct Investment Business of Securities Companies*, promulgated by the CSRC in July 2011. The direct investment business of securities companies has passed the pilot stage, which could be conducted in regular basis. Securities companies’ subsidiaries that engaged in direct investment business are permitted to establish direct investment funds by raising fund from investors.

Since the promulgation of the above mentioned guideline, GoldStone has been strictly in compliance with the new regulatory requirements when conducting its direct investment business and has taken an active role in its preparation to establish direct investment funds. In order to enlarge the scale of its own funds under management in a prompt and safe manner and prepare for its future management and operation of direct investment funds, under compliance with the guidelines, GoldStone has proactively strengthened cooperation with large institutions, diversified sources of new projects, increased its pipeline of large projects; explored cooperative opportunities with leading investment institutions in the market; engaged in systematic and thorough market research and project development. At the same time,

Management Discussion and Analysis

GoldStone has put more efforts on post-investment management in order to fully capitalize on the strength of the Company in all aspects and promote the business development and capital operation of the investee companies. Meanwhile, GoldStone is developing the third-party fund management business such as Renminbi equity investment fund, fund of funds and U.S. Dollar fund.

In 2011, GoldStone invested in 29 companies and partially or fully exited from four companies.

2012 Outlook

In 2012, the Company will emphasize on its equity investment approach characterized by value-added services, enhance decision making capability of the management team in the target company, take an active part in corporate governance, add long-term value to the investee companies by thorough and effective post-investment management. While exploring the growth potential of the company to its full extent, the Company will try out other means of investment, such as restructure of state-owned enterprises, mergers and acquisitions investment, cross-border investment. For divestment of projects, other than exiting the secondary market through IPO, the Company will try to divest by way of disposal through mergers and acquisitions with investors related to the same properties.

Principal Investment

CITIC PE Fund

CITIC Private Equity Funds Management Co., Ltd. ("**CITIC PE Fund**") manages two funds, namely Mianyang Science and Technology City Private Investment Fund with an issue size of RMB9.0 billion and Beijing CITIC Investment Center (limited partnership) with a target issue size of RMB10.0 billion which is still in its offer stage. As at 31 December 2011, the investment period of Mianyang Fund has closed. Shengyun, Jangho Curtain and Beingmate which are invested by the fund have all been listed.

China AMC

The Company finalized the transfer of 51% equity interest in China AMC in 2011 (Please refer to this report "Major Acquisitions, Disposals and Reorganisation of Assets"). The completion of equity interest transfer in China AMC enabled the Company's shareholding proportion in China AMC to satisfy the regulatory requirement, and would benefit the development and long-term growth of China AMC's business.

Research Business

The Company's research department is a sell-side research institution positioned at delivering research services primarily to institutional investors. Its research team is comprised of more than 140 analysts in Beijing, Shanghai and Shenzhen and covers 800 A share companies and over 70 A + H share companies. The team has also actively expanded its research scope to cover overseas-listed China concepts stocks, and has effectively realized the full coverage on national economy.

To facilitate interaction and balanced development among the 35 research divisions under research department, the Company introduced larger group structure when implementing structural reform for its organization in early 2011. The research divisions have been restructured into eight larger groups according to their nature and coverage with upstream and downstream sectors, namely: research on total quantity, finance & real estate, resource & raw material, manufacture & TMT, large consumption, miscellaneous, product quality, quantitative research & operation.

Although competition among the domestic sell-side research institutions has become increasingly fierce over the recent years, leveraged through its efforts on business and management innovation, the Company's research department has persistently maintained its leading position in the industry. In 2012, the Company will further consolidate its leading edge in China and proactively promote the transformation and international

Management Discussion and Analysis

strategies of its operations. The Company will, on the one hand, explore investment opportunities in both the stock market and bond market and offer differentiated and personalized research products and services to a wider client base; on the other hand, develop the overseas market and further expand its coverage of overseas-listed China concept stocks, as well as launch international road shows to increase the influence of its research on overseas market.

Financial Statement Analysis

Financial Statement Summary

Analysis on the profitability of the Group during the reporting period

During 2011, the capital market experienced recession due to the impact of macro-economic measures taken around the globe and within the PRC. Coupled with intensifying competition in the market, the Group recorded a slide to different extent in the income of certain of the principal businesses, such as brokerage income, investment banking income and asset management income, despite we topped the league in various business segments of the Group in terms of market shares and ranking within the domestic capital market. Leveraged on the satisfactory returns from the strategic investment income, the overall profitability of the Group was growing constantly.

In 2011, the Group recognized total revenue and other income of RMB26,370.87 million, representing a decrease of approximately 12.91%. Net profit attributable to owners of the parent amounted to RMB12,576.48 million, representing a growth of 11.18%. Basic earnings per share were RMB1.23, representing an increase of 7.89%. Return on weighted average equity was 17.00%, a year-on-year decrease of 28 basis points.

Assets structure and assets quality

During 2011, the Group issued H shares and listed on The Hong Kong Stock Exchange and it maintained growth in profitability. Equity attributable to owners of

the parent further increased and the Group achieved the purpose of capital preservation and appreciation such that the financial position and immunity to risks were further strengthened. The equity attributable to owners of the parent at the end of 2011 reached RMB86,587.29 million, up by 16,152.39 million, representing an increase of 22.93% compared to the last year.

The Group maintained a healthy assets structure, assets quality and liquidity. At the end of 2011, total assets of the Group, excluding cash held on behalf of customers and customers' refundable deposits, amounted to RMB111,803.24 million, representing an increase of RMB20,706.79 million or 22.73% compared with RMB91,096.45 million in 2010 on a comparable basis. Of which, cash and bank balances, represented 29.91% of the total assets. Investments, which include investments in subsidiaries, associates and jointly controlled entities and financial assets, represented 59.42% of the total assets. Fixed assets, construction in progress, intangible assets and investment properties in aggregate represented 3.39% of the total assets. The Group have made corresponding allowance for impairment losses in respect of available-for-sale financial assets. There is no significant impairment for other assets.

Gearing ratio of the Group remained stable. At the end of 2011, liabilities of the Group, excluding accounts payable to customers, were RMB24,813.03 million, representing an increase of RMB4,564.30 million or 22.54% compared with RMB20,248.73 million as at the end of 2010. Such increase was mainly attributable to an increase in the repurchase activities of the Group during the normal course of the business. Based on the assets and liabilities with cash held on behalf of customers, customers' refundable deposits and accounts payable to customers (customer deposits) excluded, the gearing ratio of the Group as at the end of 2011 was 22.19%, virtually unchanged from 22.23% as at the end of 2010, and the long-term liabilities remained stable.

Cash flow status

Excluding customers' deposits, the net cash flow from operating activities, net cash flow from financing activities and net cash flow from investing activities of the Group remained positive due to the issuance and listing of the H shares of the Group on the Stock Exchange in 2011 and disposal of the 51% equity interest in China AMC. Accordingly, the Group recorded a higher net increase in cash and cash equivalents and in a better cash flow and solvency status compared with 2010.

During 2011, net cash inflow from operating activities was RMB122.35 million, representing an increase of 9,579.65 million compared with an outflow of RMB9,457.30 million for the corresponding period of 2010. Net cash inflow from investing activities for 2011 was RMB9,812.75 million, representing an increase of 9,633.43 million compared with RMB179.32 million in 2010. Net cash inflow from financing activities for 2011 was RMB6,354.99 million, representing an increase of 6,761.53 million compared with an outflow of RMB406.54 million in 2010. Net increase in cash and cash equivalents of the Group for 2011 was RMB16,290.08 million, representing an increase of 25,974.60 million compared with the net decrease of RMB9,684.52 million in 2010.

Funding requirement for the development of the Company

In 2011, there have been complexities and substantial uncertainties over the economy and securities market of the PRC. To mitigate the impact from market volatilities and finance our business expansion, in particular the rapid development of flow-based business, there has been extra needs in our capital requirements. The Company will select a financing method that is in the interest of the Company and its shareholders after due and careful consideration on its own requirements and the financing costs in the market, with reference to the

strategies both in the PRC and overseas and our actual requirements.

Financing channel and financing ability of the Company

Currently, the Company obtains short-term capital primarily by way of bond repurchases, credit loans, securities loans and issuance of commercial paper on the Shanghai Stock Exchange, Shenzhen Stock Exchange and inter-bank market from commercial banks pursuant to the relevant policies and regulations.

In addition, the Company may finance by way of new secondary offering, rights issue, issuance of bonds and convertible bonds and other financing method as approved by the competent authorities, subject to market conditions and its own requirements.

The Company held a number of fixed income products to maintain a balance between liquidity and profitability, and any change in interest rates will have direct impact on the interests we received from our cash deposit, the market price of our bonds and the income from our investment. Meanwhile, securities investment of the Company is also vulnerable to, though indirectly, the impact from a change in interest rates. In addition, the Company also incorporated certain subsidiaries in foreign countries and invested in their capital denominated in foreign currencies, which together with the foreign capital and assets of the Company, the financial condition of the Company is also vulnerable to the impact of changes in exchange rates.

To maintain the liquidity and profitability of its assets, the Company's own capital is centrally managed by its treasury department. There is also a comprehensive management system and corresponding work flows in place. The Company will fine-tune the structure of its assets in different classes in a timely manner to mitigate the risk and the impact of the above adverse factors.

Management Discussion and Analysis

Analysis on Income Statement

Financial Highlights

In 2011, the Group accomplished a profit before income tax of RMB15,031.00 million, representing a decrease of 7.90%. Major financial highlights of the Group were as follows:

Items	In RMB thousands	
	2011	2010
Fee and commission income	9,713,232	16,598,338
Interest income	2,056,433	1,988,081
Investment income	14,392,596	11,500,603
Other income	208,612	193,849
Operating expenses	11,755,633	13,985,218
Share of profits and losses of associates and jointly-controlled entities	415,763	24,288
Profit before income tax	15,031,003	16,319,941
Income tax expenses	2,426,514	4,183,890
Profit attributable to owners of the parent	12,576,483	11,311,343

Structure of the revenue

In 2011, total revenue and other income of the Group amounted to RMB26,370.87 million, representing a year-on-year decrease of 12.91%. Fee and commission income accounted for 36.83% of total revenue and other

income, representing a decrease of 17.98 percentage points from the previous year. Investment income accounted for 54.58%, representing an increase of 16.60 percentage points from the previous year. The following table sets out the total revenue and other income composition of the Group in the past 5 years:

Items	2011	2010	2009	2008	2007
Fee and commission income	36.83%	54.81%	76.05%	67.34%	59.80%
Interest income	7.80%	6.57%	8.46%	16.30%	6.93%
Investment income	54.58%	37.98%	14.36%	15.67%	33.10%
Other income	0.79%	0.64%	1.13%	0.69%	0.17%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Management Discussion and Analysis

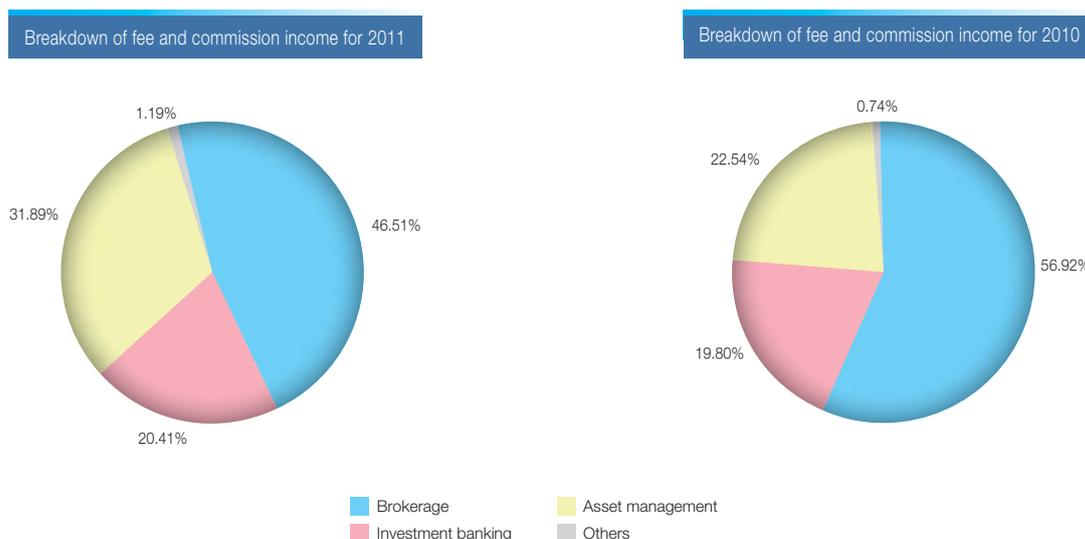
Fee and commission income

In 2011, net fee and commission income of the Group amounted to RMB8,645.75 million, representing a decrease of 41.81% as compared with 2010. Such

decrease was mainly attributable to a decrease in revenue from brokerage and investment banking. The breakdown of fee and commission income of the Group during 2010 and 2011 were as follows:

Items	In RMB thousands			
	2011	2010	Variance in amount	Variance in percentage
Fee and commission income				
Brokerage	4,517,536	9,447,023	-4,929,487	-52.18%
Investment banking	1,982,638	3,286,597	-1,303,959	-39.68%
Asset management	3,097,393	3,740,934	-643,541	-17.20%
Others	115,665	123,784	-8,119	-6.56%
Fee and commission expenses	1,067,483	1,739,911	-672,428	-38.65%
Net fee and commission income	8,645,749	14,858,427	-6,212,678	-41.81%

The breakdown of fee and commission income during 2010 and 2011 were as follows:



Brokerage fee and commission income for 2011 decreased by RMB4,929.49 million compared with 2010, representing a decrease of 52.18%. Excluding the impact of China Securities Co., Ltd. (“China Securities”) in 2010, income from brokerage for 2011 would have decreased by RMB1,176.18 million, representing a decrease of 20.66%. 2011 was a year named the third

most bearish market in the history of the A share market. Despite the fact that we ranked first in terms of market shares in the domestic market, the Group recorded a lower transaction volume and commission rate which in turn resulted in a lower income from our securities brokerage business.

Management Discussion and Analysis

Investment banking fee and commission income for 2011 decreased by RMB1,303.96 million compared with 2010, representing a decrease of 39.68%. Excluding the impact of China Securities in 2010, income from investment banking for 2011 would have decreased by RMB501.83 million compared with the previous year, representing a decrease of 20.20%. Such decrease was mainly attributable to the decrease of approximately 44% of fund raised in the A share market compared with 2010.

Asset management fee and commission income decreased by RMB634.54 million or 17.20% compared with last year. Though the fee and commission income

from AUM increased by 20.38%, due to its small percentage in asset management business, it did not compensate the impact of the decrease in fund management fee income of China AMC.

Net interest income

In 2011, net interest income of the Group amounted to RMB1,401.45 million, representing a year-on-year increase of 7.54%. Excluding the impact of China Securities in 2010, net interest income for 2011 would have increased by RMB536.39 million compared with the previous year, representing an increase of 62.01%. The table below sets out the major composition of the net interest income during the period:

Items	In RMB thousands			
	2011	2010	Amount of change	Percentage of change
Interest income				
Bank interest income	1,774,074	1,821,359	-47,285	-2.60%
Interest income on margin and other financing	278,590	143,445	135,145	94.21%
Others	3,769	23,277	-19,508	-83.81%
Finance costs	654,986	684,840	-29,854	-4.36%
Net interest income	1,401,447	1,303,241	98,206	7.54%

In 2011, bank interest income decreased by RMB47.29 million, representing a year-on-year decrease of 2.60%. Excluding the impact of China Securities in 2010, bank interest income for 2011 would have increased by RMB541.33 million compared with the previous year, representing an increase of 43.91%. Such increase was mainly attributable to the higher interest rates on deposits over 2010.

In 2011, interest income on margin and other financing increased by RMB135.15 million, representing a year-on-year increase of 94.21%. Excluding the impact of China Securities in 2010, interest income on margin and other financing for 2011 would have increased by RMB192.71

million compared with the previous year, representing an increase of 224.41%. Such increase was mainly attributable to the rapid growth in interest income from margin financing and securities lending business.

Investment income

In 2011, investment income of the Group amounted to RMB14,392.60 million, representing a year-on-year increase of 25.15%. Excluding the impact of China Securities in 2010, investment income for 2011 would have increased by RMB3,323.43 million compared with the previous year, representing an increase of 30.02%. The table below sets out the major composition of the investment income during the period:

Management Discussion and Analysis

In RMB thousands

Items	2011	2010	Amount of change	Percentage of change
Available-for-sale financial assets	1,254,232	3,978,972	-2,724,740	-68.48%
Net income/(loss) from financial assets held for trading and financial assets designated at fair value through profit or loss	-1,567,583	1,025,783	-2,593,366	-252.82%
Gain on disposal of subsidiaries	13,081,306	5,765,347	7,315,959	126.90%
Others	1,624,641	730,501	894,140	122.40%
Total	14,392,596	11,500,603	2,891,993	25.15%

Investment income from available-for-sale financial assets decreased by RMB2,724.74 million, representing a decrease of 68.48% as compared with 2010. Attributable to the recession of the capital market, a decrease of 80.17% in investment income from disposal of available-for-sale financial assets and a decrease of 44.02% in dividend income and interest income from available-for-sale financial assets held by the Group were recorded.

Net income/(loss) from financial assets held for trading and financial assets designated at fair value through profit or loss decreased by RMB2,593.37 million, representing a decrease of 252.82%. Such decrease was mainly attributable to the market conditions, under which, significant loss incurred in the disposal of such financial assets and from the change in their fair values during the period.

Gain on disposal of subsidiaries increased by RMB7,315.96 million, representing an increase of 126.90% from the previous year. Such increase was mainly attributable to the disposal of the 51% equity

interests in China AMC, a wholly-owned subsidiary of the Group during 2011 and the gains on revaluation of the Group's remaining equity interest in China AMC based on fair value.

Other investment income increased by RMB894.14 million, representing an increase of 122.40% as compared with 2010 which was mainly attributable to the significant growth in the investment income from derivative financial instruments.

Operating expenses

In 2011, operating expenses of the Group (excluding fee and commission expense and finance costs) amounted to RMB10,033.16 million, representing a year-on-year decrease of RMB1,527.30 million or 13.21%. Excluding the impact of China Securities in 2010, operating expenses would have increased by RMB765.49 million

Management Discussion and Analysis

compared with the previous year, representing an increase of 8.26%. The table below sets out the major composition of the operating expenses during the period:

Items	In RMB thousands			
	2011	2010	Amount of change	Percentage of change
Staff costs	4,996,961	6,980,960	-1,983,999	-28.42%
Depreciation	191,601	240,361	-48,760	-20.29%
Business tax and surcharges	488,343	961,660	-473,317	-49.22%
Other operating expenses	2,842,634	3,359,961	-517,327	-15.40%
Impairment losses	1,513,625	17,525	1,496,100	8,536.95%
Total operating expenses	10,033,164	11,560,467	-1,527,303	-13.21%

In 2011, staff costs of the Group decreased by 28.42%. Excluding the impact of China Securities in 2010, staff costs would have decreased by 12.03% compared with the previous year. Such decrease was mainly attributable to the effective control of the Group over staff costs.

In 2011, depreciation of the Group decreased by RMB48.76 million, representing a year-on-year decrease of 20.29%. Excluding the impact of China Securities in 2010, depreciation would have increased by RMB35.35 million compared with the previous year, representing an increase of 22.63%. Such increase was mainly attributable to the transfer of Ruicheng Center Building in Beijing and Excellence Times Square II in Shenzhen from construction in progress to fixed assets, and new purchases on office equipment and electronic devices, which resulted in a higher depreciation correspondingly.

Business tax and surcharges decreased by 49.22% compared with 2010, which was in line with the decrease in the revenue of the Group.

Other operating expenses decreased by RMB517.33 million, representing a year-on-year decrease of 15.40%. Excluding the impact of China Securities in 2010, other operating expenses would have increased by 4.45%. Such increase was mainly attributable to the impact of the business expansion.

Impairment loss on available-for-sale financial assets represented the largest component of the impairment loss for assets. Impairment loss for available-for-sale financial assets during 2011 was RMB1,517.84 million, representing a significant increase over 2010. Such increase was mainly attributable to securities market conditions. There was a significant or prolonged decline that impairment losses have occurred on available-for-sale financial assets and the Group have provided allowance for impairment losses on assets for prudence. The table below sets out the major composition of the impairment losses:

Items	In RMB thousands			
	2011	2010	Amount of change	Percentage of change
Impairment loss on available-for-sale financial assets	1,517,836	-11,470	1,529,306	-13,333.10%
Impairment loss on other receivables	-5,363	28,995	-34,358	-118.50%
Impairment loss on intangible assets	1,152	—	1,152	100.00%
Total	1,513,625	17,525	1,496,100	8,536.95%

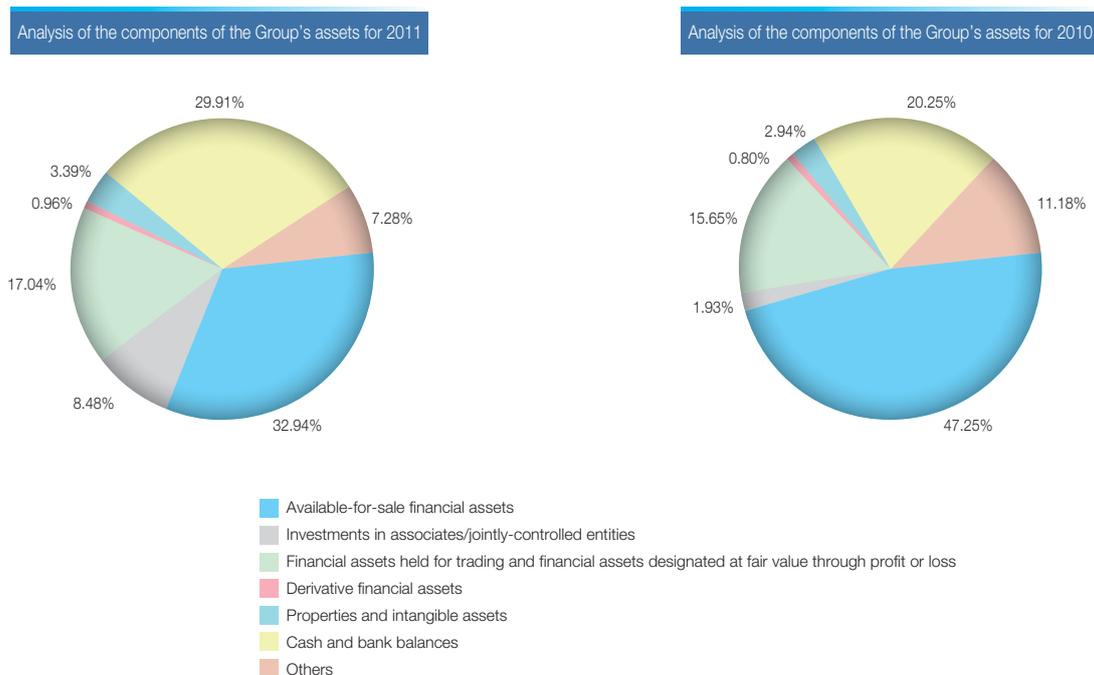
Management Discussion and Analysis

Analysis on Financial Position

As at 31 December 2011, total assets of the Group were RMB148,280.38 million, representing a year-on-year decrease of 3.20%. Excluding the effect of customers' deposits, total assets of the Group amounted to RMB111,803.24 million as at the end of 2011, representing an increase of 22.73% year on year. Major fluctuation in the total assets of the Group were as follows:

Items	In RMB thousands			
	31 December 2011	31 December 2010	Amount of change	Percentage of change
Available-for-sale financial assets	36,827,732	43,038,901	-6,211,169	-14.43%
Investments in associates/jointly-controlled entities	9,478,812	1,762,263	7,716,549	437.88%
Financial assets held for trading and financial assets designated at fair value through profit or loss	19,049,355	14,256,149	4,793,206	33.62%
Derivative financial assets	1,077,628	732,537	345,091	47.11%
Properties and intangible assets	3,791,629	2,677,108	1,114,521	41.63%
Cash and bank balances	33,444,451	18,444,157	15,000,294	81.33%
Others	8,133,630	10,185,333	-2,051,703	-20.14%
Total	111,803,237	91,096,448	20,706,789	22.73%

The following table sets out, as at the dates indicated, the components of the Group's total assets:



Management Discussion and Analysis

Investment

Investment of the Group comprises of available-for-sale financial assets, investments in associates and jointly-controlled entities, financial assets held for trading, financial assets designated at fair value through profit or loss and derivative financial assets, etc.

As at 31 December 2011, total investment of the Group was RMB66,433.53 million, representing an increase of 11.11% as compared to the end of previous year, and it accounted for 59.42% of the total assets, representing a decrease of 6.21 percentage points as compared to the end of the previous year. The following table sets out, as at the dates indicated, the investments of the Group and its percentage to the total assets by category:

In RMB thousands

Items	31 December 2011		31 December 2010	
	Amount	Percentage to total assets	Amount	Percentage to total assets
Available-for-sale financial assets	36,827,732	32.94%	43,038,901	47.25%
Investments in associates/ jointly-controlled entities	9,478,812	8.48%	1,762,263	1.93%
Financial assets held for trading and financial assets designated at fair value through profit or loss	19,049,355	17.04%	14,256,149	15.65%
Derivative financial assets	1,077,628	0.96%	732,537	0.80%
Total	66,433,527	59.42%	59,789,850	65.63%

Available-for-sale financial assets

As at 31 December 2011, available-for-sale financial assets of the Group decreased by RMB6,211.17 million, representing a year-on-year decrease of 14.43%, and it accounted for 32.94% of the total assets, representing the largest investment category of the Group.

In 2011, due to the persistent downturn of the domestic and global financial markets, the Group adopted a

more prudent strategy and reduced the size of its investment to mitigate its exposures, resulting in a lower equity investments in available-for-sale financial assets, especially equity investments in listed companies, and an increased investment in debt securities.

The following table sets forth the components of the available-for-sale financial assets portfolio of the Group:

In RMB thousands

Items	31 December 2011		31 December 2010	
	Amount	Percentage	Amount	Percentage
Debt securities	14,940,175	40.57%	14,818,620	34.43%
Equity investments	21,230,552	57.65%	27,640,085	64.22%
Others	657,005	1.78%	580,196	1.35%
Total	36,827,732	100%	43,038,901	100.00%

Management Discussion and Analysis

Investments in associates/jointly-controlled entities

Items	In RMB thousands			
	31 December 2011	31 December 2010	Amount of change	Percentage of change
Investments in associates	8,703,425	1,021,991	7,681,434	751.61%
Investments in jointly-controlled entities	775,387	740,272	35,115	4.74%
Total	9,478,812	1,762,263	7,716,549	437.88%

At the end of 2011, investments in associates and jointly-controlled entities increased by RMB7,716.55 million, representing an increase of 437.88% as compared to the end of previous year. Such increase was mainly attributable to the disposal of 51% equity interests in China AMC in 2011, which resulted in the lost of control of China AMC. The Group recognised its remaining 49% interest in China AMC at its fair value at the date when control was lost, and adopted equity method

of accounting treatment. As at 31 December 2011, the Group's investment in China AMC amounted to RMB7,215.11 million.

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

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

Item	In RMB thousands			
	31 December 2011	31 December 2010	Amount of change	Percentage of change
Debt securities held for trading	12,268,816	9,635,373	2,633,443	27.33%
Equity investments held for trading	6,441,654	3,812,320	2,629,334	68.97%
Financial assets designated at fair value through profit or loss	298,885	400,294	-101,409	-25.33%
Others	40,000	408,162	-368,162	-90.20%
Total	19,049,355	14,256,149	4,793,206	33.62%

Properties and intangible assets

As at 31 December 2011, properties and intangible assets of the Group amounted to RMB3,791.63 million,

representing an increase of 41.63% year on year, mainly attributable to the increase in properties. The following table sets out, as at the dates indicated, the properties and intangible assets of the Group:

Management Discussion and Analysis

In RMB thousands

Item	31 December 2011	31 December 2010	Amount of change	Percentage of change
Property, plant and equipment	3,338,447	2,490,546	847,901	34.04%
Investment properties	314,424	83,477	230,947	276.66%
Other intangible assets	138,758	103,085	35,673	34.61%
Total	3,791,629	2,677,108	1,114,521	41.63%

Cash and bank balances

As at 31 December 2011, cash and bank balances increased by RMB15,000.29 million or 81.33% year on year, mainly attributable to the RMB11,271 million raised by the Group in its issue of H shares in 2011. The following table sets out, as at the dates indicated, the cash and bank balances position of the Group:

In RMB thousands

Item	31 December 2011	31 December 2010	Amount of change	Percentage of change
Cash and bank balances	33,444,451	18,444,157	15,000,294	81.33%

Liabilities

As at 31 December 2011, total liabilities of the Group amounted to RMB61,290.18 million, representing a decrease of 25.56% as compared to the end of previous year, mainly attributable to a decrease in accounts payable to clients. Excluding the effect of customers' deposits, total liabilities of the Group amounted to RMB24,813.03 million at the end of 2011, representing an increase of 22.54% as compared to the end of previous year.

As at 31 December 2011, total accounts payable to clients of the Group amounted to RMB36,477.14 million, representing a decrease of 41.24% year on year, accounted for 59.52% of the total liabilities of the Group. The following table sets out, as at the dates indicated, the Group's accounts payable to clients as categorized by geographical areas and types of customers:

In RMB thousands

Accounts payable to clients	31 December 2011	31 December 2010	Amount of change	Percentage of change
Mainland China	35,005,258	60,711,520	-25,706,262	-42.34%
Individual	27,793,360	50,098,794	-22,305,434	-44.52%
Corporate	7,211,898	10,612,726	-3,400,828	-32.04%
Outside Mainland China	1,471,885	1,369,702	102,183	7.46%
Total	36,477,143	62,081,222	-25,604,079	-41.24%

Management Discussion and Analysis

As at 31 December 2011, accounts payable to clients decreased by RMB25,604.08 million, or 41.24% as compared to the end of previous year, mainly attributable to a decrease in accounts payable to clients in mainland China. Outside Mainland China, as investors have been regaining confidence given the rebound of Hong Kong Hang Seng Index over the fourth quarter of 2011, accounts payable to clients have recorded a moderate increase compared to the end of 2010.

Equity

As at 31 December 2011, total equity of the Group amounted to RMB86,990.20 million, representing an increase of 22.78% as compared to the end of previous year, mainly attributable to the issue of H shares in 2011 and higher net profit. The following table sets out, as at the dates indicated, the components of the Group's total equity:

Equity	In RMB thousands	
	31 December 2011	31 December 2010
Issued Share capital	11,016,908	9,945,702
Capital reserve	34,527,836	24,199,570
Surplus reserves	5,464,621	4,679,619
General reserve	9,718,593	9,073,546
Investment revaluation reserve	-542,468	2,116,612
Foreign currency translation reserve	-444,600	-242,367
Retained profits	26,846,395	20,662,217
Non-controlling interests	402,918	412,816
Total equity	86,990,203	70,847,715

Major Off-balances Sheet Items

During the reporting period, the Company did not have any off-balance sheet items (such as guarantee, security, etc).

Significant accounting judgment and estimates

Please refer to the Independent Auditors' Report for the Company's significant accounting judgment and estimates. After pre-audited by the Audit Committee of the Board of the Company and being considered in the 38th meeting of the fourth session of the Board of the Company, the Company has introduced supplementary and amendment to the accounting policies in two aspects: Firstly, additional accounting policies for margin financing and securities lending businesses are introduced in compliance with the Notice Relating to *the Announcement of Working Guidelines for Regulating Securities Companies No. 3 — Matters Related to the Preparation of Annual Report* (Ji Gou Bu Bu Han [2012]

No. 11); Secondly, the definition of related party under accounting policies is being amended in accordance with International Accounting Standard 24 — Disclosure of Related Party. The amended accounting policies came into effect from 2011.

Fair value measurement

During the reporting period, the Company has consistently implemented its existing accounting policies without any change to its recognition and measurement of the fair value.

The principle in determination of fair value: The fair value of a financial asset or a financial liability traded in active markets is based on its quoted market price. Valuation techniques are used to determine the fair value when there is sufficient evidence to indicate that the quoted market price is not representative of the fair value. If no active market exists, valuation techniques are used

Management Discussion and Analysis

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

Explanation of change in scope of statement consolidation

The settlement date of the transfer of 51% equity interest in China AMC by the Company was on 31 December 2011, in 2011, according to the accounting treatment related to loss of control, the Company ceased to consolidate China AMC into the financial statements since 1 January 2012. As at 31 December 2011, the Company has 5 primary subsidiaries consolidated into the financial statements of the Company, namely: CITIC Securities (Zhejiang), CITIC Wantong, CSI, CITIC Futures and GoldStone.

Change of income tax policy of the Company during the reporting period

From 1 January 2008, the *Enterprise Income Tax Law of the PRC*, the *Regulations on the Implementation of Enterprise Income Tax Law of the PRC*, the *Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (Guo Fa [2007] No. 39) and other tax documents apply to the income tax of the Company. The calculation and payment of income tax are governed by the *Circular of the Tentative Measures for Collection and Administration of Enterprise Income Tax Who Operates Business Cross-regionally and Pay Tax Collectively* (Guo Shui Fa [2008] No. 28). In 2011, the income tax rate applicable to the Company's headquarter and Shenzhen-based branches is 24%, and the income tax rate applicable to other branches is 25%.

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 established comprehensive risk management and internal

control processes, through which the Company monitors, evaluates and manages financial, operational, compliance and legal risks that it is exposed to in the business activities.

The Company have 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 based on the *Company Law of the PRC* (the "**Company Law**"), *Securities Law of the PRC* (the "**Securities Law**"), and *the Articles of Association of the Company* (the "**Articles of Association**"), to oversee and manage the operation of the Company. The Board has strengthened relevant internal control arrangements and improved the Company's control environment and internal control structures, enabling internal control to provide a basis for the Company's overall decision-making and incorporating internal control and risk management of various businesses into the Company's decision-making process.

Structure of the Risk Management

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, related professional committees under the Executive Committee, and departments responsible for internal control together with business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making between the respective committees, and closer cooperation between internal control functions and business lines, and manages the risks through consideration and approval, decision-making, execution and supervision.

Level 1: Board of Directors

The Risk Management Committee of the Board performs supervision on the overall risk management of the Company and contains the risk exposure within an acceptable level to ensure smooth implementation

Management Discussion and Analysis

of effective risk management schemes over risks related to our 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: Management

The Company has established the Asset Allocation Committee. The committee performs decision-making and review on major issues and related systems involving the application of the capital under the authority of the Board and Executive Committee of the Company. For the purpose of capital security, the committee optimizes the assets allocation and improves the efficiency of the capital application via a scientific, standardized and prudent approach under strict control and management over the risk exposures.

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and reviews on the capital commitment of the underwriting business under the authority of the Board and Executive Committee of the Company. All corporate financing activities involving the application of the capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate financing activities and the security of the capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and Executive Committee of the Company, and is responsible for monitoring and managing the daily risk of the Company within its designated authority, and to decide and approve material matters related to risk management and relevant system. There are sub-working groups under the

Risk Management Committee, which mainly comprise of transaction heads of the major business lines and heads of functional departments. Such sub-working groups are the main body responsible for daily monitoring and management of the financial risks over the securities investment business. It directly reports to the Risk Management Committee and executes decisions made by the Risk Management Committee.

The Company has established the Product Committee. This committee performs planning, coordination, decision-making and review on major matters such as design, sales and related systems of new products of the Company under the authority of the Board and Executive Committee to drive development of new businesses and products. The committee manages the risks related to new products through pre-sale quality control and preparation of relevant post-sale risk handling measures. There are risk assessment groups under the Product Committee which are responsible for legal and compliance tests on whether the financial product sold by the Company as agency comply with the relevant regulatory requirements, examination on potential fraud and reveal of financial risks of the products.

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

The Company has set up the Risk Management Department, which performs risk identification, measurement, analysis, monitoring, reporting and

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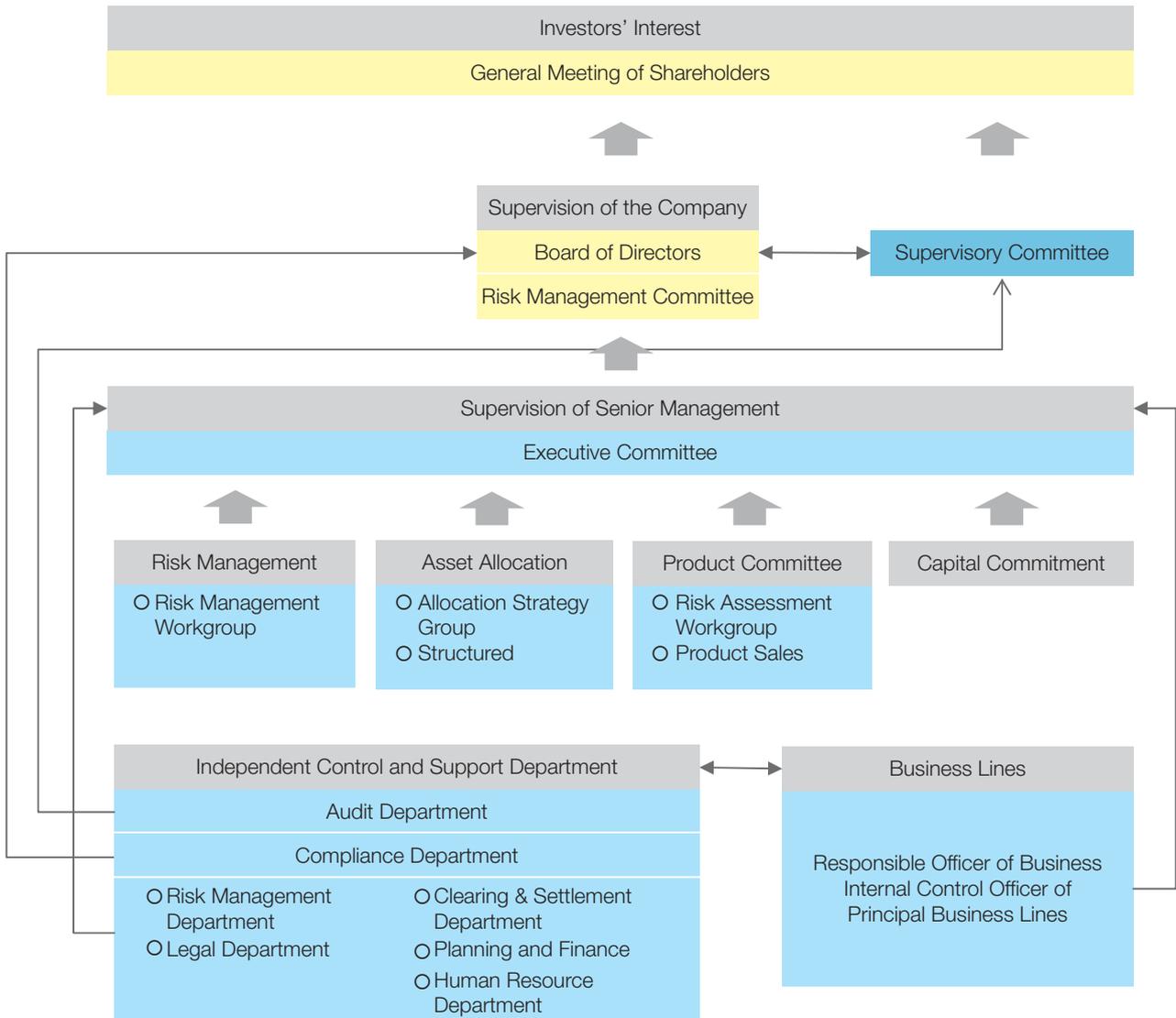
management. The department analyzes and assesses the overall risks of the Company and each of its business line and recommends on optimization of the allocation of the risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism between front office, the Risk Management Department and the Management, and regularly discloses the general risk portfolio of the Company and makes recommendations on the risk management; establishes a comprehensive stress test mechanism as a basis for the 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 has the overall responsibility for internal audit, organising the comprehensive audit of all departments of the Company, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of emergency events.

The Company has established the Compliance Department, which organises the establishment and implementation of the basic compliance policy of the Company, provides compliance advice to management, departments, business lines and branches of the Company, monitors lawful compliance of management and operating activities; supervises and instructs the business departments, business lines and branches to assess, develop, modify and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines; performs 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 Company has also set up the Legal Department, which is responsible for the oversight of legal risks of the Company and relevant businesses.

Management Discussion and Analysis



(Structure of the Risk Management)

Market Risk

Market risks represent potential losses due to movement in market prices of securities held by the Company. Securities held by the Company were derived from the proprietary investment, market-making business and other investment activities. Movement in securities holdings primarily arose from instructions received from the customers and the relevant strategies of the proprietary investment.

Market risks primarily include price risk, interest rate risk and foreign exchange rate risk. 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 the movement of the yield curve of fixed income investment, fluctuation in interest rates and credit spreads.

Management Discussion and Analysis

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 lines and internal control departments. Through allocating the overall risk of the Company to different department, the monitoring and execution duty performed by the internal department, and timely assess and report of significant risk matters, the overall market risk of the Company is controlled within acceptable level.

The Company assesses, monitors and manages the overall market risk portfolio of the Company through a risk management department independent of the business departments, and findings of the assessment and monitoring are reported to the respective business departments, management of the Company and the Risk Management Committee. In implementation of the market risk management, front-office business departments, as the direct execution and front-line management, dynamically control and adjust the risk exposure arising from its securities holdings, and will take measures to mitigate or hedge against such exposures when they are deemed high. Relevant controllers from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments with regard to information on exposures, and discuss the status of risk portfolio and the losses in extreme situations.

The Risk Management Department estimates possible losses arising from market risks through series of measurement, including possible losses under normal volatility and when extreme cases occur in the market. 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 portfolio and its changes in each of the business departments. The report

will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers and management of the Company.

VaR represents the potential losses 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 and equity risk, and measures the movement of market risks arising from changes in interest rate curves, prices of securities and credit spreads. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion the Company.

The Company also estimates the possible losses arising from extreme situations in the holding positions through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses of 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 exposures or events. Stress test constitutes an integral part of the market risk management. Stress test reflects the possible losses of the Company and via analysis of the return on risks and comparison with the risk capacities, the Company judges whether the market risk portfolio of the Company falls within its expectation.

The Company sets limits for respective business departments of the Company to control fluctuations in the profit or loss and the 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 relevant management

Management Discussion and Analysis

officers in advance and discuss with the respective business management officers, followed by mitigation measures to adjust the exposures to a level within the limits, or the respective business departments may apply for a temporary or permanent upgrade in the limits, subject to approval by the relevant committees.

In the future, the Company will continue to modify and establish a more comprehensive system of risk limits over the Company, in the respective business departments

and within the investment accounts. On the other hand, the Company also plans to set limits for an increasing number of risk indicators. In the meantime, the Company will further regulate the top-down management over risk limits by the Risk Management Committee and different levels of business departments.

The calculation is based on the historical data of the Company's VaR (confidence level of 95% and a holding period of one trading day).

Overall VaR at the end of the period

	In RMB millions	
	31 December 2011	31 December 2010
Equity risk	310.48	533.82
Interest rate risk	46.30	48.11
Effect of diversification	-34.20	-27.20
Overall VaR	322.58	554.73

Note 1: Equity risks: represent exposures arising from changes in market prices and volatilities in the equity investment.

Note 2: Interest Rate Risks: represent exposures arising from changes in the structure of yield curves, volatility in interest rates, repayment in advance and credit spreads.

Note 3: Effect of diversification: A smaller combined VaR than the total VaR of the respective classes of assets is obtained due to the low correlation between the fluctuation in the values of different assets.

At the end of the period, VaR of the Company decreased from RMB550 million as at 31 December 2010 to RMB320 million as at 31 December 2011. Such changes were mainly attributable to the decrease of the equity exposures.

In respect of foreign assets, in order to ensure the fund required for expanding foreign business, 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 daily. It monitors the exchange risk from different angles, such as assets limit, VAR, sensibility analysis and pressure test, and to manage exchange risk exposure

through method such as adjusting foreign currency position, using forward exchange contract/option hedging, currency swap contracts, etc.

Credit Risk

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

The credit risk of the Company mostly arises from three aspects: Firstly, in respect of the securities and futures brokerage business, if the Company does not require the clients to pay sufficient margin deposits in advance according to the laws, the Company might undertake

Management Discussion and Analysis

the clearing responsibility on behalf of clients in the event that the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors, and accordingly bear losses; Secondly, credit risk arising from the margin financing and securities lending business, which refers to the Company's exposure to loss caused by client defaults; and thirdly default risk from bonds investment, which refers to the risk of asset losses and change in yield by reason of default by the issuer or the counterparty of the bond invested, refuse to pay principal and interest due.

The Company will oversee credit risk on real time basis with its information management systems; and will keep track on credit risk of the business segments and the counterparties, so as to deliver analysis and pre-alert reports, and to adjust credit limits in a timely manner. The Company will measure credit risk of major operations by means of pressure test and sensitivity analysis.

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

Credit risk from the margin financing and securities lending business primarily includes clients' providing false information, failing to make full repayment on time, scale and structure of positions held violate the contracts, undertaking transactions that violate the regulatory requirements, and provide with collateral that involve legal disputes. Credit risk arises from margin financing and securities lending business are mainly managed through educating the customers, 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 risk associated with bonds investment, the Company has established the counterparty credit approval policy and the blacklist policy, and developed certain investment restrictions based on the ratings of credit products.

Credit risk exposure of bonds investment (in terms of market value of bonds position at the end of the period)

Investment rating	In RMB millions	
	31 December 2011	31 December 2010
China's Sovereign Credit Rating	10,550.98	-4,671.90
AAA	9,583.59	6,654.60
AA	9,926.20	3,650.60
A	689.09	217.96
A-1	4,848.37	1,214.53
Others	—	—
Total exposure	35,598.24	7,065.80

Note: AAA ~ A represents 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.

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As at the end of the Reporting Period, balance for margin finance granted to client amounted to RMB2,600.67 million, while balance for securities lending amounted to RMB15.48 million, average guarantee ratio for margin financing and securities lending business clients that with liability is 3.1 (excluding 13 low liability clients with guarantee ratio over 100). In order to manage the risk exposures of the margin financing and securities lending business, the Company requests its clients to provide sufficient securities. At present, the value of the securities can fully cover the credit risk exposures of margin financing and securities lending business.

Liquidity Risk

Liquidity risk is the risk for the Group encountering fund shortage in fulfilling its obligations relating to financial liabilities. The Company has consistently adhered to a unified liquidity management and operation policy and continues to strengthen its liquidity management system. It has clearly stated that fund lending or borrowing, repurchase and pledged loans business are managed by the Treasury Department. In addition, the Company has gradually established a treasury risk assessment and monitoring system, so as to strictly controlling its liquidity risk. In respect of domestic stock exchanges and inter-bank market, as the Company has a relative high credit rating, and has secured stable channel for short-term financing, such as fund lending or borrowing and repurchases. Therefore, the overall liquidity of the Company was maintained at a relatively secured level.

Operational Risk

The operational risk of the Company represents the risk of loss arising from the failure of internal workflow management, breakdown of information system or misconduct of staff. The Risk Management Department and Compliance Department are co-leading departments for managing operational risk, while business departments and other supporting departments are responsible for implementing operational risk control at their own business aspects according to their functions.

In 2011, the Company commenced its pilot project work for internal control specifications of listed companies, rationalized the current process, job description and system framework of every business department, recognized the risk control point of every business process, perfected and rectified the areas in the business process that do not match the management and operation conditions, and has refined the insufficient part of the Company as a whole and in every business line and improved the risk control measures. The above action is to avoid operation risks that arise from non-standard operation and lack of coordination between different departments, and to ensure that the risk management measures are effective and the monitoring measures are properly implemented.



CITIC Securities has over
400 *institutional clients,*
more than **700** *corporate clients and*
3.5 million *retail clients*

*Our target is to become
a world-class,
China-focused,
global investment bank.*



Changes in Share Capital and Shareholdings of Substantial Shareholders

Share Capital Structure

During the reporting period, the Company conducted the initial public offering for its H Shares, and issued further H Shares upon partial exercise the over-allotment option. Upon completion of the offering, the share capital structure of the Company is as follows:

Name of shareholders	Type of the Shares	Number of Shares (share)	Percentage to the total number of shares (%)
CITIC Group ^{note 1}	A Shares	2,303,963,550	20.913
A Shares subject to the Share Incentive Arrangement	A Shares	90,000,000	0.817
Public holders of A Shares	A Shares	7,444,617,150	67.574
Public holders of H Shares ^{note 2}	H Shares	1,178,327,700	10.696
Total	—	11,016,908,400	100

Notes:

- (1) CITIC Group holds such A Shares both directly and indirectly through its subsidiaries, including CITIC Guoan Group and its subsidiaries.
- (2) Such 1,178,327,700 H Shares are inclusive of (i) 1,071,207,000 H Shares issued pursuant to the Global Offering and upon the partial exercise of the over-allotment option; and (ii) 107,120,700 H Shares converted from A Shares in accordance with the relevant PRC regulations on reduction of state-owned shares upon completion of the Global Offering and upon the partial exercise of the over-allotment option.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in Share Capital

During the reporting period, the changes of the share capital of the Company as a result of certain non-tradable tradable shares becoming tradable the H share offering are as follows:

Unit: share

Class of Shares	Before the change		Change due to this movement (+, -)				After the change	
	Number of shares	Percentage (%)	Issue of new shares	Converted from	Others	Sub-total	Number of shares	Percentage (%)
				state-owned shares				
I. Shares subject to trading moratorium ^{Note}								
1. Shares held by state	—	—	—	—	—	—	—	—
2. Shares held by state-owned legal persons	—	—	—	—	—	—	—	—
3. Shares held by other domestic investors	90,000,000	0.91	—	—	-66,081,000	-66,081,000	23,919,000	0.217
Including: Shares held by domestic legal persons	—	—	—	—	—	—	—	—
Shares held by domestic natural persons	—	—	—	—	—	—	—	—
Others	90,000,000	0.91	—	—	-66,081,000	-66,081,000	23,919,000	0.217
4. Shares held by foreign investors								
Including: Shares held by foreign legal persons	—	—	—	—	—	—	—	—
Shares held by foreign natural persons	—	—	—	—	—	—	—	—
Total number of shares subject to trading moratorium	90,000,000	0.91	—	—	-66,081,000	-66,081,000	23,919,000	0.217
II. Shares not subject to trading moratorium								
1. RMB denominated ordinary shares	9,855,701,400	99.09	—	-107,120,700	66,081,000	-41,039,700	9,814,661,700	89.087
2. Foreign shares listed in the PRC	—	—	—	—	—	—	—	—
3. Foreign shares listed overseas	—	—	1,071,207,000	—	—	1,071,207,000	1,071,207,000	9.724
4. Shares transferred to the NSSF and converted into H Shares pursuant to the regulations on reduction of state-owned shares	—	—	—	107,120,700	—	107,120,700	107,120,700	0.972
Total number of shares not subject to trading moratorium	9,855,701,400	99.09	1,071,207,000	—	66,081,000	1,137,288,000	10,992,989,400	99.783
III. Total	9,945,701,400	100.00	1,071,207,000	—	—	1,071,207,000	11,016,908,400	100.000

Note: All the Shares subject to trading moratorium are incentive shares of the Company. For details about the share incentive arrangement of the Company, please refer to *Announcement on the Resolution of the 5th Meeting of the 3rd Session of the Board of Directors of CITIC Securities Company Limited* (set out in *China Securities Journal*, *Shanghai Securities News* and *Securities Times*, dated 7 September 2006).

Changes in Share Capital and Shareholdings of Substantial Shareholders

Changes in Shares Subject to Trading Moratorium

On 6 September 2011, 66,081,000 shares, which previously were subject to trading moratorium, became listed and tradable shares. Such shares were the initially non-tradable shares granted as the first step of the incentive share arrangement upon implementation of the share reform by the Company. After the shares were listed and became tradable, the remaining shares of the Company which are still subject to trading moratorium are 23,919,000 shares. For details, please refer to *Announcement on the Listing and Trading of Tradable Shares Subject to Trading moratorium of CITIC Securities Company Limited* (set out in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 27 August 2011).

Unit: share

Name of shareholders	Number of Shares subject to trading moratorium at the beginning of the year	Number of Shares with trading moratorium removed during the year	Number of Shares subject to trading moratorium increased during the year	Number of Shares subject to trading moratorium at the end of the year	Reasons for the trading moratorium	Date when trading moratorium is Removed
WANG Dongming	2,400,000	2,400,000	—	—	—	6 September 2011
ZHANG Youjun	1,560,000	1,560,000	—	—	—	6 September 2011
DA Xinya	1,560,000	1,560,000	—	—	—	6 September 2011
NI Jun	1,560,000	1,560,000	—	—	—	6 September 2011
YANG Zhenyu	108,000	108,000	—	—	—	6 September 2011
LEI Yong	435,000	435,000	—	—	—	6 September 2011
CHENG Boming	1,560,000	1,560,000	—	—	—	6 September 2011
HUANG Weidong	1,560,000	1,560,000	—	—	—	6 September 2011
WU Yuming	1,560,000	1,560,000	—	—	—	6 September 2011
XU Gang	870,000	870,000	—	—	—	6 September 2011
GE Xiaobo	1,740,000	1,740,000	—	—	—	6 September 2011
TAN Ning	1,560,000	1,560,000	—	—	—	6 September 2011
Others	73,527,000	49,608,000	—	23,919,000	Note	To be confirmed upon implementation
Total	90,000,000	66,081,000	—	23,919,000	—	—

Note: Please refer to *Announcement on the Resolution of the 5th Meeting of the 3rd Session of the Board of Directors of CITIC Securities Company Limited* (set out in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 7 September 2006).

Changes in Share Capital and Shareholdings of Substantial Shareholders

Issue and Listing of Securities Over the Past Three Years

In 2010, the Company conducted the profit distribution plan for 2009 pursuant to which the Company distributed a final dividend of RMB5 (including tax) in cash per 10 shares and 5 bonus shares per 10 shares held by the shareholders by way of capitalising the capital reserve of the Company. After completion of the bonus issue, the total number of issued shares of the Company increased from 6,630,467,600 Shares to 9,945,701,400 Shares, and the new issued Shares were listed on 25 June 2010.

In September 2011, the Company issued 995.30 million H Shares upon completion of the initial public offering of its H Shares. Pursuant to the relevant requirements, 13 state-owned shareholders of the Company transferred 99.53 million state-owned shares held by them to the NSSF, and converted them into H Shares. On 6 October 2011, a total of 1,094.83 million H Shares were listed on the Main Board of the Hong Kong Stock Exchange.

On 27 October 2011, upon partial exercise of the over-allotment option by the sole global coordinator of the Company on behalf of the international underwriters, the Company additionally issued and allotted 75.907 million H Shares accordingly. Pursuant to the relevant requirements, 13 state-owned shareholders of the Company further reduced their state-owned shares, and transferred the 7,590,700 state-owned shares held by them to the NSSF, and converted them into H Shares. The 75,907,000 H Shares additionally issued and allotted pursuant to the exercise of over-allotment option in part, and the 7,590,700 H Shares which were converted from the shares were transferred to the NSSF pursuant to the relevant requirements relating to the reduction of state-owned shares and such H shares were listed on the Hong Kong Stock Exchange on 1 November 2011 and 7 November 2011 respectively.

After the completion of this offering, the total number of issued shares of the Company increased from 9,945,701,400 Shares to 11,016,908,400 Shares.

During the reporting period, the Company did not make any bonus issue or right issue.

There are no internal employee shares issued by the Company.

Information on Shareholders

As of the end of the reporting period, the Company had a total of 745,727 shareholder accounts, including 745,587 A-Share accounts and 140 H-Share accounts.

As at 29 February 2012, the Company had a total of 714,046 shareholder accounts, including 713,910 A-share accounts and 136 H-Share accounts.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Shareholdings of the top 10 shareholders of the Company as at 31 December 2011

Name of shareholder	Type of the shareholder ^{Note 9}	Number of		Change in the number of Shares during the year (shares)	Number of Shares not subject to trading moratorium held (shares)	Number of Shares subject to trading moratorium held (shares)
		Shares (Shares)	Percentage (%)			
CITIC Group ^{Note 1}	State-owned legal person	2,236,890,620	20.30	-95,640,601 ^{Note 7}	2,236,890,620	—
	Custodian	23,510,652	0.21	—	—	23,510,652
HKSCC Nominees Limited ^{Note 2}	Foreign legal person	1,178,083,200	10.69	1,178,083,200	1,178,083,200	—
China Life Insurance Company Limited ^{Note 3}	Domestic non state-owned legal person	497,969,991	4.52	—	497,969,991	—
China Life Insurance (Group) Company — Traditional — General Insurance products	Domestic non state-owned legal person	231,141,935	2.10	-50,000,000	231,141,935	—
China Academy of Launch Vehicle Technology	State-owned legal person	106,478,308	0.97	-4,552,592 ^{Note 7}	106,478,308	—
Nanjing Xingang High-Tech Co., Ltd.	Domestic non state-owned legal person	91,823,634	0.83	—	91,823,634	—
Liuzhou LMZ Co., Ltd.	Domestic non state-owned legal person	69,699,685	0.63	-17,914,468	69,699,685	—
UBS AG	Foreign legal person	65,688,055	0.60	6,061,018	65,688,055	—
Everbright Securities Co., Ltd.	Domestic non state-owned legal person	65,643,778	0.60	65,643,778	65,643,778	—
CITIC Guoan Group ^{Note 4}	State-owned legal person	63,739,930	0.58	-2,725,268 ^{Note 7}	63,739,930	—

Note 1: During the reporting period, as a result of the restructuring of CITIC Group and upon CITIC Limited (“**CITIC Limited**”) obtaining the qualification to hold shares in a securities company, the shares held by CITIC Group in the Company as mentioned above will be transferred to CITIC Limited. Prior to this transfer, the largest shareholder would still be “CITIC Group” as shown in the register of members at the Shanghai branch of China Securities Depository and Clearing Corporation Limited. As such, the largest shareholder mentioned in this report still refers to “CITIC Group”. For details, please refer to “Substantial Shareholders of the Company” of the report.

Note 2: Among the H Shareholders of the Company, HKSCC Nominees Limited held shares on behalf of holders who do not register the Shares under their names.

Note 3: The Shares held by China Life Insurance Company Limited are the total number 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 488,232,765 Shares and 9,737,226 Shares of the Company respectively (same as hereunder).

Note 4: During the reporting period, CITIC Guoan Group was fully restructured as a wholly state-owned company, and changed its Chinese name from “中信國安集團公司” into “中信國安集團有限公司”. The relevant registration formalities required for the change have been completed with the industry and commerce authorities. Currently, CITIC Guoan Group is in the process of changing the shareholder accounts information, and upon completion, the shareholder’s name of the Company registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited will be changed accordingly.

Note 5: As of 31 December 2011, except for the 67 million Shares of the Company held by Nanjing Xingang High-Tech Co., Ltd. which have been frozen, no shares of the top 10 shareholders of the Company have been pledged or frozen. Among the shares held by CITIC Group, 23,510,652 Shares were shares held in custody for the incentive share arrangement of the Company.

Note 6: Among the top 10 shareholders of the Company, CITIC Guoan Group is a wholly-owned subsidiary of CITIC Group; China Life Insurance Company Limited is a non wholly-owned subsidiary of China Life Insurance (Group) Company.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Note 7: The shareholding changes of CITIC Group, China Academy of Launch Vehicle Technology and CITIC Guoan Group during the year were caused by the conversion of the State-owned shares into H Shares and the transfer of such shares to the NSSF pursuant to the relevant requirements upon the initial public offering of the H Shares of the Company.

Note 8: In the above table, shares held by HKSCC Nominees Limited were overseas listed foreign shares (H Shares), and shares held by other shareholders were RMB denominated ordinary shares (A Shares).

Note 9: Type of A Shareholders represents the type of account held by A Shareholders with Shanghai branch of China Securities Depository and Clearing Corporation Limited.

Shareholdings of the Top 10 Non-Restricted Shareholders of the Company as at 31 December 2011

Name of shareholder	Number of tradable Shares not subject to trading moratorium held (shares)	Class (A Shares, B Shares, H Shares or others)
CITIC Group	2,236,890,620	A Shares
HKSCC Nominees Limited	1,178,083,200	H Shares
China Life Insurance Company Limited	497,969,991	A Shares
China Life Insurance (Group) Company — Traditional — General Insurance products	231,141,935	A Shares
China Academy of Launch Vehicle Technology	106,478,308	A Shares
Nanjing Xingang High-Tech Co., Ltd.	91,823,634	A Shares
Liuzhou LMZ Co., Ltd.	69,699,685	A Shares
UBS AG	65,688,055	A Shares
Everbright Securities Co., Ltd.	65,643,778	A Shares
CITIC Guoan Group	63,739,930	A Shares

Shareholdings of the Restricted Shareholders of the Company as at 31 December 2011

Name of Shares	Listing and trading of Shares subject to trading moratorium			
	Number of Shares subject to trading moratorium held (shares)	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	Upon implementation of the incentive share arrangement	—	To be determined upon implementation of the incentive share arrangement

Changes in Share Capital and Shareholdings of Substantial Shareholders

Information on Substantial Shareholders of the Company

the largest shareholder

As at 27 December 2011, the largest shareholder of the Company, CITIC Group, was fully restructured into a wholly state-owned company, and changed its name into “CITIC Group Corporation”, which took over all of the business and assets of CITIC Group. According to the restructuring plan, CITIC Group together with Beijing CITIC Enterprise Management Co., Ltd. established CITIC Limited on 27 December 2011 by contributing substantially all of its existing operating net assets (inclusive of its 20.30% shares in the Company). Upon obtaining the qualification approved by the CSRC for CITIC Limited to become a shareholder of a security company, CITIC Limited will formally become a shareholder of the Company. Prior to this, the largest shareholder of the Company registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited would still be CITIC Group. For details, please refer to the *Announcement on Restructuring of the Largest Shareholder* and *Detailed Report on the Change of Equity Interests* (as set out in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 28 December 2011 and 17 January 2012 respectively).

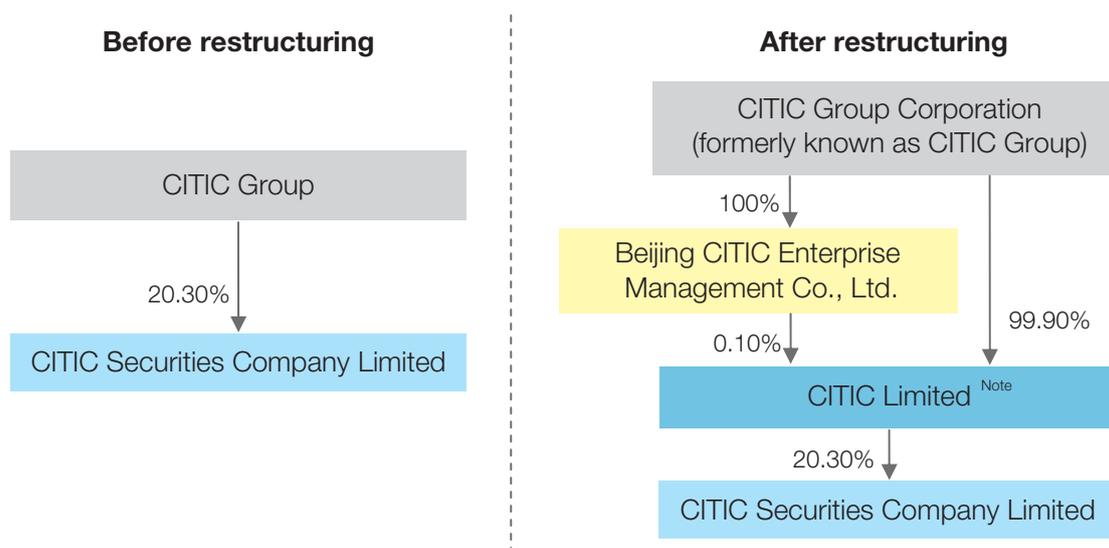
On 27 December 2011, CITIC Group underwent reorganization as a whole and changed its name into CITIC Group Corporation. The current legal representative of CITIC Group Corporation is Mr. CHANG Zhenming, and its registered capital is RMB183,702.63 million. Its scope of business is as follows: investment and management of domestic and foreign banks, securities, insurance, trust, asset management, futures, leasing, funds, credit card financial enterprises and related industry, energy, traffic infrastructure constructions, minerals, exploring of timber resources and raw material industry, machinery manufacturing, real property development, information system infrastructures, basic telecommunication and value-added telecommunication business, environmental protection, medicine, bio-engineering, as well as new materials, aviation, transportation, warehouse, hotel, tourism, international trade and domestic trade, commerce, education, publishing, media, culture and sports, overseas and domestic engineering design, constructions, contracting and sub-contracting, industry investment; project tendering, surveying, design, construction, supervision, contracting and sub-contracting, consultant service industry; asset management; capital operation; internet information service business (except contents related to news, publishing, education, healthcare, medicine, medical equipment); and sending working staffs for overseas projects that suit with its strength, scale, results.

CITIC Limited was established on 27 December 2011 with a registered capital of RMB128,000 million, and its current legal representative is Mr. CHANG Zhenming. Its scope of business is as follows: investment and management of domestic and foreign banks, securities, insurance, trust, futures, leasing, funds, credit card financial enterprises and related industry, information system infrastructures, basic telecommunication and value-added telecommunication business, energy, traffic infrastructure constructions, minerals, exploring of timber resources and raw material industry, machinery manufacturing, real property development, environmental protection, medicine, bio-engineering, as well as new materials, aviation, transportation, warehouse, hotel, tourism, domestic trade and international trade, commerce, education, publishing, media, culture and sports, domestic and overseas engineering design, constructions, contracting and sub-contracting, consultant service industry; asset management; capital operation.

Changes in Share Capital and Shareholdings of Substantial Shareholders

As at 31 December 2011, CITIC Group directly held 2,236,890,620 A Shares of the Company, representing 20.30% of the total share capital of the Company.

The shareholding relationship between the Company and the CITIC Group before and after the reorganization is as follows:



Note: The qualification of CITIC Limited to become a shareholder of a securities company is subject to the approval of the CSRC.

As at 31 December 2011, there were no other shareholders holding more than 5% of the Shares of the Company directly. The shares held by HKSCC Nominees Limited belong to the non-registered shareholders of the H Shares of the Company.

Changes in Share Capital and Shareholdings of Substantial Shareholders

Interest and Short Positions of Substantial Shareholder

Pursuant to Section 336 of the *Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong) (the “SFO”), substantial shareholders of the Company are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed level. The following table is derived from the latest interest information disclosed by the substantial shareholders of the Company on the website of the Hong Kong Stock Exchange during the reporting period. As they are only required to disclose the changes of their interests when the changes reached certain prescribed level, the information set out in the following table may be inconsistent with their actual interest as at 31 December 2011.

Name of shareholder	Capacity	Class of Shares	Number of Shares (Shares)	Percentage	
				A Shares/ H Shares (%)	in total issued share capital as at 31 December 2011 (%)
CITIC Group ^{Note 1}	Beneficial owner and interest of controlled corporation	A Shares	2,310,933,872	23.47	20.98
China Life Insurance (Group) Company ^{Note 2}	Beneficial owner and interest of controlled corporation	A Shares	729,111,926	7.41	6.62
The NSSF ^{Note 3}	Beneficial owner	H Shares	117,415,000	10.72	1.07
Temasek Holdings (Private) Limited ^{Note 4}	Interest of controlled corporation	H Shares	87,938,000	8.03	0.80
Banco BTG Pactual S.A.	Beneficial owner	H Shares	58,625,500	5.35	0.53

Note 1: In respect of the interest held by CITIC Group, CITIC Group directly held 2,243,667,826 A Shares of the Company, and indirectly held 67,266,046 A Shares through its subsidiaries (including CITIC Guoan Group and its subsidiaries). Such interest does not reflect the effect of the further reduction in state-owned shares carried out by CITIC Group and its subsidiary, CITIC Guoan Group, upon partial exercise of the over-allotment option by the Company. As at 31 December 2011, CITIC Group and its subsidiary held 2,303,963,550 A Shares of the Company, representing 20.91% of the total number of Shares of the Company.

Note 2: China Life Insurance (Group) Company directly held 231,141,935 A Shares of the Company, and indirectly held 497,969,991 A Shares of the Company through its subsidiary China Life Insurance Company Limited. As at 31 December 2011, China Life Insurance (Group) Company and its subsidiary held 729,111,926 Shares of the Company, representing 6.62% of the total number of Shares of the Company.

Note 3: After the completion of H Shares issuance, the NSSF held 107,120,700 H Shares of the Company.

Note 4: Temasek Holdings (Private) Limited was interested in 87,938,000 H Shares of the Company through its controlled corporation Fullerton Management Pte Ltd. and Cairnhill Investments (Mauritius) Pte Ltd., and as such, Temasek Holdings (Private) Limited and Fullerton Management Pte Ltd. were both deemed to be interested in 87,938,000 H Shares of the Company.

Note 5: The NSSF, Temasek Holdings (Private) Limited and Banco BTG Pactual S.A. were all non-registered shareholders of the H Shares of the Company, such Shares were held by HKSCC Nominees Limited on their behalf, and as such, the Company is not able to know their respective shareholdings as at 31 December 2011.

Changes in Share Capital and Shareholdings of Substantial Shareholders

All interests stated above represented long positions. Save as disclosed above, as at 31 December 2011, there were no other interests and short positions as recorded in equity interest information disclosed on the website of the Hong Kong Stock Exchange or the register maintained by the Company pursuant to Section 336 of the SFO.

Sufficient Public Float

Upon listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, accepting the minimum public float for the H Shares of the Company to be the higher of: (i) 10% of the total issued share capital; or (ii) the percentage of H Shares held by the public immediately after the completion of the Global Offering (including the H Shares issued pursuant to the exercise of the over-allotment option and the transfer and conversion of the relevant state-owned shares into H Shares pursuant to the PRC regulations on reduction of state-owned shares). Upon the completion of the Global Offering and based on the minimum public float granted by the Hong Kong Stock Exchange, the minimum public float for the H Shares of the Company is not lower than 10.696%.

As at the latest practicable date before the printing of this annual report, based on the information available to the public and the knowledge of the Directors, the Directors believe that the public float complies with Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Hong Kong Listing Rules**”) and the requirements for minimum public float as set out in the waiver granted by the Hong Kong Stock Exchange.

Purchase, Sale or Redemption of the Securities of the Company

During the reporting period, except the initial public offering of H Shares, neither the Company nor its subsidiary has purchased, sold or redeemed any of the securities of the Company.

Shares Issued by the Company or its Subsidiary

During the reporting period, the Company conducted the initial public offering of H Shares, with partial exercise of the over-allotment option. Upon completion of the offering, the total number of Shares of the Company has increased from 9,945,701,400 Shares to 11,016,908,400 Shares.

On 7 April 2011, the 25th Meeting of the 4th Session of the Board of Directors passed the *Resolution in Relation to Increase the Amount of Capital of CITICS Futures Company Limited*, approving to increase in the amount of capital injection from the RMB200 million previously agreed by the Board to RMB500 million. On 1 August 2011, the increase in capital injection was approved by the CSRC pursuant to the *Reply Letter in relation to the Approval for Revising the Registered Capital of CITICS Futures Co., Ltd.* (Zheng Jian Xu Ke [2011] No. 1197). In September 2011, upon completion of the registration formalities with the industry and commerce authorities, the registered capital of CITIC Futures increased from RMB300 million to RMB800 million.

On 5 July 2010, the 17th Meeting of the 4th Session of the Board of Directors passed the *Resolution to Inject Capital to GoldStone Investment Company Limited*, approving the injection of RMB 2.2 billion to GoldStone and authorized the management of the Company to complete, subject to compliance with the relevant regulatory requirements, the capital injection stage by stage. In December 2011, the Company carried out the last (the third) stage of capital injection by an amount of RMB600 million (the first and second stage capital injections amounting to RMB1.6 billion having been completed) in GoldStone. In March 2012, GoldStone completed the registration formalities with the industry and commerce authorities, and its registered capital was increased from RMB4.6 billion to RMB5.2 billion.

Directors, Supervisors, and Members of the Executive Committee

The Board of Directors

Chairman : WANG Dongming

Vice-chairman : YIN Ke

Members of the Board:

Executive Director : WANG Dongming, YIN Ke

Non-executive Director : JU Weimin, ZHANG Jijing, ZHANG Youjun,
YANG Hualiang, LIU Lefei, DA Xinya

Independent non-executive Directors : FENG Zuxin, LI Jian (female),
Lee Kong Wai, Conway,
RAO Geping

Secretary to the Board : ZHENG Jing (female)

The Supervisory Committee:

Chairman : NI Jun (female)

Members of the Supervisory Committee : NI Jun (female), GUO Zhao,
HE Dexu, LEI Yong, YANG Zhenyu

The Executive Committee:

Members of the Executive Committee : WANG Dongming, CHENG Boming,
YIN Ke, TOKUCHI Tatsuhito,
HUANG Weidong, XU Gang, GE Xiaobo

Directors, Supervisors, and Members of the Executive Committee



The Executive Committee

Mr. XU Gang

Mr. TOKUCHI
Tatsuhito

Mr. CHENG
Boming

Mr. WANG
Dongming

Mr. YIN Ke

Mr. HUANG
Weidong

Mr. GE Xiaobo

Directors, Supervisors, Senior Management and Employees

Basic Information of Directors, Supervisors and Senior Management Changes in shareholding and information of the remuneration

Name	Position ^{Note 1}	Gender	Age	Term of office for current session	Shares held at the beginning of 2011 ^{Note 2} (shares)	Shares held at the end of 2011 ^{Note 2} (shares)	Total remuneration in 2011 (RMB ten thousand)
WANG Dongming	Chairman, executive Director and member of Executive Committee	Male	60	from 29 June 2009 to 30 June 2012	2,649,750	2,649,750	370.90
YIN Ke	Vice-chairman, executive Director and member of the Executive Committee	Male	48	from 24 March 2011 to 30 June 2012	—	—	HK\$19.745 million
JU Weimin	Non-executive Director	Male	48	from 29 June 2009 to 30 June 2012	—	—	8.00
ZHANG Jijing	Non-executive Director	Male	56	from 29 June 2009 to 30 June 2012	—	—	8.00
ZHANG Youjun	Non-executive Director	Male	46	from 29 June 2009 to 30 June 2012	1,733,160	1,733,160	—
YANG Hualiang	Non-executive Director	Male	47	from 29 June 2009 to 30 June 2012	—	—	—
LIU Lefei	Non-executive Director	Male	38	from 29 June 2009 to 30 June 2012	—	—	—
DA Xinya	Non-executive Director	Male	55	from 29 June 2009 to 30 June 2012	1,644,182	1,644,182	253.70
FENG Zuxin	Independent non-executive Director	Male	57	from 29 June 2009 to 30 June 2012	—	—	12.00
LI Jian	Independent non-executive Director	Female	58	from 29 June 2009 to 30 June 2012	—	—	12.00
LEE Kong Wai, Conway	Independent non-executive Director	Male	57	from 14 November 2011 to 30 June 2012	—	—	2.00
RAO Geping	Independent non-executive Director	Male	64	from 11 August 2011 to 30 June 2012	—	—	5.00
ZHANG Hongjiu	Former independent Director	Male	57	from 29 June 2009 to 14 November 2011	—	—	12.00
LI Yang	Former independent Director	Male	60	from 29 June 2009 to 11 August 2011	—	—	—
NI Jun	Chairman of the Supervisory Committee	Female	56	from 28 June 2010 to 30 June 2012	1,728,363	1,728,363	254.20
GUO Zhao	Supervisor	Male	55	from 29 June 2009 to 30 June 2012	—	—	8.00
HE Dexu	Supervisor	Male	49	from 29 June 2009 to 30 June 2012	—	—	8.00
LEI Yong	Supervisor, Brokerage Business Development and Management Committee	Male	44	from 29 June 2009 to 30 June 2012	483,285	483,285	215.40
YANG Zhenyu	Supervisor, General Administration Department	Male	41	from 29 June 2009 to 30 June 2012	108,000	108,000	181.40
CHENG Boming	President, member of the Executive Committee	Male	50	from 10 February 2010 to 30 June 2012	1,733,160	1,733,160	319.30
TOKUCHI Tatsuhito	Member of the Executive Committee	Male	59	from 29 June 2009 to 30 June 2012	—	—	557.00
HUANG Weidong	Member of the Executive Committee	Male	44	from 29 June 2009 to 30 June 2012	1,728,363	1,728,363	288.80
XU Gang	Member of the Executive Committee	Male	42	from 30 September 2010 to 30 June 2012	870,000	870,000	288.60
GE Xiaobo	Member of the Executive Committee	Male	41	from 30 September 2010 to 30 June 2012	1,740,000	1,740,000	276.80
WU Jianwei	Compliance officer	Female	56	from 27 November 2009 to 30 June 2012	—	—	197.30
ZHENG Jing	Secretary to the Board Company Secretary	Female	39	from 14 April 2011 to 30 June 2012	—	—	175.40
WU Yuming	Former member of the executive committee	Male	45	from 29 June 2009 to 7 April 2011	1,728,363	1,728,363	96.10
TAN Ning	Former secretary to the Board	Male	52	from 29 June 2009 to 14 April 2011	1,733,160	1,733,160	84.90
Total					17,879,786	17,879,786	5,235.50

Note 1: The "term of office" refers to the first position held by a person, where that person has several positions; the "term of office" of those re-elected Directors and Supervisors begins from the appointment day of the current session of the Board and Supervisor Committee; the "term of office" of those re-elected senior management begins from the appointment date by the current session of the Board; the commencement date of appointment of a member of the executive committee refers to the date when such person first begins his appointment as a member of the senior management.

Note 2: Shares held by Directors, Supervisors and senior management of the Company included the incentive shares initially granted upon the implementation of the share incentive arrangement, the placing shares and the capitalization issue of bonus shares.

Directors, Supervisors, Senior Management and Employees

Note 3: According to the resolution at the 2006 Annual General Meeting of Shareholders, the Company shall pay an allowance of RMB120,000 per year (tax inclusive) to each of the independent directors, an allowance of RMB80,000 per year (tax inclusive) to each of the Directors or Supervisors who does not receive remuneration from the Company, and to reimburse the above-stated persons their related expenses for participating in meetings of the Company (Please refer to the information published in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 10 April 2007). Mr. LI Yang tendered his resignation in August 2009, and ceased to receive his subsidy since then. In addition, Mr. YIN Ke, the Vice-chairman, only received his remuneration from CSI, the wholly-owned subsidiary of the Company, instead of the Company; Mr. ZHANG Youjun, Mr. YANG Hualiang and Mr. LIU Lefei, the non-executive Directors, never received any remuneration or allowance from the Company. Remunerations of WU Yuming and TAN Ning represent the remunerations, paid to them during their appointment as Company's senior management for the periods from January to April 2011.

Note 4: As at the disclosure date of the report, there were changes of the Directors, Supervisors and senior management of the Company, please refer to "Changes of Directors, Supervisors, and Senior Management" for details.

Note 5: In order to coordinate the H Share offering, specific positions held by incumbent directors and proposed directors were confirmed on the 33rd Meeting of the 4th Session of the Board on 9 September 2011: Mr. WANG Dongming and Mr. YIN Ke as executive Directors of the Company; Mr. JU Weimin, Mr. ZHANG Jijing, Mr. ZHANG Youjun, Mr. YANG Hualiang, Mr. LIU Lefei, Mr. DA Xinya as non-executive Directors of the Company; Mr. FENG Xuzin, Ms. LI Jian, Mr. RAO Geping, Mr. LEE Kong Wai, Conway as independent non-executive Directors of the Company.

Current positions held by Directors and Supervisors in the shareholders

Name	Name of Shareholder	Position held in the shareholders	Term of Office	Whether receiving remuneration or allowance from the shareholders
WANG Dongming	CITIC Limited	Assistant to general manager	From 27 December 2011 to present	No
JU Weimin	CITIC Limited	Deputy general manager, chief financial officer and secretary to the board of directors	From 27 December 2011 to present	Yes
ZHANG Jijing	CITIC Limited	Deputy general manager and head of the strategy and planning department	From 27 December 2011 to present	Yes
ZHANG Youjun	CITIC Limited	Head of the board office	From 27 December 2011 to present	Yes
GUO Zhao	Nanjing Xingang High-Tech Co., Ltd.	Director and vice president	From January 2001 to present	Yes

Note: CITIC Limited will formally become a shareholder of the Company upon obtaining the approval for qualification to hold shares in a securities company.

Current positions by Directors and Supervisors in other entities

Name	Name of the entities	Position held	Term of office	Whether receiving remuneration or allowance
YIN Ke	CSI	Vice chairman of the board, chief executive officer	From February 2007 to present	Yes
LIU Lefei	CITIC PE Fund	Chairman of the board, chief executive officer	From January 2009 to present	Yes
DA Xinya	CITIC PE Fund	Director	From June 2008 to present	No
YANG Hualiang	China Life Investment Holding Company Limited	Vice president	From March 2011 to present	Yes
RAO Geping	Peking University	Law professor, doctoral supervisor	From August 1994 to present	Yes
LI Jian	Central University of Finance and Economics	Professor, doctoral supervisor and head of the Department of Finance	From September 1999 to present	Yes
HE Dexu	Chinese Academy of Social Sciences	Deputy director at the Institute of Quantitative & Technical Economics	From October 2008 to present	Yes

Directors, Supervisors, Senior Management and Employees

Major working experience of Directors, Supervisors and Senior Management

Executive Directors and non-executive Directors (8)



Mr. WANG Dongming

60, serves as the chairman the Company, an executive Director and a member of the Executive Committee. Mr. Wang joined the Group since the establishment of the Company in 1995 and was appointed as a Director on 26 September 1999. Mr. Wang worked as deputy general manager and general manager of the Company. Mr. Wang is also the assistant to the general manager of CITIC Limited, director of CITIC Holdings Limited, director of CITIC International Financial Holdings Limited, chairman of the board of China AMC and non-executive director of CSI. Mr. Wang previously worked in Scotiabank Securities Company, Canada from 1987 to 1992. Mr. Wang also served as the general manager of the international department of China Securities from 1992 to 1993, responsible for the international business of the company; deputy general manager of China Southern Securities Co., Ltd. from 1993 to 1995, responsible for the investment banking business of the company; and non-executive director of CITIC Capital Holdings Limited from 2002 to 2009. Mr. Wang was granted the title of senior economist by China International Trust and Investment Corporation, the predecessor of CITIC Group, in December 1997. He obtained a bachelor's degree in French in 1977 from Beijing Foreign Studies University and a master's degree in international finance in 1984 from Georgetown University in the United States.



Mr. YIN Ke

48, serves as the vice-chairman the Company, an executive Director and a member of the Executive Committee. Mr. Yin joined the Group in 2007 and was appointed as a Director on 30 June 2009. Mr. Yin is also the vice chairman of the board and chief executive officer of CSI, non-executive director of CITIC Pacific Limited, Dah Chong Hong Holdings Limited and Hui Xian Asset Management Limited. Mr. Yin previously worked as the assistant to the chief executive officer of the Shenzhen Stock Exchange from 1991 to 1992, responsible for assisting the chief executive officer for the development and day-to-day operation of the Shenzhen Stock Exchange; deputy general manager and executive director of Jun'an Securities Co., Ltd. from 1992 to 1998, executive director and responsible person of Jun'an Securities Co., Ltd. from 1998 to 1999 responsible for the investment banking, brokerage and overseas businesses and the overall management of the company; deputy director of the merger committee of Guotai Jun'an Securities Co., Ltd. from 1998 to 1999, responsible for coordinating the merger between Jun'an Securities Co., Ltd. and Guotai Securities Co., Ltd.; director of Guotai Jun'an Securities Co., Ltd. from 1999 to 2000, responsible for the strategic development of the company; president and executive director of China United Securities Co., Ltd. from 2000 to 2002, responsible for the overall management and business of the company; director and deputy general manager of CITIC Capital Holdings Limited from 2002 to 2007, responsible for the investment banking and private equity investment businesses of the company; non-executive director of CITIC Capital Holdings Limited from 2007 to 2009; director of ACT 360 Solutions Limited from 2000 to 2009, responsible for the business strategy of the company; independent director of CCB Principal Asset Management Co., Ltd. from 2005 to 2009; and director of Zhongxing Shenyang Commercial Building Group Co., Ltd. from 2006 to 2010. He obtained a bachelor's degree in electronics engineering in 1985 and a master's degree in economics in 1991 from Zhejiang University.

Directors, Supervisors, Senior Management and Employees

Mr. JU Weimin

48, serves as a non-executive Director. Mr. Ju joined the Group in 2002 and was appointed as a Director on 30 May 2002. Mr. Ju is also the deputy general manager, chief financial officer and secretary to the board of directors of CITIC Limited; non-executive director of CITIC Pacific Limited, CITIC Bank Co. Ltd., CITIC International Financial Holdings Limited, CITIC Bank International Limited and Asia Satellite Telecommunications Co. Ltd. respectively. Mr. Ju previously worked for China International Trust and Investment Corporation as the assistant finance director and deputy finance director from 1995 to 1998, responsible for the financial business of the company; the director, finance director and chief accountant from 2000 to 2002, responsible for the accounting and financial aspects of the company and the managing director of Shortridge Company Ltd. from 1998 to 2000, responsible for the general management of the company; chairman of CITIC Trust from 2004 to 2011, responsible for the general management of the company. Mr. Ju was granted the title of senior economist by China International Trust and Investment Corporation, in August 1998. He obtained a master's degree in economics (majoring in accounting) in 1987 from Renmin University of China.



Mr. ZHANG Jijing

56, serves as a non-executive Director. Mr. Zhang joined the Group in 2005 and was appointed as a Director on 23 May 2005. Mr. Zhang is also deputy general manager and head of the strategy and planning department of CITIC Limited; executive director and managing director of CITIC Pacific Limited; and non-executive director of CITIC Resources Holdings Limited, CITIC Metal Co., Ltd., CITIC Publishing House Co., Ltd., and CITIC Real Estate Co., Ltd. Mr. Zhang previously worked as the managing director of CITIC Australia Pty. Ltd. from 1988 to 2002, responsible for the management of the company. Before that, he worked as the deputy director in the overseas investment department of China International Trust and Investment Corporation in 1986, responsible for project analysis and financing of the company; and as director and deputy general manager of CITIC Australia Pty. Ltd. from 1986 to 1988, responsible for the management of the company. Mr. Zhang had, over a decade ago, also served as a non-executive director of certain companies in which CITIC Australia Pty. Ltd. had invested in (including Yaohan International Holdings Limited and Pacific Asia International Pty Limited). From 14 February 1996 to 22 November 1997 and from 24 February 1998 to 20 November 1998, Mr. Zhang served as a non-executive director of Yaohan International Holdings Limited (a company incorporated in Bermuda and subsequently in liquidation). Current status and outcome of the proceeding is unknown. Mr. Zhang also served as a non-executive director of Pacific Asia International Pty Limited from 30 June 1995 to 17 September 1999 and this company was deregistered on 20 June 2004 after its liquidation. The Board is of the view that Mr. Zhang's role as a non-executive director of the aforesaid companies which went into liquidation does not have any significant impact on Mr. Zhang's qualification to serve as the Director. Mr. Zhang was granted the title of senior economist by China International Trust and Investment Corporation in December 1995. He obtained a master's degree in economics in 1985 from the Graduate School of Chinese Academy of Social Sciences in Beijing.



Directors, Supervisors, Senior Management and Employees



Mr. ZHANG Youjun

46, serves as a non-executive Director. Mr. Zhang joined the Group since the establishment of the Company in 1995 and was appointed as a Director on 26 September 1999. Mr. Zhang worked as general manager of the trading department of the Company, the assistant manager, deputy general manager and general manager of the Company. Mr. Zhang is also head of the board office of China Limited. Mr. Zhang previously worked as a general manager of Changsheng Fund Management Co., Ltd. from 1998 to 2001, responsible for the management of the company; and director and general manager of China Securities from 2005 to 2006, responsible for the management of the company, and chairman of the board of China Securities from 2006 to 2011. He obtained a bachelor's degree in economics (majoring in money and banking) in 1987 from Renmin University of China and a master's degree in economics (majoring in money and banking) in 1990 from Central University of Finance and Economics.



Mr. YANG Hualiang

47, serves as a non-executive Director. Mr. Yang joined the Group in 2008 and was appointed as a Director on 4 May 2008. Mr. Yang is also a vice president of China Life Investment Holding Company Limited. Mr. Yang previously worked as deputy director of the People's Insurance Company of China from 1993 to 1995, responsible for life insurance accounting of the company; deputy director of PICC (Life) Co., Ltd. from 1995 to 1997, responsible for financial accounting of the company; director of China Life Insurance Company from 1997 to 1999, responsible for financial accounting of the company, department deputy general manager of China Life Insurance Company from 1999 to 2002, responsible for financial accounting of the company; department general manager of China Life Insurance Company from 2002 to 2003, responsible for the reinsurance business of the company and department general manager of China Life Insurance Company Limited from 2003 to 2006, responsible for auditing of the company. Mr. Yang was also the general manager of the asset management department of China Life Insurance (Group) Company from 2006 to 2011, responsible for the asset management business of the company. Mr. Yang obtained the title of senior accountant in August 1998, granted by People's Insurance (Group) Company of China and enjoys a special government allowance granted by the State Council since 2002. He obtained a bachelor's degree in economics (majoring in industrial finance and accounting) in 1987 from Hunan Institute of Finance and Economics.

Directors, Supervisors, Senior Management and Employees

Mr. LIU Lefei

38, serves as a non-executive Director. Mr. Liu joined the Group in 2008 and was appointed as a Director on 4 May 2008. Mr. Liu is also the chairman of the board and chief executive officer of CITIC PE Fund, non-executive director of Wind Info and member of the Ninth, Tenth and Eleventh All-China Youth Federations. Mr. Liu previously worked for the General Office of China's Ministry of Finance from 1995 to 1998, responsible for policy research. He also previously worked as the director of Capital Securities Company Limited from 2000 to 2002, responsible for the investment management of the company; general manager of the investment management department of China Galaxy Securities Company Limited in 2004, responsible for the asset management of the company; chief investment officer of China Life Insurance Ltd. from 2006 to 2009, responsible for the overall investment business of the company; and general manager of China Life Insurance Ltd.'s investment management department from 2004 to 2009, responsible for formulating and organizing the implementation of the investment strategies and plans of the company. He obtained a bachelor's degree in economics in 1995 from Renmin University of China and a master's degree in business administration in 2006 from China Europe International Business School.



Mr. DA Xinya

55, serves as a non-executive Director and managing director of the Company. Mr. Da joined the Group in 1995 and was appointed as a Director on 26 September 1999. Mr. Da worked as the general manager of the investment banking department, deputy general manager of the Company and head of the risk management department of the Company. Mr. Da is also the director of CITIC PE Fund. Mr. Da previously worked as the deputy general manager of Beijing Standard Shares Consulting Company from 1993 to 1995, responsible for the market development of the company. He obtained a bachelor's degree in mathematics in 1983 from the First Campus of Peking University and a master's degree in engineering (majoring in industrial management engineering) in 1991 from Tsinghua University.



Independent non-executive Directors (4, ordering by surnames strokes)

Mr. FENG Zuxin

57, serves as an independent non-executive Director. Mr. Feng joined the Group in 2006 and was appointed as a Director on 12 May 2006. Mr. Feng is also the legal representative, president and deputy party secretary of Shanghai Industrial Investment (Group) Co., Ltd.; chairman of the board of Shanghai Industrial Investment Company; chairman of the board of SIIG International Inc, (U.S.) and chairman of Shanghai Optical Communications Corporation. Mr. Feng has previously worked as the deputy director and director of the Information Industry Center of the Shanghai Municipal Economic Commission from 1991 to 1997, responsible for economic management of the company; deputy general manager and general manager of Shanghai Industrial Investment Company from 1997 to 1998, responsible for the management of the company; and deputy general manager of Shanghai Industrial Investment (Group) Co., Ltd. from 1998 to 2003, responsible for the management of the company. He obtained a college diploma in secretary in 1987 from Fudan University and a master's degree in business administration in 2003 from Macau University of Science and Technology.



Directors, Supervisors, Senior Management and Employees



Ms. LI Jian

58, serves as an independent non-executive Director. Ms. Li joined the Group in 2006 and was appointed as a Director on 12 May 2006. Ms. Li is also professor, doctoral supervisor and head of the department of Finance of the School of Finance at the Central University of Finance and Economics; the director of the Committee for Guiding Economics in Higher Professional Education of the Ministry of Education, the director of China Society for Finance and Banking and the director of China International Finance Society; the independent director of China Sunergy (Nanjing) Co., Ltd., Bank of Beijing Co., Ltd, and Chengdu Road and Bridge Engineering Co., Ltd. She receives a special allowance from the State Council. She was among the first to be awarded the title of top 100 famous national educators and is a pioneer among the first group of national-level educators. Ms. Li's research mainly focuses on currency, banking and financial markets. She obtained a bachelor's degree in finance in 1983 from Central University of Finance and Economics and a Ph.D. degree in economics (majoring in money and banking) in 1997 from Shaanxi Institute of Finance and Economics.



Mr. LEE Kong Wai, Conway

57, serves as an independent non-executive Director. Mr. Lee joined the Group in 2011, and was appointed as a Director on 14 November 2011. Mr. Lee is also the independent non-executive director of Tibet 5100 Water Resources Holdings Ltd., China Taiping Insurance Holdings Company Limited, Chaowei Power Holdings Limited, West China Cement Limited, China Morden Dairy Holdings Ltd. and GOME Electrical Appliances Holdings Limited, companies listed on the Hong Kong Stock Exchange. Mr. Lee served as a partner of Ernst & Young over the past 29 years and held key leadership positions in the development of such firm in China. Mr. Lee has been a member of The Institute of Chartered Accountants in England and Wales since October 2007, The Institute of Chartered Accountants in Australia since December 1996, The Association of Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macao Society of Certified Practicing Accountants since July 1995. Mr. Lee was appointed as a member of the CPPCC of Hunan Province in China since 2007. He obtained a bachelor's degree in business studies in 1980 from Kingston University (formerly known as Kingston Polytechnic) and a postgraduate diploma in business in 1988 from Curtin University of Technology in Australia.

Directors, Supervisors, Senior Management and Employees

Mr. RAO Geping

64, serves as an independent non-executive Director. Mr. Rao joined the Group in 2011 and was appointed as a Director on 11 August 2011. Mr. Rao is also a professor and doctoral supervisor of the International Law Institution, head of the Center for Hong Kong and Macao Studies, head of the Center of Hong Kong, Macao and Taiwan Law Studies in Peking University. Mr. Rao also serves as member of the Committee for the Basic Law of Hong Kong of the Standing Committee of the NPC; vice chairman and senior researcher of the Institute of Hong Kong and Macao Affairs of the Development Research Center of the State Council; executive vice chairman of Chinese Society of International Law; member of the Law Specialty Committee on National Self-taught Higher Education Examinations; independent non-executive director of YangGuang Co., Ltd., Poly Culture Group Corporation Limited and independent supervisor of China TravelSky Holding Company. Mr. Rao was a visiting scholar at the University of Washington, New York University, and Max Planck Institute of International Law. Mr. Rao obtained a master's degree in international law in 1982 from Peking University.



Supervisors (5)

Ms. NI Jun

56, serves as a Supervisor and the chairman of the supervisory committee. Ms. Ni joined the Group since the establishment of the Company in 1995 and was appointed as a Supervisor on 19 May 2010. Ms. Ni worked as general manager of the planning and finance department and chief accountant of the Company, during which time she was also the person in charge of the accounting body and with oversight of the capital operation business. Ms. Ni previously worked as the deputy director of the finance department of Zhongxin Xingye Company Limited, the predecessor of CITIC Trust from 1988 to 1994, responsible for the financial business of the company. Ms. Ni was granted the title of senior accountant by China International Trust and Investment Corporation in October 1996. Ms. Ni obtained a bachelor's degree in economics (majoring in industrial accounting) in 1982 from Liaoning Institute of Finance.



Mr. GUO Zhao

55, serves as a Supervisor. Mr. Guo joined the Group in 1999 and was appointed as a Supervisor on 26 September 1999. Mr. Guo is also director and deputy general manager of Nanjing Xingang High-Tech Co., Ltd., and director and general manager of Nanjing Chengong Pharmaceuticals Co., Ltd. Mr. Guo previously worked as the deputy chief accountant of Nanjing International Container Handling Co., Ltd. from 1988 to 1992, responsible for the financial affairs of the company; and as the secretary to the board of directors of Nanjing Xingang High-Tech Co., Ltd. from 1992 to 2002, responsible for the board affairs and information disclosure of the company. Mr. Guo is an accountant and obtained the accountant certificate in September 1993, granted by the Committee for Assessment of Academic Qualifications of the PRC Ministry of Transport. Mr. Guo obtained a college diploma in water transport finance and accounting in 1988 from Wuhan Heyun College.



Directors, Supervisors, Senior Management and Employees



Mr. HE Dexu

49, serves as a Supervisor. Mr. He joined the Group in 2006 and was appointed as a Supervisor on 12 May 2006. Mr. He is also deputy director and researcher at the Institute of Quantitative & Technical Economics of the Chinese Academy of Social Sciences, professor and doctoral supervisor at the Graduate School of the Chinese Academy of Social Sciences, deputy director of the Finance Research Center of the Chinese Academy of Social Sciences, executive director of the China Society for Finance and Banking, executive director of the China Investment Society, independent director of Poly Culture Group Co., Ltd., independent director of Zhejiang Mintai Commercial Bank Co., Ltd., and professor in various universities such as the Central University of Finance and Economics. Mr. He previously worked as the researcher and deputy head in Institute of Finance and Trade Economics of the Chinese Academy of Social Sciences from 1984 to 2008, responsible for research and research management. Mr. He obtained a Ph.D. degree in economics (majoring in money and banking) in 1998 from Shaanxi Institute of Finance and Economics. He enjoys a special government allowance for experts granted by the State Council. Mr. He was previously a visiting scholar at University of Colorado and the University of Southern California, as well as a postdoctoral researcher at the South Western University of Finance and Economics.



Mr. LEI Yong

44, serves as a Supervisor and the managing director of the brokerage business development and management committee. Mr. Lei joined the Group in 1995 and was appointed as a Supervisor on 30 May 2002. Mr. Lei previously worked as the deputy general manager of the trading department of the Company and the general manager of the Beijing Beisanhuan Zhonglu Branch of the Company. He obtained a college diploma in industrial enterprise management in 1994 from Tianjin Management Institute.



Mr. YANG Zhenyu

41, serves as a Supervisor and the head of the general administration department of the Company. Mr. Yang joined the Group in 1997 and was appointed as a Supervisor on 16 December 2005. Mr. Yang previously worked as the deputy general manager of the general administration department of the Company; and as senior vice president of the treasury operation department of the Company. He obtained a bachelor's degree in law in 1993 from Chinese People's Public Security University.

Directors, Supervisors, Senior Management and Employees

Other Senior Management (7)

Mr. CHENG Boming

50, serves as president and a member of the Executive Committee. Mr. Cheng joined the Group in 2001 and previously worked as assistant manager, secretary to the board of directors, deputy general manager and executive deputy general manager of the Company. Mr. Cheng is also a non-executive director of CSI and a director of CITIC PE Fund. Mr. Cheng previously served as head of the Theory Department of Financial News from 1987 to 1993, responsible for the theory research and management of the department; general manager of Beijing Securities Registration Co., Ltd. from 1993 to 2001, responsible for the management of the company; and chairman of the board of Changcheng Credit Appraisal Co., Ltd. from 1994 to 1995, responsible for the management of the company. He obtained a bachelor's degree in economics (majoring in finance) in 1984 from Anhui Finance & Trade College, a master's degree in economics (majoring in money and banking) in 1987 from the Graduate School of the People's Bank of China, and a Ph.D. degree in economics (majoring in money and banking) in 1998 from Shaanxi Institute of Finance and Economics.



Mr. TOKUCHI Tatsuhito

59, serves as a member of the Executive Committee and the managing director of the Company with responsibility for the investment banking and fixed income business. Mr. Tokuchi joined the Group in 2002, and is also the chairman of the board of CSI. Mr. Tokuchi previously worked for Daiwa Securities Co. Ltd., including as the director of international consignment department from 1980 to 1983; vice president of the investment banking department of the Daiwa Securities America from 1985 to 1990, responsible for investment banking business; executive vice president of the Daiwa Securities Hong Kong from 1990 to 1993, responsible for investment banking business; chief representative of the Daiwa Beijing office from 1993 to 1999, responsible for China-related business; and president and chief executive officer of the Daiwa Singapore from 1999 to 2001, responsible for South-eastern Asian business; and co-head of the international finance department and the chief representative of Beijing office from 2001 to 2002, responsible for Chinese business. Mr. Tokuchi also served simultaneously as the deputy chairman of the Singapore Investment Banking Association from 2000 to 2001. Mr. Tokuchi was awarded a Friendship Prize by the State Foreign Experts Bureau of the PRC in September 2009. He obtained a bachelor's degree in Chinese literature in 1976 from Peking University and a master's degree in 1985 from the Center of East Asian Study of Stanford University in the United States, focusing on Chinese economics.



Directors, Supervisors, Senior Management and Employees



Mr. HUANG Weidong

44, serves as a member of the Executive Committee and the managing director of the Company with responsibility for managing asset management business. Mr. Huang joined the Group since the establishment of the Company in 1995 and previously worked as the general manager of the bonds department, general manager of the asset management department, general manager of the treasury department, team leader of the financial product development group, assistant manager and deputy general manager of the Company. He obtained a bachelor's degree in engineering (majoring in computer software) in 1987 from Changsha Railway University and a master's degree in engineering (majoring in industrial foreign trade) in 1993 from Tsinghua University.



Mr. XU Gang

42, serves as a member of the Executive Committee and the managing director of the Company, chairman of the brokerage business development and management committee and head of the research department with responsibility for brokerage business as well as research. Mr. Xu joined the Group in 1998 and previously worked as the senior manager, deputy general manager and executive director in departments such as the asset management department, the financial products development team, the research department and the equity sales and trading department of the Company. Mr. Xu is the vice chairman of Analysis Commission of SAC, and also a member of the China Finance 40 Forum. He obtained a bachelor's degree in economics (majoring in planned economics) in 1991 from Renmin University of China, a master's degree in economics (majority in political economics) in 1996, and a Ph.D. degree in economics (majoring in political economics) in 2000 from Nankai University.



Mr. GE Xiaobo

41, serves as a member of the Executive Committee and the managing director of the Company with responsibility for financial matters, capital and prime brokerage business. Mr. Ge joined the Group in 1997 and previously worked as the manager and senior manager of the investment banking department, deputy director of the A share listing office, deputy general manager and executive director of the risk control department, and head of the trading and derivatives department of the Company. Mr. Ge was awarded a National Finance May Day Labor Medal in 2007. He obtained a bachelor's degree in engineering (majoring in fluid machinery and fluid engineering) in 1994 and a master's degree in business administration (majoring in management engineering) in 1997 from Tsinghua University.

Directors, Supervisors, Senior Management and Employees

Ms. WU Jianwei

56, serves as compliance officer, executive director and head of the compliance department of the Company with responsibility for compliance management of the Company and compliance review, supervision and inspection of the Company's operations. Ms. Wu joined the Group in 2006 and worked as the executive director of the CEO office of the Company. She is also the executive director of the securities law committee of the China Law Society; arbitrator at the Beijing Arbitration Commission, the Shanghai Arbitration Commission and the Shenzhen Arbitration Commission; and corporate governance and internal control expert for the jurisdiction of the Shenzhen Bureau of the CSRC. Ms. Wu previously worked as a judicial officer and senior judge of the Supreme People's Court from 1982 to 1996; deputy general manager of the general office of Huatai Insurance Company from 1996 to 1997, responsible for overseeing legal matters relating to the company; assistant editor-in-chief and deputy chief editor of China Law Magazine from 1997 to 2004, responsible for editing and the day-to-day operations of the magazine; independent director of Lianyungang Ideal Group Co., Ltd. from 2002 to 2009; independent director of Huadong Medicine Co., Ltd. from 2003 to 2009; deputy general manager (executive) of the general office in China Life Reinsurance Company Ltd. from 2004 to 2005, responsible for general administration of the company; legal counsel in Beijing No. 2 Construction & Engineering Co., Ltd. from 2005 to 2006, responsible for overseeing legal matters relating to the company; and independent director of Sanjiu Medical & Pharmaceutical Co., Ltd. from 2005 to 2008. Ms. Wu is a qualified PRC lawyer, and she obtained the qualification to practice law in November 1998, granted by Lawyer Qualification Examination Committee of the PRC Ministry of Justice. Ms. Wu obtained a bachelor's degree in law (majoring in law) in 1982 from Jilin University and a master's degree in law (majoring in civil law) in 1994 from Renmin University of China.



Ms. ZHENG Jing

39, serves as the secretary to the Board, company secretary, securities representative and person in charge of the board of directors' office. Ms. Zheng joined the Group in 1997. She worked as an assistant in the research department, the manager of the general administration department and a team member of the A Share Listing team. Upon the establishment of the board of directors' office, she joined the board of directors' office and has been the securities representative from 2003 to 2011. Ms. Zheng obtained a bachelor's degree of law in international politics in 1996 from Peking University. Ms. Zheng is qualified to engage in securities work and has been approved by the CSRC to act as the secretary to the board of directors of a listed company in April 2011. Ms. Zheng has been an affiliated person of The Hong Kong Institute of Chartered Secretaries since May 2011.



Directors, Supervisors, Senior Management and Employees

Remuneration of Directors, Supervisors and Senior Management

Compensation of Directors, Supervisors and Senior Management during the reporting period

Procedures for determination of the remuneration of Directors, Supervisors and senior management: the Remuneration and Appraisal Committee of the Board of Directors is responsible for making recommendations to the Board of Directors on the policy and structure for all directors' and senior management's remuneration and on the establishment of formal and transparent procedures for developing remuneration policy. The Board decides the remuneration, reward and punishment matters for the senior management, and the shareholders' general meeting decides the remuneration of the Directors and Supervisors.

Determination basis for remuneration of Directors, Supervisors and Senior Management: The remuneration of Directors, Supervisors and senior management is determined in accordance with *the Remuneration Management System of CITIC Securities Company Limited*, and is linked up with position and performance.

Please refer to "Changes in shareholding and information of the remuneration" for further details of remuneration of the current Directors, Supervisors, and Senior Management in the reporting year. Allowances for independent Directors are calculated on yearly basis, booked on monthly basis, and granted twice a year.

Appraisal and incentive mechanism for senior management during the reporting period of the Company

Performance appraisal: performance goals are specified for the senior management on the work within their scope of responsibilities, and the performance is evaluated by the end of the year.

Incentive mechanism: annual bonus incentive mechanism is adopted within the existing legal framework. The Board distributes bonuses based on the business performance of the Company and in accordance with the established principles.

Share incentive arrangement: At the time of the non-tradable share reform of the Company, a share incentive arrangement has been adopted. The first batch of share incentive arrangement was implemented on 6 September 2006, and 22,163,116 A shares were granted to the senior management and key employees of the Company, with a lock-up period of 60 months. Through two issuances of bonus shares by way of capitalization issues, a total of 66,081,000 A shares among the first batch of incentive shares were listed and became tradable on 6 September 2011.

Share incentives of Directors, Supervisors, and Senior Management

Implementation of share incentive arrangement of the Company

The Company did not implement new share incentive arrangement during the reporting period. The current Share incentive arrangement implemented by the company was carried out after the resolution passed by the 5th Meeting of the 3rd Session of the Board on 6 September 2006 (Please refer to the information published in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 7 September 2006). The 66,081,000 A shares of the incentive shares was listed and tradable on 6 September 2011. Please refer to "Change in Share Capital — Changes in Shares Subject to Trading Moratorium" and "Changes in Shareholding and Information of the Remuneration" for the shares held by the Directors, Supervisors and senior management.

Directors, Supervisors, Senior Management and Employees

The Company had not revised the scope of the eligible participants for the share incentives during the reporting period.

Appraisal of the eligible participants for incentive shares

The Company has established and implemented a comprehensive performance appraisal system. The performance appraisal system is part of the target management system of the Company, and is complementary to the budget management system. It adopted the “balance score card” to determine and decompose key indicators and targets for the year, and carried out an online evaluation for the whole process through IT system. The Company review and evaluate the performance of incentive receivers within their respective responsibilities by the end of the year according to the working targets set in the beginning of the year.

Impact on the financial situation and operating results upon implementation of the share incentive arrangement

The share incentive arrangement improves the corporate governance of the Company, connecting the individual interest of the senior management and key employees with the overall interest of the Company and the shareholders; meanwhile, considering the business volatility of securities companies, the Company specifies in the share incentive arrangement a lock-up period of 60 months, thereby guaranteeing the sustainability of such incentive mechanism.

Along with the massive volatility of the stock market during the reporting period, the competition over talents is increasingly fierce in the industry. The Company stabilizes the key employee team through the share incentive arrangement.

Changes of Directors, Supervisors and Senior Management

No.	Name	Position	Date of Change	Reason of Change
1	YIN Ke	Vice-chairman	24 March 2011	Election by the Board
2	LI Yang	Independent Director	11 August 2011	Resignation due to work change
3	RAO Geping	Independent non-executive Director	11 August 2011	Election by shareholders' general meeting
4	ZHANG Hongjiu	Independent Director	14 November 2011	Resignation due to work change
5	LEE Kong Wai, Conway	Independent non-executive Director	14 November 2011	Election by shareholders' general meeting
6	WU Yuming	Member of Executive Committee	7 April 2011	Cease to serve due to work change
7	TAN Ning	Secretary to the Board	14 April 2011	Cease to serve due to work change
8	ZHENG Jing	Secretary to the Board	14 April 2011	Appointment by the Board

Directors, Supervisors, Senior Management and Employees

Changes in Directors

On 10 February 2010, the 9th Meeting of the 4th Session of the Board considered and approved the *Resolution on the Election of Vice-chairman*, and elected the director YIN Ke as the Vice-chairman of the Company. On 24 March 2011, upon approval of the Shenzhen Bureau of the CSRC (“**Shenzhen Bureau**”) by issuing the *Reply Letter in Relation to the Approval of YIN Ke for Chairman Level Personnel Qualification in Securities Companies* (Shen Zheng Ju Fa [2011] No. 82), Mr. YIN Ke was officially appointed as the vice chairman of the Company.

On 14 August 2009, Mr. Li Yang tendered his resignation to the Board because of work change. On 9 June 2011, the 2011 Second Extraordinary General Meeting of Shareholders of the Company considered and approved the *Resolution on the Election of Independent Director*, and elected Mr. RAO Geping as an independent Director of the Company. On 11 August 2011, upon the approval of the Shenzhen Bureau by issuing the *Reply Letter in Relation to the Appointment of RAO Geping as an Independent Director of a Securities Company* (Shen Zheng Ju Fa [2011] No. 202), Mr. RAO Geping was officially appointed as an independent Director of the Company. On the same day, resignation of Mr. LI Yang took effect. Mr. LI Yang ceased to serve as an independent Director of the Company from that date.

On 23 June 2011, Mr. ZHANG Hongjiu tendered his resignation because of busy work. On 26 August 2011, the 2011 Fourth Extraordinary General Meeting of Shareholders of the Company considered and approved the *Resolution on the Election of Independent Director*, and appointed Mr. LEE Kong Wai, Conway as an independent director of the Company. On 14 November 2011, upon the approval of the Shenzhen Bureau by issuing the *Reply Letter in Relation to the Appointment of LEE Kong Wai, Conway as an Independent Director of a Securities Company* (Shen Zheng Ju Fa [2011] No. 287), Mr. LEE Kong Wai, Conway was officially appointed as an independent non-executive Director of the Company. On the same day, resignation of Mr. ZHANG Hongjiu took effect. Mr. ZHANG Hongjiu ceased to serve as an independent Director of the Company from that date.

During the reporting period, there was no change in the Supervisors of the Company.

Changes in Senior Management

On 7 April 2011, the 25th Meeting of the 4th Session of the Board of the Company considered and approved the *Resolution on the Change of Member of Executive Committee*, and approved the cessation of Mr. WU Yuming serve as a member of the Executive Committee of the Company from that date.

On 10 February 2010, the 9th Meeting of the 4th Session of the Board of the Company considered and approved the *Resolution on the Changes of Several Members of Senior Management*, and approved the cessation of Mr. TAN Ning to serve as a secretary to the board of the Company due to work change, and appointed Ms. ZHENG Jing as the secretary to the board of the Company. On 14 April 2011, upon the approval of the Shenzhen Bureau by issuing the *Reply Letter in Relation to the Appointment of ZHENG Jing as a Senior Management of a Securities Company* (Shen Zheng Ju Fa [2011] No. 98), Ms. ZHENG Jing was officially appointed as the secretary to the board of the Company, and Mr. TAN Ning ceased to serve as the secretary to the board.

Directors, Supervisors, Senior Management and Employees

Relationships Between Directors, Supervisors and Senior Management

There is no relationship between Directors, Supervisors or senior management including relationships, in terms of finance, business, family or other significant relationship.

Persons in Charge of Branches

Basic information

Name	Position	Gender	Age	Beginning of term of office
TAO Lin	General manager of Beijing Hujialou Branch	Male	37	29 December 2011
FENG Ruidong	General manager of Beijing Beisanhuan Zhonglu Branch	Male	38	17 August 2010
MO Tao	General manager of Beijing Zhangzihonglu Branch	Male	42	29 December 2011
WU Di	General manager of Beijing Fuwaidajie Branch	Male	42	17 August 2010
YANG Haifeng	General manager of Beijing Anwaidajie Branch	Male	43	29 December 2011
FENG Zongjun	General manager of Beijing Nansanhuan Donglu Branch	Male	39	1 November 2011
ZHENG Chunjing	General manager of Beijing Huayuan Donglu Branch	Male	48	19 January 2009
SONG Dianguo	General manager of Beijing Zizhuyuanlu Branch	Male	45	16 October 2007
TANG Xiong	General manager of Beijing Tiantongyuan Branch	Male	47	15 October 2009
LI Wei	General manager of Beijing Fengguanlu Branch	Female	40	29 December 2011
XIAO Hong	General manager of Tianjin Dagang Branch	Female	46	29 December 2011
LIU Jinkun	General manager of Tianjin Youyilu Branch	Male	50	29 December 2011
YE Yang	Deputy general manager of Shijiazhuang Jianshe Beidajie Branch (presiding over the work)	Male	42	19 January 2009
ZHANG Xinyu	General manager of Tangshan Jianshe Beilu Branch	Female	41	20 April 2010
XIA Yun	General manager of Shanghai Pudongdadao Branch	Male	39	17 January 2006
CHEN Zhe	General manager of Shanghai Shihua Branch	Male	37	8 April 2011
DONG Jinggen	General manager of Shanghai Caoxi Beilu Branch	Male	46	8 September 2009
ZHOU Qing	General manager of Shanghai Jululu Branch	Male	41	19 January 2009
CONG Yunlong	General manager of Shanghai Huminlu Branch	Male	55	24 January 2007
ZHU Xiangrong	General manager of Shanghai Liyanglu Branch	Female	39	29 April 2011
ZHU Zhengmao	General manager of Shanghai Dongfanglu Branch	Male	44	16 December 2010
XIAO Qin	General manager of Shanghai Gubeilu Branch	Female	45	16 September 2011
YAO Yanping	Deputy general manager of Shanghai Changshoulu Branch (presiding over the work)	Female	45	9 August 2007
ZHENG Yulin	General manager of Shanghai Huaihai Zhonglu Branch	Female	41	17 January 2012
LIN Xiaojie	Deputy general manager of Shanghai Anting Branch (presiding over the work)	Female	49	27 March 2009
XU Gang	General manager of Shanghai Hengfenglu Branch	Male	44	1 February 2010
ZHONG Weijiang	General manager of Nanjing Gaoloumen Branch	Male	44	12 December 2011
YAN Yong	General manager of Suzhou Zhongxinlu Branch	Male	45	16 January 2008
YU Guzhan	General manager of Wuxi Zhenghedadao Branch	Male	50	9 May 2011

Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Beginning of term of office
ZHOU Jinfei	General manager of Changzhou Huanfulu Branch	Male	34	26 January 2010
LI Xin	General manager of Xuzhou Minzhu Nanlu Branch	Male	39	15 April 2010
ZHU Liangming	General manager of Rugao Jiankang Nanlu Branch	Male	57	16 January 2008
LU Xiaodong	General manager of Qidong Renmin Zhonglu Branch	Male	44	16 April 2010
SHEN Dongxiao	General manager of Haimenzhen Zhonglu Branch	Male	45	16 April 2010
GAO Qun	General manager of Zhenjiang Dianlilu Branch	Female	38	4 May 2011
WANG Guoqing	General manager of Hefei Suixilu Branch	Male	53	30 April 2010
WANG Zhengdong	General manager of Wuhu Xinshidaishangyejie Branch	Male	44	21 March 2011
ZHUANG Yiqun	General manager of Guangzhou Linjiangdadao Branch	Male	46	5 December 2011
ZENG Fanwen	General manager of Guangzhou Panyuguanghua Nanlu Branch	Male	41	4 May 2011
LIANG Qi	General manager of Shenzhen Shennandadao Branch	Female	45	17 January 2006
LI Jie	General manager of Shenzhen Shennan Zhonglu Citic Tower Branch	Male	46	19 January 2009
YIN Hongwei	General manager of Shenzhen Fuhua Yilu Branch	Female	46	1 September 2005
SU Hong	General manager of Shantou Haibinlu Branch	Male	42	20 December 2011
WANG Jue	General manager of Foshan Jihua Wulu Branch	Male	42	27 December 2010
MAI Gang	General manager of Zhongshan Zhongshan Silu Branch	Male	46	24 January 2007
CAO Hong	General manager of Dongguan Hongfulu Branch	Male	40	1 November 2011
CHEN Shan	General manager of Huizhou Maidi Donglu Branch	Male	29	29 December 2011
JIANG Xiaolin	General manager of Shenyang Fudalu Branch	Male	44	15 April 2010
QIU Nan	General manager of Dalian Xinghaiguangchang Branch	Male	34	15 April 2010
SUN Jiayu	General manager of Xi'an Kejilu Branch	Male	46	30 March 2011
ZHENG Wenhui	Executive deputy general manager of Taiyuan Yingzexidajie Branch (presiding over the work)	Female	38	8 May 2009
SHI Xiangrong	General manager of Wuhan Jianshedadao Branch	Female	45	22 February 2011
LUO Nan	General manager of Wuhan Xudongdajie Branch	Female	39	7 November 2011
LI Hui	General manager of Xiangyang Jiefanglu Branch	Female	39	16 January 2012
XU Wenqi	General manager of Chengdu Yulin Beijie Branch	Male	47	26 April 2011
CHEN Pinhui	Deputy general manager of Changsha Furonglu Branch (presiding over the work)	Female	39	16 January 2008
XU Xin	General manager of Kunming Dianchilu Branch	Male	35	7 November 2011
HUANG Gengxin	General manager of Nanning Keyuandadao Branch	Male	41	19 December 2011
FENG Guan	General manager of Haikou Guoxingdadao Branch	Male	41	1 November 2011

Directors, Supervisors, Senior Management and Employees

Changes in persons in charge of branches

On 22 February 2011, Ms. SHI Xiangrong obtained the qualification of branch head of securities company, and was officially appointed as the general manager of Wuhan Jianshedadao Branch.

On 21 March 2011, the Company appointed Mr. WANG Zhengdong as general manager of Wuhu Xinshidaishangyejie Branch.

On 30 March 2011, the Company appointed Mr. SUN Jiayu as general manager of Xi'an Kejilu Branch.

On 8 April 2011, the Company appointed Mr. CHEN Zhe as general manager of Shanghai Shihua Branch.

On 26 April 2011, the Company appointed Mr. XU Wenqi as general manager of Chengdu Yulin Beijie Branch.

On 29 April 2011, the Company appointed Ms. ZHU Xiangrong as general manager of Shanghai Liyanglu Branch.

On 4 May 2011, the Company appointed Mr. ZENG Fanwen as general manager of Guangzhou Fanyuguanghua Nanlu Branch, and Ms. GAO Qun as general manager of Zhenjiang Dianlilu Branch.

On 9 May 2011, the Company appointed Mr. YU Guzhan as general manager of Wuxi Zhenghedadao Branch.

On 16 September 2011, the Company appointed Ms. XIAO Qin as general manager of Shanghai Gubeilu Branch.

On 1 November 2011, the Company appointed Mr. FENG Zongjun as general manager of Beijing Nansanhuan Donglu Branch, Mr. CAO Hong as general manager of Dongguan Hongfulu Branch, and Mr. FENG Guan as general manager of Haikou Guoxingdadao Branch.

On 7 November 2011, the Company appointed Mr. XU Xin as general manager of Kunming Dianchilu Branch, and Ms. LUO Nan as general manager of Wuhan Xudongdajie Branch.

On 5 December 2011, the Company appointed Mr. ZHUANG Yiqun as general manager of Guangzhou Linjiangdadao Branch.

On 12 December 2011, the Company appointed Mr. ZHONG Weijiang as general manager of Nanjing Gaoloumen Branch.

On 19 December 2011, the Company appointed Mr. HUANG Gengxin as general manager of Nanning Keyuandadao Branch.

On 20 December 2011, the Company appointed Mr. SU Hong as general manager of Shantou Haibinlu Branch.

Directors, Supervisors, Senior Management and Employees

On 29 December 2011, the Company appointed Mr. TAO Lin as general manager of Beijing Hujialou Branch, Mr. MO Tao as general manager of Beijing Zhangzizhonglu Branch, Mr. YANG Haifeng as general manager of Beijing Anwaidajie Branch, Ms. LI Wei as general manager of Beijing Fengguanlu Branch, Ms. XIAO Hong as general manager of Tianjin Dagang Branch, Mr. LIU Jinkun as general manager of Tianjin Youyilu Branch, and Mr. CHEN Shan as general manager of Huizhou Maidi Donglu Branch.

On 16 January 2012, the Company appointed Ms. LI Hui as general manager of Xiangyang Jiefanglu Branch.

On 17 January 2012, the Company appointed Ms. ZHENG Yulin as general manager of Shanghai Huaihai Zhonglu Branch.

Profiles of Newly Appointed Executives

Ms. SHI Xiangrong, 45, with Bachelor's degree, previously served as Section Chief of Energy and Economic School of Hubei Province. She joined CITIC Securities in 1997. She once served as Deputy General Manager of Wuhan Jianshe Road Securities Business Department, General Manager of Shanghai Dongfang Road Securities Business Department, and is now the responsible person of Hubei Branch and the General Manager of Wuhan Jianshe Road Securities Business Department.

Mr. WANG Zhengdong, 44, with Master's degree, previously served as Finance Manager of Ping An Property & Casualty Insurance (PAPCI) Wuhu Center Company and General Manager of China Tian An Property & Casualty Insurance Huainan Center Branch Company. He joined CITIC Securities in 2010 and now serves as General Manager of Wuhu Xinshidai Shangyejie Branch.

Mr. SUN Jiayu, 46, with Master's degree, previously served as Deputy Chief Accountant of Huanghe Machinery & Electronics Co., Ltd., General Manager Assistant of Guangdong International Trust and Investment Corporation (GITIC) Xi'an Branch, and General Manager Assistant of Guangfa Securities Xi'an Nanguangjijie Branch. After joining CITIC Securities in 2002, he once served as General Manager of Xi'an Nanerhuanlu Branch and General Manager of Chengdu Yulinbeijie Branch, and now serves as General Manager of Xi'an Kejilu Branch.

Mr. CHEN Zhe, 37, with Bachelor's degree, joined CITIC Securities in 1997, previously served as Customer Management Supervisor of Shanghai Jululu Branch, Customer Service Supervisor of Shanghai Marketing Center and Operation Management Manager of Brokerage Development & Management Committee, and now serves as General Manager of Shanghai Shihua Branch.

Mr. XU Wenqi, 47, with Bachelor's degree, previously served as Section Chief of Export Department of Sichuan Renren Group and Manager of General Affairs Department of China Merchants Securities Chengdu Sandongqiao Branch. After joining CITIC Securities in 2004, he once served as General Manager of Chengdu Yulinbeijie Branch and General Manager of Shanghai Liyanglu Branch, and now serves as General Manager of Chengdu Yulinbeijie Branch.

Directors, Supervisors, Senior Management and Employees

Ms. ZHU Xiangrong, 39, with Bachelor's degree, previously served at the headquarters of Hongyuan Securities, and as Manager of Chase Securities Shanghai Zhangyanglu Branch and Business Supervisor of Orient Securities Shanghai Hutingbeilu Branch. She joined CITIC Securities in 2011 and now serves as General Manager of Shanghai Liyanglu Branch.

Mr. ZENG Fanwen, 41, with Bachelor's degree, previously served as Customer Manager of Guangzhou Securities Fanyufuhuaxilu Branch and General Manager of Guangzhou Securities Dongyuanhenglu Branch. He joined CITIC Securities in 2011 and now serves as General Manager of Guangzhou Fanyuguanghuananlu Branch.

Ms. GAO Qun, 38, with Master's degree, previously served at China Sci-tech Securities Zhenjiang Zhongshandonglu Branch and Essence Securities Zhenjiang Zhongshandonglu Branch, and as Deputy General Manager of Essence Securities Suzhou Renminlu Branch. She joined CITIC Securities in 2011 and now serves as General Manager of Zhenjiang Dianlilu Branch.

Mr. YU Guzhan, 50, with Bachelor's degree, previously served as General Manager of Wuxi Trust & Investment Corporation Xixin Securities Branch, Chairman and General Manager of Guolian Futures, and Deputy General Manager of Guolian Securities. After joining CITIC Securities in 2009, he once served as General Manager of Changzhou Huanfulu Branch and General Manager of Nanjing Gaoloumen Branch, and now serves as General Manager of Wuxi Zhenghedadao Branch.

Ms. XIAO Qing, 45, with Master's degree, previously served as Finance Manager of United Securities Shanghai Xinzhalu Branch and Marketing Manager of United Securities Shanghai Changjiangxilu Branch, and Director of Sales and Transaction Head Office of Orient Securities. She joined CITIC Securities in 2011 and now serves as General Manager of Shanghai Gubeilu Branch.

Mr. FENG Zongjun, 39, with Associate's degree, previously served as General Manager Assistant of China Dragon Securities Beijing Anwaidajie Branch. After joining CITIC Securities in 2006, he once served as Deputy General Manager of Beijing Huayuangonglu Branch and Deputy General Manager of Beijing Nansanhuangonglu Branch, and now serves as General Manager of Beijing Nansanhuangonglu Branch.

Mr. CAO Hong, 40, with Bachelor's degree, previously served as General Manager of Dongguan Securities Houjie Branch. He joined CITIC Securities in 2011 and now serves as General Manager of Dongguan Hongfulu Branch.

Mr. FENG Guan, 41, with Bachelor's degree, previously served at Hainan Securities Exchange Center and as Securities Analyst at Hainan Jingxin Information Co., Ltd, and Customer Service Director of Guangfa Securities Haikou Longkunbeilu Branch. He joined CITIC Securities in 2011 and now serves as General Manager of Haikou Guoxingdadao Branch.

Mr. XU Xin, 35, with Master's degree, joined CITIC Securities in 2000. He previously served as Marketing Director of Dalian Renminlu Branch and Marketing Director of Shenyang Fudalu Branch, and now serves as General Manager of CITIC Securities Kunming Dianchilu Branch.

Directors, Supervisors, Senior Management and Employees

Ms. LUO Nan, 39, with Bachelor's degree, previously served as an accountant at Wuhan Securities Xunlimen Branch. After joining CITIC Securities in 1997, she previously served as Marketing Director of Wuhan Jianshedadao Branch and now serves as General Manager of Wuhan Xudongdajie Branch.

Mr. ZHUANG Yiqun, 46, with Bachelor's degree, previously served as General Manager of Haitong Securities Guangzhou Dongfengxilu Branch and General Manager Assistant of Haitong Securities Guangzhou Branch. After joining CITIC Securities in 2010, he once served as General Manager of Dongguan Hongfulu Branch, and now serves as General Manager of Guangzhou Linjiangdadao Branch.

Mr. ZHONG Weijiang, 44, with Bachelor's degree, previously served as President of Agricultural Bank of China Hai'an County Sub-Branch and General Manager of the E-banking Department (including credit card) of Agricultural Bank of China Nantong Branch. He joined CITIC Securities in 2011 and now serves as General Manager of Nanjing Gaoloumen Branch.

Mr. HUANG Gengxin, 41, with Bachelor's degree, previously served as Vice President of China Construction Bank Guilin Branch Gaoxin Sub-Branch, President and Wealth Management Center Director of China Construction Bank Putuolu Sub-branch, and Manager of Retail Department and Business Department of China Merchants Bank Nanning Branch. He joined CITIC Securities in 2011 and now serves as General Manager of CITIC Nanning Keyuandadao Branch.

Mr. SU Hong, 42, with Bachelor's degree, previously served as Manager of Guangdong Securities Shantou Yingbinlu Branch and Sales Manager of Haitong Securities Shantou Zhongshanlu Branch. He joined CITIC Securities in 2011 and now serves as General Manager of Shantou Haibinlu Branch.

Mr. TAO Lin, 37, with Master's degree, joined CITIC Securities in 1998. He previously served as Deputy General Manager of Beijing Beisanhuanzhonglu Branch, General Manager of Xi'an Nanerhuanlu Branch and Manager of Brokerage Development and Management Committee, and now serves as General Manager of Beijing Hujialou Branch.

Mr. MO Tao, 42, with Bachelor's degree, joined CITIC Securities in 1995. He previously served as Senior Manager of Institution Administration Department, General Manager of Beijing Beisanhuanzhonglu Branch and General Manager of Beijing Anwaidajie Branch, and now serves as General Manager of Beijing Zhangzizhonglu Branch.

Mr. YANG Haifeng, 43, with Bachelor's degree, joined CITIC Securities in 1995. He previously served as General Manager of Beijing Anwaidajie Branch, General Manager of Beijing Fuwaidajie Branch and Marketing & Planning Manager of Brokerage Development and Management Committee, and now serves as General Manager of Beijing Anwaidajie Branch.

Ms. LI Wei, 40, with Master's degree, joined CITIC Securities in 1996. She previously served as General Manager of Shanghai Liyanglu Branch, and now serves as Operation Supervisor of Brokerage Development and Management Committee and General Manager of Beijing Fengguanlu Branch.

Directors, Supervisors, Senior Management and Employees

Ms. XIAO Hong, 46, with Bachelor's degree, joined CITIC Securities in 1996. She previously served as Deputy General Manager of Tianjin Dagang Branch, and now serves as its General Manager.

Mr. LIU Jinkun, 50, with Associate's degree, joined CITIC Securities in 1994. He previously served as General Manager of Tianjin Youyilu Branch and General Manager of Tianjin Dagang Branch, and now serves as General Manager of Tianjin Youyilu Branch.

Mr. CHEN Shan, 29, with Bachelor's degree, joined CITIC Securities in 2007. He previously served as Customer Manager of Guangzhou Linjiangdadao Branch, and now serves as General Manager of Huizhou Maididonglu Branch.

Ms. LI Hui, 39, with Bachelor's degree, previously served as Deputy General Manager of CITIC Construction Securities (CCS) Xiangfan Branch and General Manager of CCS Laohekou Branch. She joined CITIC Securities in 2012 and now serves as General Manager of Xiangyang Jiefanglu Branch.

Ms. ZHENG Yulin, 41, with Master's degree, previously served as General Manager of Zheshang Securities Shanghai Changlelu Branch and General Manager of Bohai Securities Shanghai Tianshanlu Branch. She joined CITIC Securities in 2008 and now serves as General Manager of Shanghai Huaihaizhonglu Branch.

Staff Information

Number and Composition of Staff

As of 31 December 2011, the Group had a total of 13,260 employees (including brokers); 5,371 (including brokers) of which are with the Company.

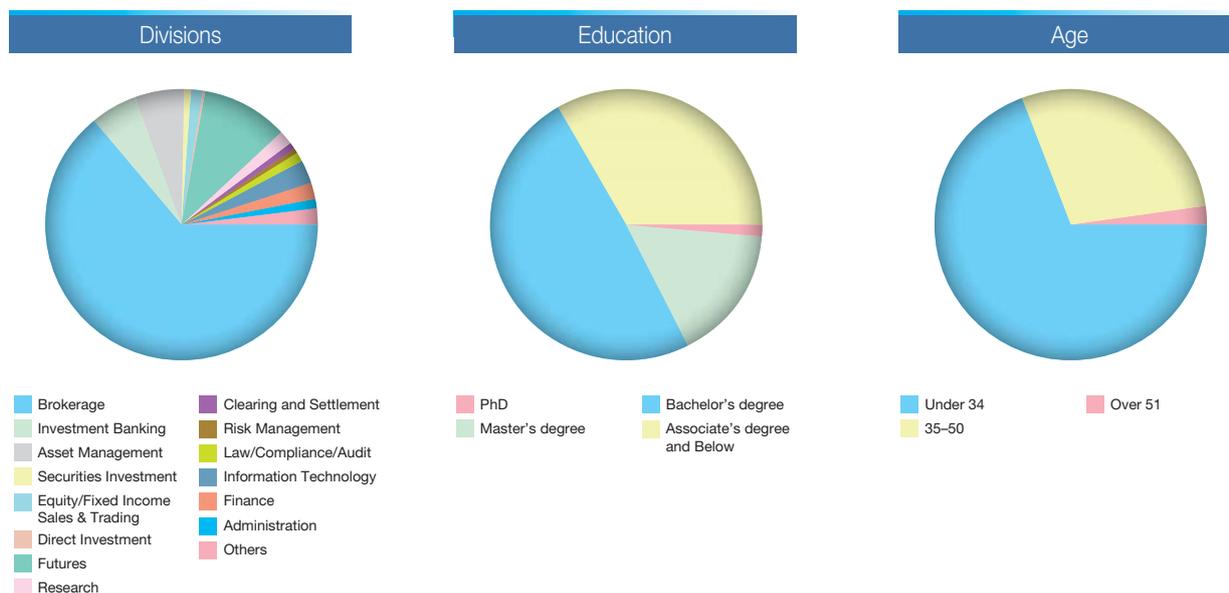
Directors, Supervisors, Senior Management and Employees

The composition of staff is as follows:

Item	The Group		The Company	
	Number	Percentage (%)	Number	Percentage (%)
Divisions				
Brokerage	8,494	64.06	3,791	70.58
Investment Banking	743	5.60	689	12.83
Asset Management	756	5.70	101	1.88
Securities Investment	103	0.78	90	1.68
Stock/Bond Sales & Trading	197	1.48	138	2.57
Direct Investment	50	0.38	—	—
Futures	1,339	10.10	—	—
Research	233	1.76	144	2.68
Clearing & Settlement	99	0.74	55	1.02
Risk Management	103	0.78	28	0.52
Law/Compliance/Audit	130	0.98	58	1.08
IT	367	2.77	124	2.31
Finance	248	1.87	46	0.86
Administration	176	1.33	73	1.36
Others	222	1.67	34	0.63
Total	13,260	100.00	5,371	100.00
Education				
PhD	187	1.41	140	2.61
Master's degree	2,163	16.31	1,365	25.41
Bachelor's degree	6,493	48.97	2,554	47.55
Associate's degree and below	4,417	33.31	1,312	24.43
Total	13,260	100.00	5,371	100.00
Age				
34 and below	9,203	69.40	3,809	70.92
35–50	3,771	28.44	1,476	27.48
Over 51	286	2.16	86	1.60
Total	13,260	100.00	5,371	100.00

As of 31 December 2011, the Group had to pay for the expenses of 45 retirees; among which the Group had to bear expenses of 28 of them.

Directors, Supervisors, Senior Management and Employees



Employee Compensation

Please refer to the Note 10 to the Independent Auditors' Report of this report for compensations received by employees from the Company during the reporting period.

Remuneration Policy of the Company

At CITIC Securities, employees' remuneration consists of base annual salary, performance-based annual salary, special rewards, insurances and other benefits. The base annual salary is the employee's basic annual income set forth in the remuneration standards in line with employees' positions and ranks. The remuneration standards are mainly based on such factors as the position's duties, responsibilities, importance, scale of operation, and industry practice. In order to strike a balance between business risks and financial goals, the Company adopts a performance-based incentive remuneration system. When the Business Department is profitable, the distribution of incentive remunerations "favors the Business Department, profitable business sections and business sections with major innovation" while also recognizing the role and value of other support departments. The performance-based annual salary is based on the Company's operating results of the year. The total amount of performance-based remuneration is drawn from the Company's annual profits in accordance with the percentage approved at the Board Meeting.

A number of special rewards such as "Innovation Award", "Collaboration Award" and "Loyalty Award" have been created to develop the Company's core competitiveness and encourage innovation and team spirit.

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

Directors, Supervisors, Senior Management and Employees

In order to raise the level of employee's medical insurance, the Company buys and maintains private health insurance, in addition of basic medical insurance, at its own expense for the employees.

The Company has not yet put in place any share option program. For information regarding the Company's existing equity incentive plan please refer to "Share Incentives of Directors, Supervisors, and Senior Management" in this report.

Training System

For the purpose of steadily improving the employees' professional competence and comprehensive quality and achieving the Company's strategic goals, the Company has established a comprehensive planning, respective implementing and focused training system.

Strengthen leadership and managerial skills training to executives and senior managers, to broaden their international perspective and improve their ability in change management, strategy analysis, operation and risk management as well as their comprehensive cultural competence;

Strengthen execution and professional skills training to middle-level employees, to improve their theoretical knowledge and ability in execution, organization development, and business innovation;

Popularize vocational and general skills training to lower-level employees, to familiarize them with the Company's enterprise culture, operation system, workflow and administration system, as well as to improve their ability in professional communication, customer service, teamwork, and office operation.

Corporate Governance Report

Overview of Corporate Governance

As a company listed both in Mainland China and Hong Kong, the Company operated the businesses in strict compliance with the laws, regulations and normative documents of domestic and overseas jurisdictions at the places where the shares of the Company are listed, and made continuous efforts to maintain and enhance the good image of the Company in the market. According to the requirements of the Company Law, the Securities Law and the regulations of the CSRC, the Company continuously improved its corporate governance structure and put in place checks and balances among the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the operation management, with each of them having separate duties and responsibilities and performing its functions within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out according to the rules and regulations.

During the reporting period, the Company strictly complied with the *Code on Corporate Governance Practices* (the “Code”) as set out in Appendix 14 of the Hong Kong Listing Rules, and observed all the code provisions and most of the recommended best practices in the Code.

Shareholders and General Meetings

The General Meeting of Shareholders is the supreme authority of the Company, and all shareholders exercise their powers through such meeting. The Company convened and held the General Meetings in strict compliance with the relevant laws and regulations, and ensured all shareholders, especially the minority shareholders, enjoyed the equal status and full exercise of their rights. In accordance with the Articles of Association, the Company carried out the operations in an orderly manner and maintained healthy and stable development, thus effectively protecting the interests of the Company and all shareholders.

The Company attached great importance to the management of the invest relations, and, in accordance with the *Management Measures on Information Disclosure* and the *Management Measures on Investor Relations*, appointed the secretary to the Board of Directors to take charge of information disclosure, receiving visits from shareholders and answering their inquiries. The Company has also established a sound and effective channel of communication with all shareholders. In addition to the information disclosure means designated by the laws, the Company also had communications with the investors by means of telephone, emails, the Internet platform, shareholder visits and meetings with investors, to ensure that all shareholders, especially the minority shareholders, could fully exercise their rights.

The Company fully respected and protected the lawful rights and interests of shareholders, creditors, employees and clients, and involved them in a joint effort to promote the continuous and healthy development of the Company.

The largest shareholder of the Company exercised its rights in accordance with the laws, regulations and the Articles of Association, and neither directly or indirectly intervened in the decisions and operations of the Company beyond the scope of the General Meeting of Shareholders nor appropriated any fund of the Company or requested the Company to provide any external guarantee. The Company was completely independent from the largest shareholder in terms of the business, staff, assets, organization and finance, and details of which are set out as follows:

Business Independence

The Company has obtained all licenses and permits required for the securities business, and established an independent and complete business operation system. The business operation of the Company was not subject to any control or influence of its largest shareholders or connected parties. The Company can independently participate in market competition.

Corporate Governance Report

Staff Independence

The Company has a dedicated human resources department and established independent policies about the employment, personnel and remuneration. The employment and personnel management of the Company is totally separate from that of the shareholders.

The appointments of the Directors, Supervisors and senior management of the Company were in full compliance with the relevant provisions of the Company Law, the Securities Law and the *Measures for Administration on the Qualification of Directors, Supervisors and Officers of Securities Companies*, and all the current Directors, Supervisors and senior management of the Company have obtained the qualifications for appointment in securities companies as approved by Shenzhen Securities Regulatory Bureau.

Save as disclosed in this report, no senior management members of the Company have been employed in any substantial shareholder of the Company.

Assets Integrity

The Company had the operating concessions, real estates and equipment required for the business operation. The Company has not set any mortgage, pledge or any other guarantee on the aforesaid assets, and had the lawful ownership and use right of such assets. There was no asset or fund appropriated by the largest shareholder, impairing the interests of its largest Company.

Organizational Independence

As an economic entity independently carrying out business operations in the market, the Company, through the development over the last 16 years, has established a sound organizational structure adapted to the business development. The existing business departments and functional departments of the Company have formed a wholly integrated body.

Financial Independence

In accordance with the *Accounting Standards for Enterprises*, the *Accounting Standards for Enterprises – Application Guidance* and the *Financial Rules for Financial Enterprises*, the Company has established an independent financial accounting system, set up an independent financial accounting department and employed independent financial accountants. None of our financial or accounting staff are concurrently employed in the largest shareholder of the Company.

The Company has set up independent bank accounts and completed its independent tax registration, and have paid all taxes according to the laws and regulations. No taxes have been paid in mix with those of the shareholders.

As at 31 December 2011, no guarantees had been provided for any shareholder or any other connected party of the Company. During the reporting period, the Company did not commit any non-compliance practice in corporate governance, such as provision of any non-public information to any major shareholder or controller. There were no horizontal competitions or connected transactions caused by partial restructuring, industry nature, national policy or merger and acquisition.

During the reporting period, the Company held six General Meetings of the Shareholders, details of which are as follows:

The 2011 First Extraordinary General Meeting of the Company was held at Beijing Hua Du Hotel on 13 April 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 14 April 2011.

The 2010 Annual General Meeting of the Company was held at Beijing Hua Du Hotel on 29 April 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 30 April 2011.

The 2011 Second Extraordinary General Meeting of the Company was held at Beijing Kun Lun Hotel on 9 June 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 10 June 2011.

The 2011 Third Extraordinary General Meeting of the Company was held at Beijing Hua Du Hotel on 15 August 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 16 August 2011.

The 2011 Forth Extraordinary General Meeting of the Company was held at Beijing Liangmahe Hotel on 26 August 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 27 August 2011.

The 2011 Fifth Extraordinary General Meeting of the Company was held at Beijing Hua Du Hotel on 23 December 2011. For details about the resolutions approved at the meeting, please refer to the announcements published on the same date on the official websites of SSE and SEHK, as well as the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 24 December 2011.

Directors and the Board

Composition and Functions of the Board

The Board is the decision-making body of the Company and shall report its work to the General Meeting of Shareholders. It shall exercise the following functions and powers in accordance with the Articles of Association: to convene the General Meeting of Shareholders and implement the resolutions of the General Meeting; to decide on the business plans and investment plans (except those that shall be approved by the General Meeting of Shareholders in accordance with the Articles of Association); to prepare the profit distribution plan; to formulate proposals for the increase or reduction of the registered capital, the issuance of corporate bond or other securities and the listing plan; to prepare plans for major acquisitions, purchase of our shares, merger, separation, dissolution or change of the form of the Company; to decide on the external investment, acquisition and disposal of assets, mortgage of assets, external guarantee, entrusted financing and related transactions within the scope of the authorization of the General Meeting of Shareholders; to decide on the establishment of the internal management structure; to appoint or dismiss the President, Compliance Officer and the Secretary to the Board and decide on their remuneration, rewards and punishment matters; to appoint or dismiss the members of the executive committee, person in charge of financing and other senior management of the Company pursuant to the nominations by the Chairman of Board or the President and decide on their remuneration, rewards and punishment matters; to develop the basic management system; to formulate proposals

Corporate Governance Report

for the amendment of the Articles of Association; to manage information disclosures of the Company; to propose to the General Meeting of Shareholder on the engagement or replacement of the auditors of the Company; to review the work report prepared by the President of the Company and check his works; to develop the compliance management system and other risk control systems; and to review work reports prepared by the Compliance Officer.

The appointment and change of the Directors were in strict compliance with the Articles of Association. The number and composition of the Board conformed to the requirements of the relevant laws and regulations. The Board has continuously improved its rules of procedure. All the Board meetings were duly convened and held, and all voting procedures at the meetings were legal and valid. The Company has improved the independent directors system, and all the independent Directors have independently and objectively worked to protect the rights and interests of all minority shareholders, and played a role of check and balance in the decisions-making process of the Board.

The current Board composes of 12 Directors, including 2 executive Directors, 6 non-executive Directors and 4 independent non-executive Directors. Directors is elected by the General Meeting of Shareholders for a term of three years starting from the date on which their qualifications are approved by the CSRC. Directors may be re-elected upon expiration of their terms. Independent Directors shall have the same term as other directors, but may not be re-elected for more than two terms. As stipulated in Rule 3.13 of the Hong Kong Listing Rules, the Company has received the annual confirmation in writing from each independent non-executive Director with regard to his/her independence. Based on these confirmations and the relevant information in possession of the Board, the Board confirms their independence.

With the approval of the 2011 5th Extraordinary General Meeting of Shareholders, the Company will take out liabilities insurances for the Directors, Supervisors and Senior Management, to protect them against the liabilities that may arise from performance of their duties and to encourage them to earnestly fulfill their duties and responsibilities. At present, the operating management has completed the relevant tasks pursuant to the authorization granted to them at the general meeting.

Meetings of the Board and Attendance of Directors

In 2011, the Board held 14 meetings:

The 23rd Meeting of the 4th Session of the Board of the Company was held on 26 January 2011 by means of teleconference to consider and approve the *Resolution on the Review of the Company's Work Plan for the Special Campaign to Regulate Investment Banking Businesses*.

The 24th Meeting of the 4th Session of the Board of the Company was held at Beijing Capital Mansion on 28 March 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 29 March 2011.

The 25th Meeting of the 4th Session of the Board of the Company was held at Beijing Capital Mansion on 7 April 2011. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 9 April 2011.

The 26th Meeting of the 4th Session of the Board of the Company was held on 29 April 2011 by means of teleconference. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 30 April 2011.

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The 27th Meeting of the 4th Session of the Board of the Company was held on 13 May 2011 by means of teleconference to consider and approve the *Resolution on the Review of the Working Rules of the Secretary to the Board*.

The 28th Meeting of the 4th Session of the Board of the Company was held on 24 May 2011 by means of teleconference. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 25 May 2011.

The 29th Meeting of the 4th Session of the Board of the Company was held on 9 June 2011 in Beijing CITIC Tower. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 10 June 2011.

The 30th Meeting of the 4th Session of the Board of the Company was held on 28 July 2011 by means of teleconference. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 29 July 2011.

The 31st Meeting of the 4th Session of the Board of the Company was held on 10 August 2011 by means of teleconference. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 11 August 2011.

The 32nd Meeting of the 4th Session of the Board of the Company was held on 19 August 2011 by means of teleconference to consider and approve the *Resolution on the Review of the Company's Interim Report of 2011* and the *Resolution on the Review of the Company's Interim Compliance Report of 2011*.

The 33rd Meeting of the 4th Session of the Board of the Company was held on 9 September 2011 in Beijing CITIC Tower. For details about the resolutions approved at the meeting, please refer to the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 10 September 2011.

The 34th Meeting of the 4th Session of the Board of the Company was held on 28 October 2011 by means of teleconference. For details about the resolutions approved at the meeting, please refer to the announcements published on the same date on the official websites of SSE and SEHK, as well as the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* of the following day.

The 35th Meeting of the 4th Session of the Board of the Company was held on 14 November 2011 by means of teleconference to consider and approve the *Resolution on the Review of the Company's Work Plan for the Special Campaign to Regulate Investment Banking Businesses* and the *Resolution on Changing the Name of the Brokerage Business Management Department of the Company*, in which it approved the change in name by the Brokerage Business Management Department into "Brokerage Business Development and Management Committee", and authorized the committee to set up secondary departments, including a marketing management department, financial product development department, customer service department and operations management department, if so required in the process of business development.

Corporate Governance Report

The 36th Meeting of the 4th Session of the Board of the Company was held on 26 December 2011 by means of teleconference. For details about the resolutions approved at the meeting, please refer to the announcements published on the same date on the official websites of SSE and SEHK, as well as the *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* dated 28 December 2011.

During the reporting period, the attendances of Directors at the meetings of the Board are as follows:

Name of Director	Whether or not he or she is an independent non executive Director	Mandatory Times of Attendance during the year	Actual Times of Attendance during the year	Times of attendance by tele-communication	Times of attendance by proxy	Times of absence	Whether there was no attendance in person at two consecutive meetings
Executive Directors							
WANG Dongming	No	14	14	10	—	—	No
YIN Ke	No	14	14	10	—	—	No
Non-executive Directors							
JU Weimin	No	14	12	10	2	—	No
ZHANG Jijing	No	14	12	10	2	—	No
ZHANG Youjun	No	14	14	10	—	—	No
YANG Hualiang	No	14	13	10	1	—	No
LIU Lefei	No	14	13	10	1	—	No
DA Xinya	No	14	14	10	—	—	No
Independent non-executive Directors/Independent Directors							
FENG Zuxin	Yes	14	13	10	1	—	No
ZHANG Hongjiu	Yes	12	12	9	—	—	No
LI Jian	Yes	14	13	10	1	—	No
LEE Kong Wai, Conway	Yes	2	2	2	—	—	No
RAO Geping	Yes	5	5	4	—	—	No
Meetings held during the year				14			
Of which: Number of meetings on-site				4			
Number of meetings held by teleconference				10			
Number of meetings held both on-site and via teleconferencing				—			

Note: Mr. LI Yang has tendered his resignation, and did not participate in any voting at the meetings of the Board during the reporting period.

Implementation of resolution passed at the general meeting by the Board

On 13 April 2011, the 2011 First Extraordinary General Meeting of the Company considered and approved the resolutions on the issuance and listing of H Shares in Hong Kong. During the reporting period, with the approval of the CSRC and the Hong Kong Stock Exchange, the Company successfully issued and listed the H Shares. A total of 1,178,327,700 H Shares were listed on the Hong Kong Stock Exchange on 6 October 2011, 1 November 2011 and 7 November 2011 successively. For more details, please refer to “History” and “Issue and Listing of Securities Over the Past Three Years” set out in this report.

On 29 April 2011, the 2010 Annual General Meeting of the Company considered and approved the *2010 Annual Profit Distribution Plan*, to pay a cash dividend of RMB5.00 for every 10 shares (tax inclusive). On 8 June 2011, the Company published the *Announcement Regarding the Payment of Dividends of CITIC Securities Company Limited in 2010*, and all cash dividends were fully paid on 22 June 2011.

On 29 April 2011, the 2010 Annual General Meeting of the Company considered and approved the *Resolution on the Renewal of the Auditors*. According to the resolution, the Company continued to engage Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. as the auditor of the Company’s 2011 annual financial report. On 29 March 2012, Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. and Ernst & Young LLP issued standard unqualified audit reports for the Company.

On 9 June 2011, the 2011 Second Extraordinary General Meeting of the Company considered and approved the *Resolution on the Transfer of Shares in China Asset Management Co., Ltd.*, authorizing the Company to transfer 51% of the shares in China AMC. On 21 December 2011, the Company completed the formalities for the registration of change concerning the transfer of 51% of the shares in China AMC. This transfer of equity was completed on 31 December 2011. For more details, please refer to “Acquisition and Sale of Material Assets; Assets Reorganization” set out in this Report.

On 9 June 2011, the 2011 Second Extraordinary General Meeting of the Company considered and approved the *Resolution on the Election of Independent Directors*, and elected Mr. Mak Kin Kwong and Mr. RAO Geping as the proposed independent directors of the Company. On 11 August 2011, Shenzhen Securities Regulatory Bureau issued the *Reply Letter in relation to the Approval of the Appointment of Mr. RAO Geping as an Independent Director of a Securities Company* (Shen Zheng Ju Fa [2011] No. 202). Mr. RAO Geping officially took up his office as an independent director from that date. (On 1 August 2011, Mr. Mak Kin Kwong tendered his resignation as a candidate of the Independent Directors to the Board due to personal reason.)

On 15 August 2011, the 2011 Third Extraordinary General Meeting of the Company considered and approved the *Resolution on Entering into the Framework Agreement on Securities and Financial Products Transactions and Services with CITIC Group*. According to the resolution of the General Meeting of Shareholders, the Company signed the *Framework Agreement on Securities and Financial Products Transactions and Services* with CITIC Group on 23 September 2011. During the reporting period, the contents and amounts of all connected transactions relating to the securities and financial products transactions and services between the Company and CITIC Group and its subsidiaries are within the scope of the said agreement.

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On 26 August 2011, the 2011 Forth Extraordinary General Meeting of the Company considered and approved the *Resolution on the Election of Independent Director*, and elected Mr. LEE Kong Wai, Conway as the proposed independent director of the Company. On 14 November 2011, Shenzhen Securities Regulatory Bureau issued the *Reply Letter in relation to the Approval of the appointment of Mr. LEE Kong Wai, Conway as an Independent Director in a Securities Company* (Shen Zheng Ju Fa [2011] No. 287). Mr. LEE Kong Wai, Conway officially took up his office as an independent director from that date.

On 23 December 2011, the 2011 Fifth Extraordinary General Meeting of the Company considered and approved the *Resolution on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management of the Company*, authorizing the Company to purchase liability insurance for Directors, Supervisors and senior management, covering routine management liabilities and prospectus-related liabilities. At present, the operating management has completed the relevant tasks pursuant to the authorization granted to them at the general meeting.

On 23 December 2011, the 2011 Fifth Extraordinary General Meeting of the Company considered and approved the *Resolution on the Amendments to the Articles of Association*. The proposed amendments to the Articles of Association include: change of registered address; additional items in the scope of business; and amendments to the relevant provisions of the Articles of Association according to the result of H Shares offering. The proposed amendments, together with the amendment to the Articles of Association as approved by the 2011 First Extraordinary General Meeting of the Company, have been submitted to Shenzhen Securities Regulatory Bureau for review and approval. The amendments of major terms of the Articles of Associations have been approved. The Company goes through related formalities for the registration of change.

Specialized Committees under the Board

The Company has formed six board committees, namely the Strategy Planning Committee, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee, and the Related Party Transactions Control Committee (proposed), which assist the Board to fulfill the responsibilities from various aspects. The composition of each Committee is listed as follows:

No.	Name of Specialized Committee under the Board	Names of the Committee Members
1	Strategy Planning Committee	WANG Dongming, YIN Ke, ZHANG Jijing, ZHANG Youjun
2	Audit Committee	LEE Kong Wai, Conway, LI Jian, FENG Zuxin, JU Weimin, DA Xinya
3	Remuneration and Appraisal Committee	LI Jian, LEE Kong Wai, Conway, RAO Geping, FENG Zuxin
4	Nomination Committee	RAO Geping, FENG Zuxin, WANG Dongming, YANG Hualiang
5	Risk Management Committee	DA Xinya, JU Weimin, ZHANG Jijing, YANG Hualiang, LIU Lefei
6	Related Party Transactions Control Committee ^{Note 2}	LEE Kong Wai, Conway, RAO Geping, LI Jian, FENG Zuxin

Note 1: In the table above, the first person appearing on the list of members is the chairman elected by the relevant specialized committee under the Board. For more information about each member, please refer to "Main Work Experiences of Current Directors, Supervisors and Senior Management" of this Report.

Note 2: The Related Party Transactions Control Committee will be officially established upon the effective date of the Articles of Association of the Company (as amended in 2011).

During the reporting period, the meetings of each specialized committee under the Board are as follows:

Strategy Planning Committee

The primary responsibilities of the Strategy Planning Committee of the Board are to understand and master the overall operations of the Company, the international and domestic market situations and the relevant policies of the state government; to research on the short-term, mid-term and long-term strategies of the Company and related issues; to advise on the long-term development strategy, major investments, reforms and other major decisions; to review and approve research reports on development strategies; and to issue routine research reports regularly or from time to time.

During the reporting period, the Strategy Planning Committee held one meeting. All members of the committee attended the meeting and elected Chairman WANG Dongming as the chairman of the Strategy Planning Committee of the 4th Session of the Board of Directors.

Audit Committee

The primary responsibilities of the Audit Committee of the Board are to make recommendations to the Board on the appointment and dismissal of the auditors of the Company; to approve the remuneration and terms of engagement for the auditors; to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audits procedures in accordance with applicable standards; to review the financial information of the Company and its disclosure; to review the financial control, internal control and risk management systems of the Company; to review the financial and accounting policies and practices of the Company.

During the reporting period, the Audit Committee held eight meetings. The Audit Committee convened its meetings to consider relevant matters and make resolutions in accordance with the *Terms of Reference of the Audit Committee* of the Board of Directors, and made efforts to enhance the efficiency of its work and the soundness of its decision-making. The Audit Committee diligently performed its duties, and actively participated in the compilation, audit and disclosure of annual financial reports according to the *Procedures of the Audit Committee of the Board of Directors for Annual Reports*. It ensured the independence of audit, enhanced the audit quality, and protected the overall interests of the Company and all shareholders.

The Audit Committee and its members have fully played their roles of audit and supervision according to the relevant laws and regulations, diligently performed their duties and made great contributions to improving corporate governance structure and enhancing the audit quality.

The Audit Committee carefully reviewed the financial status of the Company and examined the financial statements prepared by the Company. As a result, it has a view that the Company's financial system is under stable operation and the financial status is good.

Corporate Governance Report

Meetings of the Audit Committee during the reporting period and as at the date of this report:

Date of the Meeting	Resolutions Passed
21 March 2011	<i>Report of Ernst & Young Hua Ming Certified Public Accountants Co., Ltd.; Regarding the Company's Interim Audit Result of 2010;</i>
7 April 2011	<i>Resolution on the renewal of the Accountants' Firm Summary Report of Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. Regarding the Audit Work; 2010 Annual Report of the Company; 2010 Annual Internal Control Report of the Company; Plan of Amending the Accounting Policy; Summary Report on the Performance of Duties by the Audit Committee</i>
29 April 2011	<i>The 2011 First Quarterly Report of the Company with the written opinion issued</i>
19 August 2011	<i>The 2011 Interim Report of the Company with the written opinion issued</i>
9 September 2011	<i>Proposal for Electing the Chairman of the Audit Committee of 4th session of the Board of Directors of CITIC Securities</i>
28 October 2011	<i>The 2011 Third Quarterly Report of the Company with the written opinion issued</i>
28 November 2011	<i>Audit Plan of 2011 for the Company Submitted by Ernst & Young Hua Ming Certified Public Accountants Co., Ltd.</i>
26 December 2011	<i>The Proposal for Amending the Terms of Reference of the Audit Committee of the Board of Directors</i>
12 March 2012	<i>Report of Ernst & Young regarding the Company's Annual Preliminary Audit Result in 2011; Plan for Amending the Accounting Policy; Plan on the Renewal of the Accounting Firm</i>
28 March 2012	<i>Summary Report of Ernst & Young on the Audit Work; The 2011 Annual Report of the Company; The 2011 Annual Internal Control Self-evaluation Report; Summary Report Regarding the Performance of Duties by the Audit Committee The 2011 Audit Work Report of the Company</i>

Attendance of the members at the meetings of the Audit Committee during the reporting period:

Name of Director	Times of Attendance/ Expected Times of Attendance	Note
LEE Kong Wai, Conway	2/2	Mr. LEE Kong Wai, Conway became a member and acted as the chairman of the Audit Committee since 14 November 2011.
LI Jian	8/8	Mr. FENG Zuxin appointed Ms, LI Jian as a proxy in written to vote at the 2011 first meeting of the Audit Committee due to official business.
FENG Zuxin	7/8	
JU Weimin	7/8	Mr. JU Weimin appointed Mr. DA Xinya as a proxy in written to vote at the 2011 first meeting of the Audit Committee due to official business.
DA Xinya	8/8	Mr. ZHANG Hongjiu no longer served as an independent Director of the Company or a member of the Audit Committee from 14 November 2011.
ZHANG Hongjiu	6/6	

All members of the Audit Committee actively participated in all meetings. They carefully reviewed the relevant documents before the meetings and made full preparations for the performance of their duties. During the considerations of the proposals at the meetings, each member gave pertinent advice based on his or her professional background and experience, and provided constructive guidance on the work of the Company with a view to improving its work.

Overview of Audit Work

The audit on the Company conducted by Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. and Ernst & Young LLP (collectively “**Ernst & Young**”) in 2011 consisted of the interim audit and the year-end audit. During the interim audit, Ernst & Young fully conducted the internal control audit work, and conducted internal control tests on the Company and its business processes (the business processes include those at the headquarters and in the business offices), as per the level of importance and risk possibilities; examined whether those controls have been consistently and effectively implemented during the audited period; ascertained the control environment, major business conditions, business innovation, system updating, and risks of fraud and cheating in the Company through interviews and other means; and made a comprehensive audit on all the accounts contained in the financial statements, except for the monetary fund, liquidation provisions, trading security deposit, trading financial assets, financial assets available for sale and relevant taxes. During the year-end audit, the Ernst & Young carried out substantive test procedures including external confirmation, random checks on accounting documents, analytic review, and rationality test, and carried out the same procedure on subsidiaries incorporated in the consolidated statements.

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In order to successfully complete the audit on the 2011 Annual Financial Report of the Company and supervise Ernst & Young to issue relevant audit reports within the agreed period, the Audit Committee of the 4th session of the Board of Directors authorized the Planning and Financial Department of the Company to discuss with Ernst & Young about the pending issues in the audit plan, as well as the accounting notes, initial draft and final draft of the audit report. During the audited period, the Audit Committee engaged with the auditors 9 times with a view to expediting the issuance of the audit report.

On 29 March 2012, Ernst & Young issued the audit reports with an unqualified audit opinion within the scheduled time.

The Audit Committee was of the opinion that Ernst & Young conducted its independent audit on the 2011 Annual Financial Report of the Company in a diligent, fair and objective manner, and successfully completed the annual audit work. Therefore, the Audit Committee proposed to the Board of Directors that the Company continue to re-appoint Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. and Ernst & Young LLP as the external auditors of the Company in 2012, to provide audit services in accordance with the PRC Accounting Standards for Enterprises and the International Guidelines and review for Financial Reports; and that the Company continue to appoint Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. as the auditor for the internal control of the Company in 2012.

Remuneration and Appraisal Committee

The primary responsibilities of the Remuneration and Appraisal Committee of the Board are to develop and implement the performance appraisal system that is adapt to the changing market, the remuneration policy that is competitive, and the reward and punishment measures that are linked to the operation and performance of the Company, and make recommendations to the Board of Directors on the remuneration structure of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the performance of the Directors and senior management members, carry out annual performance appraisals over them, and review and approve performance-based remunerations; and to monitor the implementation of the remuneration system of the Company.

During the reporting period, the Remuneration and Appraisal Committee performed their duties well and held three meetings, to consider and approve, respectively, the report of the Remuneration and Appraisal Committee on the performance of duties in 2010; the achievement of performance targets in 2010, the plan of annual performance-based remuneration policy for senior management; the election of Ms. LI Jian as the chairman of the Remuneration and Appraisal Committee of the 4th Session of the Board of Directors; and proposals on the proposed amendments to the *Terms of Reference of the Remuneration and Appraisal Committee of the Board of the Directors*.

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Attendance of members at the meetings of the Remuneration and Appraisal Committee during the reporting period is as follows:

Name of Director	Times of Attendance/ Expected Times of Attendance	Note
LI Jian	3/3	Chairman of the Remuneration and Appraisal Committee.
LEE Kong Wai, Conway	1/1	Mr. LEE Kong Wai, Conway served as a member of the Remuneration and Appraisal Committee from 14 November 2011.
RAO Geping	2/2	Mr. RAO Geping served as an independent non-executive Director of the Company from 11 August 2011, and served as a member of the Remuneration and Appraisal Committee from 9 September 2011.
FENG Zuxin	3/3	
ZHANG Hongjiu	1/1	Mr. ZHANG Hongjiu no longer served as a member of the Remuneration and Appraisal Committee from 9 September 2011.

During the reporting period, the Remuneration and Appraisal Committee supervised over the implementation of the remuneration policies. It was of the opinion that the Company duly implemented the remuneration policies established by the Board, and that the information about the remuneration of all Directors, Supervisors and senior management disclosed in the 2011 Annual Report was true, accurate and complete, and complied with the relevant requirements of the CSRC and the Hong Kong Stock Exchange.

Moreover, the Remuneration and Appraisal Committee reviewed the implementation of the share incentive scheme, with the opinion that the share incentive scheme has been in full compliance with the relevant regulations and implemented in strict accordance with the provisions of the scheme since the commencement in September 2006.

Nomination Committee

The primary responsibilities of the Nomination Committee are to review the structure, size and composition of the Board, and make recommendations on any proposed changes in the Board, if necessary, to complement the strategies of the Company; to study the selection criteria, procedures and methods of the Directors and senior management and make recommendations to the Board; to identify individuals suitably qualified to become the Directors and senior management members, and give the selection opinions and appointment suggestions; to assess the independence of the independent non-executive Directors; to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for directors, in particular the Chairman and the President; and to report its resolutions or recommendations to the Board.

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During the reporting period, the Nomination Committee held four meetings and pre-examined the proposed appointment of the independent Directors (Mr. Mak King Kwong, Mr. RAO Geping, and Mr. LEE Kong Wai, Conway). It elected Mr. RAO Geping as the Chairman of the Nomination Committee of the 4th Session of the Board of Directors, and amended the *Terms of Reference of the Nomination Committee of the Board of Directors*.

Attendance of the members at the meetings of the Nomination Committee during the reporting period is shown as follows:

Name of Director	Times of Attendance/ Expected Times of Attendance	Note
RAO Geping	2/2	Mr. RAO Geping became a member and served as the Chairman of the Nomination Committee since 9 September 2011.
FENG Zuxin	2/2	Mr. FENG Zuxin become a member of the Nomination Committee since 9 September 2011.
WANG Dongming	4/4	
YANG Hualiang	4/4	
ZHANG Hongjiu	2/2	Mr. ZHANG Hongjiu no longer served as a member of the Nomination Committee since 9 September 2011.

During the reporting period, the Nomination Committee extensively searched for qualified candidates for nomination as independent Directors, reviewed those candidates and submitted its opinion to the Board and upon consideration and approval by the Board, for approval by the shareholders at the General Meeting of the Shareholders. The Nomination Committee selected and nominated the candidates of independent Directors according to the following criteria:

The candidates shall be renowned experts and scholars with backgrounds in financial industry;

The candidates shall have a good knowledge of securities-related laws, regulations, rules and standards, and have the operational and managing skills required for performing his/her duties;

The candidates shall satisfy the requirements of independent directors as required in the *Measures for Regulation on the Qualification of Directors, Supervisors and Officers of Securities Companies* issued by the CSRC;

The candidates shall have sufficient time and energy to fulfill the commitment;

The candidates shall satisfy the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange;

The candidates shall satisfy other requirements under the relevant laws, regulations and rules and the Articles of Association.

Risk Management Committee

The primary responsibilities of the Risk Management Committee are to develop the overall risk management policy for the Board to review; to define strategic structures and resources for the risk management of the Company, and align them with the internal risk management policy of the Company; to define the threshold of major risks; and to supervise, examine and make recommendations to the Board on the relevant risk management policies.

During the reporting period, the Risk Management Committee held four meetings to pre-exam the 2010 annual internal control report, the 2010 annual compliance report, the plan of implementation of the guidelines of the internal control, and the 2011 interim compliance report of the Company and to elect Mr. DA Xinya as the Chairman of the Risk Management Committee of the 4th Session of the Board of Directors.

Attendance of the members at the meetings of the Risk Management Committee during the reporting period is shown as follows:

Name of Director	Times of Attendance/ Expected Times of Attendance
DA Xinya	4/4
JU Weimin	4/4
ZHANG Jijing	4/4
YANG Hualiang	4/4
LIU Lefei	4/4

Related Party Transactions Control Committee (proposed)

The primary responsibilities of the Related Party Transactions Control Committee (proposed) are to establish and amend the related party transactions management system of the Company, and monitor its implementation; to identify the list of related parties of the Company, and report it timely to the Board and the Supervisory Committee; to classify the related party transactions, and define their approval procedures and standards; to review any major related party transactions of the Company with any related parties, form a written opinion to the Board for review, and report the same to the Supervisory Committee; and to review the disclosure of any related party transaction.

According to the regulations of Articles of Association (as amended in 2011) considered and approved for amendments at the 2011 First Extraordinary General Meeting of Shareholders, the Board shall set up a Related Party Transactions Control Committee (proposed). On 9 September 2011, the 33rd Meeting of the 4th Session of the Board of Directors

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determined the composition of the Related Party Transactions Control Committee. On the same date, the Related Party Transactions Control Committee (proposed) elected Mr. LEE Kong Wai, Conway as the chairman of the committee. The establishment of the Related Party Transactions Control Committee and the official appointment of its members shall become effective subject to the effectiveness of the Articles of Association (as amended in 2011).

Performance of the Independent Directors

Regular Report of Works

All independent Directors of the Company duly performed their duties during the compilation of the annual report, in accordance with the requirements of the CSRC and the provisions of the Company's *Working Rules for Independent Directors*:

Compilation and Review of 2010 Annual Report

On 21 March 2011, the independent Directors paid a visit to the Company and listened to the reports of the Management, the person in charge of finance and the auditors on the production, business operations, financial status and audit work of the Company in 2010.

On 7 April 2011, the 25th Meeting of the 4th Session of the Board of Directors considered and approved the *Work Report of Independent Directors for 2010*. At the same meeting, the independent Directors also gave specific explanations or delivered independent opinions on the aggregate and current external guarantees, illegal guarantees, and the implementation of the Zheng Jian Fa [2003] No. 56 Document in 2010.

Compilation and Review of 2011 Annual Report

On 28 November 2011, the Audit Committee of the 4th Session of the Board of Directors considered and approved *the 2011 Audit Plan of the Company prepared by Ernst & Young Hua Ming Certified Public Accountants Co., Ltd.* Among all the five members of the Audit Committee, three are independent directors. They attended the meeting and delivered their opinions in both capacities, i.e. as members of the Audit Committee and as independent directors.

On 5 December 2011, the Company reported in writing to the independent Directors on the *2011 Program of Work on Audit of CITIC Securities Company Limited* in written form.

On 12 March 2012, the independent Directors paid a visit to the Company and listened to the reports of the Management, the person-in-charge of accounting affairs and the auditors on the business operations, financial status and audit work of the Company in 2011.

Consideration about Related Party Transactions

On 7 April 2011, the independent Directors delivered their independent opinions, respectively, on the *Plan of Predicting the Company's Routine Related Party Transactions in 2011* and on the Company's routine Related Party transactions in 2010. On the same day, the resolution was filed with the SSE for record.

On 28 April 2011, the independent Directors voted and approved on the proposed related party transactions of providing financial consulting services by the Company to China Life Insurance Company Limited and of accepting the provision of financial consulting services by China CITIC Bank Corporation Limited to GoldStone (a wholly-owned subsidiary of the Company). On the same day, the resolution was filed with the SSE for record.

On 28 July 2011, the independent Directors resolved on the framework agreement for the related party/connected transactions between the Company and CITIC Group, and the majority of independent directors agreed to submit the resolutions to the Board of Directors and the General Meeting of Shareholders for consideration and approval.

On 28 October 2011, the independent Directors resolved specifically on several related party/connected transactions, including the capital investment of RMB500 million in CITIC Capital (Tianjin) Equity Investment LLP (limited partnership) and the capital investment of RMB200,000,000 in CITIC Mezzanine Investment Fund (Shanghai) Phase One (limited partnership) subscribed by the Company or its subsidiaries, and agreed to submit to the Board of Directors for consideration and approval.

Nomination of Candidates for Independent Directors

During the reporting period, the independent Directors delivered their opinions on the nomination of Mr. MAK Kin Kwong, Mr. RAO Geping and Mr. LEE Kong Wai, Conway as the candidates for independent directors.

Establishment and Improvement of Working Rules for Independent Directors and Performance of Duties by Independent Directors

In order to improve the corporate governance structure, promote the regulated operations, safeguard the overall interests of the Company and protect the lawful rights and interests of all shareholders, particularly the minority shareholders, the *Working Rules for Independent Directors* of the Company came into force on 28 July 2008 after considered and adopted at the 28th Meeting of the 3rd Session of the Board of Directors. The contents of the rules include: qualifications of independent directors; nomination, election and replacement of independent directors; special powers of independent directors; independent opinions of independent directors; necessary conditions provided for independent directors; and work rules regarding the annual report.

During their terms of office, all independent Directors of the Company complied with the laws, regulations and the Articles of Association, and had sufficient time and energy to perform their duties; when making an independent judgment, the independent directors were not affected by the substantial shareholders of the Company or any other entity or individual having an interest in the Company; and they endeavoured to protect the interests of the Company and all minority shareholders.

The independent Directors actively participated in all the meetings of the Board of Directors. Among the members of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee of the Board of Directors, the Company has appointed the requisite number of independent Directors as required by their respective rules, and one of those independent directors has been appointed as the chairman of a committee. All the chairmen of the committees convened the meetings according to the relevant terms of reference.

Corporate Governance Report

The attendances of independent Directors at the meetings of the Board of Directors are reported in “Meeting of the Board Attendance of Directors” of this report.

Objections of Independent Directors to Relevant Resolutions

During the reporting period, no independent Directors raised any objections to any resolution of the Board of Directors or of any specialized committee.

Chairman and President

In order to keep the balance of powers and authorities, avoid excessive concentration of powers and enhance the independence, accountability and responsibility, the posts of Chairman and President of the Company were taken up by Mr. WANG Dongming and Mr. CHENG Boming, respectively. The Chairman and the President are two totally separate positions. The duties of these two positions are clearly described in the Articles of Association.

The Chairman is the Company’s legal representative, whose responsibilities are to take charge of the operation of the Board and to ensure that the Board acts in the best interest of the Company, and to ensure that the Board operates effectively, fulfill its duties and considers the important and appropriate issues, and to ensure that the Directors can receive the necessary information in an accurate, timely and clear manner. The President takes charge of routine business operations, organizes the implementation of the resolutions of the Board and reports his work to the Board.

Supervisors and the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company and is responsible to the General Meeting of Shareholders. According to the Company Law and the Articles of Association, the Supervisory Committee is responsible for overseeing the financial activities and internal control of the Company, and the legality and compliance of the Board, the Management and its members in the performance of their responsibilities.

In 2011, the Supervisory Committee strictly complied with the provisions of the Company Law and the Articles of Association, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site meetings of the Board of Directors, made reports to the General Meeting of Shareholders and submitted its report and relevant proposals. Based on the principle of being responsible to all shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company’s finance and in the performance of duties by the financial staff, the Board and the Management of the Company.

Management (Executive Committee)

In accordance with the Articles of Association, the Executive Committee is the supreme operation and management organ established by the Company to carry out and implement the guidelines and policies decided by the Board. During the reporting period, the Executive Committee carried out the operation and management of the Company within its scope of duties prescribed in the Articles of Association and its scope of authorities decided by the Board, implemented the business guidelines formulated by the Board and made decisions on the important issues regarding the operation and management of the Company.

During the reporting period, all management work of the Company was in a steady progress.

In 2011, the Company further enhanced the working systems of professional committees. The Product Committee, a newly set up committee, unified the management of sale of financial products; the Capital Commitment Committee effectively played its role of decision-making in the determination of offer price and time of offering; the Asset Allocation Committee optimised the structure of primary asset allocation according to market changes; the Purchase Committee actively, through retaining external experts and improved the profession purchase, had reasonably reduced the purchase cost; the Budget Management Committee paid attention to the cost and expense ratio and played its role in controlling, incentivizing and evaluating of the budget management; the New Products and New Business Committee continued to participate in the review of innovation award and cooperation award and reviewed and approved 44 applications for the innovation award and 29 applications for the cooperation award.

The Company further improved the performance appraisal system. According to the priorities provided in the annual work report, the Company refined and implemented the appraisal indicators of each department, revised *the Company's Performance Management Manual*, developed the *Measures for Appraisal of New Employees at D Level and Above in Probation Period*, further improved the end-of-probation appraisal system for the employees at D level and above, practiced the performance report and appraisal meeting system for the employees at D level and above, and launched the appraisal on each subsidiary.

The Company made progress in internal control. It practiced unified budget management and coordinated deployment of capital business for each subsidiary, and further improved the business risk management framework and work mechanism at the corporate level. The Company further improved and implemented isolation walls, and developed the management policy regarding employees' investment activities. The Company also reinforced the legal support for major projects, innovative businesses and international businesses, and carried out specific audit on direct investments, derivative products and securities margin trading.

The software and hardware of the Company were further improved. The Company successfully moved into the office buildings at Beijing Ruicheng Center and Shenzhen Zhuoyue Phase II. The new-generation centralized trading system was successfully launched, and the Company's core business system was upgraded and smoothly migrated.

The Company made new achievements in cultural construction. The Company encouraged employees to actively participate in the charity contributions. The donations of the employees of the Group in 2011 amounted to RMB6,020,000. The Company organized 14 hiking events involving participation by a total of 1,200 people, further enhancing the team spirit and tenacity of the employees. The Company published the serial *Strategic Study on the Securities Industry* in a total of 20 issues of the *Securities Times*, attracting wide attention from the regulatory authorities, the securities industry and the general public.

Corporate Governance Report

Internal Control

Statement of the Board of Directors Regarding the Responsibility of Internal Control

It is the responsibility of the Board of Directors and the Management of the Company to establish, improve and effectively implement the internal control. The objectives of the Company's internal control are to ensure the legality and compliance of business operations and the implementation of all internal rules and regulations; to protect the Company against both operation risks and ethical risks; to protect the safety and integrity of the assets of the clients and the Company; to ensure the reliability, integrity and timeliness of all business records, financial information and other information of the Company; and to enhance the operational efficiency and effectiveness of the Company.

The internal control has its inherent limitations, and can only provide a reasonable assurance for the achievement of the above objectives. Moreover, the effectiveness of internal control may change with the changes in the internal and external environment and business operations of the Company. The Company has an inspection and supervision mechanism for its internal control. Once any defect is identified in the internal control, the Company will immediately take actions to make the corrections.

The Board of Directors assessed the Company's internal control in accordance with the *Guidelines on Internal Control for Enterprises*. It concluded that the Company's internal control was effective as of 31 December 2011 (benchmark date) and did not find any defect in the Company's internal control.

The Board of Directors will further improve the Company's internal control environment and structure, so that the internal control may provide a valuable basis for the overall decision-making of the Company. With the gradual improvement of national laws and regulations and the constant development of the businesses of the Company, the internal control system and mechanism will be further improved, thus promoting the further development of the corporate governance.

Basis of Internal Control in the Financial Report

In accordance with the *Notice Regarding the Trial of Regulation on Internal Control of Listed Companies* (Shang Shi Bu Han [2011] No. 031) of the CSRC and the *Notice Regarding the Trial of Regulation on Internal Control of Listed Companies in Shenzhen Administrative Area* (Shen Zheng Ju Gong Si Zi [2011] No. 31) of Shenzhen Securities Regulatory Bureau, the Company was designated as a key company to carry out the trial of regulation on internal control in Shenzhen administrative area. Accordingly, the Company should establish and conduct self-appraisal and audit on the internal control over the financial reports of both the parent company and the major subsidiaries in 2011.

During the reporting period, the Company further established and improved the internal control over financial reports in accordance with the *Guidelines on the Internal Control of Enterprises* and its implementation guidance, the *Guidance for the Internal Control of Securities Companies*, the *Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange* and other relevant laws, rules and regulations, combining the specific situation of the Company.

According to the criteria for determining material defect, major defect and general defect as defined in the *Guidelines on the Internal Control of Enterprises*, the *Guidance for the Internal Control of Securities Companies*, the *Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange*, and in light of its scale, industry-specific features and risk level, the Company studied and defined the criteria suitable for the determination of defects in the internal control of the Company and kept it consistent with the criteria of the previous years.

“Material defect” refers to one defect or a combination of defects that may cause the enterprise to materially deviate from the objectives of internal control. “Major defect” refers to one defect or a combination of defects that leads to less severity and severe economic consequences than a material defect, but may still cause the enterprise to deviate from the objectives of internal control. “General defect” refers to any defect other than a material defect or a major defect.

According to the criteria outlined above, and based on the findings of the routine supervision and special supervision, it is concluded that the Company had a sound internal control system and mechanism during the reporting period. The Company has effectively implemented its internal control system and mechanism in its work, and no material defects were found in the internal control over the financial report of the Company.

Overall Building of the Internal Control System

The Company have attached great importance to the development of the internal rules and regulations and the management systems since the Company was established. After the *Guidelines on the Internal Control of Enterprises*, the *Guidance for the Internal Control of Securities Companies*, and the *Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange* were promulgated, the Company have further improved the internal control according to the relevant requirements, and made a consistent effort to improve the internal control in every aspect of the business development.

In 2011, the Company was designated as a key company to carry out the trial of regulation on internal control of listed companies in Shenzhen administrative area. The Company comprehensively reviewed, regulated and conducted self-assessment on its internal control.

In order to effectively satisfy the relevant regulatory requirements, the Company attached great importance to the trial of regulation on its internal control and actively carried it out, supporting the work from all aspects, including organization, expertise, funds and human resources. The Company has consistently made an effort to ensure the comprehensiveness, importance, balance, adaptability and cost effectiveness of the internal control. When exercising the internal control, the Company reported the progress of the regulation of internal control to Shenzhen Securities Regulatory Bureau promptly and disclosed the implementation plan and relevant progress timely, according to the regulatory requirements.

As of the end of the reporting period, the Company had established an internal control system in line with the business nature, scale and complexity, ensured the legality and compliance of the Company’s operations and management, safety of assets, accuracy and integrity of the financial reports and relevant information, and achieved significant results in the enhancement of business efficiency and effectiveness.

Corporate Governance Report

During the reporting period, the Company had effectively put in place an internal monitoring and control system, and the procedures and internal monitoring and control measures for processing and issuing price-sensitive information, and clearly defined the frequency of reviews on internal control and the standards adopted by directors to appraise the effectiveness of the internal monitoring and control system.

The Company had established, improved and implemented a set of management systems, including the Chinese Wall, the registration of people with access to non-public information and the registration of persons with access to insider information, according to the regulatory requirements. It effectively prevented the improper use and dissemination of sensitive information. Furthermore, the Company disclosed the relevant information in a true, accurate, complete and timely manner in accordance with the laws, regulations and the Articles of Association, and ensured that all investors have equal opportunities to promptly receive the Company's information.

Implementation of the Company's Accountability System for Material Error in Information Disclosure of Annual Report

In order to further improve the Company's internal control system and reinforce the financial accountability system, the Board of Directors developed the *Accountability System for Material Errors in Information Disclosure in the Annual Report of CITIC Securities Company Limited*, and this system became effective on 29 March 2010.

During the reporting period, the system had been implemented well, and there were no material accounting errors, material omissions of information or correction of the preliminary announcement of results.

Disclosure of Self-appraisal Report on the Company's Internal Control

As a company concurrently listed domestically and abroad, the Company will disclose the *2011 Annual Report of CITIC Securities Company Limited on the Self-appraisal of Internal Control* and the *Audit Report on the Internal Control of CITIC Securities Company Limited* issued by Ernst & Young Hua Ming Certified Public Accountants Co., Ltd., together with this Report.

Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of public certified accountants included in the financial report of this report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm that they have the responsibilities to compile the financial report which can truly reflect the business results of the Company in each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of the Company.

Appointment of Auditors

With approval by the 2010 Annual General Meeting of Shareholders, the Company decided to re-appoint Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. as the PRC auditors for the year 2011. The Company proposed to appoint Ernst & Young LLP as the international auditors for the year 2011 retroactively at the 2011 Annual General Meeting of Shareholders.

Whether or not change the auditors No

Information about the Current Auditors

Name of the PRC Auditor and the Duration of Service: Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. (5 years)
(Note: acted as a supplementary auditor of the Company from 2000 to 2006)

Name of the International Auditor and the Duration of Service: Ernst & Young LLP (1 year)

Remuneration for the Auditors In 2011, the Company paid RMB1,900,000 as remuneration to Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. for its audit services on 2010 annual financial report.

According to the resolution of 36th Meeting of the 4th Session of the Board of Directors, the Company shall pay RMB3,800,000 to Ernst & Young for audit services for the year 2011 of the Company (including the international audit and the audit on the effectiveness of internal control, etc.). The remuneration will be paid in 2012.

At the forthcoming 2011 Annual General Meeting of Shareholders, the Board will submit a proposal on the renewal of appointment of Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. and Ernst & Young LLP as the external auditors of the Company in 2012 subject to the consideration and approval of the General Meeting of Shareholders. The auditors will provide their audit services in accordance with the PRC Accounting Standards for Enterprises and the International Guidelines for Financial Reports. The Board of Directors will also submit a proposal on the renewal of appointment of Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. as the auditor for the internal control of the Company in 2012.

Investor Relations

Investor relations represent an integral part of the gradual, orderly and compliant development and operation of the Company, which the Board and the Executive Committee of the Company attach great importance to and spare no effort in.

Corporate Governance Report

During 2011, the Company has been going smoothly with the respective tasks, and the Company further consolidated the market position and took a leap forward in the internationalization strategy. Subsequent to the issuance of the H Shares, both domestic and overseas investors were showing increasing interest in the Company. The Company upholds its principle to be open and fair in pursuit of an active and proactive management strategy in investor relations, with an aim to add values to the Company constantly.

During the reporting period, the management of the investor relations has been underway smoothly. Pursuant to the *Management Measures on Information Disclosure* and *Management Measures on Investor Relations*, the secretary to the Board was designated to be responsible for information disclosure and to receive visits from shareholders and answer their enquiries, improving the fluency and effectiveness of the communication between the Company and its shareholders. During the reporting period, the Company completed the revision of its investor relations website, which is now in line with international customary standards, to provide its investors with a convenient, quick, timely and comprehensive method to know about the basic information and announcements of the Company. The Company also optimized the function of the investor hotline and voicemail to ensure a smooth access and connection to them, and recorded the enquiries carefully and answered them patiently. Through such platform, the Company expected to enhance the communication with investors worldwide, in particular minority shareholders. In addition, the Company managed and analyzed investors' data for improvement in the services to investors.

During the reporting period, the Company organized various exchange activities for investors and analysts in accordance with regulatory requirements and the needs for business development including: six (6) shareholder's general meetings chaired by the Chairman of the Board were convened, with the presence of the Directors, Supervisors, senior management and heads of the relevant business divisions of the Company, to specify the content of the meetings, introduce the latest development of the Company, and answer the shareholders' inquires, acquiring a favorable communication effect; three(3) road shows and reverse road shows of the domestic results were conducted and over 240 meetings in various forms were held between the Executive Committee and heads of the major business divisions with domestic and overseas institutional investors and analysts, enhancing the investors' understanding of the investment values of the Company, eliminating misleading information, advertising the advantage of the Company's business development and leading the market expectations effectively.

In 2011, under the background of the continuously downturn of the global capital market, waned confidence of domestic and foreign investors and tightened liquidity in the market, the Company successfully completed the offering of its H Shares with full subscriptions by well-known foreign institutional investors, reflecting the recognitions by investors on the potential investment values of the Company in the future development. During the H Shares offering, the Company held a number of analyst seminars, investment seminars and press conferences, with two dedicated teams responsible for road show, visiting investors in Hong Kong, Singapore, San Francisco, New York, Boston and London. The Company held over 220 investor conferences to introduce its strategy and business development to investors from Asia, Europe and America. At the same time, the Company listened very carefully to the opinions and feedbacks from participants and understood the investors' attitudes and the market responses accurately. The activities were warmly welcomed and the future prospects of the Company were highly recognized by investors.

In 2012, the Company will continue to improve its investor relations service to a higher level and deepen its communication with investors to give the investors a better understanding of the Company, raise the awareness and recognition of the Company and create a wider range of investor relations activities for improvement in the services the Company to investors and analysts.

Dealings in Securities by Directors, Supervisors and Relevant Employees

According to the domestic regulatory requirements, the 23rd Meeting of the 3rd Session of the Board of Directors considered and adopted the *Measures for the Management of the Holding and Changes in the Holding of the Shares of CITIC Securities Company Limited by the Directors, Supervisors and Senior Management* (the “**Management Measures**”) on 13 March 2008, to regulate the holding and dealing of the Company’s shares by Directors, Supervisors and senior management of the Company. The Management Measures are stricter than the compulsory provisions in the “*Model Code for Securities Transactions by Directors of Listed Issuers*” contained in Appendix 10 to the Hong Kong Listing Rules (the “**Model Code**”). After inquiries, all Directors and Supervisors of the Company have confirmed that they have strictly complied with the relevant provisions of the Management Measures and the Model Code.

Other Matters of Report

Establishment of the Compliance Management System

Establishment of the Compliance Management System

According to the regulatory requirements, the Company have established a comprehensive and multi-level organizational structure for compliance management. The compliance management is led by the Board of Directors, supervised by the Supervisory Committee and implemented by the Compliance Officer and the Compliance Department. The Management, heads of each department and the Compliance Supervisors of each department perform their duties of compliance management within their own scope of authorities. The Company has established a well-developed compliance management system on the basis of the Articles of Association and the *Interim Provisions for Compliance Management*, covering compliance management duties including the management of employees’ activities, insider information and non-public information, anti-money laundering, compliance consulting and review, compliance inspection and monitoring, and compliance assessment and reporting, in accordance with the laws, regulations and regulatory requirements.

In 2011, the Company amended the *Guidance on Information Chinese Wall* in accordance with the *Guidance on Chinese Wall Systems of Securities Companies* issued by the Securities Association of China; developed and implemented the *Policy for the Management of the Employees’ Securities Investment Activities* to strengthen the management of employees’ securities investment activities; issued a notice to regulate the behaviors of the employees who serve as independent directors in other listed companies and the posting of information by employees on micro-blogs. The further improvements of the compliance management system and policies have enhanced the Company’s ability in preventing and controlling the compliance risks.

During the reporting period, the organizational system for compliance management operated effectively, and all compliance management policies were effectively implemented.

Corporate Governance Report

Compliance Inspection

Compliance inspection is one of the important means for the Company to identify and prevent compliance risks. During the reporting period, the inspections carried out by the Compliance Department of the Company covered the following four aspects: (i) it completed the annual compliance inspection on the assets management business according to the regulatory requirements; (ii) it conducted on-site inspections on the innovative businesses, such as margin trading and futures brokerage, carried out by the Business Department; (iii) it conducted random inspections, as required, on the monitoring of office telephone calls and emails of researchers and planners, investment decision-makers and transaction executors of the Company's proprietary businesses and asset management businesses; and (iv) it conducted annual and comprehensive self-inspections on the anti-money laundering of all business departments.

Check and Audit by the Internal Audit Department

During the reporting period, the audit department continued to carry out its work by focusing on risks and mainly enhanced the new business model which involved direct investment business and capital brokerage business; the businesses of CSI that are guided by the "go global" strategy; the derivative products and margin trading business that fall under the category of innovative businesses; and the high-risk businesses closely and continuously followed by the regulatory authorities.

During the reporting period, the audit department completed routine audits, separation audits, follow-up audits and compulsory leaving audits in 47 projects, involving 7 departments/business lines at the headquarters, 34 securities business offices and 3 subsidiaries (including 6 projects).

The details of the audited projects are as follows:

Seven (7) audited projects at the headquarters, including routine audits on the capital brokerage business, securities and financial business line and the merger and acquisition business line of the Transactions and Derivative Products Business Department, the Asset Management Department, the Research Department, the Investment Management Department, and the Fixed Income Department;

Thirty-four audited projects in the securities business offices, including routine audits on eight (8) securities business offices, separation audits on the general managers of nine (9) securities business offices, compulsory leaving audits on the general managers of nine(9) securities business offices, and follow-up audits on eight(8) securities business offices;

Six (6) audited projects in three (3) subsidiaries, including routine audits on the subsidiaries of CITIC Futures, GoldStone and CSI that are engaged in brokerage business, futures business, asset management business, proprietary business, and private equity investment business.

Through the audits mentioned above, the audit department evaluated the soundness and effectiveness of internal control in the audited units, exposed the main risks, enhanced the awareness of risk prevention in all departments/business lines, securities business departments and subsidiaries and further improved the risk management of the Company.

Monitoring of Risk Control Indicators and Establishment of Supplementary Mechanism

Since the establishment, the Company has attached great importance to the development of risk control mechanisms, and carried out the businesses in a regulated way. As a result, the Company has achieved stable and healthy development and maintained a high quality for our assets. All of the risk control indicators of the financial position and business development conform to the requirements of the *Measures for Administration of Securities Companies* and the *Measures for Administration of Risk Control Indicators of Securities Companies* of the CSRC.

In accordance with the requirement of the *Measures for Administration of Risk Control Indicators of Securities Companies*, the Company has established a monitoring system for dynamic risk control indicators, and realized the real-time, dynamic monitoring and automatic alarming of risk control indicators.

The Company has established a net capital replenishment mechanism, which ensures that the risk control indicators (such as net capital) are consistently in conformity with the requirements of the securities regulatory authorities. As a listed securities company, the Company has effectively leveraged this platform. The Company issued additional A shares in two successive years of 2006 and 2007 and completed an IPO of H shares in 2011, raising a total of RMB40,888 million and greatly enhancing the capacity against risks. As of 31 December 2011, the net capital reached RMB50.03 billion, and all risk monitoring indicators were in line with the relevant regulatory requirements.

Compliance of Parent Company's Accounts

In order to strengthen the daily management of accounts, improve the long-term accounts management mechanism and ensure that the accounts of all investors participating in securities transactions are eligible, the Company strengthened the new accounts monitoring efforts to avoid opening of any ineligible account. In 2011, the Company continued with the checking of its accounts. According to the requirements of the relevant regulatory authorities, the Company submitted an additional batch of eligible dormant accounts and stored them in a separate database. After the new-generation centralized trading system was launched, the Company further straightened out the business processes regarding dormant accounts and remaining ineligible accounts.

As of 31 December 2011, the Company had 2,065,006 securities accounts held by the clients of the brokerage business. Of these accounts, 1,708,087 were eligible securities accounts, accounting for 82.71%; 356,135 were dormant securities accounts, accounting for 17.25%; and 784 were ineligible securities accounts, accounting for 0.04% of the total number of accounts. There were no securities accounts seized by judicial process, or securities accounts which have to be dealt with by reason of risks.

In addition, as of 31 December 2011, the Company had 1,618,970 capital accounts held by the clients of the brokerage business. Of these accounts, 1,262,009 were eligible capital accounts, accounting for 77.95%; 355,787 were dormant capital accounts, accounting for 21.98%; 1,146 were ineligible capital accounts, accounting for 0.07%; of the total number of accounts. There were 28 ineligible capital accounts seized by judicial process, accounting for 0.0017% of the total number of accounts. There were no capital accounts which have to be dealt with by reason of risks.

The compliance of the accounts mentioned above has been disclosed in the *2011 Self-Appraisal Report of CITIC Securities Company Limited on Internal Control*.

Corporate Governance Report

Special Regulatory Campaign on Investment Banking Businesses

The special regulatory campaign on investment banking businesses was one of the important tasks carried out by Shenzhen Securities Regulatory Bureau in 2011. In accordance with the requirements of the *Notice of Shenzhen Securities Regulatory Bureau on Carrying out the Special Regulatory Campaign on Investment Banking Businesses of Securities Companies in Shenzhen Administrative Area* (Shen Zheng Ju Ji Gou Zi [2011] No. 7), the Company set up a special team on investment banking regulatory work. The implementation was led by the Compliance Officer and the compliance department.

The special regulatory work consists of three phases, i.e. problem finding, correction and improvement, and inspection and acceptance. During the phase of problem finding, the main task is to identify problems and deficiencies in the systems, practices and management in the investment banking business. The priority during the phase of correction and improvement is to “establish the mechanisms” and “receive education”. The Company currently has completed the correction and improvement phase of the campaign and entered the appraisal and acceptance phase, which will be completed by the end of April 2012.

Self-assessment on the Implementation of the Management Measures on Information Disclosure by the Board of Directors

During the reporting period, the Company disclosed the relevant information in a truthful, accurate and complete manner in strict accordance with the laws, regulations, the Articles of Association and the *Management Measures on Information Disclosure*, and ensured the timeliness and fairness of information disclosure.

In order to consistently regulate the information disclosure, the Company conducted a special training course on the prevention and control of insider transaction under the theme “Preventing Insider Transaction and Avoiding Stock Manipulation” on 9 September 2011. Over 30 persons, including all Directors, Supervisors, senior management and relevant insiders of the Company attended the training. This training was based on the specific situation of the Company and served to inform the participants of the basic realities of China’s securities market and the need to prevent insider transactions and avoid stock manipulation. The training had been well-received by the participants.

In order to help the Directors, Supervisors and senior management better understand the Hong Kong Listing Rules and other relevant laws and regulations of Hong Kong, as well as their own duties and responsibilities, we invited Baker & McKenzie LLP to give a training for 20 persons, including the relevant Directors, Supervisors and senior management members, in the middle of May 2011. The training was conducted in six sessions, including three classroom training sessions. The training had allowed the Directors, Supervisors and senior management to better understand the relevant laws and regulations of Hong Kong, and fully prepared them for the performance of their duties in future.

In 2011, the *Management Measures on Information Disclosure* and other relevant policies were effectively implemented. The Company further regulated the information disclosure, and improved the management and quality of information disclosure. At the same time, the *Management Measures on the information Disclosure* and other internal policies of the Company are well-developed, containing clear provisions on the reporting, delivery, reviewing and disclosing procedures for major events. All these policies were effectively implemented.

Capital Movement between the Company and the Related Parties

In accordance with the Notice of the CSRC on the *Regulation of Several Issues Concerning the Capital Movement Between Listed Companies and their Related Parties and the External Guarantees Provided by Listed Companies* (Zheng Jian Fa [2003] No. 56) and the *Notice on Strengthening Information Disclosure Concerning Appropriation of Funds and Unlawful Provision of Guarantees by Listed Company of Shenzhen Securities Regulatory Bureau* (Shen Zheng Ju Fa Zi [2004] No. 338), Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. issued the *Special Statement Regarding the Occupation of Funds of CITIC Securities Company Limited by Its Largest Shareholder and Other Related Parties* (Ernst & Young Hua Ming (2012) Zhuan Zi No. 60469435_A05), stating that there was no appropriation of funds by the largest shareholder or other affiliated parties of the Company in 2011.

During the reporting period, the Company did not provide any guarantee for external parties or pledge the assets, and had no overdue debts

With regard to the aggregate and current-period external guarantees, guarantees in violation of the relevant rules and regulations, and the implementation of the rules relating to Zheng Jian Fa [2003] No. 56 during the reporting period, the independent directors of the Company gave the following statements and independent opinions:

In accordance with the *Notice on the Regulation of Several Issues Concerning the Capital Movement Between Listed Companies and their Affiliated Parties and the External Guarantees Provided by Listed Companies of the CSRC* (Zheng Jian Fa [2003] No. 56), and based on their inquiries and investigations about the situations of the Company and the information disclosed by the Company, the independent directors, Mr. FENG Zuxin, Ms. LI Jian, Mr. LEE Kong Wai, Conway and Mr. RAO Geping, made the following statements and independent opinions regarding the aggregate and current-period external guarantees:

As of 31 December 2011, the Company had no outstanding aggregate or current-period guarantees; and

The Company had no outstanding guarantees for any substantial shareholder or its subsidiary, or any unincorporated entity or individual.

During the reporting period, there was no illegal or unlawful practice found on the part of the Company.

Report of the Board

Operation of the Principal Businesses of the Company

The Company and its subsidiaries are principally engaged in providing securities brokerage, investment banking, asset management and other related financial services. The operation of the businesses is set out in “Business Overview” of this report.

Distribution of Profits

Formulation and Implementation of Dividend Policy

The Company formulates the profit distribution plan in strict accordance with the relevant provisions of dividend policy in the Articles of Association of the Company. Upon the prior approval by the Board, the profit distribution plan of the Company is subject to consideration and approval by the shareholders at the general meetings. The independent non-executive Directors of the Company shall provide objective and independent opinions with a view to secure the interest of the investors in the above-said board meeting. During the general meeting, minority interests of the Company shall be given sufficient opportunities to express their views and concerns to protect their legal rights.

The Company has declared cash dividend every year since its incorporation. In addition to the cash dividend, the Company also issued 10 bonus shares for every 10 shares held in 2007 and 5 bonus shares for every 10 shares held in 2009 by capitalizing the capital reserves. The plans for profit distribution and capitalization of the capital reserves in the past three years were as follows:

2008: A cash dividend of RMB5 for every 10 shares (tax inclusive);

2009: A cash dividend of RMB5 for every 10 shares (tax inclusive) and a capitalization issue of 5 bonus shares for every 10 shares;

2010: A cash dividend of RMB5 for every 10 shares (tax inclusive).

From 2008 to 2010, the cash dividends declared by the Company represented over 30% of the net profit distributable to investors as follows:

Year of distribution	The amount of cash dividend (tax inclusive)	Net profit distributable to investors	Percentage to net profit distributable to investors	Unit: RMB	
				Net profit distributable to owners of the parent in the consolidated statements of the year of distribution	Percentage to net profit distributable to owners of the parent in the consolidated statements
2008	3,315,233,800.00	9,274,627,211.08	35.75%	7,305,001,010.04	45.38%
2009	3,315,233,800.00	10,287,900,448.49	32.22%	8,984,029,173.87	36.90%
2010	4,972,850,700.00	15,140,553,398.01	32.84%	11,311,343,211.09	43.96%

Profit Distribution Plan of 2011

The retained profits at the beginning of 2011 amounted to RMB15,262,618,301.17 and together with the 2011 net profit of the Company amounting to RMB7,360,909,917.94, and after deduction of the 2011 cash dividends of RMB4,972,850,700.00, the net profit distributable to investors in 2011 amounted to RMB17,650,677,519.11.

Pursuant to the Company Law, Securities Law, *Financial Rules for Financial Enterprises* and *the Articles of Association* of the Company, the net profits of the Company for 2011 are distributed in the following sequences:

The Company appropriates a total of RMB736,090,991.79 to the statutory surplus reserve calculated on the basis of 10% of the net profit attributable to the Company for 2011;

The Company appropriates a total of RMB736,090,991.79 to the general risk reserve calculated on the basis of 10% of the net profit attributable to the Company for 2011;

The Company appropriates a total of RMB736,090,991.79 to the transaction risk reserve calculated on the basis of 10% of the net profit attributable to the Company for 2011;

The aggregate of the above amounted to RMB2,208,272,975.37.

Net of the above items, the distributable profits attributable to the Company was RMB15,442,404,543.74.

According to the auditing requirements on listed companies under the current accounting principals, changes in fair values are recognized in the profit or loss for the period and are not distributable as cash dividends. Net of the effect of gains or losses arising from changes in fair values on the distributable profits of 2011, the sum in the distributable profits attributable to the shareholders of the Company of 2011 that can be distributed as cash dividends amounted to RMB15,688,226,816.78.

In consideration of the development of the Company and the interests of the shareholders, the Company proposed the profit distribution plan of 2011 as follows:

On the basis of the total number of A Shares and H Shares of 11,016,908,400 as at 31 December 2011, a cash dividend is proposed to be distributed to holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date: a cash dividend of RMB4.30 for every 10 shares held (tax inclusive), the actual distributed cash profit is RMB4,737,270,612.00, representing 30.20% of the profits distributable in cash. The outstanding balance of the retained profits distributable as cash dividends for 2011 amounted to 10,950,956,204.78 and will be carried forward to the next year.

Report of the Board

Cash dividend is denominated and declared in RMB and payable in RMB to A Shareholders and in Hong Kong dollars to H Shareholders. The actual amounts declared in Hong Kong dollars are converted based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China on five business day before the date of the 2011 Annual General Meeting of the Company.

Upon approval of the profit distribution plan of 2011 at the 2011 Annual General Meeting, the cash dividends will be declared and paid within two months from the date of such meeting.

The Company will give further notice on the record date and book closure date for the dividend of H Shares.

Use of Proceeds and Significant Investment of Non-Raised Capital

Use of Proceeds During the Reporting Period

During the reporting period, the Company completed the H share offering. According to the *Capital Verification Report* (Ernst & Young Hua Ming (2011) Yan Zi No. 60469435_A09) issued by Ernst & Young Hua Ming, Certified Public Accountants, the net proceeds from the offering of H Shares of the Company were RMB11,271 million. The Company received all the proceeds on 1 November 2011. As of 31 December 2011, the Company has utilized an aggregate of RMB51 million as working capital and for general corporate purposes. Unutilized proceeds amounted to RMB11,220 million.

The use of proceeds was the same as disclosed in the H Share prospectus without any change so far. In 2012, the Company will continue to use the proceeds according to the operation and development strategies the Company and the capital market conditions.

Other Investments during the Year

During the reporting period, the Company contributed RMB500 million and RMB600 million to CITICS Futures and Gold Stone, respectively, details of which are set out in "Shares issued by the Company or its subsidiary" of this report.

During the reporting period, the Company acquired an additional 4.1% equity interest in CITIC Wantong, for a consideration of RMB180 million. In March 2012, the Company acquired 0.5% equity interest in CITIC Wantong for a consideration of RMB22.08 million. As at the disclosure date of this report, the Company held 96% equity interest in CITIC Wantong, details of which are set out in "Major Acquisitions, Disposals and Reorganisation of Assets" of this report.

Analysis of the Operation and Results of the Principle Subsidiaries and Non-Controlling Companies

The Company has five principle subsidiaries and four principle non-controlling companies. A summary of which is set out below:

Name of Company	Shareholding by the Company (%)	Date of Establishment	Registered Capital	Place of Business	Registered Address	Responsible Officer	Contact number
CITIC Securities (Zhejiang) ^{Note 1}	100.00	6 February 2002	RMB885 million	19-20/F, Hengxin Mansion, 588 Jiangnan Avenue, Binjiang District, Hangzhou	19-20/F, Hengxin Mansion, 588 Jiangnan Avenue, Binjiang District, Hangzhou	Shen Qiang	+86-571-85783737
CITIC Wantong	95.50	2 June 1988	RMB800 million	21st Floor, Tower 1, Qingdao International Finance Center, 222 Shenzhen Road, Laoshan District, Qingdao	Room 1507-1510, 15th Floor, Aokema Building, 29 Miao Ling Road, Laoshan District, Qingdao	Yang Baolin	+86-532-85022517
CSI	100.00	28 September 2005	Issued Capital of HKD3,736.75 million	26th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	26th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	Yin Ke	+852-22376899
CITIC Futures	100.00	30 March 1993	RMB800 million	Level 14, Excellence Times Square II, No. 8 Zhongxin San Road, Futian District, Shenzhen City	Level 14, Excellence Times Square II, No. 8 Zhongxin San Road, Futian District, Shenzhen City	Yan Jinming	+86-755-83343493
GoldStone	100.00	11 October 2007	RMB5,200 million	17th Floor, CIPC Tower, No. 48 Liongmaqiong Road, Chaoyang District, Beijing	Unit 1703, Kun Sha Center, Xin Yuan Li No. 16, Chaoyang District, Beijing	Qi Shuguang	+86-10-60833838
China AMC ^{Note 2}	49.00	9 April 1998	RMB238 million	16th Floor, Tower B, Tong Tai Plaza, No. 33 Finance Street, Xicheng District, Beijing	Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing	Wang Dongming	+86-10-60838866
CITIC PE Fund	35.00	6 June 2008	RMB1,800 million	11th Floor, Jin Bao Building, No. 89 Jinbaojie, Dongcheng District, Beijing	District C, Incubator Building, Technology Education and Industrial Park, Technology City, Mianyang, Sichuan	Liu Lefei	+86-10-85079070
Jiantou Zhongxin Asset Management Co., Ltd.	30.00	30 September 2005	RMB1,900 million	Unit 1032, Block 2, Chang An Xin Rong Center, Naoshikou Street No. 1, Xicheng District, Beijing	5th Floor, Hong An International Building, No. 188 Chaoneidajie, Dongcheng District, Beijing	Feng Jing	+86-10-66276508
S&P/CITIC Index Information Services (Beijing) Co., Ltd. ^{Note 3}	50.00	27 December 2005	US\$1 million	Room 1601, Tower D, Central International Trade Center, 6A, Jianguomenwai Avenue, Chaoyang District, Beijing	Unit 401-A-16, 4th Floor, Block F, Fuhua Mansion, No. 3 Chaoyangmen Beidajie, Dongcheng District, Beijing	Tom Schiller	+86-10-65692913

Note 1: CITIC Securities (Zhejiang) formerly known as CITIC-Kington Securities Co., Ltd.

Note 2: During the reporting period, the Company's shareholding in China AMC decreased to 49% upon completion of its disposal of a 51% equity interest in China AMC.

Note 3: The Board of the Company has passed a resolution on transfer of all of the equity interest held in S&P/CITIC Index Information Services (Beijing) Co., Ltd., and related procedures are under process.

Report of the Board

CITIC Securities (Zhejiang) is a wholly-owned subsidiary of the Company with a registered capital of RMB885 million. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Securities (Zhejiang) amounted to RMB12,451.52 million, RMB2,148.65 million, RMB1,348.33 million, RMB529.20 million and RMB381.19 million, respectively. CITIC Securities (Zhejiang) had 52 securities brokerage branches and 2,812 staff (brokers inclusive).

The principal businesses of CITIC Securities (Zhejiang) include: securities brokerage (in Zhejiang, Fujian and Jiangxi only); securities investment advisory (for securities investment advisory business in Zhejiang, Fujian and Jiangxi only); securities investment fund distribution; and introducing brokerage for futures companies.

CITIC Wantong was held as to 95.50% (as of the disclosure date of this report, the Company's shareholding amounted to 96%) by the Company with a registered capital of RMB800 million. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Wantong amounted to RMB7,407.81 million, RMB3,664.19 million, RMB794.36 million, RMB297.43 million and RMB212.02 million, respectively. CITIC Wantong had 42 securities brokerage branches and 2,272 staff (brokers inclusive).

The principal businesses of CITIC Wantong include: securities brokerage (in Shandong and Henan only); securities investment advisory (for securities investment advisory business in Shandong and Henan only); securities investment fund distribution; and introducing brokerage for futures companies.

CSI is a wholly-owned subsidiary of the Company with an issued capital of HK\$3,736.75 million. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of CSI amounted to RMB5,723.95 million, RMB3,695.86 million, RMB641.66 million, RMB53.50 million and RMB6.81 million, respectively. CSI had 7 branches and 391 staff (brokers inclusive) in Hong Kong.

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.

CITIC Futures is a wholly-owned subsidiary of the Company with a registered capital of RMB800 million. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Futures amounted to RMB7,633.94 million, RMB938.31 million, RMB289.22 million, RMB115.42 million and RMB80.14 million, respectively. CITIC Futures had 18 futures brokerage branches and 1,599 staff (brokers inclusive).

The principal businesses of CITIC Futures include: commodity futures and financial futures brokerage.

GoldStone is a wholly-owned subsidiary of the Company with a registered capital of RMB5.2 billion. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of GoldStone amounted to RMB7,386.34 million, RMB7,019.81 million, RMB1,256.97 million, RMB1,077.97 million and RMB820.77 million, respectively. GoldStone had 51 staff.

The principal businesses of GoldStone include: industrial investment.

China AMC is held as to 49% by the Company with a registered capital of RMB238 million. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of China AMC amounted to RMB2,972.67 million, RMB2,345.49 million, RMB2,839.95 million, RMB885.09 million and RMB667.36 million respectively and it had 764 staff.

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

CITIC PE Fund is held as to 35% by the Company with a registered capital of RMB1.8 billion. As of 31 December 2011, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC PE Fund amounted to RMB4,153.88 million, RMB3,407.58 million, RMB1,613.91 million, RMB1,315.10 million and RMB1,000.58 million respectively and it had 145 staff.

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

Jiantou Zhongxin Asset Management Co., Ltd. ("**Jiantou Zhongxin**") is held as to 30% by the Company with a registered capital of RMB1,900 million. As of 31 December 2011, the total assets, net assets and net profit (unaudited) of Jiantou Zhongxin amounted to RMB1,644.12 million, RMB1,444.18 million and RMB21.77 million, respectively.

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

S&P/CITIC Index Information Services (Beijing) Co., Ltd. ("**S&P/CITIC**") is held as to 50% by the Company with a registered capital of US\$1 million. As of 31 December 2011, the total assets, net assets and net profit (unaudited) of S&P/CITIC amounted to RMB0.49 million, RMB-0.17 million and RMB-0.23 million, respectively.

The principal businesses of S&P/CITIC include: securities information consulting services, including compiling, calculating, maintaining securities and fixed income index; development, promotion and provision of index information consultation; technological development of index, technical training, technical services and business consulting.

Report of the Board

Branches of the Company

The Company had established a total of 5 branches in Beijing, Shanghai, Guangdong, Hubei and Jiangsu, particulars of which are as follows:

Name of Branch	Date of Establishment	Responsible Officer	Scope of Business	Place of Business	Contact number
CITIC Securities Company Limited, Beijing Branch	29 September 2010	LIU Jun	Management of the securities brokerage branches of the Company in Beijing	Room 3801 & 3802, Jingcheng Mansion, Xin Yuan South Road No. 6, Chaoyang District, Beijing	+86-10-52360939
CITIC Securities Company Limited, Shanghai Branch	26 October 2010	ZHANG Hao	Management of the securities brokerage branches of the Company in Shanghai	22nd & 23th Floor, 1568 Century Avenue, Pudong New District, Shanghai	+86-21-53858268
CITIC Securities Company Limited, Guangdong Branch	10 December 2010	QIU Wensheng	Management of the securities brokerage branches of the Company in Guangdong (except Shenzhen)	Unit 02, 11th Floor, Poly Center, No. 5 Linjiang Dadao, Tianhe District, Guangzhou	+86-20-38983511
CITIC Securities Company Limited, Hubei Branch	26 September 2010	SHI Xiangrong	Management of the securities brokerage branches of the Company in Hubei	Floor 16, CITIC Building, No. 747 Jianshe Avenue, Wuhan, PRC	+86-27-85355366
CITIC Securities Company Limited, Jiangsu Branch	21 October 2010	WANG Guoqing	Management of the securities brokerage branches of the Company in Jiangsu	5 Gao Lou Men, Xuan Wu District, Nanjing	+86-25-83600560

Note: The person-in-charge of Beijing Branch of the Company will be changed to YANG Haifeng, and related formalities for registration change is under process.

Work Plan and Implementation Scheme for the Establishment of a Sound Internal Control System

As a major pilot company under the internal control standards scheme in Shenzhen during 2011, during the reporting period, the Company initiated promptly various pilot schemes on internal control standards and employed an external advisor for further improvement in the establishment of the internal control of the Company. On 29 April 2011, the *Implementation Scheme of Internal Control Standards* was considered and approved in the 26th meeting of the 4th Session of the Board of the Company (For detailed information, please refer to the official website of the Shanghai Stock Exchange at <http://www.sse.com.cn>).

During the reporting period, the Company made various assessments on its existing internal control and prepared several proposals, risk assessment and rectification of internal control. Meanwhile, the Company also commenced its establishment of an appraisal system for internal control and initiated certain tasks in relation to the self-appraisal and

internal audit on internal control. As of the end of the Reporting Period, a full set of constitutional document in relation to the establishment of the internal control, including an internal control handbook and the record on certain sources of risk and major control, was compiled, which was in line with the schedule determined in the *Implementation Scheme of Internal Control Standards* of the Company.

Establishment and Implementation of the Registration and Administration System for Persons Informed of Insider Information

In pursuit of a more comprehensive management system for information disclosures, upon consideration and approval by the Board, the *Registration System for Persons Informed of Insider Information* of the Company was effective from 29 September 2009. During the reporting period, the Company managed to achieve due performance of insider information management and registration of persons informed of insider information in accordance with the requirements of the *Registration System for Persons Informed of Insider Information*. The Company also maintained relevant documents for inspection by the Company itself and relevant regulatory bodies, including a true and complete list of persons informed of insider information in various processes such as reporting, circulation, preparation, audit and disclosure prior to dissemination of such insider information, and the substance and time of such information being known by such persons. During the reporting period, the Company was not aware of any non-compliance with the *Registration System for Persons Informed of Insider Information*.

In addition, in June 2010, the Company as a listed company set up the *Registration System of Persons Informed of Undisclosed Information* from the perspective of a securities company and established the mechanism and work flow for delivery of information of persons informed of undisclosed information for various departments, specifying the main responsibilities of the management personnel of the compliance department and other departments, administrators of various departments and persons informed of undisclosed information pursuant to the requirements of the *Notice Regarding Reinforcement of the Management of Persons Informed of Undisclosed Information by Securities Companies* (Shen Zheng Ju Ji Gou Zi [2010] No. 126) issued by the Shenzhen Securities Regulatory Bureau. During the reporting period, in strict compliance with the *Registration System of Persons Informed of Undisclosed Information*, the Company launched its registration of persons informed of undisclosed information quarterly and submitted timely the *Registration Form of Persons Informed of Undisclosed Information of CITIC Securities Company Limited* to the Shenzhen Securities Regulatory Bureau. The reporting of each quarter was completed timely for the entire year.

Major Clients

The Company serves a diverse set of institutional and individual clients across a spectrum of sectors. The Company's clients range from multinational corporations and SMEs to high-net-worth individuals and retail customers. The clients are primarily located in China. The Company expects to serve more overseas clients as the Company seeks to further expand the operations internationally in the future. In 2011, the revenue attributable to the five largest clients accounted for 3.55% of the total revenue.

CITIC Group, the largest shareholder of the Company, is also one of the top five major clients of the Company.

Save as disclosed above, none of the shareholders, Directors, Supervisors and their respective associates has any interests hold of more than 5% of the issued share capital in any of the five largest clients. The Company has no major suppliers due to the nature of the business.

Report of the Board

Directors' and Supervisors' Service Contracts

None of the Directors or Supervisors has a service agreement with the Company or its subsidiaries (excluding agreements expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' and Supervisors' Interests in Material Contracts

During the reporting period, the Directors or Supervisors of the Company did not have any material interests, whether directly or indirectly, in any material contract entered into by the Company or its subsidiaries.

Directors' Interests in Businesses Competing with the Company

None of the Directors of the Company is interested in any business which competes with businesses of the Company.

Interests and Short Positions of Directors, Supervisors and Senior Management in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2011, the interests and the short positions of the Directors, Supervisors and senior management of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (as defined in Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or required, pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies* of Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Name	Position	Nature of Interest	Class of Shares	Number of Shares (Shares)	Percentage of Total Number of Shares of the Company (%)
WANG Dongming	Chairman and executive Director	Personal Interest	A Shares	2,649,750	0.024%
ZHANG Youjun	Non-executive Director	Personal Interest	A Shares	1,733,160	0.016%
DA Xinya	Non-executive Director	Personal Interest	A Shares	1,644,182	0.015%
NI Jun	Chairman of the supervisory committee	Personal Interest	A Shares	1,728,363	0.016%
LEI Yong	Supervisor	Personal Interest	A Shares	483,285	0.004%
YANG Zhenyu	Supervisor	Personal Interest	A Shares	108,000	0.001%
CHENG Boming	President	Personal Interest	A Shares	1,733,160	0.016%

Pursuant to the SFO, none of the senior management of the Company (except the president of the Company) were required to disclose his/her interests to the Hong Kong Stock Exchange. For details of the shareholdings of other senior management of the Company, please refer to “Changes in Shareholdings and Remuneration” of this report. In addition, as at 31 December 2011, no other Directors, Supervisors and senior management of the Company or any of their spouses or children under 18 years of age were granted equity securities or warrants of the Company.

Pre-emptive Rights

There is no provision regarding pre-emptive rights under the Articles of Association and the laws of the PRC.

Reserves and Distributable Reserves

Please refer to the Consolidated Statement of Changes in Equity and Note 39 to the financial report for details of changes in the reserves and the distributable reserves of the Company.

Tax Relief

Holders of A Shares

In accordance with the *Notice on Taxation Policy of Personal Stock Dividends Income* (Cai shui [2005] No. 102) issued jointly by the Ministry of Finance and the State Administration of Taxation, listed companies shall pay withholding tax at a rate of 10% of the dividends obtained from listed companies by individual investors in respect of their individual income tax.

For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

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

Holders of H Shares

Pursuant to the *Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348), the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file

Report of the Board

an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over withheld tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividend (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividend.

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

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

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

Donations

As at 31 December 2011, charitable and other donations made by the Group amounted to approximately RMB3.32 million.

Fixed Assets

Please refer to Note 18 to the financial report for details of the Group's fixed assets as at 31 December 2011.

Social Responsibilities

In 2011, the Company actively perform its social responsibilities. In addition to the conscientious operation of its business management, the Company was also dedicated to become a quality corporate citizen that offers "returns to the shareholders, quality services to the customers, promotion to the staff and contribution to the society".

Throughout the years, the Company has established and maintained an excellent image of integrity, obedience and justice, which are seen in the following aspects: tax payment in accordance with the relevant laws; commitment in environmental protection; development of the society and economy, and contribution to the advancement of the industry; support and sponsors to social welfare; attention to the living environment of the underprivileged; and support to the poor, those in hardship and affected by natural disasters. In 2011, the Company declared and distributed a dividend of RMB4,973 million in cash, representing 32.84% of the distributable profits of the Company. Voluntary donations by the staff amounted to RMB4.51 million in 2011, of which RMB1 million was used as subsidies to support the senior high school students in poverty; CITIC Securities (Zhejiang) donated a total of RMB1 million in several phases

to the establishment of Hope Primary School; the Guangdong branch the Company donated RMB0.3 million to resolve the education problem of children left behind in rural China; CSI donated RMB0.32 million to support the underprivileged. In addition, the Company enrolled itself in environmental protection. In 2011, the Company participated in the plantation scheme, constructed the "CITIC Kington Garden" in Hangzhou and planted over 300 trees in Zaozhuang.

During 2011, with the strong emphasis of the Board and operation management and overwhelming response from the entire staff of the Company, there has been a growing sense of social responsibility in all over the Company and the Company achieved satisfactory results in the performance of social responsibilities. As a result, the Company was recognized in terms of customer and staff satisfaction and social reputation.

In addition, the Company is not aware of any material environmental protection or other social security issues.

As a model company on the SSE Corporate Governance Board of the Shanghai Stock Exchange, the Company will disclose its *2011 Annual Report On Social Responsibilities of CITIC Securities Company Limited* together with this annual report.



Report of the Supervisory Committee

Meetings of the Supervisory Committee During the Reporting Period

During the reporting period, the Supervisory Committee of the Company convened five meetings in total. Details of which are as follows:

During the 9th meeting of the 4th session of the Supervisory Committee of the Company held on 28 March 2011 at Jingcheng Mansion, Beijing, *the Proposed Amendments to the Meeting Rules and Procedures of the Supervisory Committee of the Company* was considered and approved. Please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 29 March 2011 for details of such resolution.

During the 10th meeting of the 4th session of the Supervisory Committee of the Company held on 7 April 2011 at Jingcheng Mansion, Beijing, *the 2010 Working Report of the Supervisory Committee, the Resolution to Consider and Approve the 2010 Annual Report, the 2010 Social Responsibility Report of the Company and 2010 Audit Working Report* were considered and approved. Please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 9 April 2011 for details of such resolutions.

During the 11th meeting of the 4th session of the Supervisory Committee of the Company convened and held on 29 April 2011 by way of electronic communication, *the 2011 First Quarterly Report of CITIC Securities Company Limited* was considered and approved, and a written audit opinion was issued. The report was published in China Securities Journal, Shanghai Securities News and Securities Times on 30 April 2011.

During the 12th meeting of the 4th session of the Supervisory Committee of the Company held on 19 August 2011 by way of electronic communication, *the 2011 Interim Report of CITIC Securities Company Limited* was considered and approved, and a written

audit opinion was issued. The report was published in China Securities Journal, Shanghai Securities News and Securities Times on 20 August 2011.

During the 13th meeting of the 4th session of the Supervisory Committee of the Company held on 28 October 2011 by way of electronic communication, *the 2011 Third Quarterly Report of CITIC Securities Company Limited* was considered and approved, and a written audit opinion was issued. The report was published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on the same day and China Securities Journal, Shanghai Securities News and Securities Times on the following day.

Independent Opinion of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company attended all meetings of the Directors and general meetings. They supervised and inspected the compliance of the operation, the major decisions and business activities and the financial positions. On the basis of the above, the following independent opinions in respect of the Company were given:

The Company was in strict compliance with the Company Law, Securities Law, Articles of Association of the Company and relevant rules and regulations, and the decision-making procedure of the Company was legal. The Company was able to timely improve its internal control system, and none of the Directors and Senior Management of the Company were involved in any default or other acts that may harm the interest of the Company.

The financial position of the Company had been satisfactory. The financial statements for 2011 had been audited by Ernst & Young Hua Ming, Certified Public Accountants and Ernst & Young, Certified Public Accountants, Hong Kong. Both accountants had issued their respective auditor's report with standard and

Report of the Supervisory Committee

unqualified opinions, and the auditor's reports gave a true and fair view on the financial condition and state of affairs of the Company.

During the reporting period, the Company raised net proceeds of RMB11,270,925,677.34 from the initial public offering of 1,071,207,000 H Shares (including the number of shares issued upon partial exercise of the over-allotment option). The proceeds were used in conformity with that disclosed in the prospectus without any change.

Acquisitions or disposal of assets were made by the Company at reasonable prices, and no insider dealings were found, nor was there any act which may jeopardize the interests of shareholders or cause any loss to the Company's assets.

The relevant related party/connected transactions were fair and were in compliance with laws and not prejudicial to the interests of the Company.

The Secretary to the Board of the Company is responsible for information disclosure as well as incoming calls, visits and enquiries from investors. The Company has appointed China Securities Journal, Shanghai Securities News and Securities Times as the designated newspapers for information disclosure, and the website of the Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of the Stock Exchange at <http://www.hkexnews.hk> as the designated websites for information disclosure. The Company had been in strict compliance with *Information Disclosure Management System* and relevant laws and regulations and ensured the truth, accuracy and completeness as to the disclosure of information, and that all shareholders were given equal opportunity to be informed of the relevant information.

During the Reporting Period, the *Information Disclosure Management System* and the *Registration System for Persons Informed of Insider Information* came into effect to provide further requirements on information disclosure with an aim to improve the governance and quality of information disclosure and maintain the equality of information, so that the statutory interests of the shareholders the Company are more secured. Meanwhile, the management system for information disclosures and the internal systems of the Company expressly provide for the reporting, circulation, audit, disclosure procedures of major events of the Company, and the operation of such systems is satisfactory.

The written audit opinions on the annual report prepared by the Board were as follows:

The preparation and approval procedures of the annual report were in compliance with the requirements under the applicable laws and regulations, bye-laws of the Company and the relevant internal corporate governance rules and regulations of the Company;

Contents and format of the annual report were in compliance with the relevant requirements of the CSRC and the Stock Exchange, and information disclosed therein reflected truly the operational, management and financial status of the Company;

None of the persons involved in the preparation and approval of the annual report has committed any action in breach of confidentiality requirements in respect of the annual report.

The Supervisory Committee of the Company has reviewed the *2011 Self-Valuation Report on Internal Control* of the Company and they had no disagreement with the contents therein.

Significant Events

Major Acquisitions, Disposals and Reorganisation of Assets

Transfer of 51% Equity Interest in China AMC

To comply with the relevant laws and regulations and the regulatory requirements on fund management companies as stipulated by the CSRC and to regulate the equity interests in China AMC, the *Resolution Relating to the Proposed Transfer of Equity Interest in China AMC* was considered and approved at the 2011 Second Extraordinary General Meeting of the Company held on 9 June 2011. Pursuant to such resolution of the general meeting, the Company, by reference to the appraised asset value of China AMC, proposed to transfer the 51% of the equity interest in China AMC held by it by way of listing the same on an asset exchange. On 8 November 2011, upon completion of the bidding process, five companies, namely Southern Industrial Assets Management Company Limited, Shandong Province Rural Economic Development and Investment Company, Power Corporation of Canada, SITC Maritime Group Company Limited and Wuxi Guolian Development (Group) Company Limited were identified to be the intended transferees for the equity interest. On 15 December 2011, the CSRC issued the *Reply Letter in relation to the Approval of the changes in the shareholding and the amendments of the Articles of Association of China AMC* (Zheng Jian Xu Ke [2011] No. 2014), which authorized the Company to transfer the 51% of China AMC's equity interest held by it to the abovementioned five companies. On 21 December 2011, upon completion of the change in registration procedure for the transfer of equity interest, the shareholding of the Company in China AMC decreased from 100% to 49%. After completion of such transfer, the shareholding structure of China AMC is as follows:

No.	Name of Shareholder	Percentage of Capital Contribution
1	The Company	49%
2	Southern Industrial Assets Management Company Limited	11%
3	Shandong Province Rural Economic Development and Investment Company	10%
4	Power Corporation of Canada	10%
5	SITC Maritime Group Company Limited	10%
6	Wuxi Guolian Development (Group) Company Limited	10%
Total		100%

The completion date of the Equity Interest Transfers was 31 December 2011. China AMC is no longer consolidated in the financial statements of the Company from 1 January 2012.

During the reporting period, the Company has received a consideration of RMB8.344 billion for such transfer.

Acquisition of Equity Interest in CLSA

On 9 June 2011, the 29th Meeting of the 4th Session of the Board of the Company considered and approved the *Resolution on Wholly-owned Subsidiary CITIC Securities International Company Limited to Acquire a 19.9% Equity Interest In Each of CLSA and CA Cheuvreux*, approving the acquisition of a 19.9% equity interest in each of CLSA and CA Cheuvreux by CITIC Securities International, a wholly-owned subsidiary of the Company, for a total consideration of US\$374 million.

On 29 March 2012, the 38th Meeting of the 4th Session of the Board of the Company considered and approved the *Resolution on Wholly-owned Subsidiary CITIC Securities International Company Limited to Continue to Acquire Equity Interest in CLSA and Change of the Original Transition Structure*, to authorize management and the Company's wholly-owned subsidiary CSI to consider and respond to the proposal of Credit Agricole Corporate and Investment Bank regarding a revision of the original transaction structure, and an offer to sell the remaining equity interest of CLSA B.V; to authorize the Company's wholly-owned subsidiary CSI to only invest in 19.9% equity interest of CLSA B.V, but discontinue investing in 19.9% equity interest of Credit Agricole Cheuvreux SA; and to authorize management and CITIC Securities International Company Limited to commence negotiation with Credit Agricole Corporate and Investment Bank in respect of overall transaction valuation, conditions, extent of in-scope assets and deal perimeters, etc. and to enter into the an amended agreement and memorandum of understanding after reaching consensus following the above-mentioned negotiation. The resultant transaction details and its consideration are subject to approval by the Company's Board of Directors and shareholders (if necessary). It is currently uncertain as to whether a transaction can be concluded, which will depend on whether consensus can be reached during the negotiation with Credit Agricole Corporate and Investment Bank.

Absorption of Xinhua Futures by CITICS Futures

On 8 October 2011, CITICS Futures, a wholly-owned subsidiary of the Company, signed the *Absorption Agreement* with the shareholders of Zhejiang Xinhua Futures Brokerage Co., Ltd. ("**Xinhua Futures**"), whereby CITICS Futures acquired the entire equity interest of Xinhua Futures with its own funds amounted to RMB311.75 million.

On 22 November 2011, the CSRC granted approval for this absorption with its *Reply Letter in Relation to the Approval of the Absorption of Zhejiang Xinhua Futures Brokerage Co., Ltd. by CITIC Futures Co., Ltd.* (Zheng Jian Xu Ke [2011] No. 1830). On 23 December 2011, CITICS Futures completed the transfer and merger process with Xinhua Futures at four futures exchanges. On 30 December 2011, upon completion of the deregistration procedures, Xinhua Futures dissolved in accordance with laws and all assets, personnels and operations formerly owned by Xinhua Futures have been integrated into CITICS Futures. All of the 11 futures offices formerly operating under Xinhua Futures had completed the procedures for their change of names by 20 January 2012. Furthermore, CITICS Futures has been granted approval to establish its branch at Fengqi Road, Hangzhou, where the head office of Xinhua Futures is under preparation for construction.

Acquisition of the Remaining Equity Interest in CITIC Wantong

On 29 March 2010, in the 10th meeting of the 4th Session of the Board of the Company, the Resolution Relating to the Proposed Acquisition of the Remaining Equity Interest in CITIC Wantong Securities Co., Ltd. was considered and approved, pursuant to which the Company acquired a 8.6% equity interest of CITIC Wantong with its own funds. During the reporting period, a total of 4.1% equity interest in CITIC Wangtong held by six companies, namely Qingdao Soda Ash Industrial Co., Ltd., Qingdao Cable TV Network Co., Ltd., Qingdao Economic and Technological development Zone Zhong Mei Mei Jing Industrial Co., Ltd, Shandong Lubei Enterprise Group General Company, Qingdao Yijia Textiles & Garments Industries Group Corporation and Qingdao Fuxin Property Limited, has been transferred to the Company for a total consideration of RMB180 million. In March 2012, 0.5% equity interest of CITIC Wantong held by Shandong Machinery I&E Group Corporation has been transferred to the Company for a consideration of RMB 22.08 million. As at the disclosure date of the reporting period, the Company's shareholding percentage in CITIC Wantong has increased from 91.4% to 96%. Acquisition of the remaining 4% equity interest in CITIC Wangtong is still in progress.

Save as disclosed, there is no major acquisition, disposal, replacement or reorganisation of assets of the Company in 2011.

Significant Events

Material Contracts and their Performance

During the reporting period, the Company was not involved in any material custody, sub-contract or lease arrangements.

During the reporting period, the Company did not enter into any material guarantee business.

During the reporting period, no cash or asset of the Company was entrusted to others for management.

During the reporting period, there is no other material contract which shall be disclosed but not yet disclosed.

Material Litigation and Arbitration

Debt dispute with Shenzhen Jinniu Investment (Group) Limited and Guizhou Aluminum Factory

On 17 October 2011, the Company received a petition of appeal filed by the defendant, Shenzhen Jinniu Investment (Group) Limited, from the People's Court of Futian District of Shenzhen. The appeal of this case was heard in the Shenzhen Intermediate People's Court. On 29 November 2011, a hearing was held for this case in the Shenzhen Intermediate People's Court and investigations were carried out on the case facts. The case is still pending for judgment.

Commission contract dispute with Guangdong Nanguodesai Law Firm

On 14 November 2011, a second hearing session was held for this case in the Zhuhai Intermediate People's Court and supplemental investigations was carried out on the case facts. The parties are in discussion for resolution but no consensus has been reached yet. The case is still pending for judgment in the Zhuhai Intermediate People's Court.

Retrial for securities dispute with Chongqing Huaneng Talc Powder Co., Ltd.

On 11 October 2011, the Company received a *Notice of Accepting the Petition for Retrial* issued by the Supreme People's Court. On 2 November 2011, a hearing was held for this case in the Supreme People's Court. The case is still pending for judgment in the Supreme People's Court.

Related Party/Connected Transactions

Administration of Related Party/Connected Transactions

The Company implemented its related party/connected transactions in strict compliance with the Listing Rules of the place where the shares of the Company are listed, the *Management Measures on Information Disclosure* and the *Administrative Measures on Related Transactions* issued by the Company, under the impartial, open and fair principles. The signing of the agreements with regard to related party/connected transactions shall follow the principles of equality, voluntariness and making compensation for equal value.

The related party/connected transactions of the Company are mainly entered into with its largest shareholder CITIC Group and its associates. CITIC Group engages in a wide range of business with many subsidiaries. Relying on the platform provided by CITIC Group, the Company was able to capture many business opportunities. The related party/connected transactions between the Company and CITIC Group and its subsidiaries were carried out at market price. The Company, as a participant in the financial market, would inevitably transact with those companies that possess strong market influences, such as China CITIC Bank Corporation Limited, CITIC Trust Co., Ltd., CITIC Prudential Life Insurance Co., Ltd. and CITIC-Prudential Fund Management Company Ltd., and form an integrated operation model

under CITIC Holdings. The Company offered comprehensive domestic and overseas financial services to its clients jointly with CITIC International Financial Holdings Limited, which enabled the Company to diversify its scope of service and improve its quality of service while bringing more business opportunities to the Company. Therefore, the relevant operations with its related parties/connected parties have promoted the business growth of the Company and increased its investment returns. The relevant related party/connected transactions were in line with the Company's actual situation, and thus favourable to the long term development of the Company.

In September 2011, in preparation for the offering and listing of its H shares and according to the relevant requirements, the Company categorized its transactions into three major categories, namely securities and financial products transactions and services, property leasing and miscellaneous services, based on its analysis on the types and contents of its possible ongoing related party/connected transactions with CITIC Group and its associates in the future. The Company drafted the *Securities and Financial Products Transactions and Services Framework Agreement*, the *Property Leasing Framework Agreement* and the *Miscellaneous Services Framework Agreement*, and set the annual caps respectively for the related party/connected transactions from 2011 to 2013 under each of these framework agreements (the annual cap for 2011 was established based on the *Resolution Relating to the Estimate on Normal Related Party Transactions of the Company in 2011*, which were considered and approved in the 2010 annual general meeting of the Company). Subject to the approval granted at the 30th meeting of the 4th Session of the Board of the Company and the 2011 Third Extraordinary General Meeting of the Company, the Company entered into these framework agreements with CITIC Group on 23 September 2011 to regulate the transactions thereof.

Implementation of the Related Party/Connected Transactions during the Reporting Period

Related party/connected transactions with CITIC Group and its subsidiaries

The normal ongoing related party/connected transactions entered into by the Company and CITIC Group and its subsidiaries have been implemented according to the relevant framework agreements between the Company and CITIC Group. Neither its transaction amount nor its subject matter exceeded the scope covered by the agreement. Matter related to the framework agreement and its implementation during the reporting period is as follows:

Securities and Financial Products Transactions and Services Framework Agreement between the Company and CITIC Group

Pursuant to the agreement, the Company and CITIC Group both agreed that: (i) Securities and Financial Products Transactions: in respect of securities and financial products transactions entered into by the Company and its subsidiaries with CITIC Group or its associates as the counterparties, such transactions are mainly conducted in the PRC interbank bond market at the prevailing market prices. Transactions which are not conducted in the PRC interbank bond market shall be conducted at the prevailing market prices or at the market rates in the case of financing transactions, and subject to normal commercial terms; (ii) Securities and Financial Services: in respect of securities and financial services mutually provided by the Company and its subsidiaries and CITIC Group or its associates to each other in the regular and normal business, such services shall be provided to each other subject to normal commercial terms. The agreement is valid for three years, that is, from 23 September 2011 to 22 September 2014, subject to renewal.

The Hong Kong Stock Exchange has granted approval to the Company on the following matters: (i) as for the securities and financial products transactions, the annual cap, for the transactions were exempted; (ii) as for the securities and financial services, in respect of the proprietary funds of the Company and its subsidiaries and its customers' funds

Significant Events

placed with the banking subsidiaries of CITIC Group in the PRC and Hong Kong, the requirement of imposing a maximum daily deposit balance limit on the deposits was exempted.

In terms of the securities and financial products transactions, as of 31 December 2011, where the Company and its subsidiaries carried out securities and financial products transactions with CITIC Group and its associates (mainly with CITIC Bank and CITIC Trust), (i) the total cash inflow to the Company and its subsidiaries arising from sale of fixed income products and equity-linked products, interest received from fixed income derivative products, and through borrowing/repurchase from financing transactions amounted to RMB23,401.29 million; (ii) the total cash outflow from the Company and its subsidiaries arising from purchase of fixed income products and equity-linked products, interest paid for fixed income derivative products, and through lending/reverse repurchase from financing transactions amounted to RMB19,068.46 million.

In terms of the securities and financial services, as of 31 December 2011, (i) regarding the income that the Company and its subsidiaries received by providing securities and financial services to CITIC Group and its associates, the annual cap was RMB1,300 million in 2011, and the actual income amounted to RMB731.07 million; (ii) regarding the expenses that the Company and its subsidiaries paid for securities and financial services provided by CITIC Group and its associates, the annual cap was RMB120 million in 2011, and the actual payment amounted to RMB62.05 million. Details are set out below:

Subject matter	In RMB10 thousands	
	Annual cap for transaction in 2011	Actual transaction amount in 2011
1. Securities and Financial Products Transactions		
Total cash inflow to the Company and its subsidiaries arising from sales of fixed income products and equity-linked products, interest received from fixed income derivative products, and borrowing/repurchase of financing transactions	—	2,340,129.01
Total cash outflow from the Company and its subsidiaries arising from purchase of fixed income products and equity-linked products, interest paid for fixed income derivative products, and lending/reverse repurchase of financing transactions	—	1,906,846.12
2. Securities and Financial Services:		
Income: Securities and financial services provided by the Company and its subsidiaries to CITIC Group and its associates	130,000	73,107.21
Expense: Securities and financial services provided by CITIC Group and its associates to the Company and its subsidiaries	12,000	6,204.67

Significant Events

Property Leasing Framework Agreement between the Company and CITIC Group

This agreement is valid for ten years, from 23 September 2011 to 22 September 2021, subject to renewal.

As of 31 December 2011, (i) regarding the rental income received by the Company and its subsidiaries from lease of properties to CITIC Group or its associates, the annual cap was RMB40 million in 2011, and the actual income amounted to RMB19.66 million; (ii) regarding the rental expense paid by the Company and its subsidiaries for lease of properties from CITIC Group or its associates, the annual cap was RMB65 million in 2011, and the actual rental expense amounted to RMB40.25 million. Details are set out below:

In RMB10 thousands		
Subject matter	Annual cap for transaction in 2011	Actual transaction amount in 2011
Income: Lease of properties to CITIC Group or its associate by the Company and its subsidiaries	4,000	1,966.34
Expense: Lease of properties from CITIC Group or its associate by the Company and its subsidiaries	6,500	4,025.48

Miscellaneous Services Framework Agreement between the Company and CITIC Group

Pursuant to the agreement, the Company and CITIC Group both agreed to mutually provide certain non-financial services to each other during the term of the Miscellaneous Services Framework Agreement at prices and terms no less favourable than those available to or from independent third parties. The agreement is valid for three years, from 23 September 2011 to 22 September 2014, subject to renewal.

As of 31 December 2011, (i) regarding the income received by the Company and its subsidiaries by providing non-financial services to CITIC Group or its associates, the annual cap was RMB3 million in 2011, and such transaction did not occur in 2011; (ii) regarding the expenses paid by the Company and its subsidiaries for non-financial services provided by CITIC Group or its associates, the annual cap was RMB60 million in 2011, and the actual payment amounted to RMB38.18 million. Details are set out below:

In RMB10 thousands		
Subject matter	Annual cap for transaction in 2011	Actual transaction amount in 2011
Income: Non-financial services provided by the Company and its subsidiaries to CITIC Group or its associates	300	—
Expense: Non-financial services provided by CITIC Group or its associates to the Company and its subsidiaries	6,000	3,818.35

Significant Events

The independent non-executive Directors of the Company has confirmed to the Board of the Company that they has reviewed the non-exempt continuing related party/connected transaction and considered the transactions were:

- conducted in the ordinary course of business of the Company;
- on normal commercial terms, or if there is no comparable transaction for determining whether the terms of the transaction are on normal commercial terms, on terms no less favourable to the Company than those available from or to (as the case may be) independent third parties;
- conducted according to the terms set out in the agreement of the relevant transaction, which were open and reasonable and in the interests of the Company's shareholders as a whole.

The auditors of the Company have reviewed the above continuing related party/connected transactions and issued a letter to the Board stating that:

- these transactions have been approved by the Board of the Company;
- if the transactions involved services provided by the Company, such transactions were in line with the pricing policy of the Company;
- these transactions were entered into subject to the terms set out in the agreement of the relevant transaction;
- the actual annual amount for each of these non-exempt continuing related party/connected transactions did not exceed the annual cap for transaction as stated in the prospectus dated 22 September 2011 issued by the Company with regard to its H share offering.

In addition, according to the Hong Kong Listing Rules, certain related party/connected transactions mentioned in Note 42 to the financial report of the Company also constituted continuing connected transactions as defined under Chapter 14A to the Hong Kong Listing Rules. Such connected transactions were in compliance with the disclosure requirements of Chapter 14A to the Hong Kong Listing Rules.

Furthermore, on 28 October 2011, the 34th meeting of the 4th Session of the Board of the Company considered and approved the *Resolution Relating to Subscribed Capital Contribution to Equity Investment Fund*, approving the Company or its subsidiaries to contribute subscribed capital amounted to RMB500 million as an investment in CITIC Capital (Tianjin) Equity Investment Partnership (limited partnership). The fund was promoted by the holding subsidiary of CITIC Group, CITIC Capital Holdings Limited, and its management team. This transaction constituted a related party transaction under the Listing Rules of the Shanghai Stock Exchange (the "**Shanghai Stock Exchange Listing Rules**"), and a related party transaction in addition to the framework agreement. At present, the transaction has not yet been implemented.

Other Related Party Transactions under Shanghai Stock Exchange Listing Rules

According to the Shanghai Stock Exchange Listing Rules, other than CITIC Group and its subsidiaries, China Life Insurance (Group) Company, China Life Insurance Company Limited and CITIC PE Fund are related parties to the Company, but not being connected parties under the Hong Kong Listing Rules. Related party transactions between the Company and such parties were entered into in compliance with the relevant requirements under Shanghai Stock

Significant Events

Exchange Listing Rules. During the reporting period, these related party transactions has been implemented according to the *Resolution Relating to the Estimate on Normal Related Party Transactions of the Company in 2011*, which was considered and approved in the 2010 Annual General Meeting of the Company. The new related party transactions shall be approved under the corresponding procedures set out in the *Shanghai Stock Exchange Listing Rules* according to their transaction amounts.

Related Party	Subject matter	Estimated transaction amount or amount of new related party transactions in 2011	Actual transaction amount (RMB)	Percentage to total amount of similar transactions (%)	Effect to the profit of the Company (RMB)
China Life Insurance (Group) Company, China Life Insurance Company Limited ^{Note 1}	Fee income	in actual amount	1,224,500	0.01	1,224,500
	Selling expense	in actual amount	—	—	—
	Property lease expense	RMB5 million	3,589,700	1.09	-3,589,700
	Investment income related to transactions	in actual amount	—	—	—
	Income from financial advisory ^{Note 3}	RMB5 million	—	—	—
CITIC Private Equity Funds Management Co., Ltd. ^{Note 2}	Subscribed capital contribution to equity investment fund ^{Note 4}	US\$50 million	92,794,500	—	—
	Subscribed capital contribution to equity investment fund ^{Note 5}	RMB200 million	—	—	—
	Equity transferred	RMB65 million	63,117,900	—	—

Note 1: On 6 October 2011, upon completion of offering and listing of the Company's H shares, the increase in share capital of the Company has caused the shareholdings of China Life Insurance Company Limited to fall below 5%. According to the Shanghai Stock Exchange Listing Rules, China Life Insurance Company Limited and its controlling shareholder China Life Insurance (Group) Company ceased to be related parties to the Company.

Note 2: In accordance with the Shanghai Stock Exchange Listing Rules, CITIC PE Fund is a related party of the Company because Mr. LIU Lefei, the non-executive director of the Company also serves as the chairman of CITIC PE Fund.

Note 3: This transaction was a new related party transaction being considered and approved by the independent Directors of the Company on 28 April 2011.

Note 4: This transaction was a related party transaction within the regular related party transaction budget for 2011 as considered and approved at the 2010 Annual General Meeting of Shareholders.

Note 5: This transaction was a new related party transaction being considered and approved in the 34th meeting of the 4th Session of the Board of the Company on 28 October 2011.

Significant Events

The aforesaid related party transactions were conducted at market prices under pricing principles that are reasonable and fair, which were neither higher nor lower than the normal transaction prices. Without prejudice to the interests of the non-related shareholders, the aforesaid related party transactions did not have any adverse effect on the independence of the Company.

During the reporting period, there was no other related party transaction related to the disposal or acquisition of the Company's assets, nor any major related party transaction related to overseas joint investment.

Punishment and Remedial Actions of the Company, Board, Directors and Senior Management

During the reporting period, neither the Company or the Board of Directors, nor any of its Directors or senior management was subject to investigation, administrative punishment or censure by the CSRC, or publicly reprimanded by any stock exchanges. None of the Company's Directors, Supervisors, senior management or shareholders with shareholding of 5% or more have breached the relevant requirements when dealing in the Company's shares.

Misappropriation of Funds by Major Shareholder and Other Related Parties

There is no misappropriation of the Company's funds by its major shareholder or other related parties.

Undertakings of the Company or its Shareholders with Shareholding of 5% or more **Undertakings of the Company**

There are three properties that are currently under property certificate processing or for disposal: the 10 units of Times Plaza located at No. 390 Panyu Road in Shanghai (gross floor area of 1,300 sq.m), the 23 Floor of Jiangsu Huaqiao Plaza (gross floor area of 700 sq.m), and the 6th and 7th Floor of Caiyin Building located at Heping West Street in Beijing (gross floor area of 3,000 sq.m). The Company has undertaken that: the Company will take immediate action to finalize the procedures for the change and transfer of such properties, and ensure that interests of the shareholders will not be prejudiced by such properties.

Undertakings of the Shareholders of Originally Non-Tradable Shares in the Share Reform and their Performance

Undertakings

Given the share reform implemented by the Company, the Company's shareholders of originally non-tradable shares have undertaken not to list and trade or transfer their shares subject to restrictions on sale within the restricted period.

During the Company's implementation of the share reform, the shareholders holding 5% or more of the total shares of the Company, namely CITIC Group, Youngor Group Co., Ltd. and CITIC Guoan Group, have undertaken that: after expiry of their undertaking for not to list and trade or transfer their shares within 12 months from the date when the rights to list and trade being obtained, to sell their shares by way of listed trading in the stock exchange subject to a maximum of 5% to the Company's total shares within 12 months and a maximum of 10% to the Company's total shares within 24 months.

Shareholders holding less than 5% of the total shares of the Company and subject to restrictions on sale have also undertaken that: not to list and trade or transfer their shares at least 12 months from the date when the non-tradable shares obtained the rights to list and trade.

Furthermore, the abovementioned shareholders have undertaken that: subject to compliance with the undertakings set out above, any sale of shares by way of listed trade in the stock exchange accounted for 1% of the total shares of CITIC

Securities will be announced within two business days after the transaction. During the reporting period, there were no undertakings subject to announcement.

None of the shareholders holding 5% or more of the Company's shares has other undertakings during the reporting period or persisting into the reporting period.

During the reporting period, there was no performance of undertakings.

Other Significant Events and Subsequent Updates

Official Establishment of the Branch in U.S.

Currently, CITIC Securities international USA, LLC (the "CSIUSA"), a wholly-owned subsidiary of CSI, received a letter of reply from the U.S. Financial Industry Regulatory Authority ("FINRA"), pursuant to which, FINRA accepted in principle the application for brokerage license by CSIUSA. This means that the U.S. branch of the Company has obtained the corresponding operating concessions pursuant to the acceptance by the competent regulatory authorities.

Proposed to Set Up a Subsidiary Engaging in Financial Product Investment Business

On 28 July 2011, the 30th Meeting of the 4th Session of the Board of the Company considered the Resolution regarding on Setting Up a Subsidiary Engaging in Financial Product Investment, and approved the submission by Company of an application to the CSRC about the setting of a wholly-owned subsidiary with an initial investment capital of RMB3 billion for financial product investment. On 23 December 2011, the 2011 Fifth Extraordinary General Meeting of Shareholders approved the inclusion of an additional description to the business scope in the Articles of Association, i.e. "the Company may establish subsidiaries to carry out investment business, including the investment in financial products". This major amendment to the Articles of Association has been approved by the Shenzhen Bureaus. Currently, the Company has completed the pre-approval procedures for registration of enterprise name. The name of the subsidiary is "CITIC Securities Investment Limited" and the relevant registration formalities with the industrial and commerce authorities are in progress.

Purchase of Properties

On 9 September 2011, the 33th meeting of the 4th Session of the Board of the Company passed the *Resolution Relating to the Purchase of Level 2-5 of Beijing Ruicheng Zhongxin Office Building*, approving the Company to purchase the 2nd to 5th Floors of Beijing Ruicheng Zhongxin Office Building (gross floor area of 16,244.12 sq.m), which together with other levels (6th to 23rd floors and the lobby floor) presently owned by the Company in Beijing Ruicheng Zhongxin Office Building, to serve as offices for the relevant institutions under CITIC Securities in Beijing. The amount incurred in such purchase did not exceed RMB760 million and will be paid with the Company's own funds by installments. As of 31 December 2011, the Company has paid RMB607 million for its purchase of properties.

On 3 August 2009, the 3rd meeting of the 4th Session of the Board of the Company passed the *Resolution Relating to Investment for the Development of Qingdao Training Centre*, approving the Company to invest in the construction of CITIC Securities Qingdao Training Centre, which will mainly serve as the training base for staff of the Company and its subsidiaries. Pursuant to the resolution, the land premium and construction fee paid by the Company as of 31 December 2011 amounted to RMB55.90 million. On 15 March 2012, the 37th Meeting of the 4th Session of the Board of Directors of the Company considered the Resolution regarding on Increasing the Investment Budget for the CITIC Securities Qingdao Training Center, and approved the increase in the investment budget of the Company in the CITIC Securities Qingdao Training Trading Center by RMB84 million, which will be jointly contributed by the Company, CITIC Securities (Zhengjiang) and CITIC Wantong in the contribution ratio of 4:3:3.

Significant Events

New Related Transactions

GoldStone, a wholly-owned subsidiary of the Company, proposed to transfer its 12,746,835 shares in Huatai Insurances Group to Tianjin Xinshang Investment Management Limited, the wholly-owned subsidiary of CITIC PE at a price of RMB50.35 million. This related transaction was considered and approved by all the independent Directors of the Company on 24 February 2012.

Change of Branch Outlets for Securities Operation

The Company

According to the resolution relating to the establishment of 20 new securities brokerage branches passed in 35th meeting of the 3rd Session of the Board of the Company (please refer to the *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on 13 June 2009 for details of such resolutions), in compliance with the regulatory requirements, the Company submitted the relevant applications to the CSRC in batches. Three batches of applications have been approved at present, and each batch referred to the establishment of five new securities brokerage branches. The establishment of 15 securities brokerage branches has been completed and formally commenced operations. The number of securities brokerage branches of the Company has increased to 59.

During the reporting period up to the disclosure date of this report, the Company has established 10 new securities brokerage branches and completed the same city relocation of two securities brokerage branches and the change of name for one securities brokerage branch. Details are as below:

I. Ten newly established securities brokerage branches		
No.	Name of securities brokerage branch	Address of securities brokerage branch
1	Beijing Fengguan Road Branch	Units A–F, Level 2, Building 11, No. 16 Fengguan Road, Fengtai District, Beijing
2	Zhenjiang Dianli Road Branch	No. 18 Dianli Road, Ruizhou District, Zhenjiang
3	Wuxi Zhenhe Avenue Branch	No. 187 Zheng He Da Dao, Huishan District, Wuxi
4	Guangzhou Panyu Guanghua South Road Branch	(Zi Pian) C103, C102, Dong Han Yuan, No. 71 Guanghua South Road, Shiji Town, Panyu District, Guangzhou, Guangdong Province
5	Wuhu New Era Commercial Street Branch	No. 155, Block 15, Wuhu New Era Commercial Street, Wuxi
6	Kunming Dianchi Road Branch	No. B2–10, Level 1–2, Unit 1, Block 3, South Asia Xing Chen Yuan, South Asia First City, Dianchi Road, Xishan District, Kunming, Yunnan Province
7	Haikou Guoxing Avenue Branch	Tower B, East Zone, Shengda Jingdu, No. 61 Guoxing Avenue, Haikou, Hainan Province
8	Nanning Keyuan Avenue Branch	No. 52–1 Keyuan Avenue, High-Tech Zone, Nanning, Guangxi Province
9	Shantou Haibin Road Branch	West Wing, Room 304, Level 3, Haian Mingzhu Junting, No. 28 Haibin Road, Jinping District, Shantou, Guangdong Province
10	Wuhan Xudong Avenue Branch	Level 7, Guodian Building, No. 113 Xudong Road, Hongshan District, Wuhan, Hubei Province

II. Relocation in the same city for two securities brokerage branches

Name of securities brokerage branch before relocation		
No.	Name of securities brokerage branch before relocation	Name of securities brokerage branch after relocation
1	Dalian Renmin Road Branch	Dalian Xinghai Square Branch
2	Foshan Hujing Road Branch	Foshan Jihuawulu Branch

III. Change of name for one securities brokerage branch

Name of securities brokerage branch before change of name		
No.	Name of securities brokerage branch before change of name	Name of securities brokerage branch after change of name
1	Xiangfan Jiefang Road Branch	Xiangyang Jiefang Road Branch

Note: The address office of Shanghai Huaihaizhong Road is proposed to change from Room 3201, A Building 25th and Room 202, No. 98 Huaihaizhong Road, Shanghai to 2nd, 12th and 32nd Floor, No. 98 Huaihaizhong Road, Shanghai. This matter is subject to the approval of the Shanghai Bureau of the CSRC and the relevant procedures of change are in the progress.

CITIC Securities (Zhejiang)

During the reporting period, CITIC Securities (Zhejiang) established five new securities brokerage branches, namely: Quanzhou Anji Road Branch, Tiantai County Hou Xiang Branch, Nanchang Shimao Road Branch, Ganzhou Changzheng Avenue Branch and Yichun Gaoshi Road Branch. In addition, the Company completed the relocation for four securities brokerage branches. Currently, CITIC Securities Zhejiang has 52 securities brokerage branches, with another five securities brokerage branches under preparation for establishment.

CITIC Wantong

During the reporting period, CITIC Wantong established three new securities brokerage branches, namely: Luoyang Jiudu East Road Branch, Jinan Daxue Road Branch and Jiaonan Shiqiao Road Branch. In addition, the Company completed the relocation for one securities brokerage branch. Currently, CITIC Wantong has 42 securities brokerage branches.

CITICS Futures

During the reporting period, CITICS Futures established one new futures brokerage branch, namely Zi Bo Branch. Three futures brokerage branches have obtained approval and were under preparation for establishment, namely Ningbo Yinzhou Branch, Hanzhou Fengqi Road Branch and Shenzhen Branch. During the reporting period, upon the absorption of Zhejiang Xinhua Futures Brokerage Co., Ltd. by CITICS Futures, all of the 11 securities brokerage branches formerly operating under Xinhua Futures have been changed to futures brokerage branches under CITICS Futures. The former head office of Xinhua Futures has been changed to Hangzhou Fengqi Branch, which is under preparation for construction. Currently, CITICS Futures has 18 futures brokerage branches, with another three futures brokerage branches under preparation for establishment.

CSI

During the reporting period, CSI did not establish any new branch. Currently, CSI has seven branches and one of which completed its relocation during the reporting period.

Significant Events

For detailed distribution of branch outlets of the Company and its subsidiaries, please refer to “Appendix II: List of Local and Overseas Branches”.

Collective Asset Management Scheme

As approved by the CSRC, during the reporting period up to the disclosure date of this report, the Company has newly rolled out 8 collective asset management schemes: CITIC Securities VIP #2 Selected Themes Collective Asset Management Scheme established on 13 January 2011, with 201,562,229.82 asset units; CITIC Securities VIP #3 Strategic Return Collective Asset Management Scheme established on 15 April 2011, with 248,680,161.83 asset units; CITIC Securities Superior Growth Equities Collective Asset Management Scheme established on 19 May 2011, with 2,524,383,903.53 asset units; CITIC Securities VIP #5 Strategic Return Collective Asset Management Scheme established on 18 July 2011, with 102,436,693.75 asset units; CITIC Securities Dividend Value Equities Collective Asset Management Scheme established on 25 August 2011, with 906,913,954.62 asset units; CITIC Securities VIP #6 Strategic Return Collective Asset Management Scheme established on 24 October 2011, with 116,991,210.50 asset units; CITIC Securities Selected Funds Collective Asset Management Scheme established on 23 December 2011, with 253,714,323.40 asset units; CITIC Securities Convertible Bonds Collective Asset Management Scheme being established on 2 March 2012, which is still in the closed-up period.

Currently, the Company has launched 15 collective asset management schemes, among which 14 schemes are subsisting to date. As of 31 December 2011, the asset units managed by the collective asset management schemes of the Company were as follows:

No.	Name	Asset units	Note
1	CITIC Wealth Management #2 Collective Asset Management Scheme	2,499,321,478.66	Established on 22 March 2006
2	CITIC Securities Equity-bond Hybrid Collective Asset Management Scheme	1,294,981,937.21	Established on 6 April 2007
3	CITIC Securities Bond Optimal Collective Asset Management Scheme	1,445,450,536.60	Established on 6 January 2009
4	CITIC Securities Jubaopen Umbrella Collective Asset Management Scheme	1,241,063,751.69	Established on 8 May 2009
5	CITIC Securities Prudent Return Collective Asset Management Scheme	1,229,823,560.31	Established on 25 February 2010
6	CITIC Securities VIP #1 Selected Themes Collective Asset Management Scheme	309,613,293.33	Established on 28 September 2010
7	CITIC Securities Selected Equities Collective Asset Management Scheme	2,824,501,128.18	Established on 10 December 2010
8	CITIC Securities VIP #2 Selected Themes Collective Asset Management Scheme	194,760,146.07	Established on 13 January 2011
9	CITIC Securities VIP #3 Strategic Return Collective Asset Management Scheme	219,363,159.02	Established on 15 April 2011
10	CITIC Securities Superior Growth Equities Collective Asset Management Scheme	1,778,661,889.06	Established on 19 May 2011

Significant Events

No.	Name	Asset units	Note
11	CITIC Securities VIP #5 Strategic Return Collective Asset Management Scheme	103,930,642.60	Established on 18 July 2011
12	CITIC Securities Dividend Value Equities Collective Asset Management Scheme	554,006,798.98	Established on 25 August 2011
13	CITIC Securities VIP #6 Strategic Return Collective Asset Management Scheme	116,991,210.50	Established on 24 October 2011
14	CITIC Securities Selected Funds Collective Asset Management Scheme	253,714,323.40	Established on 23 December 2011

Note: The above table does not set out CITIC Securities Convertible Bonds Collective Asset Management Scheme, being established on 2 March 2012 with 612,904,710.66 units, which is subject in closed-up period.

Index to Information Disclosure

During the reporting period, the Company has disclosed the following information in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* and on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>):

No.	Date of Publication	Event
1	12 January 2011	Announcement on the Financial Data for December 2010 of the Company (only on the website of the Shanghai Stock Exchange)
2	15 January 2011	Announcement on Preliminary Financial Data for 2010 of the Company
3	29 January 2011	Announcement on Reduction of The Company's Shares by Youngor Group Co., Ltd.
4	12 February 2011	Announcement on the Financial Data for January 2011 of the Company (only on the website of Shanghai Stock Exchange)
5	26 February 2011	Announcement on the Approval for the Opening of Jiangsu Branch and Hubei Branch
6	4 March 2011	Announcement on the Approval for the Opening of Beijing Branch, Shanghai Branch and Guangdong Branch
7	5 March 2011	Announcement on the Financial Data for February 2011 of the Company (only on the website of Shanghai Stock Exchange)
8	23 March 2011	Announcement on the Suspension of The Company's Shares
9	29 March 2011	Announcement on the Resolutions Approved at the 24th Meeting of the 4th Board of Directors
10	29 March 2011	Announcement on the Resolutions Approved at the 9th Meeting of the 4th Supervisory Committee
11	29 March 2011	Notice for the 2011 First Extraordinary General Meeting
12	6 April 2011	Announcement on Appointment of Mr. YIN Ke as Vice Chairman of the Company
13	9 April 2011	Announcement on the Resolutions Approved at the 25th Meeting of the 4th Board of Directors
14	9 April 2011	Announcement On the Resolutions Approved at the 10th Meeting of the 4th Supervisory Committee
15	9 April 2011	Notice for the 2010 Annual General Meeting

Significant Events

No.	Date of Publication	Event
16	9 April 2011	The Company's 2010 Annual Report
17	9 April 2011	Second Notice for the 2011 First Extraordinary General Meeting
18	12 April 2011	Announcement on the Financial Data for March 2011 of the Company (only on the website of Shanghai Stock Exchange)
19	14 April 2011	Announcement on the Resolutions Approved at the 2011 First Extraordinary General Meeting
20	22 April 2011	Announcement on Appointment of Ms. ZHENG Jing as the Secretary to the Board of Directors of the Company
21	30 April 2011	Announcement on the Resolutions Approved at the 2010 Annual General Meeting
22	30 April 2011	Announcement on the Resolutions Approved at the 26th Meeting of the 4th Board of Directors
23	30 April 2011	Announcement on the Change of Business Address and Contact Information of the Company's Shenzhen Headquarters
24	30 April 2011	The Company's 1st Quarterly Report in 2011
25	7 May 2011	Announcement on the Financial Data for April 2011 of the Company (only on the website of Shanghai Stock Exchange)
26	23 May 2011	Announcement on the Change of Business Address and Contact Information of the Company's Beijing Branch
27	25 May 2011	Announcement On the Resolutions Approved at the 28th Meeting of the 4th Board of Directors
28	25 May 2011	Announcement on the Disposal of Assets by the Company
29	25 May 2011	Notice for the 2011 Second Extraordinary General Meeting
30	8 June 2011	Announcement on the Financial Data for May 2011 of the Company (only on the website of Shanghai Stock Exchange)
31	8 June 2011	Announcement on the Company's Payment of Dividends for Year 2010
32	10 June 2011	Announcement on the Resolutions Approved at the 2011 Second Extraordinary General Meeting
33	10 June 2011	Announcement on the Resolutions Approved at the 29th Meeting of the 4th Board of Directors
34	24 June 2011	Announcement on Resignation of Mr. ZHANG Hongjiu as Independent Director of the Company
35	9 July 2011	Announcement on the Financial Data for June 2011 of the Company (only on the website of Shanghai Stock Exchange)
36	13 July 2011	The 2011 Preliminary Interim Results of the Company
37	29 July 2011	Announcement on the Resolutions Approved at the 30th Meeting of the 4th Supervisory Committee
38	29 July 2011	Announcement on the Company's Continuing Connected Transactions/Continuing Related Parties Transactions
39	29 July 2011	Notice for the 2011 Third Extraordinary General Meeting

Significant Events

No.	Date of Publication	Event
40	2 August 2011	Announcement on Resignation of Mr. Mak Kingwong as the Candidate of Independent Director of the Company
41	5 August 2011	Announcement on the Financial Data for July 2011 of the Company (only on the website of Shanghai Stock Exchange)
42	6 August 2011	Announcement on Approval for the Setting Up Five New Branches
43	11 August 2011	Announcement on the Resolutions Approved at the 31st Meeting of the 4th Supervisory Committee
44	11 August 2011	Notice for the 2011 Forth Extraordinary General Meeting
45	12 August 2011	Announcement on Progress of the Transfer of Shares in China Asset Management Co., Ltd.
46	16 August 2011	Announcement on the Resolutions Approved at the 2011 Third Extraordinary General Meeting
47	17 August 2011	Announcement on Appointment of Mr. RAO Geping as an Independent Director of the Company
48	20 August 2011	The Company's 2011 Interim Report
49	27 August 2011	Announcement on the Resolutions Approved at the 2011 Forth Extraordinary General Meeting
50	27 August 2011	Announcement on the listing and trading of the shares subject to selling conditions
51	30 August 2011	Announcement on Approval of China Securities Regulatory Commission for Offering Overseas Listed Foreign Shares
52	6 September 2011	Announcement on Examination of the Company's Overseas Offering of Overseas Listed Foreign Shares by The Stock Exchange of Hong Kong Ltd.
53	6 September 2011	Announcement about WPIP for the H Share Offering
54	7 September 2011	Announcement on the Financial Data for August 2011 of the Company (only on the website of Shanghai Stock Exchange)
55	10 September 2011	Announcement on the Resolutions Approved at the 33th Meeting of the 4th Supervisory Committee
56	22 September 2011	Informative Announcement on Public Offering of H Shares in Hong Kong
57	30 September 2011	Announcement on Reduction of State-owned Shares (A Shares) and Offering of Overseas Listed Foreign Shares (H Shares)
58	10 October 2011	Informative Announcement on Listing and Trading of Overseas Listed Foreign Shares (H Shares)
59	11 October 2011	Announcement on Change of the Company's Shares
60	14 October 2011	Announcement on the Financial Data for September 2011 of the Company (only on the website of Shanghai Stock Exchange)
61	29 October 2011	The Company's 3rd Quarterly Report in 2011
62	29 October 2011	Announcement on the Resolutions Approved at the 34th Meeting of the 4th Supervisory Committee

Significant Events

No.	Date of Publication	Event
63	29 October 2011	Announcement on the Company's Related Parties Transactions
64	31 October 2011	Announcement on Reduction of Stated-owned Shares and Change of Shares Upon the Partially Exercising of the Over-allotment Option
65	5 November 2011	Announcement on the Financial Data for October 2011 of the Company (only on the website of Shanghai Stock Exchange)
66	8 November 2011	Notice of the 2011 Fifth Extraordinary General Meeting
67	9 November 2011	Announcement on Progress of the Transfer of the Shares in China Asset Management Co., Ltd.
68	24 November 2011	Announcement on Appointment of Mr. LI Gangwei as an Independent Non-executive Director of the Company
69	24 November 2011	Announcement on the Approved Merger of Zhejiang Xinhua Futures Brokerage Co., Ltd. by CITIC Futures, the wholly-owned subsidiary of the Company
70	6 December 2011	Second Notice of the 2011 Fifth Extraordinary General Meeting
71	7 December 2011	Announcement on the Financial Data for November 2011 of the Company (only on the website of Shanghai Stock Exchange)
72	16 December 2011	Announcement on Approved Transfer of 51% Shares in China Asset Management Co., Ltd.
73	17 December 2011	Announcement on the Progress of Acquiring 19.9% Shares of CLSA Securities and Cheuvreux Securities Respectively by the Company's Wholly-owned Subsidiary
74	22 December 2011	Announcement on the Completion of Transfer 51% Shares in China Asset Management Co., Ltd.
75	24 December 2011	Announcement on the Resolutions Approved at the 2011 Fifth Extraordinary General Meeting
76	27 December 2011	Announcement on the Approval for Qualification of Renminbi Qualified Foreign Institutional Investor Received by CITIC Securities International Co., Ltd. (the Company's Wholly Owned Subsidiary)
77	28 December 2011	Announcement on the Resolutions Approved at the 36th Meeting of the 4th Supervisory Committee
78	28 December 2011	Announcement on Changing the Name of CITIC-Kington Securities Co., Ltd. (the Company's Wholly Owned Subsidiary)
79	28 December 2011	Informative Announcement on the Restructuring of the Company's Largest Shareholder

Note: The "Date of Publication" mentioned above is the date when the relevant announcement was released on *China Securities Journal*, *Shanghai Securities News* and *Securities Times*, and the date published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchanges was no earlier than one night before the "Date of Publication".

Significant Events

During the reporting period, the Company has disclosed the following information on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>):

No.	Date	Event
1	5 September 2011	WPIP for the H Shares Global Offering
2	22 September 2011	Formal Notice for the Global Offering
3	22 September 2011	Prospectus of the Company's Global Offering of H Shares
4	22 September 2011	Application Forms for Public Offerings of H Shares in Hong Kong (White Form, Yellow Form and Green Form)
5	4 October 2011	Announcement on the Results of Allocation in the Company's Global Offering of H Shares
6	14 October 2011	Announcement of the Company's Financial Data for September 2011
7	17 October 2011	Notification on Board Meeting
8	27 October 2011	Partial Exercise of Over-allotment Option, Stabilization Actions and End of Stabilization Period
9	28 October 2011	Announcement on the Resolutions Approved at the 34th Meeting of the 4th Supervisory Committee and Proposed Amendments to the Articles of Association
10	28 October 2011	2011 Third Quarterly Results
11	28 October 2011	Overseas Regulatory Announcement — Announcement of the Company's Related Parties Transactions
12	31 October 2011	Announcement on Reduction of Stated-owned Shares Upon Partial Exercise of Over-allotment Option and Changes in Shares Capital
13	1 November 2011	Next Day Disclosure Report
14	4 November 2011	Announcement of the Company's Financial Data for October 2011
15	4 November 2011	Monthly Returns
16	7 November 2011	Circular for the 2011 Fifth Extraordinary General Meeting
17	7 November 2011	Notice for the 2011 Fifth Extraordinary General Meeting
18	7 November 2011	Proxy Form for the 2011 Fifth Extraordinary General Meeting
19	7 November 2011	Reply Slip for the 2011 Fifth Extraordinary General Meeting
20	8 November 2011	Announcement on Updates on the Public Bidding Process for Equity Interest in China Assets Management Co., Ltd.
21	23 November 2011	Announcement on Appointment of Mr. LI Gangwei as an Independent Non-executive Director of the Company
22	23 November 2011	Announcement on the Absorption of Zhejiang Xinhua Futures Brokerage Co., Ltd. by CITIC Futures Co., Ltd. (the Company's Wholly Owned Subsidiary) being approved
23	2 December 2011	Monthly Return
24	5 December 2011	Second Notice of the 2011 Fifth Extraordinary General Meeting
25	6 December 2011	Announcement of the Company's Financial Data for November 2011
26	15 December 2011	Announcement on Transfer of 51% Shares China Asset Management Co., Ltd.
27	16 December 2011	Announcement on the Progress of Acquiring 19.9% Shares of CLSA Securities and Cheuvreux Securities Respectively by the Company's Wholly Owned Subsidiary
28	21 December 2011	Announcement On the Completion of Transferring 51% Shares of China Asset Management Co., Ltd.

Significant Events

No.	Date	Event
29	23 December 2011	Poll Results of the 2011 Fifth Extraordinary General Meeting
30	27 December 2011	Announcement on the Approval for Qualification of Renminbi Qualified Foreign Institutional Investor Received by CITIC Securities International Co., Ltd. (the Company's Wholly Owned Subsidiary)
31	28 December 2011	Announcement on the Restructuring of the Company's Largest Shareholder
32	28 December 2011	Overseas Regulatory Announcement — Announcement on the Resolutions Approved at the 36th Meeting of the 4th Board of Directors
33	28 December 2011	Announcement on Changing the Name of CITIC-Kington Securities Co., Ltd. (the Company's Wholly Owned Subsidiary)

Approval for Administrative Licenses Obtained During the Reporting Period

No.	Date of Approval	Title and Document Number
1	25 January 2011	Approval for Acceptance of the Business Opening of CITIC Securities Co., Ltd.'s Dalian Xinghaiguangchang Branch, (Da Zheng Jian Fa [2011] No. 4)
2	22 February 2011	Report on the Preparation Acceptance of the Establishment of CITIC Securities Co., Ltd.'s Jiangsu Branch (Su Zheng Jian Ji Gou Zi [2011] No. 80)
3	22 February 2011	Approval for Business Opening of CITIC Securities Co., Ltd.'s Hubei Branch (E Zheng Jian Ji Gou Zi [2011] No. 5)
4	22 February 2012	No Comment Letter on the Appointment of SHI Xiangrong as Responsible Person of Branch of CITIC Securities CO., Ltd. (E Zheng Jian Ji Gou Zi [2011] No. 6)
5	25 February 2011	Acceptance Letter on the Business Opening of CITIC Securities Co., Ltd.'s Guangdong Branch (Guang Dong Zheng Jian Han [2011] No. 129)
6	28 February 2011	Acceptance Letter on the Business Opening of CITIC Securities Co., Ltd.'s Beijing Branch (Jing Zheng Ji Gou Fa [2011] No. 18)
7	1 March 2011	Approval for Qualification of YANG Haifeng as the Head of a Securities Company's Branch (Jing Zheng Jian Ji Gou Zi [2011] No. 13)
8	1 March 2011	Approval for Qualification of LIU Jun as the Responsible Person of a Securities Company's Branch (Jing Zheng Jian Ji Gou Zi [2011] No. 15)
9	8 March 2011	Approval for Establishment of CITIC Securities Excellence Growing Stock Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 343)
10	17 March 2011	Approval for Establishment of CITIC Securities VIP 3 Strategy Returns Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 393)
11	23 March 2011	Certificate of Acceptance for the Business Opening of CITIC Securities Co., Ltd.'s Beijing Hujialou Branch after Relocation in Same City (Jing Zheng Ji Gou Fa [2011] No. 28)
12	24 March 2011	Approval for Qualification of YIN Ke as the Chairman of a Securities Company (Shen Zheng Ju Fa [2011] No. 82)

Significant Events

No.	Date of Approval	Title and Document Number
13	6 April 2011	No Comment Letter for Application of Adding Promotion Institution for CITIC Securities Excellence Growing Stock Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Shen Zheng Ju Ji Gou Zi [2011] No. 56)
14	7 April 2011	Certificate of Acceptance for the Business Opening of CITIC Securities Co., Ltd.'s Beijing Anwaidajie Branch after Relocation in Same City (Jing Zheng Ji Gou Fa [2011] No. 34)
15	8 April 2011	Approval for Qualification of CHEN Zhe as the Responsible Person of a Securities Company's Branch (Hu Zheng Jian Ji Gou Zi [2011] No. 144)
16	11 April 2011	Approval for Qualification of ZHUANG Yiqun as the Responsible Person of a Securities Company's Branch (Guang Dong Zheng Jian Xu Ke [2011] No. 75)
17	12 April 2011	Letter of Regulatory Opinion on the Appointment of SUN Jiayu (Chuan Zheng Jian Han [2011] No. 30)
18	12 April 2011	Circular on the 2010 Classified Appraisal Results of Branches within the Administrative Area (Guang Dong Zheng Jian Han [2011] No. 269)
19	14 April 2011	Approval for Qualification of ZHENG Jing as a Senior Manager of a Securities Company (Shen Zheng Ju Fa [2011] No. 98)
20	17 May 2011	Approval for Establishment of CITIC Securities Dividend Value Stock Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 732)
21	24 May 2011	Approval for Establishment of CITIC Securities VIP 5 Strategy Returns Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 796)
22	30 May 2011	Reply for Filing of the Implementing Plan for CITIC Securities Customer Funds Third-party Escrow Single Customer Multi-bank Services (Shen Zheng Ju Ji Gou Zi [2011] No. 86)
23	30 June 2011	No Comment Letter for Application of Adding Promotion Institution for CITIC Securities Dividend Value Stock Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Shen Zheng Ju Ji Gou Zi [2011] No. 116)
24	7 July 2011	Approval for Establishment of CITIC Securities VIP 6 Strategy Returns Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1065)
25	15 July 2011	Approval for Establishment of CITIC Securities Convertible Bonds Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1117)
26	2 August 2011	Approval for Establishment of 5 Securities Business Offices in Hubei, etc. by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1217)
27	9 August 2011	Approval for Capital Increase in CITIC Securities International Co., Ltd. by CITIC Securities Co., Ltd. (Ji Gou Bu Bu Han [2011] No. 397)
28	11 August 2011	Approval for Qualification of RAO Geping as the Independent Director of a Securities Company. (Shen Zheng Ju Fa [2011] No. 202)
29	11 October 2011	No Comment Letter for Trial of Stock Repo CITIC, Haitong and Galaxy Securities Companies (Ji Gou Bu Bu Han [2011] No. 512)

Significant Events

No.	Date of Approval	Title and Document Number
30	17 October 2011	Letter of Regulatory Opinion on the Appointment of WANG Guoqing (Wan Zheng Jian Han Zi [2011] No. 307)
31	20 October 2011	Approval for Establishment of CITIC Securities Fund Select Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1692)
32	24 October 2011	Approval for Qualification of CAO Hong as the Responsible Person of a Securities Company's Branch (Guang Dong Zheng Jian Xu Ke [2011] No. 189)
33	27 October 2011	Approval for Qualification of FENG Guan as the Responsible Person of a Securities Company's Branch (Hai Nan Zheng Jian Xu Ke [2011] No. 26)
34	14 November 2011	Approval for Qualification of Lee Kong Wai, Conway as the Independent Director of a Securities Company. (Shen Zheng Ju Fa [2011] No. 287)
35	15 December 2011	Regulatory Opinion for Carrying out Direct Investment Business of CITIC Securities Co., Ltd. (Shen Zheng Gu Ji Gou Zi [2011] No. 240)
36	16 December 2011	Approval for Establishment of CITIC Securities VIP 7 & VIP 8 Multi-strategy Returns Portfolio Asset Management Plan by CITIC Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 2018)
37	22 December 2011	Approval for CITIC Securities International Co., Ltd.'s Qualification of Renminbi Qualified Foreign Institutional Investor (Zheng Jian Xu Ke [2011] No. 2073)
38	23 December 2011	Reply on Increase of the Business Area of CITIC Securities Co., Ltd.'s Guangdong Branch (Guang Dong Zheng Jian Han [2011] No. 1011)

Independent Auditors' Report



22/F, CITIC Tower
1 TIM Mei Avenue, Central
Hong Kong

To the shareholders of CITIC Securities Company Limited

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of CITIC Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 159 to 249, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
29 March 2012

Consolidated Income Statement

Year ended 31 December 2011

(In RMB thousands, unless otherwise stated)

	Notes	2011	2010
Revenue			
– Fee and commission income		9,713,232	16,598,338
– Interest income	8	2,056,433	1,988,081
– Investment income	9	14,392,596	11,500,603
		26,162,261	30,087,022
Other income		208,612	193,849
Total revenue and other income		26,370,873	30,280,871
Fee and commission expense	10	1,067,483	1,739,911
Finance costs	10	654,986	684,840
Staff costs	10	4,996,961	6,980,960
Depreciation		191,601	240,361
Business tax and surcharges		488,343	961,660
Other operating expenses	10	2,842,634	3,359,961
Impairment losses	13	1,513,625	17,525
Total operating expenses		11,755,633	13,985,218
Operating profit		14,615,240	16,295,653
Share of profits and losses of:			
– Associates		376,127	36,889
– Jointly-controlled entities		39,636	(12,601)
Profit before income tax		15,031,003	16,319,941
Income tax expense	14	2,426,514	4,183,890
Profit for the year		12,604,489	12,136,051
Attributable to:			
– Owners of the parent		12,576,483	11,311,343
– Non-controlling interests		28,006	824,708
		12,604,489	12,136,051
Earnings per share attributable to ordinary equity holders of the parent (in RMB yuan)			
– Basic	17	1.23	1.14
– Diluted	17	1.23	1.14

Details of the dividends paid or proposed are disclosed in note 16 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

(In RMB thousands, unless otherwise stated)

	2011	2010
Profit for the year	12,604,489	12,136,051
Other comprehensive income		
Available-for-sale financial assets:		
Changes in fair value	(1,816,623)	2,069,620
Income tax effect on changes in fair value	436,199	(403,785)
Reclassification adjustments for losses included in the consolidated income statement, net	(1,289,967)	(739,019)
	(2,670,391)	926,816
Exchange differences on translation of foreign operations	(202,233)	(129,488)
Other comprehensive income for the year, net of tax	(2,872,624)	797,328
Total comprehensive income for the year	9,731,865	12,933,379
Attributable to:		
Owners of the parent	9,715,170	12,151,478
Non-controlling interests	16,695	781,901
	9,731,865	12,933,379

Consolidated Statement of Financial Position

31 December 2011

(In RMB thousands, unless otherwise stated)

	Notes	31 December	
		2011	2010
Non-current assets			
Property, plant and equipment	18	3,338,447	2,490,546
Investment properties		314,424	83,477
Goodwill	19	500,880	825,112
Other intangible assets		138,758	103,085
Investments in associates	21	8,703,425	1,021,991
Investments in jointly-controlled entities	21	775,387	740,272
Available-for-sale financial assets	22	7,993,916	5,982,636
Refundable deposits	23	840,411	1,006,749
Deferred income tax assets	24	1,344,367	1,128,067
Other non-current assets		241,838	206,094
Total non-current assets		24,191,853	13,588,029
Current assets			
Fee and commission receivables		35,993	392,422
Margin financing and securities lending	25	2,967,278	1,975,415
Available-for-sale financial assets	22	28,833,816	37,056,265
Financial assets held for trading	26	18,750,470	13,855,855
Financial assets designated at fair value through profit or loss	27	298,885	400,294
Derivative financial assets	28	1,077,628	732,537
Reverse repurchase agreements	29	575,760	1,866,466
Due from banks		790,000	—
Other current assets	30	1,554,008	2,954,765
Cash held on behalf of customers	31	35,760,238	61,911,465
Cash and bank balances	32	33,444,451	18,444,157
Total current assets		124,088,527	139,589,641
Current liabilities			
Accounts payable	33	36,477,143	62,081,222
Derivative financial liabilities	28	1,127,702	434,575
Financial liabilities designated at fair value through profit or loss		6,283	—
Repurchase agreements	34	14,232,693	6,901,600
Due to banks		100,000	—
Tax payable	35	2,689,667	3,860,920
Loans		—	127,640
Other current liabilities	36	5,041,520	6,616,149
Total current liabilities		59,675,008	80,022,106
Net current assets		64,413,519	59,567,535
Total assets less current liabilities		88,605,372	73,155,564

Consolidated Statement of Financial Position

31 December 2011

(In RMB thousands, unless otherwise stated)

	Notes	31 December	
		2011	2010
Non-current liabilities			
Bonds payable	37	1,500,000	1,500,000
Deferred income tax liabilities	24	104,478	797,158
Other non-current liabilities		10,691	10,691
Total non-current liabilities		1,615,169	2,307,849
Net assets		86,990,203	70,847,715
Equity			
Equity attributable to owners of the parent			
Issued share capital	38	11,016,908	9,945,702
Reserves	39	48,723,982	39,826,980
Retained profits		26,846,395	20,662,217
		86,587,285	70,434,899
Non-controlling interests		402,918	412,816
Total equity		86,990,203	70,847,715

WANG Dongming

Chairman

YIN Ke

Vice-chairman

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the parent									
	Issued share capital	Reserves					Retained profits	Total	Non- controlling interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2011	9,945,702	24,199,570	4,679,619	9,073,546	2,116,612	(242,367)	20,662,217	70,434,899	412,816	70,847,715
Profit for the year	–	–	–	–	–	–	12,576,483	12,576,483	28,006	12,604,489
Other comprehensive income for the year	–	–	–	–	(2,659,080)	(202,233)	–	(2,861,313)	(11,311)	(2,872,624)
Total comprehensive income for the year	–	–	–	–	(2,659,080)	(202,233)	12,576,483	9,715,170	16,695	9,731,865
Dividend – 2010	–	–	–	–	–	–	(4,972,851)	(4,972,851)	–	(4,972,851)
Appropriation to surplus reserves	–	–	876,632	–	–	–	(876,632)	–	–	–
Appropriation to general reserve	–	–	–	1,596,929	–	–	(1,596,929)	–	–	–
Capital increase/(decrease) by shareholders										
– Capital contribution by shareholders	1,071,206	10,434,721	–	–	–	–	–	11,505,927	86,965	11,592,892
– Others	–	(106,455)	(91,630)	(951,882)	–	–	1,052,119	(97,848)	(100,571)	(198,419)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	(13,760)	(13,760)
Others	–	–	–	–	–	–	1,988	1,988	773	2,761
At 31 December 2011	11,016,908	34,527,836	5,464,621	9,718,593	(542,468)	(444,600)	26,846,395	86,587,285	402,918	86,990,203

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

(In RMB thousands, unless otherwise stated)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2011

(In RMB thousands, unless otherwise stated)

	2011	2010
Cash flows from operating activities		
Profit before income tax	15,031,003	16,319,941
Adjustments for:		
Interest expense on bonds issued	63,750	63,750
Share of profits and losses of associates and jointly-controlled entities	(415,763)	(24,288)
Dividend income and interest income from available-for-sale financial assets	(720,174)	(1,286,441)
Net gain on disposal of available-for-sale financial assets	(534,058)	(2,692,531)
Net gain on disposal of property, plant and equipment and other assets	(570)	(51,668)
Gain on disposal of subsidiaries	(13,081,306)	(5,765,347)
Fair value loss/(gain) on financial instruments at fair value through profit or loss	755,001	(565,100)
Depreciation	196,473	244,470
Amortisation	110,908	125,321
Impairment on available-for-sale financial assets	1,517,836	(11,470)
Impairment on other assets	(4,211)	28,995
	2,918,889	6,385,632
Net (increase)/decrease in operating assets		
Financial assets held for trading	(5,286,391)	(5,253,266)
Cash held on behalf of customers	27,046,255	8,301,831
Other assets	(3,494,901)	(6,390,578)
	18,264,963	(3,342,013)
Net increase/(decrease) in operating liabilities		
Accounts payable	(26,478,795)	(8,433,374)
Repurchase agreements	7,331,093	(3,341,578)
Other liabilities	1,950,932	2,083,409
	(17,196,770)	(9,691,543)
Net cash inflow/(outflow) from operating activities before tax	3,987,082	(6,647,924)
Income tax paid	(3,864,736)	(2,809,371)
Net cash inflow/(outflow) from operating activities	122,346	(9,457,295)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

(In RMB thousands, unless otherwise stated)

	Notes	2011	2010
Cash flows from investing activities			
Dividend income and interest income received from available-for-sale financial assets		805,620	1,287,984
Net cash flows from purchases, leases and sales of items of property, plant and equipment and other assets		(1,792,735)	(886,851)
Net cash flows from disposal of subsidiaries	20(e)	7,944,870	(3,324,056)
Net cash flows from business combination	20(c)	37,737	—
Net cash flows from investments in associates and jointly-controlled entities		(119,008)	(659,541)
Net cash flows from disposal or purchase of available-for-sale financial assets		1,136,347	3,761,788
Other net cash flows from investing activities		1,799,918	—
Net cash inflow from investing activities		9,812,749	179,324
Cash flows from financing activities			
Cash inflows from financing activities		11,589,980	3,024,702
Payment of debts		(184,631)	—
Dividends and interest expense		(5,050,361)	(3,395,464)
Other cash outflows from financing activities		—	(35,782)
Net cash inflow/(outflow) from financing activities		6,354,988	(406,544)
Net increase/(decrease) in cash and cash equivalents		16,290,083	(9,684,515)
Cash and cash equivalents at the beginning of the year		17,353,363	27,132,312
Effect of exchange rate changes on cash and bank balances		(198,995)	(94,434)
Cash and cash equivalents at the end of the year	40	33,444,451	17,353,363
Cash and bank balances	32	33,444,451	18,444,157
Less: Restricted funds	32	—	(1,090,794)
Cash and cash equivalents		33,444,451	17,353,363

Statement of Financial Position

31 December 2011

(In RMB thousands, unless otherwise stated)

	Notes	31 December	
		2011	2010
Non-current assets			
Property, plant and equipment	18	3,101,246	2,078,970
Investment properties		314,424	83,477
Other intangible assets		82,089	50,805
Investments in subsidiaries	20	10,428,305	10,118,047
Investments in associates	21	2,573,413	849,705
Investments in jointly-controlled entities	21	20	88
Available-for-sale financial assets	22	1,269,712	1,044,312
Refundable deposits	23	1,318,629	767,961
Deferred income tax assets	24	1,294,981	927,160
Other non-current assets		120,739	103,340
Total non-current assets		20,503,558	16,023,865
Current assets			
Fee and commission receivables		35,993	48,430
Margin financing and securities lending	25	2,600,668	1,558,012
Available-for-sale financial assets	22	26,810,134	32,580,269
Financial assets held for trading	26	17,680,535	12,177,461
Derivative financial assets	28	1,071,567	732,537
Reverse repurchase agreements	29	55,760	1,226,616
Other current assets	30	867,244	2,420,096
Cash held on behalf of customers	31	16,921,210	30,541,324
Cash and bank balances	32	27,843,736	12,062,712
Total current assets		93,886,847	93,347,457

Statement of Financial Position

31 December 2011

(In RMB thousands, unless otherwise stated)

	Notes	31 December	
		2011	2010
Current liabilities			
Accounts payable	33	17,207,569	30,868,612
Derivative financial liabilities	28	1,127,063	434,172
Repurchase agreements	34	14,785,763	6,901,600
Due to banks		100,000	—
Tax payable	35	2,440,774	3,085,763
Other current liabilities	36	3,458,727	4,594,258
Total current liabilities		39,119,896	45,884,405
Net current assets		54,766,951	47,463,052
Total assets less current liabilities		75,270,509	63,486,917
Non-current liabilities			
Bonds payable	37	1,500,000	1,500,000
Deferred income tax liabilities	24	—	464,082
Total non-current liabilities		1,500,000	1,964,082
Net assets		73,770,509	61,522,835
Equity			
Issued share capital	38	11,016,908	9,945,702
Reserves	39	46,927,256	36,314,515
Retained profits		15,826,345	15,262,618
Total equity		73,770,509	61,522,835

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

1. CORPORATE INFORMATION

CITIC Securities Company Limited (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC” or “Mainland China”, which excludes for the purpose of 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 Level A, China Merchants Bank Tower, No. 7088 Shen Nan Boulevard, 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 completed its initial public offering of overseas-listed foreign shares (“H shares”) in September and October 2011. Under this offering, the Company totally offered 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.

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

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

CITIC Group is the largest shareholder of the Company. CITIC Group is currently undergoing a group restructuring plan. After the group restructuring, the Company’s shares held by CITIC Group will be transferred to CITIC Limited (a 99.90% subsidiary of CITIC Group).

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting periods commencing from 1 January 2011 together with the relevant transitional provisions, have been adopted by the Group in the preparation of these financial statements.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

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

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Cash and cash equivalents

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

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

(2) Foreign currency transactions and foreign currency translation

The financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. All differences are taken to the income statement.

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

(3) Financial instruments

(a) Initial recognition and derecognition of financial instruments

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

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(a) Initial recognition and derecognition of financial instruments (Continued)

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

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

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

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

(b) Classification and measurement of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(b) Classification and measurement of financial assets (Continued)

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

Equity securities, funds and debt securities which are purchased for the purpose of selling in the near term are classified as financial assets held for trading. A financial asset held for trading is measured at fair value upon initial recognition with transaction costs recorded in the income statement. Cash dividends and bond interest that are declared but not yet paid included in the consideration paid are recognised as receivables. Interest and dividends accrued during the holding period are recognised as investment income. Gains or losses arising from changes in the fair value of the financial asset are recognised in the income statement. Realised gains or losses upon disposal of held for trading financial assets are recognised as investment income or losses. When the Group disposes of held for trading financial assets, the cost basis is determined based on the weighted average costs of the financial assets that are being disposed of.

(ii) *Held-to-maturity investments*

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

(iii) *Loans and receivables*

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

(iv) *Available-for-sale financial assets*

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

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(b) Classification and measurement of financial assets (Continued)

(v) *Reclassification of financial assets*

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

(c) Classification and measurement of financial liabilities

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

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

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

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

(ii) *Other financial liabilities*

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

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

(d) Fair value determination

Principle in determination of fair value

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(d) Fair value determination (Continued)

Principle in determination of fair value (Continued)

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

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

Valuation methods for specific investment

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

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

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

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

- (ii) For closed-end funds, fair value is determined based on the closing price as at the reporting date or the most recent trading date. For open-end funds and collective wealth management products, fair value is determined based on the net asset value as at the reporting date.
- (iii) For debt securities listed on stock exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price of the debt securities.

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(d) Fair value determination (Continued)

Valuation methods for specific investment (Continued)

- (iv) For debt securities traded on inter-bank bond market and over-the-counter (“OTC”) market, including government bonds, corporate bonds, short-term financial bills, special financial bills, central bank bills, asset-backed securities and other fixed income debt securities, fair values are determined using valuation techniques.
- (v) For investments in trust products where trading prices are available, fair values are determined based on the monthly average price, otherwise, fair values are determined based on cost.
- (vi) Warrants include both purchased warrants and issued warrants. For purchased warrants with a remaining maturity of more than one month, the fair value of a warrant is determined based on its market price on the most recent trading date. The fair value of an issued warrant with a remaining maturity of more than one month is also based on its market price on the most recent trading price. For warrants with a remaining maturity of less than one month, the fair value of a purchased warrant is the lower of the value estimated through the Black-Scholes valuation model (the “BS valuation model”) and its market price on the most recent trading date. The fair value of an issued warrant is the higher of either the value estimated through the BS valuation model or its market price on the most recent trading date. Under the BS valuation model, the risk-free interest rate is set at the PRC one-year bank deposit rate or the PBOC benchmark rate, and the volatility rate adopts the 180-day historic volatility rate of the underlying equity.

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

(e) Impairment of financial assets

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

- (i) Impairments on held-to-maturity investments and loans are accounted for using the discounted cash flow method. As at the end of the reporting period, the Group assesses the creditworthiness of its debtors. If objective evidence existed to show that the Group is unable to collect all the cash flows under the original terms of a contract or the debtor has been experiencing significant financial difficulties, impairment loss is recognised at the difference between the carrying amount and the present value of estimated future cash flows discounted at original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Financial instruments (Continued)

(e) Impairment of financial assets (Continued)

- (ii) If the issuer or obligor of an available-for-sale financial asset has been experiencing significant financial difficulties, it becomes probable that the borrower will enter bankruptcy or other financial reorganisation, and these events result in prolonged decline in the fair value of an available-for-sale financial asset, and the decline is expected to be other than temporary, an available-for-sale financial asset is impaired and impairment loss is recognised.

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

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

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

(4) Derivative financial instruments

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

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

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

(5) Allowance for doubtful accounts

- (a) When a receivable (including accounts receivable and other receivables) cannot be collected through the realisation of the debtor's assets or the debtor's estate upon the bankruptcy or death of the debtor, or when a receivable has been in default for more than three years, the receivable is deemed to be uncollectible and the amount is recognised as bad debt.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Allowance for doubtful accounts (Continued)

- (b) The Group uses allowance for doubtful accounts to account for potential bad debt and provision for bad debt is assessed on a monthly basis based on the ageing of receivables net of advances. Provision for bad debt is recognised as follows:
- (i) If the age of an account receivable is less than or equal to one year, 0.5% of the balance is recognised as a provision;
 - (ii) If the age of an account receivable is more than one year but less than or equal to two years, 10% of the balance is recognised as a provision;
 - (iii) If the age of an account receivable is more than two years but less than or equal to three years, 20% of the balance is recognised as a provision;
 - (iv) If the age of an account receivable is more than three years, 50% of the balance is recognised as a provision.

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

(6) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collaterals. Margin financing and securities lending services are classified into margin financing and securities lending.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income accordingly. Securities lent are not derecognised, but still accounted for as the original financial instruments, and interest income is recognised accordingly.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(7) Fiduciary wealth management

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) Subsidiaries

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

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

(9) Associates

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

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

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

(10) Jointly-controlled entities

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Investment properties

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

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

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

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

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

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

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

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

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(In RMB thousands, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Property, plant and equipment (Continued)

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

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

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

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

(c) Impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment at the end of each reporting period. Impairment is recognised on an individual basis when the carrying amount of an item of property, plant and equipment exceeds its recoverable amount due to technical obsolescence, physical damage, a protracted idle period and other reasons.

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Property, plant and equipment (Continued)

(d) Construction in progress

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

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

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

(13) Intangible assets

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

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

(b) Purchased software is amortised over five years.

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

(14) Revenue

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Income tax

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

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

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Income tax (Continued)

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

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

(16) Employee benefits

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

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

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

(17) Related parties

A party is considered to be related to the Group if:

- (a) **the party is a person or a close member of that person's family and that person:**
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(18) Provisions and contingencies

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

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

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration the risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at the end of the reporting period. If there is substantial evidence that the amount of provisions cannot actually reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Profit distribution

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Designation of held-to-maturity investments

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

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

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets and held-to-maturity investments, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, change of technology as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of goodwill

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

Income tax

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

Fair value of financial instruments

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

5. TAXATION

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

(1) Income tax

From 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), the Circular of the State Council on the Implementation of the Transitional Preferential Enterprise Income Tax Policies (《國務院關於實施企業所得稅過渡優惠政策的通知》) (Guofa [2007] No. 39) and other tax documents become effective for the Company. Income tax computation and payment are governed by the Circular of the Tentative Measures for Collection and Administration of Enterprise Income Tax Who Operate Business Cross-regionally and Pay Tax Collectively (《跨地區經營匯總納稅企業所得稅徵收管理暫行辦法》) (Guoshuifa [2008] No. 28). The income tax rate applicable to the Company's headquarter and Shenzhen-based branches is 24% and 25% for the Company's other domestic branches.

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5. TAXATION (Continued)

(2) Business tax

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

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Business Tax of the Securities Investor Protection Fund(《財政部、國家稅務總局關於證券投資者保護基金有關營業稅問題的通知》) (Caishui [2006] No. 172), securities companies are allowed to deduct their investor protection fund contributions from their taxable business income.

- (3) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.
- (4) Urban maintenance and construction taxes and education surcharges are paid at 7% and 3% of the turnover taxes, respectively. In addition, the Company's headquarter and Shenzhen-based branches should pay additional local education surcharges at 2% of the Value Added Tax, Business Tax and Consumption Tax from 1 January 2011, according to the Circular of the Tentative Measures for Shenzhen City on Collection and Administration of Local Education Surcharges (《深圳市地方教育附加徵收管理暫行辦法》) (Shenfuban [2011] No.60).

6. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ⁽¹⁾
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ⁽¹⁾
IFRS 9	<i>Financial Instruments</i> ⁽⁵⁾
IFRS 10	<i>Consolidated Financial Statements</i> ⁽⁴⁾
IFRS 11	<i>Joint Arrangements</i> ⁽⁴⁾
IFRS 12	<i>Disclosure of Interest in Other Entities</i> ⁽⁴⁾
IFRS 13	<i>Fair Value Measurement</i> ⁽⁴⁾
IAS 1 Amendments	Amendments to IAS 1 <i>Financial Statement Presentation – Presentation of Items of Other Comprehensive Income</i> ⁽³⁾
IAS 12 Amendments	Amendments to IAS 12 <i>Income Tax-Deferred Tax: Recovery of Underlying Assets</i> ⁽²⁾
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i> ⁽⁴⁾
IAS 27 (Revised)	<i>Separate Financial Statements</i> ⁽⁴⁾
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> ⁽⁴⁾

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

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

(3) Effective for annual periods beginning on or after 1 July 2012

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

(5) Effective for annual periods beginning on or after 1 January 2015

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

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

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

IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Asset (Amendments)

The IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group is in the process of assessing the impact of these standards.

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6. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, issued in November 2009, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In October 2010, additions to IFRS 9 were issued to address financial liabilities and incorporated the current derecognition principles of financial instruments under IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendments)

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The Group is currently assessing the full impact of the amendments.

6. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

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

IAS 19 Employee Benefits (Amendments)

The amended standard is effective for annual periods beginning on or after 1 January 2013. The IAS19 amendments propose major changes to the accounting for employee benefits of defined benefit plans. The amendments will have no impact on the financial statements of the Group.

IAS 27 Separate Financial Statements (Revised)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (Revised)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact of this standard on its financial position or performance.

7. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other business segments. A summary of the business segments is as follows:

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

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7. OPERATING SEGMENT INFORMATION (Continued)

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

However, income taxes are managed on a group basis and are not allocated to operating segments.

2011	Investment banking	Brokerage	Trading	Asset management	Others	Total
Segment revenue and other income	1,984,984	5,728,690	846,643	3,251,135	14,559,421	26,370,873
— Fee and commission income	1,982,638	4,517,536	—	3,097,393	115,665	9,713,232
— Interest income	196	1,154,226	855,164	35,991	10,856	2,056,433
— Investment income	85	1,403	(17,242)	71,045	14,337,305	14,392,596
— Other income	2,065	55,525	8,721	46,706	95,595	208,612
Operating expenses	1,586,335	3,691,043	2,357,256	2,289,855	1,831,144	11,755,633
Including: Finance costs	—	242,445	403,374	—	9,167	654,986
Impairment losses	1,927	(2,410)	1,517,836	—	(3,728)	1,513,625
Operating profit	398,649	2,037,647	(1,510,613)	961,280	12,728,277	14,615,240
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	415,763	415,763
Profit before income tax	398,649	2,037,647	(1,510,613)	961,280	13,144,040	15,031,003
Income tax expense	—	—	—	—	—	2,426,514
Profit for the year	398,649	2,037,647	(1,510,613)	961,280	13,144,040	12,604,489
Other segment information:						
Depreciation and amortisation	13,628	172,657	4,595	30,991	85,510	307,381
Capital expenditure	492,453	233,160	203,675	296,507	589,865	1,815,660

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7. OPERATING SEGMENT INFORMATION (Continued)

2010	Investment banking	Brokerage	Trading	Asset management	Others	Total
Segment revenue and other income	3,289,621	11,045,854	5,225,957	4,039,676	6,679,763	30,280,871
— Fee and commission income	3,286,597	9,447,023	—	3,740,934	123,784	16,598,338
— Interest income	144	1,540,376	285,510	23,934	138,117	1,988,081
— Investment income	2,880	321	4,940,447	226,245	6,330,710	11,500,603
— Other income	—	58,134	—	48,563	87,152	193,849
Operating expenses	2,155,613	6,120,933	2,822,229	2,681,514	204,929	13,985,218
Including: Finance costs	—	383,626	296,756	—	4,458	684,840
Impairment losses	—	25,022	—	—	(7,497)	17,525
Operating profit	1,134,008	4,924,921	2,403,728	1,358,162	6,474,834	16,295,653
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	24,288	24,288
Profit before income tax	1,134,008	4,924,921	2,403,728	1,358,162	6,499,122	16,319,941
Income tax expense	—	—	—	—	—	4,183,890
Profit for the year	1,134,008	4,924,921	2,403,728	1,358,162	6,499,122	12,136,051
Other segment information:						
Depreciation and amortisation	33,199	208,306	18,909	37,290	72,087	369,791
Capital expenditure	185,407	489,911	249,743	77,542	20,719	1,023,322

8. INTEREST INCOME

	2011	2010
Bank interest income	1,774,074	1,821,359
Interest income on margin and other financing	278,590	143,445
Others	3,769	23,277
Total	2,056,433	1,988,081

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9. INVESTMENT INCOME

	2011	2010
Net gains from disposal of available-for-sale financial assets	534,058	2,692,531
Dividend income and interest income from available-for-sale financial assets	720,174	1,286,441
Net gains/(losses) from financial assets held for trading	(1,622,917)	972,155
Net gains from financial liabilities designated at fair value through profit or loss	4,900	—
Net gains from financial assets designated at fair value through profit or loss	50,434	53,628
Gain on disposal of subsidiaries	13,081,306	5,765,347
Others ⁽ⁱ⁾	1,624,641	730,501
Total	14,392,596	11,500,603

(i) Others mainly include the profit from dealing with stock index futures earned by the Company.

10. OPERATING EXPENSES

	2011	2010
Fee and commission expense:		
— Commission expense	1,048,699	1,713,719
— Others	18,784	26,192
Total	1,067,483	1,739,911

	2011	2010
Finance costs:		
— Accounts payable to clients	242,445	383,626
— Due to banks and other financial institutions	339,622	233,006
— Bonds issued	63,750	63,750
— Others	9,169	4,458
Total	654,986	684,840

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10. OPERATING EXPENSES (Continued)

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

	2011	2010
Interest on bank loans		
— wholly repayable within five years	8,059	4,458

	2011	2010
Staff costs (including directors' and supervisors' remuneration):		
— Salaries and bonuses	4,402,888	6,353,768
— Staff benefits	406,338	351,402
— Contributions to defined contribution schemes	187,735	275,790
Total	4,996,961	6,980,960

	2011	2010
Other operating expenses:		
— Fund distribution and marketing expenses	407,115	615,344
— Minimum lease payments under operating leases in respect of land and buildings	329,755	411,452
— Business travel expenses	226,594	209,496
— Miscellaneous office expenses	213,956	251,850
— Consulting fees	212,006	164,572
— Marketing, advertising and promotion expenses	180,893	168,109
— Electronic device operating costs	171,401	170,870
— Securities investor protection fund	168,021	283,220
— Postal and communication expenses	151,918	199,262
— Business entertainment expenses	130,257	164,379
— Auditors' remuneration	5,670	5,206
— Others	645,048	716,201
Total	2,842,634	3,359,961

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11. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

Name	Position	2011			Total remuneration before tax (4)=(1)+(2)+(3)
		Salaries and allowances (1)	Discretionary bonuses (2)	Fee (3)	
Wang Dongming	Chairman, Executive Director, Member of the Executive Committee	2,586	1,123	—	3,709
Yin Ke	Vice Chairman, Executive Director, Member of the Executive Committee	3,522	12,485	—	16,007
Ju Weimin	Non-executive Director	—	—	80	80
Zhang Jijing	Non-executive Director	—	—	80	80
Zhang Youjun	Non-executive Director	—	—	—	—
Yang Hualiang	Non-executive Director	—	—	—	—
Liu Lefei	Non-executive Director	—	—	—	—
Da Xinya	Non-executive Director	1,414	1,123	—	2,537
Feng Zuxin	Independent Non-executive Director	—	—	120	120
Li Jian	Independent Non-executive Director	—	—	120	120
Li Gangwei	Independent Non-executive Director	—	—	20	20
Rao Geping	Independent Non-executive Director	—	—	50	50
Zhang Hongjiu	Former Independent Director	—	—	120	120
Li Yang	Former Independent Director	—	—	—	—
Ni Jun	Chairman of the Supervisory Committee	1,419	1,123	—	2,542
Guo Zhao	Supervisor	—	—	80	80
He Dexu	Supervisor	—	—	80	80
Lei Yong	Supervisor, Managing Director of Brokerage Business Development and Management Committee	1,264	890	—	2,154
Yang Zhenyu	Supervisor, Head of General Administration Department	910	904	—	1,814
		11,115	17,648	750	29,513

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31 December 2011

(In RMB thousands, unless otherwise stated)

11. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration. And during the year, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

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12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2010: one) director, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining four (2010: four) non-director and non-supervisor, highest paid employees for the year are as follows:

	2011	2010
Salaries and allowances	12,672	2,975
Discretionary bonuses	31,832	27,496
Termination compensation	3,141	—
Total	47,645	30,471

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

	Number of employees	
	2011	2010
RMB6,500,001 to RMB7,000,000	—	2
RMB7,500,001 to RMB8,000,000	—	1
RMB9,000,001 to RMB9,500,000	—	1
RMB10,000,001 to RMB10,500,000	1	—
RMB11,000,001 to RMB11,500,000	1	—
RMB11,500,001 to RMB12,000,000	1	—
RMB14,000,001 to RMB14,500,000	1	—
Total	4	4

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group.

13. IMPAIRMENT LOSSES

	2011	2010
Impairment loss on available-for-sale financial assets ⁽ⁱ⁾	1,517,836	(11,470)
Impairment loss on other receivables	(5,363)	28,995
Impairment loss on intangible assets	1,152	—
Total	1,513,625	17,525

(i) The Group considers that there was a significant or prolonged decline in the market value of certain listed equity investments during the year, and accordingly an impairment loss of RMB1,518 million (2010: Reversal of RMB11 million due to disposal) has been recognised in the income statement of the year.

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14. INCOME TAX EXPENSE

(a) Income tax

	2011	2010
Current income tax expense	2,576,546	4,569,671
— Mainland China	2,539,235	4,524,174
— Hong Kong	37,311	45,497
Deferred income tax expense	(150,032)	(385,781)
Total	2,426,514	4,183,890

(b) Reconciliation between income tax and accounting profit

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

	2011	2010
Profit before income tax	15,031,003	16,319,941
Tax at the PRC statutory income tax rate	3,757,751	4,079,985
Effects of different applicable rates of tax prevailing in various regions	(44,397)	(149,669)
Non-deductible expenses	49,353	69,488
Non-taxable income	(117,639)	(76,957)
Adjustments in respect of current and deferred income tax of prior years	(50,554)	(59,923)
Others ⁽ⁱ⁾	(1,168,000)	320,966
Tax expense at the Group's effective income tax rate	2,426,514	4,183,890

- (i) Others mainly include the non tax-related impact in relation to the gain attributable to the remaining interest in China Asset Management Co., Ltd. recognised at its fair value at the date when the control was lost due to disposal of 51% interest in China Asset Management Co., Ltd.

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a profit of approximately RMB7,361 million (2010: RMB11,814 million), which has been dealt with in the financial statements of the Company (note 39).

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16. DIVIDENDS

	2011	2010
Dividends on ordinary shares paid	4,972,851	3,315,234
Dividends on ordinary shares proposed for approval	4,737,271	4,972,851

Dividends on ordinary shares proposed for approval were RMB0.43 yuan per share for the year ended 31 December 2011 (2010: RMB0.50 yuan per share).

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

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

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

	2011	2010
Earnings:		
Profit attributable to ordinary equity holders of the parent	12,576,483	11,311,343
Shares:		
Weighted average number of ordinary shares in issue (thousand)	10,192,688	9,945,702
Basic and diluted earnings per share (RMB yuan)	1.23	1.14

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

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue.

There were no dilutive events during the year ended 31 December 2011 (2010: None).

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18. PROPERTY, PLANT AND EQUIPMENT

Group

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic devices	Others	Subtotal	Construction in progress	Total
31 December 2011										
Cost										
At 31 December 2010 and 1 January 2011	376,437	2,834	69,580	71,926	4,774	579,173	63,630	1,168,354	1,926,559	3,094,913
Additions	2,015,620	2,211	86,129	12,204	519	320,049	3,976	2,440,708	1,108,329	3,549,037
Decreases	115,881	535	14,346	12,497	12	142,440	31,017	316,728	2,342,967	2,659,695
At 31 December 2011	2,276,176	4,510	141,363	71,633	5,281	756,782	36,589	3,292,334	691,921	3,984,255
Accumulated depreciation										
At 31 December 2010 and 1 January 2011	115,523	1,685	37,114	32,182	1,861	368,428	47,574	604,367	–	604,367
Additions	27,480	519	18,880	13,051	855	131,770	6,417	198,972	–	198,972
Decreases	18,895	60	10,229	8,751	11	94,921	24,664	157,531	–	157,531
At 31 December 2011	124,108	2,144	45,765	36,482	2,705	405,277	29,327	645,808	–	645,808
Net carrying amount										
At 31 December 2011	2,152,068	2,366	95,598	35,151	2,576	351,505	7,262	2,646,526	691,921	3,338,447
At 31 December 2010	260,914	1,149	32,466	39,744	2,913	210,745	16,056	563,987	1,926,559	2,490,546

In 2011, the decrease of the net carrying amount of the property, plant and equipment due to disposal of subsidiaries was RMB135 million (2010: RMB449 million), and the increase of the net carrying amount of the property, plant and equipment due to business combinations was RMB7 million (2010: nil).

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

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

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic devices	Others	Subtotal	Construction in progress	Total
31 December 2011										
Cost										
At 31 December 2010 and 1 January 2011	121,213	1,340	19,421	33,666	2,027	193,233	284	371,184	1,885,693	2,256,877
Additions	2,015,620	991	72,969	5,731	84	231,520	—	2,326,915	1,103,632	3,430,547
Decreases	19,532	61	4,030	801	12	14,624	3	39,063	2,298,867	2,337,930
At 31 December 2011	2,117,301	2,270	88,360	38,596	2,099	410,129	281	2,659,036	690,458	3,349,494
Accumulated depreciation										
At 31 December 2010 and 1 January 2011	30,328	1,040	11,725	14,899	811	118,830	274	177,907	—	177,907
Additions	21,015	172	6,292	5,743	317	55,874	—	89,413	—	89,413
Decreases	144	59	3,786	777	11	14,292	3	19,072	—	19,072
At 31 December 2011	51,199	1,153	14,231	19,865	1,117	160,412	271	248,248	—	248,248
Net carrying amount										
At 31 December 2011	2,066,102	1,117	74,129	18,731	982	249,717	10	2,410,788	690,458	3,101,246
At 31 December 2010	90,885	300	7,696	18,767	1,216	74,403	10	193,277	1,885,693	2,078,970

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

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

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(In RMB thousands, unless otherwise stated)

19. GOODWILL

Group

	31 December	
	2011	2010
Carrying amount at the beginning of the year:		
Cost	825,112	829,154
Accumulated impairment	—	—
Net carrying amount	825,112	829,154
Movement during the year:		
Net carrying amount at the beginning of the year	825,112	829,154
Change in shareholders' equity in subsidiaries	(324,232)	(4,042)
Impairment	—	—
Net carrying amount at the end of the year	500,880	825,112
Carrying amount at the end of the year:		
Cost	500,880	825,112
Accumulated impairment	—	—
Net carrying amount	500,880	825,112

Included above was goodwill allocated to a cash generating unit mainly within the brokerage segment. The recoverable amount has been determined based on a value in use calculation by estimating future cash flows. No impairment is considered necessary as the recoverable amount is higher than the carrying amount.

20. INVESTMENTS IN SUBSIDIARIES

Company

	31 December	
	2011	2010
Unlisted shares, at cost	10,428,305	10,118,047

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(In RMB thousands, unless otherwise stated)

20. INVESTMENTS IN SUBSIDIARIES (Continued)

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

(a) Subsidiaries acquired through establishment or investment

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
GoldStone Investment Co., Ltd. (金石投資有限公司) ^①	Mainland China	RMB5.2 billion	Direct investment	RMB5.2 billion	100%	—
Qingdao GoldStone Storm Investment Consulting Company Limited (青島金石暴風投資諮詢有限公司)	Mainland China	RMB50.1 million	Investment management, advisory service	RMB50.1 million	—	100%
Chongqing CITIC GoldStone Equity Investment Management Company Limited (重慶中信金石股權投資管理有限公司)	Mainland China	RMB100 million	Investment management, information advisory	RMB100 million	—	100%
CITIC Securities Qingdao Training Centre (青島中信證券培訓中心)	Mainland China	RMB1 million	Business training	RMB1 million	100%	—
CITIC Securities International Company Limited (中信證券國際有限公司)	Hong Kong	Not applicable	Holding, investment	HK\$3,736.75 million	100%	—
CITIC Securities Brokerage (HK) Limited (中信證券經紀(香港)有限公司)	Hong Kong	Not applicable	Securities brokerage	HK\$113 million	—	100%
CITIC Securities Futures (HK) Limited (中信證券期貨(香港)有限公司)	Hong Kong	Not applicable	Futures brokerage	HK\$20 million	—	100%
CITIC Securities Corporate Finance (HK) Limited (中信證券融資(香港)有限公司)	Hong Kong	Not applicable	Investment banking	HK\$255 million	—	100%
CITIC Securities International Asset Management Limited (中信證券國際資產管理有限公司)	BVI	Not applicable	Asset management holding	US\$1	—	100%
Dragon Stream Investments Limited	Hong Kong	Not applicable	Proprietary trading	HK\$10 million	—	100%
CITIC Securities International Fixed Income Limited	BVI	Not applicable	Proprietary trading	US\$200	—	100%
CITIC Securities Equity Trading Company Limited	Cayman Islands	Not applicable	Proprietary trading	US\$2 million	—	100%
CITIC Securities International Partners, Ltd.	Cayman Islands	Not applicable	Holding company	US\$0.18 million	—	72%
August Sky Holdings Limited	BVI	Not applicable	Direct investment	US\$1	—	100%

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Subsidiaries acquired through establishment or investment (Continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
CSI REITs Investment Management Company Limited	BVI	Not applicable	Investment holding	US\$1	—	100%
CSIAM (CAC) Investment Limited	BVI	Not applicable	Asset management holding	US\$1	—	100%
CSI Direct Investments Limited	BVI	Not applicable	Investment holding	US\$1	—	100%
CSI USA Securities Holdings, Inc.	Delaware	Not applicable	Holding company	US\$0.30 million	—	100%

(b) Subsidiaries acquired from business combination

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	31 December 2011 Attributable equity interest	
					Direct	Indirect
Shenzhen CITIC United Venture Capital Investment Co., Ltd. (深圳市中信聯合創業投資有限公司)	Mainland China	RMB70 million	Direct investment, investment advisory	RMB120.72 million	—	91.35%
CITIC Wantong Securities Co., Ltd. (中信萬通證券有限責任公司) ⁽ⁱ⁾	Mainland China	RMB800 million	Securities business	RMB931.01 million	95.50%	—
CITIC (Zhejiang) Securities Co., Ltd. (中信証券(浙江)有限責任公司) ⁽ⁱⁱ⁾	Mainland China	RMB885 million	Securities business	—	100%	—
CITICS Futures Co., Ltd. (中証期貨有限公司) ⁽ⁱⁱⁱ⁾	Mainland China	RMB800 million	Futures brokerage	RMB803.03 million	100%	—

The Company's principal subsidiaries have been disclosed.

- (i) During the year, the Company made an additional capital injection of RMB600 million into GoldStone Investment Co., Ltd, and the total registered capital increased to RMB5,200 million.
- (ii) During the year, the Company acquired 4.10% of the shares of CITIC Wantong Securities Co., Ltd. After the acquisition, the Company's equity interest in CITIC Wantong Securities Co., Ltd. increased to 95.50%.
- (iii) During the year, the Company's subsidiary CITIC-Kington Securities Co., Ltd. (中信金通有限責任公司) was renamed to CITIC (Zhejiang) Securities Co., Ltd.
- (iv) During the year, the Company made an additional capital injection of RMB500 million into CITICS Futures Co., Ltd., and the total registered capital increased to RMB800 million.

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) Net cash flows from business combination

During the year, CITICS Futures Co., Ltd., a subsidiary of the Company, acquired and dissolved Zhejiang Xinhua Futures Brokerage Co., Ltd.. The related change of business registration has been completed. Net cash flow related to the business combination is as follows:

	2011
Total consideration	(311,750)
Cash and cash equivalents paid	(124,700)
Cash and cash equivalents in the entities acquired	162,437
Net cash inflow from business combination	37,737

(d) Disposal of subsidiaries

The following subsidiaries ceased to be consolidated into the consolidated financial statements during the year.

Name of subsidiaries	Net assets as at the date of equity transfer	Net profit for the period from the beginning of the year to the date of equity transfer
China Asset Management Co., Ltd.	2,345,493	667,356

On 15 December 2011, China Asset Management Co., Ltd. ("China AMC") received the "Reply Letter in relation to the Approval of the Changes in the Shareholding and the Amendments of the Articles of Association of China Asset Management Co., Ltd." (Zheng Jian Xu Ke [2011] No. 2014) from CSRC, which approved the Company to transfer 51% equity interest held in China AMC to Southern Industrial Assets Management Co., Ltd., Shandong Province Rural Economic Development and Investment Company (山東省農村經濟開發投資公司), Power Corporation of Canada, SITC Maritime Group Co., Ltd. and Wuxi Guolian Development (Group) Co., Ltd., with a total consideration of RMB8,344 million. Upon completion of the transfer, China AMC ceased to be consolidated into the consolidated financial statements of the Group. And the Company is entitled to the increase in the audited net asset value of China AMC for the period between the initial valuation date and the final completion date. The relevant financial information of China AMC is as follows:

	31 December 2011 Carrying amount
Non-controlling interest	—
Fair value of remaining equity interest	7,215,106
Gain on disposal	7,174,585
Proceeds on disposal	8,344,000

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(In RMB thousands, unless otherwise stated)

20. INVESTMENTS IN SUBSIDIARIES (Continued)

(d) Disposal of subsidiaries (Continued)

A gain amounting to RMB5,824 million was recognised when the Company recognises its remaining 49% interest in China AMC at its fair value at the date when control was lost. The Company is able to control the timing of reversal of the aforesaid taxable temporary difference arising from recognition and the taxable temporary difference is not probable to be reversed in the foreseeable future, therefore the corresponding deferred income tax liability is not recognised accordingly.

After disposing 51% equity interest in China AMC, the Group has continuing involvement in other asset management business and maintains significant influence in China AMC through the remaining 49% equity interest and recognises the Group's share of income from this investment. Therefore, this divestment of equity interest was not accounted for as discontinued operations in asset management business.

	2011
Revenue and other income	2,844,188
Operating expenses	1,959,008
Profit for the period	667,356

(e) Net cash flows from disposal of subsidiaries

	2011	2010
Total consideration	8,344,000	7,290,000
Cash and cash equivalents received	8,344,000	6,560,000
Cash and cash equivalents in the subsidiaries	(399,130)	(9,884,056)
Net cash inflow/(outflow) from disposal of subsidiaries	7,944,870	(3,324,056)

21. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	Group 31 December		Company 31 December	
	2011	2010	2011	2010
Associates	8,703,425	1,021,991	2,573,413	849,705
Jointly-controlled entities	775,387	740,272	20	88
	9,478,812	1,762,263	2,573,433	849,793

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(In RMB thousands, unless otherwise stated)

21. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (Continued)

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

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Associates:					
CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司)	Mainland China	RMB1,800 million	Investment fund management	35%	35%
China Asset Management Co., Ltd. (華夏基金管理有限公司)	Mainland China	RMB238 million	Establish fund, fund management	49%	49%
Beijing GoldStone Agricultural Investment Fund Management Center (北京金石農業投資基金管理中心)	Mainland China	RMB30 million	Fund management	33%	33%
Beijing Agricultural Investment Fund (北京農業產業投資基金)	Mainland China	RMB620 million	Investment	32.26%	32.26%
CITIC PE (Hong Kong) Limited	Hong Kong	Not applicable	Investment holding	35%	35%
World Deluxe Enterprise Limited	BVI	Not applicable	Investment holding	40%	40%
CAC Capital Holdings General Partner Limited	Cayman Islands	Not applicable	Not in operation	49%	49%
Jointly-controlled entities:					
CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. (中信標普指數信息服務(北京)有限公司)	Mainland China	RMB8.03 million	Financial services	50%	50%
CITIC Securities Alpha Leaders Fund Limited	Cayman Islands	US\$33,862	Investment fund	(i)	(i)
CSI RMB Fund Ltd.	Cayman Islands	Not applicable	Investment fund	(i)	(i)

(i) The Group's equity interests in these entities are non-voting fund shares. The Group has joint control over these entities with other parties through contractual arrangements.

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21. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES (Continued)

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

	31 December	
	2011	2010
Associates:		
Assets	8,126,966	3,629,623
Liabilities	1,524,370	1,069,380
Net assets	6,602,596	2,560,243
Revenue	4,722,192	247,758
Net profit	1,723,012	38,528
Jointly-controlled entities:		
Assets	1,537,876	1,956,804
Liabilities	745,874	880,289
Net assets	792,002	1,076,515
Revenue	123,934	46,206
Net profit/(loss)	43,530	(11,847)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	Group		Company	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
At fair value:				
Equity investments	63,840	131,250	—	—
At cost:				
Equity investments	8,096,007	6,017,317	1,421,441	1,196,041
	8,159,847	6,148,567	1,421,441	1,196,041
Less: Allowance for impairment losses	165,931	165,931	151,729	151,729
Total	7,993,916	5,982,636	1,269,712	1,044,312
Analysed into:				
Listed	63,840	131,250	—	—
Unlisted	8,096,007	6,017,317	1,421,441	1,196,041
	8,159,847	6,148,567	1,421,441	1,196,041

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(In RMB thousands, unless otherwise stated)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Current

	Group		Company	
	31 December		31 December	
	2011	2010	2011	2010
At fair value:				
Debt securities	14,940,175	14,818,620	14,520,340	13,077,573
Equity investments ⁽ⁱ⁾	14,818,519	22,061,299	13,740,031	19,196,021
Others	657,005	580,196	60,000	308,217
	30,415,699	37,460,115	28,320,371	32,581,811
Less: Allowance for impairment losses	1,581,883	403,850	1,510,237	1,542
Total	28,833,816	37,056,265	26,810,134	32,580,269
Analysed into:				
Listed	28,028,745	34,394,332	26,850,527	29,849,219
Unlisted	2,386,954	3,065,783	1,469,844	2,732,592
	30,415,699	37,460,115	28,320,371	32,581,811

(i) Includes RMB15 million securities lent out under securities lending arrangements as at 31 December 2011 (31 December 2010: RMB5 million).

23. REFUNDABLE DEPOSITS

	Group		Company	
	31 December		31 December	
	2011	2010	2011	2010
Margin trading	827,599	1,006,719	389,225	403,559
Performance bonds	30	30	916,622	364,402
Credit deposits	12,782	—	12,782	—
Total	840,411	1,006,749	1,318,629	767,961

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24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Group

Deferred income tax assets:	Depreciation allowance	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Accrued staff costs	Others	Total
At 1 January 2011	503	15,076	2,268	84,630	—	1,018,647	6,943	1,128,067
Credited/(debited) to the income statement	(503)	39,787	—	377,198	52	(364,938)	(927)	50,669
Credited to other comprehensive income	—	—	269,608	—	—	—	—	269,608
Others	—	(82)	—	(84,169)	—	(20,733)	1,007	(103,977)
At 31 December 2011	—	54,781	271,876	377,659	52	632,976	7,023	1,344,367

Deferred income tax assets:	Depreciation allowance	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Accrued staff costs	Others	Total
At 1 January 2010	505	389	—	84,613	1,257	853,709	13,798	954,271
Credited/(debited) to the income statement	(2)	14,687	—	17	(1,257)	456,172	1,125	470,742
Credited to other comprehensive income	—	—	2,268	—	—	—	—	2,268
Others	—	—	—	—	—	(291,234)	(7,980)	(299,214)
At 31 December 2010	503	15,076	2,268	84,630	—	1,018,647	6,943	1,128,067

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(In RMB thousands, unless otherwise stated)

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

Group

Deferred income tax liabilities:	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
At 1 January 2011	—	697,795	99,208	155	797,158
Credited to the income statement	—	—	(99,208)	(155)	(99,363)
Credited to other comprehensive income	—	(516,664)	—	—	(516,664)
Others	—	(76,653)	—	—	(76,653)
At 31 December 2011	—	104,478	—	—	104,478

Deferred income tax liabilities:	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
At 1 January 2010	16,382	390,893	—	5,454	412,729
(Credited)/debited to the income statement	(15,424)	—	99,776	609	84,961
Debited to other comprehensive income	—	335,967	—	—	335,967
Others	(958)	(29,065)	(568)	(5,908)	(36,499)
At 31 December 2010	—	697,795	99,208	155	797,158

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24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

Company

Deferred income tax assets:	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Accrued staff costs	Others	Total
At 1 January 2011	14,461	—	361	—	906,589	5,749	927,160
Credited/(debited) to the income statement	40,320	—	377,198	52	(318,564)	(536)	98,470
Credited to other comprehensive income	—	269,351	—	—	—	—	269,351
At 31 December 2011	54,781	269,351	377,559	52	588,025	5,213	1,294,981

Deferred income tax assets:	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Accrued staff costs	Others	Total
At 1 January 2010	—	—	344	1,257	613,929	278	615,808
Credited/(debited) to the income statement	14,461	—	17	(1,257)	292,660	5,471	311,352
At 31 December 2010	14,461	—	361	—	906,589	5,749	927,160

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24. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

Company

Deferred income tax liabilities:	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
At 1 January 2011	—	364,874	99,208	—	464,082
Credited to the income statement	—	—	(99,208)	—	(99,208)
Credited to other comprehensive income	—	(364,874)	—	—	(364,874)
At 31 December 2011	—	—	—	—	—

Deferred income tax liabilities:	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
At 1 January 2010	14,099	181,038	—	4,794	199,931
(Credited)/debited to the income statement	(14,099)	—	99,208	(4,794)	80,315
Debited to other comprehensive income	—	183,836	—	—	183,836
At 31 December 2010	—	364,874	99,208	—	464,082

25. MARGIN FINANCING AND SECURITIES LENDING

Margin financing and securities lending are secured by adequate collateral and are neither overdue nor impaired as at 31 December 2011 and 2010.

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26. FINANCIAL ASSETS HELD FOR TRADING

	Group		Company	
	31 December		31 December	
	2011	2010	2011	2010
Debt securities	12,268,816	9,635,373	11,627,555	8,753,994
Equity investments	6,441,654	3,812,320	6,012,980	3,015,305
Others	40,000	408,162	40,000	408,162
Total	18,750,470	13,855,855	17,680,535	12,177,461
Analysed into:				
Listed	17,587,970	13,216,543	17,202,457	11,571,967
Unlisted	1,162,500	639,312	478,078	605,494
	18,750,470	13,855,855	17,680,535	12,177,461

27. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	31 December	
	2011	2010
Equity investments	298,885	400,294
Analysed into:		
Listed	—	—
Unlisted	298,885	400,294
	298,885	400,294

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

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28. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	31 December 2011		31 December 2010	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	962,737	987,947	510,219	357,174
Others	114,891	139,755	222,318	77,401
Total	1,077,628	1,127,702	732,537	434,575

Company

	31 December 2011		31 December 2010	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	962,737	987,947	510,219	357,174
Others	108,830	139,116	222,318	76,998
Total	1,071,567	1,127,063	732,537	434,172

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures were settled daily and the corresponding payments or receipts were included in "cash and bank balances" as at 31 December 2011. Accordingly, the amount of mark-to-market gain or loss of unexpired stock index futures contracts included in derivative financial instruments above was nil.

29. REVERSE REPURCHASE AGREEMENTS

	Group		Company	
	31 December 2011	2010	31 December 2011	2010
Analysed by collateral:				
Securities	575,760	1,866,466	55,760	1,226,616
Analysed by counterparty:				
Banks	520,000	1,606,616	—	1,216,616
Other financial institutions	40,000	259,850	40,000	10,000
Others	15,760	—	15,760	—
Total	575,760	1,866,466	55,760	1,226,616

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29. REVERSE REPURCHASE AGREEMENTS (Continued)

Under reverse repurchase agreements, the Group and the Company have no right to receive any collateral that is permitted to be sold or repledged in the absence of default by the owners of the collateral as at 31 December 2011(31 December 2010: None).

30. OTHER CURRENT ASSETS

	Group		Company	
	31 December 2011	2010	31 December 2011	2010
Interest receivable	495,072	343,978	489,859	325,451
Deferred expenses	36,919	34,815	7,603	2,356
Guaranteed deposits placed with clearing house	20,166	20,000	—	—
Receivables arising from net assets increment	278,756	—	278,756	—
Other receivables	740,234	2,580,113	92,525	2,097,523
Less: Impairment loss	17,139	24,141	1,499	5,234
Total	1,554,008	2,954,765	867,244	2,420,096

31. CASH HELD ON BEHALF OF CUSTOMERS

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

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32. CASH AND BANK BALANCES

	Group 31 December		Company 31 December	
	2011	2010	2011	2010
Cash on hand	186	258	80	58
Deposits in banks	33,444,265	18,443,899	27,843,656	12,062,654
Total	33,444,451	18,444,157	27,843,736	12,062,712

As at 31 December 2011, the Group had no restricted funds (31 December 2010: RMB1,090.79 million. The restricted funds as at 31 December 2010 were general reserve specified funds of fund management companies, which are deposited in special accounts in compliance with CSRC regulations and subject to regulatory restrictions.).

33. ACCOUNTS PAYABLE

	Group 31 December		Company 31 December	
	2011	2010	2011	2010
Accounts payable	36,477,143	62,081,222	17,207,569	30,868,612

Accounts payable represents the amount received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to note 31 "cash held on behalf of customers".

34. REPURCHASE AGREEMENTS

	Group 31 December		Company 31 December	
	2011	2010	2011	2010
Analysed by collateral:				
Securities	14,232,693	6,901,600	14,785,763	6,901,600
Analysed by counterparty:				
Banks	7,327,700	5,988,450	7,327,700	5,988,450
Other financial institutions	6,904,993	913,150	7,458,063	913,150
Total	14,232,693	6,901,600	14,785,763	6,901,600

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(In RMB thousands, unless otherwise stated)

35. TAX PAYABLE

	Group 31 December		Company 31 December	
	2011	2010	2011	2010
Income tax	1,862,516	3,188,721	1,672,035	2,628,296
Business tax	46,132	176,904	34,404	116,098
Others	781,019	495,295	734,335	341,369
Total	2,689,667	3,860,920	2,440,774	3,085,763

36. OTHER CURRENT LIABILITIES

	Group 31 December		Company 31 December	
	2011	2010	2011	2010
Salaries, bonuses and allowances payables	3,120,181	5,057,690	2,370,699	3,888,371
Funds payable to securities holders	187,291	181,156	173,915	167,595
Funds payable to securities issuers	106,443	66,649	106,443	66,649
Interest payable	37,188	37,188	37,188	37,188
Accrued liabilities	19,355	19,355	19,355	19,355
Other payables	1,571,062	1,254,111	751,127	415,100
Total	5,041,520	6,616,149	3,458,727	4,594,258

37. BONDS PAYABLE

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

	31 December	
	2011	2010
Analysed by maturity:		
Maturity over five years	1,500,000	1,500,000
	1,500,000	1,500,000

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37. BONDS PAYABLE (Continued)

Pursuant to approval by the CSRC, the Company issued a 15-year bond amounting to RMB1.5 billion from 25 May to 2 June 2006 which was guaranteed by CITIC Group. The relevant information on the bond issued is set out below:

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

38. ISSUED SHARE CAPITAL

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

	31 December 2011		31 December 2010	
	Number of shares (Thousand)	Nominal Value	Number of shares (Thousand)	Nominal Value
Registered, issued and fully paid:				
A shares of RMB1 each	9,838,580	9,838,580	9,945,702	9,945,702
H shares of RMB1 each	1,178,328	1,178,328	—	—
	11,016,908	11,016,908	9,945,702	9,945,702

According to a resolution relating to the proposed 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 Issuance of Overseas-listed Foreign Shares of Citic Securities Company Limited" (CSRC [2011] No.1366) issued by the CSRC, the Company completed its initial public offering of overseas-listed foreign shares ("H shares") in September and October 2011. Under this offering, the company totally offered 1,071,207,000 H shares (including over-allotment of 75,907,000 H shares) with a nominal value of RMB1.00 per share.

According to the "Provisional Administrative Measures on Reduction of State-owned Shares to Raise Social Security Fund" (Guo Fa [2001] No. 22) issued by the State Council and the "Approval of Relevant Issues Regarding the Issue and Listing of H Shares of CITIC Securities Company Limited" (Cai Jin Han [2001] No. 17) issued by the Ministry of Finance of the PRC, the 13 shareholders of the state-owned shares of the Company reduced the state-owned shares and transferred an aggregate amount of 107,120,700 domestic shares of the Company ("A shares") to National Council for Social Security Fund, and such shares were converted into H shares.

38. ISSUED SHARE CAPITAL (Continued)

As at 31 December 2011, the number of shares of the Company in issue increased to 11,016,908,400 shares from 9,945,701,400 shares (31 December 2010: 9,945,701,400 shares).

39. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, expand the production and operation, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve and other non-discretionary surplus reserves, the Company may also appropriate its after-tax profit for the year as determined under PRC GAAP to its discretionary surplus reserve upon approval by the shareholders in a general meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, expand production and operations, if any, and may be converted into capital of the Company.

(c) General reserve

Pursuant to the requirements of regulatory authorities such as the CSRC, the Company is required to appropriate 10% of its after-tax profit for the year for the general risk reserve and 10% for the transaction risk reserve. These reserves are used to offset accumulated losses of the Company and shall not be converted into dividends or issued share capital.

(d) Investment revaluation reserve

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

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39. RESERVES (Continued)

(e) Foreign currency translation reserve

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

(f) Distributable profits

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

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

Company

	Reserves					Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Sub-total	
Balance as at 1 January 2011	24,166,746	3,957,671	6,994,621	1,195,477	36,314,515	15,262,618
Profit for the year	—	—	—	—	—	7,360,910
Other comprehensive income	—	—	—	(1,962,794)	(1,962,794)	—
Total comprehensive income	—	—	—	(1,962,794)	(1,962,794)	7,360,910
Dividend – 2010	—	—	—	—	—	(4,972,851)
Appropriation to surplus reserves	—	736,091	—	—	736,091	(736,091)
Appropriation to general reserve	—	—	1,472,182	—	1,472,182	(1,472,182)
Capital contribution by shareholders	10,199,718	—	—	—	10,199,718	—
Others	2,998	54,849	109,697	—	167,544	383,941
Balance as at 31 December 2011	34,369,462	4,748,611	8,576,500	(767,317)	46,927,256	15,826,345

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39. RESERVES (Continued)

Company

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

40. CASH AND CASH EQUIVALENTS

	31 December	
	2011	2010
Cash on hand	186	258
Deposits in banks	33,444,265	17,353,105
Total	33,444,451	17,353,363

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41. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	Group		Company	
	31 December	2010	31 December	2010
	2011		2011	2010
Contracted, but not provided for	228,891	348,307	171,642	331,272

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

(b) Operating lease commitments

(i) Operating lease commitments as a lessee

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

	Group		Company	
	31 December	2010	31 December	2010
	2011		2011	2010
Within one year	310,183	223,940	199,164	71,958
After one year but not more than two years	156,571	182,642	87,391	59,594
After two years but not more than three years	123,297	128,908	75,331	49,118
After three years	322,808	316,732	267,093	158,744
Total	912,859	852,222	628,979	339,414

(ii) Operating lease commitments as a lessor

At the end of the reporting period, the Group and the Company did not have material lease commitments as a lessor.

(c) Legal proceedings

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

42. RELATED PARTY DISCLOSURES**(1) Largest shareholder of the Company**

Name of the shareholder	Relationship	Enterprise type	Place of registration and operations	Legal representative	Principal activities	Registered share capital	Percentage of equity interest	Voting rights	Organisational code
CITIC Group	Largest Shareholder	State-controlled	Beijing	Zhenming Chang	Financial, industrial and other services	RMB183.7 billion	20.30%	20.30%	10168558-X

(2) Subsidiaries

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

(3) Associates and jointly-controlled entities

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

(4) Related party transactions**(a) Shareholders with significant influence***(i) Largest shareholder of the Company – CITIC Group***Transactions during the year**

	2011	2010
Lease expenses paid	12,683	21,395
Income from providing services	158,483	129,865
Expense from receiving services	826	1,113
Total	171,992	152,373

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 Group. As at 31 December 2011, total guarantees provided by CITIC Group amounted to RMB1.5 billion (2010: RMB1.5 billion).

*(ii) Second largest shareholder of the Company – China Life Insurance Company***Transactions during the year**

	2011	2010
Lease expenses paid	3,590	—

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42. RELATED PARTY DISCLOSURES (Continued)

(4) Related party transactions (Continued)

(b) Subsidiaries

Transactions during the year

	2011	2010
Lease fees received	3,173	—
Interest income	3,249	—
Interest expense	26,465	—
Income from providing services	2,412	6,586
Expense from receiving services	239,140	1,722
Total	274,439	8,308

Balances at the end of the year

	31 December	
	2011	2010
Deposits for investments		
— Stock index futures	1,961,756	362,806
Refundable deposits	916,592	364,372
Accounts payable	34,209	23,060
Total	2,912,557	750,238

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

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42. RELATED PARTY DISCLOSURES (Continued)

(4) Related party transactions (Continued)

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

Transactions during the year

	2011	2010
Lease fees received	19,663	119
Lease expenses paid	27,572	31,086
Interest income	517,504	178,897
Interest expense	11,746	9,566
Income from providing services	55,081	80,642
Expense from receiving services	78,942	71,045
Investment income — Interest rate swap	18,168	7,018
Capital expenditure	5,399	—
Project consultant expense	3,318	—
Total	737,393	378,373

Balances at the end of the year

	31 December	
	2011	2010
Accounts receivable	642	523
Accounts payable	3,688	4,805
Cash held on behalf of customers ⁽ⁱ⁾	4,482,444	7,468,043
Cash and bank balances ⁽ⁱ⁾	12,738,243	4,358,128
Total	17,225,017	11,831,499

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

(d) Subsidiaries of the second largest shareholder of the Company

Transactions during the year

	2011	2010
Income from providing services	1,225	641

(e) Associates

Transactions during the year

	2011	2010
Income from providing services	5	—

Equity transactions during the year

	2011	2010
Equity transfer	155,912	—

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42. RELATED PARTY DISCLOSURES (Continued)

(4) Related party transactions (Continued)

(f) Key management personnel

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

The aggregate compensation for key management personnel during the reporting periods, other than that disclosed in note 11, is as follows:

	2011	2010
Salary and other short term employment benefits	22,842	20,999

43. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

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

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

Fair value hierarchy

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

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

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

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

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43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(a) Financial instruments recorded at fair value

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held				
for trading	11,881,803	6,836,579	32,088	18,750,470
— Debt securities	5,472,237	6,796,579	—	12,268,816
— Equity investments	6,409,566	—	32,088	6,441,654
— Others	—	40,000	—	40,000
Financial assets designated				
at fair value through				
profit or loss	—	—	298,885	298,885
Derivative financial assets	3,269	1,074,359	—	1,077,628
Available-for-sale				
financial assets	18,168,508	11,525,105	785,926	30,479,539
— Debt securities	4,092,311	10,847,864	—	14,940,175
— Equity investments	14,076,197	20,236	785,926	14,882,359
— Others	—	657,005	—	657,005
Total	30,053,580	19,436,043	1,116,899	50,606,522
Financial liabilities:				
Financial liabilities designated				
at fair value through profit				
or loss	6,283	—	—	6,283
Derivative financial liabilities	—	1,127,702	—	1,127,702
Total	6,283	1,127,702	—	1,133,985

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43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(a) Financial instruments recorded at fair value (Continued)

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held				
for trading	7,995,039	5,826,998	33,818	13,855,855
— Debt securities	4,182,719	5,418,836	33,818	9,635,373
— Equity investments	3,812,320	—	—	3,812,320
— Others	—	408,162	—	408,162
Financial assets designated				
at fair value through				
profit or loss	—	—	400,294	400,294
Derivative financial assets	—	732,537	—	732,537
Available-for-sale				
financial assets	22,245,321	13,375,272	1,970,772	37,591,365
— Debt securities	2,441,089	12,377,531	—	14,818,620
— Equity investments	19,804,232	417,545	1,970,772	22,192,549
— Others	—	580,196	—	580,196
Total	30,240,360	19,934,807	2,404,884	52,580,051
Financial liabilities:				
Derivative financial liabilities	403	434,172	—	434,575
Total	403	434,172	—	434,575

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43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

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

	As at 1 January 2011	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Transfers to level 3 from level 2	Decreases	Transfers to level 1 from level 3	As at 31 December 2011
Financial assets:								
Financial assets held								
for trading	33,818	(1,730)	—	33,818	—	(33,818)	—	32,088
— Debt securities	33,818	—	—	—	—	(33,818)	—	—
— Equity investments	—	(1,730)	—	33,818	—	—	—	32,088
Financial assets designated at fair value through profit or loss	400,294	50,434	—	40,956	—	(192,799)	—	298,885
Available-for-sale financial assets	1,970,772	—	271,551	359,125	44,000	—	(1,859,522)	785,926
— Equity investments	1,970,772	—	271,551	359,125	44,000	—	(1,859,522)	785,926

	As at 1 January 2010	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Transfers to level 1 from level 3	As at 31 December 2010
Financial assets:						
Financial assets held						
for trading	—	831	—	32,987	—	33,818
— Debt securities	—	831	—	32,987	—	33,818
Financial assets designated at fair value through profit or loss	—	53,628	—	346,666	—	400,294
Available-for-sale financial assets	1,828,856	—	794,896	1,137,194	(1,790,174)	1,970,772
— Equity investment	1,828,856	—	794,896	1,137,194	(1,790,174)	1,970,772

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43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

Gains on level 3 financial instruments included in the profit or loss for the year comprise:

	2011			2010		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains in the profit or loss for the year	42,561	6,143	48,704	—	54,459	54,459

(c) Transfers between Level 1 and Level 2

2011

	Transfer to level 2 from level 1	Transfer to level 1 from level 2
Financial assets:		
Available-for-sale financial assets	—	101,500
— Equity investments	—	101,500

2010

	Transfer to level 2 from level 1	Transfer to level 1 from level 2
Financial assets:		
Available-for-sale financial assets	—	276,653
— Debt securities	—	219,959
— Equity investments	—	56,694

(d) Financial instruments not measured at fair value

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

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has established comprehensive risk management and internal control processes, through which the Company monitors, evaluates and manages financial, operational, compliance and legal risks that we are exposed to in the business activities.

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 based on the Company Law, Securities Law, and the Articles of Association of the Company, to oversee and manage the operation of the Company. The Board has strengthened relevant internal control arrangements and improved the Company's control environment and internal control structures, enabling internal control to provide a basis for the Company's overall decision-making and incorporating internal control and risk management of various businesses into the Company's decision-making process.

Structure of the Risk Management

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, related professional committees under the Executive Committee, and departments responsible for internal control together with business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making between the respective committees, and closer cooperation between internal control functions and business lines, and manages the risk through consideration and approval, decision-making, execution and supervision.

Level 1: Board of Directors

The Risk Management Committee of the Board performs supervision on the overall risk management of the Company and contains the risk exposure within an acceptable level to ensure smooth implementation of effective risk management schemes over risks related to our 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: Management

The Company has established the Asset Allocation Committee. The committee performs decision-making and review on major issues and related systems involving the application of the capital under the authority of the Board and Executive Committee of the Company. For the purposes of capital security, the committee optimizes the assets allocation and improves the efficiency of the capital application via a scientific, standardized and prudent approach under strict control and management over the risk exposures.

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44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and review on the capital commitment of the underwriting business under the authority of the Board and Executive Committee of the Company. All corporate financing activities involving the application of the capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate financing activities and the security of the capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and Executive Committee of the Company, and is responsible for monitoring and managing the daily risk of the Company within its designated authority, and to decide and approve material matters related to risk management and relevant system. There are sub-working groups under the Risk Management Committee, which mainly comprise of transaction heads of the major business lines and heads of functional departments. Such sub-working groups are the main body responsible for daily monitoring and management of the financial risks over the securities investment business. It directly reports to the Risk Management Committee and executes decisions made by the Risk Management Committee.

The Company has established the Product Committee. This committee performs planning, coordination, decision-making and review on major matters such as design, sales and related systems of new products of the Company under the authority of the Board and Executive Committee to drive development of new businesses and products. The committee manages the risks related to new products through pre-sale quality control and preparation of relevant post-sale risk handling measures. There are risk assessment groups under the Product Committee which are responsible for legal and compliance tests on whether the financial product sold by the Company as agency comply with the relevant regulatory requirements, examination on potential fraud and reveal of financial risks of the products.

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 of the Company are the first line of defense of the risk management. Such departments establish risk management systems for the respective businesses and performs supervision, assessment and reporting on the business risks to contain such risks within the limits.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

The Company has set up the Risk Management Department, which 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 optimization of the allocation of the 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 between front office, the Risk Management Department and the Management, and regularly discloses the general risk portfolio of the Company and makes recommendations on the risk management; establishes a comprehensive stress test mechanism as a basis for the 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 has the overall responsibility for internal audit, organising the comprehensive audit of all departments of the Company, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of emergency events.

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

The Company has also set up the Legal Department, which is responsible for the oversight of legal risks of the Company and relevant businesses.

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

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44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk

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

The credit risk of the Company mostly arises from three aspects: Firstly, in respect of the securities and futures brokerage business, if the Company does not require the clients to pay sufficient margin deposits in advance according to the laws, the Company might undertake the clearing responsibility on behalf of clients in the event that the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors, and accordingly bear losses; Secondly, credit risk arising from the margin financing and securities lending business, which refers to the Company's exposure to loss caused by client defaults; and thirdly default risk from bonds investment, which refers to the risk of asset losses and change in yield by reason of default by the issuer or the counterparty of the bond invested, refuse to pay principal and interest due.

The Company will oversee credit risk on real time basis with its information management systems; and will keep track on credit risk of the business segments and the counterparties, so as to deliver analysis and pre-alert reports, and to adjust credit limits in a timely manner. The Company will measure credit risk of major operations by means of pressure test and sensitivity analysis.

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

Credit risk from the margin financing and securities lending business primarily includes clients' providing false information, failing to make full repayment on time, scale and structure of positions held violate the contracts, undertaking transactions that violate the regulatory requirements, and provide with collateral that involve legal disputes. Credit risk arises from margin financing and securities lending business are mainly managed through educating the customers, 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 risk associated with bonds investment, the Company has established the counterparty credit approval policy and the blacklist policy, and developed certain investment restrictions based on the ratings of credit products.

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

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

Group

	31 December	
	2011	2010
Available-for-sale financial assets	14,940,175	14,818,620
Refundable deposits	840,411	1,006,749
Financial assets held for trading	12,268,816	9,635,373
Derivative financial assets	1,077,628	732,537
Reverse repurchase agreements	575,760	1,866,466
Due from banks	790,000	—
Cash held on behalf of customers	35,760,238	61,911,465
Bank balances	33,444,265	18,443,899
Others	4,180,232	5,169,189
Total maximum credit risk exposure	103,877,525	113,584,298

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

Company

	31 December	
	2011	2010
Available-for-sale financial assets	14,520,340	13,077,573
Refundable deposits	1,318,629	767,961
Financial assets held for trading	11,627,555	8,753,994
Derivative financial assets	1,071,567	732,537
Reverse repurchase agreements	55,760	1,226,616
Cash held on behalf of customers	16,921,210	30,541,324
Bank balances	27,843,656	12,062,654
Others	3,487,027	4,018,886
Total maximum credit risk exposure	76,845,744	71,181,545

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

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Risk concentrations

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

31 December 2011	By geographical area		
	Mainland China	Outside Mainland China	Total
Available-for-sale financial assets	14,940,175	—	14,940,175
Refundable deposits	838,773	1,638	840,411
Financial assets held for trading	11,627,555	641,261	12,268,816
Derivative financial assets	1,071,567	6,061	1,077,628
Reverse repurchase agreements	575,760	—	575,760
Due from banks	790,000	—	790,000
Cash held on behalf of customers	34,288,353	1,471,885	35,760,238
Bank balances	21,576,861	11,867,404	33,444,265
Others	3,534,142	646,090	4,180,232
Total maximum credit risk exposure	89,243,186	14,634,339	103,877,525

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

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

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

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk is the risk for the Group encountering fund shortage in fulfilling its obligations relating to financial liabilities. The Company has consistently adhered to a unified liquidity management and operation policy and continues to strengthen its liquidity management system. It has clearly stated that fund lending or borrowing, repurchase and pledged loans business are managed by the Treasury Department. In addition, the Company has gradually established a treasury risk assessment and monitoring system, so as to strictly controlling its liquidity risk. In respect of domestic stock exchanges and inter-bank market, as the Company has a relative high credit rating, and has secured stable channel for short-term financing, such as fund lending or borrowing and repurchases. Therefore, the overall liquidity of the Company was maintained at a relatively secured level.

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

Group

	31 December 2011						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Accounts payable	36,477,143	—	—	—	—	—	36,477,143
Financial liabilities designated at fair value through profit or loss	—	—	—	—	—	6,283	6,283
Repurchase agreements	—	14,244,935	—	—	—	—	14,244,935
Due to banks	—	100,109	—	—	—	—	100,109
Bonds payable	—	—	63,750	255,000	1,818,750	—	2,137,500
Others	293,734	—	—	—	10,691	—	304,425
Total	36,770,877	14,345,044	63,750	255,000	1,829,441	6,283	53,270,395
Cash flows from derivative financial liabilities settled on net basis	—	24,786	74,572	933,965	—	—	1,033,323
Gross settled derivative financial liabilities:							
Contractual amounts receivable	—	(16,958,781)	(99,683)	—	—	—	(17,058,464)
Contractual amounts payable	—	17,098,003	99,947	—	—	—	17,197,950
	—	139,222	264	—	—	—	139,486

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Group

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

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Company

	31 December 2011						Total
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
Non-derivative financial liabilities:							
Accounts payable	17,207,569	—	—	—	—	—	17,207,569
Repurchase agreements	—	14,798,005	—	—	—	—	14,798,005
Due to banks	—	100,109	—	—	—	—	100,109
Bonds payable	—	—	63,750	255,000	1,818,750	—	2,137,500
Others	280,358	—	—	—	—	—	280,358
Total	17,487,927	14,898,114	63,750	255,000	1,818,750	—	34,523,541
Cash flows from derivative financial liabilities settled on net basis	—	24,786	74,302	933,965	—	—	1,033,053
Gross settled derivative financial liabilities:							
Contractual amounts receivable	—	(16,948,551)	(99,683)	—	—	—	(17,048,234)
Contractual amounts payable	—	17,087,403	99,947	—	—	—	17,187,350
	—	138,852	264	—	—	—	139,116

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Company

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

(c) Market risk

Market risks represent potential losses due to movement in market prices of securities held by the Company. Securities held by the Company were derived from the proprietary investment, market-making business and other investment activities. Movement in securities holdings primarily arose from instructions received from the customers and the relevant strategies of the proprietary investment.

Market risks primarily include price risk, interest rate risk and foreign exchange rate risk. 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 the movement of the yield curve of fixed income investment, fluctuation in interest rates and credit spreads.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

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 lines and internal control departments. Through allocating the overall risk of the Company to different department, the monitoring and execution duty performed by the internal department, and timely assess and report of significant risk matters, the overall market risk of the Company is controlled within acceptable level.

The Company assesses, monitors and manages the overall market risk portfolio of the Company through a risk management department independent of the business departments, and findings of the assessment and monitoring are reported to the respective business departments, management of the Company and the Risk Management Committee. In implementation of the market risk management, front-office business departments, as the direct execution and front-line management, dynamically control and adjust the risk exposure arising from its securities holdings, and will take measures to mitigate or hedge against such exposures when they are deemed high. Relevant controllers from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments with regard to information on exposures, and discuss the status of risk portfolio and the losses in extreme situations.

The Risk Management Department estimates possible losses arising from market risks through series of measurement, including possible losses under normal volatility and when extreme cases occur in the market. 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 portfolio and its changes in each of the business departments. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers and management of the Company.

The Company sets limits for respective business departments of the Company to control fluctuations in the profit or loss and the 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 relevant management officers in advance and discuss with the respective business management officers, followed by mitigation measures to adjust the exposures to a level within the limits, or the respective business departments may apply for a temporary or permanent upgrade in the limits, subject to approval by the relevant committees.

In the future, the Company will continue to modify and establish a more comprehensive system of risk limits over the Company, in the respective business departments and within the investment accounts. On the other hand, the Company also plans to set limits for an increasing number of risk indicators. In the meantime, the Company will further regulate the top-down management over risk limits by the Risk Management Committee and different levels of business departments.

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) VaR

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

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

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

Company

	31 December	2011		
	2011	Average	Highest	Lowest
Price-sensitive financial instruments	310,478	409,756	587,902	283,976
Interest rate-sensitive financial instruments	46,304	36,102	74,433	13,055
Total portfolio VaR	322,583	416,743	612,252	292,547

	31 December	2010		
	2010	Average	Highest	Lowest
Price-sensitive financial instruments	533,819	340,032	542,154	212,786
Interest rate-sensitive financial instruments	48,109	19,182	49,356	6,965
Total portfolio VaR	554,727	344,376	554,727	211,356

(ii) Interest rate risk

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

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)**(c) Market risk (Continued)****(ii) Interest rate risk (Continued)**

The Company uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Company's total income and shareholders' equity when interest rates fluctuate reasonably and possibly. Assuming a shift in market interest rates across the Board and without taking into consideration the risk management activities to reduce interest rate risk, the impact of such a shift on revenue and shareholders' equity based on an interest rate sensitivity analysis of the Company is as follows:

Company

Change in basis points	Sensitivity of revenue	
	2011	2010
+25 basis points	(148,866)	(214,973)
-25 basis points	150,360	214,985

Change in basis points	Sensitivity of equity	
	31 December 2011	31 December 2010
+25 basis points	(78,106)	(80,988)
-25 basis points	79,033	80,997

(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 foreign assets of the Group accounted approximately 11% of the overall assets. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB. The Company deals with the currency risk uniformly, and track on account prices of asset by daily mark-to-market. The currency risk is monitored from multiple aspects, including asset limits, VAR, sensitivity analysis, stress test and so on. The currency risk exposure management is realised through adjusting foreign exchange positions, hedging with foreign exchange forward/options, carrying out currency swap and etc.

Notes to Financial Statements

31 December 2011

(In RMB thousands, unless otherwise stated)

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(iv) Other price risk

Other 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 31 December 2011, the Group's equity investment in financial assets held for trading and financial assets designated at fair value through profit or loss accounted for 4.55% of the total assets; and the equity investment measured at fair value in available-for-sale financial assets accounted for 8.97% of the total assets. During the year, the fair value loss of financial assets held for trading and financial assets designated at fair value through profit or loss amounted to RMB341 million. The cumulative loss recognised in other comprehensive income in respect of available-for-sale financial assets amounted to RMB542 million, and a cumulative impairment allowance of RMB1,582 million has been recognised by the Group for the available-for-sale financial assets held.

45. EVENTS AFTER THE REPORTING PERIOD

1. *Resolution on equity transfer of CITIC Standard and Poor's Information Service (Beijing) Co., Ltd.*

According to a resolution relating to Equity Transfer of CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. passed in the thirty-seventh meeting of the fourth session of the Board of Directors held on 15 March 2012, the Board approved the proposed transfer of the Company's 50% equity interest held in CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. to McGraw-Hill International Enterprises Inc. (麥格勞•希爾國際企業有限公司) at a total consideration of US\$500,000. The relevant equity transfer procedures are in process.

2. *Partial acquisition of the remaining equity interest of CITIC Wantong Securities Co., Ltd.*

The Company acquired 0.5% equity interest of CITIC Wantong Securities Co., Ltd. from Shandong Machinery Import and Export Group Corporation with a consideration of RMB22.08 million in March 2012. Upon completion of the transfer, the proportion of equity interest held in CITIC Wantong Securities Co., Ltd. by the Company increased from 95.50% to 96.00%.

3. *Proposed to Set Up a Subsidiary Engaging in Financial Product Investment Business*

On 28 July 2011, the 30th Meeting of the 4th Session of the Board of the Company considered and approved the Resolution regarding on Setting Up a Subsidiary Engaging in Financial Product Investment, approving the Company to submit an application to the CSRC about setting up a wholly-owned subsidiary for financial product investment with an initial investment capital of RMB3 billion by the Company. On 23 December 2011, the Fifth Extraordinary General Meeting of Shareholders approved to include an additional description to the business scope in the Articles of Association, i.e. "the Company may establish subsidiaries to carry out investment business, including the investment in financial products". Such amendment to the major articles of the Articles of Association is approved by the Shenzhen Bureaus. Currently, the Company has completed the pre-approve register of enterprise name with the name of such subsidiary "CITIC Securities Investment Limited" and the relevant registration formalities with the industrial and commerce authorities.

45. EVENTS AFTER THE REPORTING PERIOD (Continued)

4. *Acquisition of the equity interest of CLSA B.V*

On 9 June 2011, the 29th meeting of the 4th Session of the Board of the Company approved the Resolution on Wholly-owned Subsidiary, CITIC Securities International Company Limited (“CSI”), to Acquire a 19.9% Equity Interest In Each of CLSA B.V (“CLSA”) and Credit Agricole Cheuvreux SA (“CA Cheuvreux”), approving CSI to acquire a 19.9% equity interest in each of CLSA and CA Cheuvreux for a consideration of US\$374 million.

On 29 March 2012, the 38th meeting of the 4th Session of the Board of the Company approved the Resolution on Wholly-owned Subsidiary, CITIC Securities International Company Limited, to Continue Investing In CLSA and Change the Original Deal Structure, approving the management and CSI to consider and respond to the proposal of Credit Agricole Corporate and Investment Bank regarding a revision of the original deal structure, and an offer to sell the remaining equity interest of CLSA; authorizing CSI to invest in 19.9% equity interest of CLSA, but discontinue investing in 19.9% equity interest of CA Cheuvreux; authorizing management and CSI to commence negotiation with Credit Agricole Corporate and Investment Bank in respect of overall transaction valuation, conditions, extent of in-scope assets and deal perimeters, etc. and to enter into an amended agreement and memorandum of understanding after reaching consensus following the above-mentioned negotiation. The resultant transaction details and its consideration are subject to approval by the Company’s Board of Directors and shareholders (if necessary). It is currently uncertain as to whether a transaction can be concluded, which will depend on whether consensus can be reached during the negotiation.

5. *Proposed profit distribution after the reporting period*

In the Board of Directors’ meeting of the Company held on 29 March 2012, a board resolution was passed, pursuant to which the Company proposed to make the following appropriations: (i) 10% of its audited after-tax profit for the year to the statutory surplus reserve with an amount of RMB736,091 thousand; (ii) 10% of its audited after-tax profit for the year to the general risk reserve with an amount of RMB736,091 thousand; (iii) 10% of its audited after-tax profit for the year to the transaction risk reserve with an amount of RMB736,091 thousand and (iv) cash dividends for the year of RMB4.30 yuan for every 10 shares (pre-tax), amounting to approximately RMB4,737,271 thousand in total. The proposed profit distribution plan for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2012.

Documents Available for Inspection

- (1) Financial statements with the signatures and seals of the Company's responsible person, financial officer and financial department manager.
- (2) The original copy of the audit report with signatures and seals of the accounting firm and CPAs.
- (3) The original copies of the documents and announcements of the Company published during the reporting period in the media designated by the China Securities Regulatory Commission for information disclosures.
- (4) Annual reports posted on other stock exchanges.
- (5) The Company's Articles of Associations.

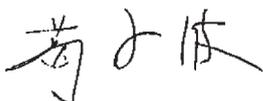
Chairman of the Board of Directors
(WANG Dongming)



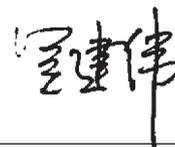
General Manager
(CHENG Boming)



Chief Financial Officer
(GE Xiaobo)

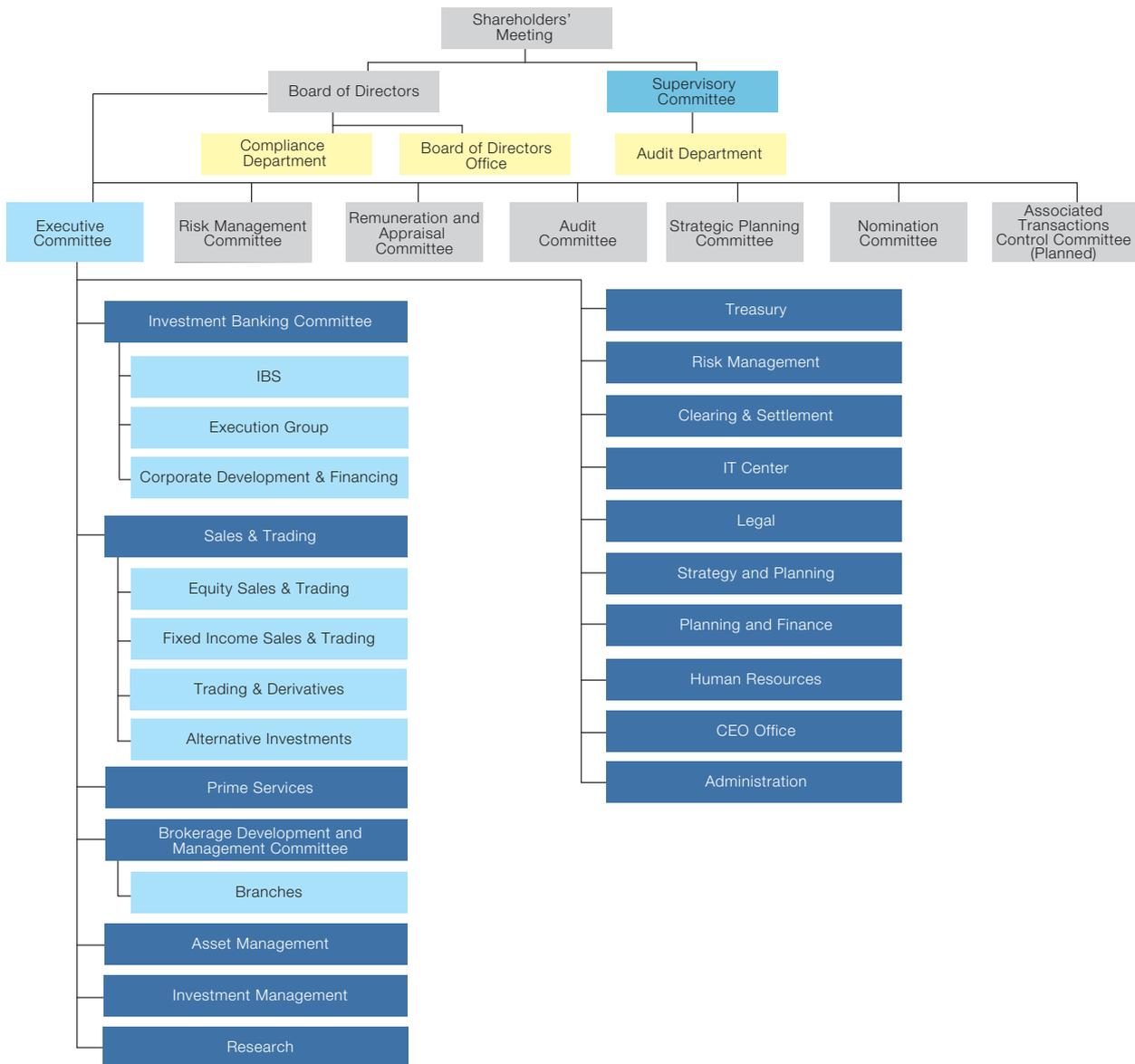


Chief Compliance Officer
(WU Jianwei)



CITIC Securities Company Limited
March 29, 2012

Appendix 1: Organization Chart



Note 1: There are the Capital Market Department, Business Operation Department, Market Development Team, International Business Team, Industry and Strategy Research Team, various industry teams and business lines under the Investment Banking Committee; there are the Marketing Management Department, Financial Products Development Department, Customer Service Department, Business Management Department as well as Beijing Branch, Shanghai Branch, Guangdong Branch, Hubei Branch and Jiangsu Branch under the Brokerage Business Development and Management Committee.

Note 2: During the reporting period, with the consideration and approval of the Board of Directors, the Company has set up the Strategy Planning Department; changed the name of the Legal Supervision Department into the Legal Department; changed the name of the Credit Transaction Management Department into the Securities and Financial Business Division; changed the name of the Corporate Bond Sale Trade Department into Fixed Income Department; and changed the name of the Brokerage Business Management Department into the Brokerage Business Development and Management Committee.

Note 3: On 15 March 2012, the Board of the Company approved the establishment of alternative investment business line, which was to be engaged in domestic and overseas alternative investment business.

Appendix 2: List of Domestic and International Branches

Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
Beijing	11	CITIC Securities	Beijing Hujialou Branch	Building 1, Compound 28, Xiangjunbeili, Chaoyang District, Beijing	+86-10-57602565	+86-10-57602570
			Beijing Anwaidajie Branch	1 Andingmenwai Avenue, Chaoyang District, Beijing	+86-10-84122033	+86-10-84121391
			Beijing Beisanhuanzhonglu Branch	43-3 North 3rd Ring Road, Haidian District, Beijing	+86-10-82070509	+86-10-62063545
			Beijing Huayuangonglu Branch	7/F, Gaode Tower, 10 East Huayuan Road, Haidian District, Beijing	+86-10-82038207	+86-10-82038206
			Beijing Zizhuyuanlu Branch	9/F, China Weapon Building, 69 Zizhuyuan Road, Haidian District, Beijing	+86-10-68966702	+86-10-63445727
			Beijing Zhangzizhonglu Branch	7 Zhangzizhong Road, Dongcheng District, Beijing	+86-10-64017744-6798	+86-10-84046799
			Beijing Fuwaidajie Branch	3/F, Baiyun Tower, 1 Baiyun Road, Xicheng District, Beijing	+86-10-63441159	+86-10-63445727
			Beijing Nansanhuanonglu Branch	Building 2-3, Section 2, Sifangjing Garden, Fengtai District, Beijing	+86-10-87645752	+86-10-87645765
			Beijing Tiantongyuan Branch	Room 102, Building 4, Section 1, Tiantongbeiyuan, Changping District, Beijing	+86-10-80141028	+86-10-80127328
			Beijing Fengguanlu Branch	Room A to F, 2/F, Building 11, 16 Fengguan Road, Fengtai District, Beijing	+86-10-52277221	+86-10-52217221
				CITIC Futures	Beijing Jianguomenwaidajie Branch	Room 801, Building A, International Financial Center, Jianguomenwai Avenue, Chaoyang District, Beijing
Tianjin	2	CITIC Securities	Tianjin Dagang Branch	1/F, Trade Tower, Compound 3, Dagang Oilfield, Tianjin	+86-22-25920550	+86-22-25910549
			Tianjin Youyilu Branch	1/F, Seven-storey Building, Sinosteel Tianjin Geological Academy, 42 Youyi Road, Hexi District, Tianjin	+86-22-28138825	+86-22-28358942
Shanghai	14	CITIC Securities	Shanghai Huaihaizhonglu Branch	2/F and Room A of 25/F and 32/F, 98 Middle Huaihai Road, Luwan District, Shanghai	+86-21-53858202	+86-21-53858290
			Shanghai Jululu Branch	Room 501, 417 Julu Road, Luwan District, Shanghai	+86-21-62875221	+86-21-62875211
			Shanghai Liyanglu Branch	2/F, 1088 Liyang Road, Hongkou District, Shanghai	+86-21-61673530	+86-21-61673530
			Shanghai Shihua Branch	1 to 3/F, 290 Shihualong Road, Jinshan District, Shanghai	+86-21-57955812	+86-21-57955812

Appendix 2: List of Domestic and International Branches

Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile	
			Shanghai Changshoulu Branch	No. 8 and 2/F of No. 10 and No. 12 and 2/F of No 16, Alley 818, Changshou Road, Putuo District, Shanghai	+86-21-62322321	+86-21-62323663	
			Shanghai Caoxibeilu Branch	17/F, 375 North Caoxi Road, Xuhui District, Shanghai	+86-21-33973593	+86-21-33973587	
			Shanghai Gubeilu Branch	Room 301, 1078 Gubei Road, Changning District, Shanghai	+86-21-62092178	+86-21-62091283	
			Shanghai Hengfenglu Branch	2/F and 8/F, 1 Hengfeng Road, Zhabei District, Shanghai	+86-21-63813581	+86-21-63813608	
			Shanghai Huminlu Branch	No. 2 of Sub-alley 111, Alley 7580, Humin Road, Minhang District, Shanghai	+86-21-54080136	+86-21-54807234	
			Shanghai Pudongdadao Branch	Room 203 and 6/F, 1085 Pudong Avenue, Pudong New Area, Shanghai	+86-21-68498012	+86-21-68498059	
			Shanghai Dongfanglu Branch	Room 5C and Room 1110 and Room 605 and Room 1505, 710 Dongfang Road, Pudong New Area, Shanghai	+86-21-68758300	+86-21-68758200	
			Shanghai Anting Branch	2/F, 29 Moyu Road, Anting Township, Jiading District, Shanghai	+86-21-59579234	+86-21-59579234	
		CITIC Futures	Shanghai Shijidadao Branch	Rooms 9C and 9D and 9E and 9H, East Hope Tower, 1777 Century Avenue, Pudong New Area, Shanghai	+86-21-61017300	+86-21-61019873	
			Shanghai Pudianlu Branch	Rooms 1203 and 1204, 1589 Century Avenue, Pudong New Area, Shanghai	+86-21-68751268	+86-21-68751278	
Hebei Province	Shijiazhuang	1	CITIC Securities	Shijiazhuang Jianshebeidajie Branch	26-5 Jianshebei Avenue, Qiaodong District, Shijiazhuang City, Hebei Province	+86-311-66772077	+86-311-66772070
	Tangshan	1		Tangshan Jianshebeilu Branch	B-2, 92 Jianshebei Road, Lubei District, Tangshan City, Hebei Province	+86-315-5266356	+86-315-5266357
Liaoning Province	Shenyang	2	CITIC Securities	Shenyang Shifudalu Branch	335 Fengtian Street, Shenhe District, Shenyang City, Liaoning Province	+86-24-88598877	+86-24-88598852
			CITIC Futures	Shenyang Branch	Rooms 14-5A and 14-5B and 14-6A and 14-6B, Zhonghan Building, 124 Huigong Street, Shenhe District, Shenyang City, Liaoning Province	+86-24-62651187	+86-24-62651180
	Dalian	2	CITIC Securities	Dalian Xinghaiguangchang Branch	Room 1-1-4, Building 13, No. 6 of Section B2, DaLian Xinghai Square, Shahekou District, Dalian City, Liaoning Province	+86-411-82553277	+86-411-82809103

Appendix 2: List of Domestic and International Branches

Area		Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
			CITIC Futures	Dalian Branch	Room 2508, Futures Square, Building A, Dalian International Finance Conference Center, 129 Huizhan Road, Shahekou District, Dalian City, Liaoning Province	+86-411-84806372	+86-411-84806772
Jilin Province	Jilin	1	CITIC Futures	Jilin Branch	4/F, 111-8 Middle Jiefang Road, Chuanying District, Jilin City, Jilin Province	+86-432-62882001	+86-432-62882088
Shanxi Province	Taiyuan	1	CITIC Securities	Taiyuan Yingzexidajie Branch	4/F, International Energy Center, 100 Yingzexi Avenue, Wanbaolin District, Taiyuan City, Shanxi Province	+86-351-6192108	+86-351-6191978
Shaanxi Province	Xi'an	1	CITIC Securities	Xi'an Kejiu Branch	Room 11301, Building 1, E-Yang International Building, 27 Keji Road, Xi'an City, Shaanxi Province	+86-29-88222554	+86-29-88258582
Gansu Province	Yinchuan	1	CITIC Futures	Yinchuan Branch	Rooms B01 and B02 and B05 and B06, 8/F 8, Building B, Yinchuan World Trade Center, 106 West Wenhua Street, Xingqing District, Yinchuan City, Gansu Province	+86-951-5198139	+86-951-5198130
Jiangsu Province	Nanjing	1	CITIC Securities	Nanjing Gaoloumen Branch	5 Gaoloumen, Xuanwu District, Nanjing City, Jiangsu Province	+86-25-83282420	+86-25-83601540
	Suzhou	1		Suzhou Zhongxinlu Branch	58 Zhongxin Road, Suzhou Industrial Park, Jiangsu Province	+86-512-67620461	+86-512-67611812
	Changzhou	1		Changzhou Huanfulu Branch	10 Huanfu Road, Hutang Town, Wujin District, Changzhou City, Jiangsu Province	+86-519-86565278	+86-519-86565278
	Rugao	1		Rugao Jianshanlu Branch	9 South Jianshan Road, Rucheng Town, Rugao City, Jiangsu Province	+86-513-87653804	+86-513-87655715
	Qidong	1		Qidong Renmingzhonglu Branch	683 Middle Renmin Road, Huilong Town, Qidong City, Jiangsu Province	+86-513-83350651	+86-513-83350651
	Haimen	1		Haimen zhenzhonglu Branch	3/F, 9 Zhenzhong Road, Haimen Town, Haimen City, Jiangsu Province	+86-513-82210827	+86-513-82210827
	Xuzhou	1		Xuzhou Minzhunanlu Branch	7 South Minzhu Road, Xuzhou City, Jiangsu Province	+86-516-83720932	+86-516-83720932
	Zhenjiang	1		Zhenjiang Dianlilu Branch	18 Dianli Road, Runzhou District, Zhenjiang City, Jiangsu Province	+86-511-81983985	+86-511-81983986
	Wuxi	1		Wuxi Zhenghedadao Branch	187 Zhenghe Avenue, Huishan District, Wuxi City, Jiangsu Province	+86-510-83580068	+86-510-83580068

Appendix 2: List of Domestic and International Branches

Area		Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
Anhui Province	Hefei	1	CITIC Securities	Hefei Suixilu Branch	Rooms 101 and 1-70 and 1-708,1-Shang, Jinding Square, 287 Suixi Road, Luyang District, Hefei City, Anhui Province	+86-551-5662888	+86-551-5662898
	Wuhu	1		Wuhu Xinshidashangyejie Branch	No 155, Building 15, New Era Commercial Street, Wuhu City, Anhui Province	+86-553-5955955	+86-553-5955959
	Ma'anshan	1	CITIC Futures	Ma'anshan Branch	2/F, Building 4-C, Zhongyan Garden, Yishou Road, Huashan District, Maanshan City, Anhui Province	+86-555-3509808	+86-555-3509806
Hubei Province	Wuhan	2	CITIC Securities	Wuhan Jianshedadao Branch	CITIC Tower, 747 Jianshe Avenue, Wuhan City, Hubei Province	+86-27-85355310	+86-27-85355323
				Wuhan Xudongdajie Branch	7/F, Guodian Building, 113 Xudong Road, Hongshan District, Wuhan City, Hubei Province	+86-27-88108300	+86-27-88108300
	Xiangyang	1		Xiangyang Jiefanglu Branch	Kaifang Plaza, Special No. 1, Paopu Street, Jiefang Road, Fancheng District, Xiangyang City, Hubei Province	+86-710-3442123	+86-710-3447123
Hunan Province	Changsha	1	CITIC Securities	Changsha Furonglu Branch	2/F, Dingwang Building, No. 388, Section 2, Middle Furong Road, Changsha City, Hunan Province	+86-731-85175358	+86-731-85361538
Sichuan Province	Chengdu	1	CITIC Securities	Chengdu Yulinbeijie Branch	3 North Yulin Street, Chengdu City, Sichuan Province	+86-28-85568181-806	+86-28-85560026
Yunnan Province	Kunming	1	CITIC Securities	Kunming Dianchilu Branch	Rooms B2-10, 1 to 2/F, Unit 1, Building 3, Nanyaxingchenyuan, Nanyafengqingdiyicheng, Dianchi Road, Xishan District, Kunming City, Yunnan Province	+86-871-8318852	+86-871-8318852
Guangxi Province	Nanning	1	CITIC Securities	Nanning Keyuandadao Branch	52-1 Keyuan Avenue, High and New-tech Zone, Nanning City, Guangxi Province	+86-771-2539004	+86-771-2539039
	Yulin	1	CITIC Futures	Yulin Branch	Rooms 2112 and 2113 and 2115 and 2116, Building B, Dongmen Commerce Square, No. 6 Intersection of Middle Renmin Road, Yulin City, Guangxi Province	+86-775-2330857	+86-775-2330872

Appendix 2: List of Domestic and International Branches

Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile	
Hainan Province	Haikou	1	CITIC Securities	Haikou Guoxingdadao Branch	Building B, East Section, Shengdajingdu, 61 Guoxing Avenue, Haikou City, Hainan Province	+86-898-65308692	+86-898-65308692
Guangdong Province	Shenzhen	4	CITIC Securities	Shenzhen Shennandadao Branch	19/F, Happy Year Center, 6021 Shennan Avenue, Futian District, Shenzhen City, Guangdong Province	+86-755-83459949	+86-755-83459951
				Shenzhen Shennanzhonglu CITIC Tower Branch	9/F, CITIC Tower, 1093 Middle Shennan Road, Futian District, Shenzhen City, Guangdong Province	+86-755-25986277	+86-755-25986563
				Shenzhen Fuhuayilu Branch	24/F, Duty Free Business Building, Fuhua No. 1 Road, Tutian District, Shenzhen City, Guangdong Province	+86-755-83733817	+86-755-83733989
				CITIC Futures	Shenzhen Branch (in preparation)	Rooms 15C-15D, Tianmian City Tower, Futian District, Shenzhen City, Guangdong Province	+86-755-83218341
	Guangzhou	2	CITIC Securities	Guangzhou Linjiangdadao Branch	Rooms 1101 and 1102 and 1106 and 1107, 5 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	+86-20-38983511	+86-20-38983502
				Guangzhou Fanyuguanghuananlu Branch	Rooms C103 and C201 (self-numbered) Donghanyuan, 71 South Guanghua Road, Shiji Town, Fanyu District, Guangzhou City, Guangdong Province	+86-20-23882021	+86-20-23882010
Dongwan		1		Dongwan Hongfulu Branch	Rooms 1201 and 1202 and 1203, Central Ring Fortune Plaza, 92 Hongfu Road, Nancheng District, Dongwan City, Guangdong Province	+86-769-23010697	+86-769-22361610
Zhongshan		1		Zhongshan Zhongshansilu Branch	4/F, No. 2 of Dixing Tower, 82 Zhongshan No. 4 Road, East Section, Zhongshan City, Guangdong Province	+86-760-88889703	+86-760-88889705
Foshan		1		Foshan Jihuawulu Branch	3/F, Jinhai Plaza, 21 Jihua No. 5 Road, Foshan City, Guangdong Province	+86-757-83283909	+86-757-83283930
Huizhou		1		Huizhou Maididonglu Branch	1 to 2/F, Podium Part of Building A1A2, Ivhuxincun 8 East Maidi Road, Huizhou City, Guangdong Province	+86-752-2889636	+86-752-2889637
Shantou		1		Shantou Haibinlu Branch	West of Room 304, 3/F of Haianningzhujunting, 28 Haibin Road, Jinping District, Shantou City, Guangdong Province	+86-754-88953899	+86-754-88951618

Appendix 2: List of Domestic and International Branches

Area		Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
Henan Province	Zhengzhou	3	CITIC Wantong Securities	Zhengzhou Shangwunehuanlu Branch	1 Shangwu Inner Ring Road, Zhengzhou City, Henan Province	+86-371-55623199	+86-371-55623175
				Zhengzhou Branch	Room 1803, 18/F, No. 1 International Tower, 14 Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou City, Henan Province	+86-371-65613662	+86-371-65613348
				Zhengzhou Weilailu Branch	Room 810, Weilai Building, 69 Weilai Avenue, Zhengzhou City, Henan Province	+86-371-65613157	+86-371-65613076
	Nanyang	1	CITIC Wantong Securities	Nanyang Renminbeilu Branch	188 North Renmin Road, Nanyang City, Henan Province	+86-377-61561666	+86-377-63280288
	Luoyang	1		Luoyang Jiududonglu Branch	313 East Jiudu Road, Luoyang City, Henan Province	+86-379-63535688	+86-379-63535699
Shandong Province	Qingdao	14	CITIC Wantong	Qingdao Dagulu Branch	15 Dagu Road, Qingdao, Shandong Province	+86-532-82849908	+86-532-82823109
				Qingdao Nanjinglu Branch	9 Nanjing Road, Qingdao City, Shandong Province	+86-532-85753228	+86-532-85753201
				Qingdao Biaoshanlu Branch	36 Biaoshan Road, Qingdao city, Shandong Province	+86-532-83632100	+86-532-83651271
				Qingdao DonghaiXilu Branch	28 West Donghai Road, Qingdao City, Shandong Province	+86-532-86682390	+86-532-85025063
				Qingdao Jiadinglu Branch	7 Jiading Road, Qingdao City, Shandong Province	+86-532-83711205	+86-532-83714299
				Qingdao Jingjijishukaifaqujinggangshanlu Branch	638 Jinggangshan Road, Economic and Technological Development Zone, Qingdao City, Shandong Province	+86-532-86882166	+86-532-86887033
				Jiaozhou Huzhoulu Branch	252 Huzhou Road, Jiaozhou City, Shandong Province	+86-532-87206881	+86-532-87206889
				Jimo Lan'ao Branch	788 Lan'ao Road, Jimo City, Shandong Province	+86-532-88516809	+86-532-88551828
				Pingdu Renminlu Branch	137 Renming Road, Pingdu City, Shandong Province	+86-532-87360999	+86-532-88332590
				Qingdao Xianggangzhonglu Branch	6 Middle Xianggang Road, Qingdao City, Shandong Province	+86-532-82020188	+86-532-82020577
				Qingdao Shenzhenlu Branch	222 Shenzhen Road, Qingdao City, Shandong Province	+86-532-88960556	+86-532-88967778
Qingdao Shandonglu Branch	111 Shandong Road, Qingdao City, Shandong Province	+86-532-80829686	+86-532-80829689				

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Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
Jinan	3	CITIC Wantong	Jiaonan Shiqiaolu Branch	16 Shiqiao Road, Jiaonan, Qingdao City, Shandong Province	+86-532-86170981	+86-532-86170986
			Qingdao Branch	Room 105, Building B, Qingdao World Trade Center, 6 Middle Xianggang Road, Qingdao City, Shandong Province	+86-532-85917799	+86-532-85917780
			Jinan Daxuelu Branch	588 Daxue Road, Jinan City, Shandong Province	+86-531-87209157	+86-531-87209157
		CITIC Futures	Jinan Shandalu Branch	144 Shanda Road, Jinan City, Shandong Province	+86-531-88199737	+86-531-88199777
			Jinan Branch	Section D, 7/F, Building A, Shandong Triumph Business Center, 142 Lishan Road, Lixia District, Jinan City, Shandong Province	+86-531-82380556	+86-531-82380523
			Zibo Liuquanlu Branch	45A Liuquan Road, Zhangdian District, Zibo City, Shandong Province	+86-533-2185551	+86-533-2185757
Zibo	3	CITIC Wantong	Zibo Meishijie Branch	11 Meishi Street, Zhangdian District, Zibo City, Shandong Province	+86-533-2180268	+86-533-2178600
			Zibo Branch	5/F, China Merchants Bank, No. A 1, 12 West Renmin Road, Zhangdian District, Zibo City, Shandong Province	+86-533-2312078	+86-533-2306117
		CITIC Futures	Laizhou Wenhualu Branch	628 Wenhua East Road, Laizhou City, Yantai City, Shandong Province	+86-535-2288980	+86-535-2275310
Yantai Nandajie Branch	118 South Avenue, Zhifu District, Yantai City, Shandong Province		+86-535-6683818	+86-535-6683819		
Binzhou	3	CITIC Futures	Binzhou Huangheerlu Branch	694 Huanghe No. 2 Road, Binzhou City, Shandong Province	+86-543-3329808	+86-543-3318128
			Binzhou Huanghewulu Branch	537 Huanghe No. 5 Road, Binzhou City, Shandong Province	+86-543-3313057	+86-543-3318128
			Binzhou Zouping Branch	140 Huangshan No. 3 Road, Zouping County, Binzhou City, Shandong Province	+86-543-4337868	+86-543-4328405
Weifang	3	CITIC Futures	Changyi Beihailu Branch	169 Beihai Road, Changyi City, Weifang City, Shandong Province	+86-536-7125157	+86-536-7125157
			Anqiu Xiangyanglu Branch	285 Xiangyang Road, Anqiu City, Weifang City, Shandong Province	+86-536-4296686	+86-536-4296698
			Weifang Sipinglu Branch	33A Siping Road, Weifang City, Shandong Province	+86-536-8210818	+86-536-8222257
Weihai	2	CITIC Futures	Rongcheng Chengshandadao Branch	Building 88, Chengshan Avenue (Middle Section), Rongcheng City, Weihai City, Shandong Province	+86-631-7697117	+86-631-7697118

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Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
			Weihai Qingdaobeilu Branch	2 North Qingdao Road, Weihai City, Shandong Province	+86-631-5190619	+86-631-5190615
Jining	2		Jining Guanghelu Branch	126 Guanghe Road, Jining City, Shandong Province	+86-537-2281777	+86-537-2221555
Linyi	1		Linyi Jinqushanlu Branch	10 Jinqushan Road, Linyi City, Shandong Province	+86-539-8323379	+86-539-8321805
Dongying	1		Dongying Jinanlu Branch	21 Jinan Road, Dongying City, Shandong Province	+86-546-8271667	+86-546-8276167
Liaocheng	1		Liaocheng Dongchangdonglu Branch	40-3 East Dongchang Road, Liaocheng City, Shandong Province	+86-635-8203360	+86-635-8203301
Dezhou	1		Dezhou Hubinzhongdadao Branch	909 Decheng District, Dezhou City, Shandong Province	+86-534-2651277	+86-534-2651199
Rizhao	1		Rizhao Beijinglu Branch	218 Beijing Road, Rizhao City, Shandong Province	+86-633-8775587	+86-633-8775567
Zaozhuang	1		Zaozhuang Wenhuazhonglu Branch	41 Wenhua Middle Road, Zaozhuang City, Shandong Province	+86-632-8999800	+86-632-8999900
Heze	1		Heze Zhonghualu Branch	689 Zhonghua Road, Heze City, Shandong Province	+86-530-5025858	+86-530-5696577
Longkou	1		Longkou Shiyanlu Branch	189 Shiyan Road, Longkou City, Shandong Province	+86-535-8578555	+86-535-8577993
Laiwu	1		Laiwu Wenhuaobeilu Branch	10 North Wenhua Road, Laiwu City, Shandong Province	+86-634-8196566	+86-634-8196566
Tai'an	1		Tai'an Changchenglu Branch	96 Changcheng Road, Tai'an City, Shandong Province	+86-538-8970977	+86-538-8289901
Zoucheng	1		Zoucheng Taipingdonglu Branch	51 East Taiping Road, Zoucheng City, Shandong Province	+86-537-5307567	+86-537-5308107
Zhejiang Province	Hangzhou	17	CITIC Securities (Zhejiang)			
			Hangzhou Yan'anlu Branch	515 Yan'an Road, Hangzhou City, Zhejiang Province	+86-571-85069366, 85069353	+86-571-85159101
			Hangzhou Sijilu Branch	Room 401, Dikai International Center, 76-6 Siji Road, Qianjiang New City, Hangzhou City, Zhejiang Province	+86-571-86519009	+86-571-28937353
			Hangzhou Fengqilu Branch	102-1 Fengqi Road, Hangzhou City, Zhejiang Province	+86-571-85783588	+86-571-85783676
			Hangzhou Shuguanglu Branch	Dragon Square, 150-1 Shuguang Road, Xihu District, Hangzhou City, Zhejiang Province	+86-571-87903558, 87903555, 87903512	+86-571-87903544
			Hangzhou Xinnanlu Branch	Building C, New Century Plaza, 133 Xinnan Road, Xiaoshan District, Hangzhou City, Zhejiang Province	+86-571-82620841	+86-571-82635797

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Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
			Hangzhou Wensanlu Branch	Laiyinda Tower, 535 Wensan Road, Hangzhou City, Zhejiang Province	+86-571-87991953	+86-571-87966303
			Tonglu Chunjianglu Branch	7/F, International Trade Building, 719 Chunjiang Road, Tongling County, Zhejiang Province	+86-571-64625071, 64240317	+86-571-64620952
			Hangzhou Zhaohuilu Branch	2/F, Taihe Guoji Mansion, 168-7 Zhaohui Road, Zhaohuilu Street, Xiacheng District, Hangzhou City, Zhejiang Province	+86-571-85771666	+86-571-85771577
			Hangzhou Dinganlu Branch	4/F, Yintai Department Store West Lake Branch, 1 Anding Road, Hangzhou City, Zhejiang Province	+86-571-87036105	+86-571-87036105
			Hangzhou Banshanlu Branch	143 Banshan Road, Gongshu District, Hangzhou City, Zhejiang Province	+86-571-88130313	+86-571-88135623
			Hangzhou Nandajie Branch	5/F, Building 2, Bafangjiezuo Tower, 263 South Avenue, Nanyuan Sub-district, Yuhang District, Hangzhou City, Zhejiang Province	+86-571-86238778, 86245108	+86-571-86245646
			Lin'an Tianwangjie Branch	431 Qianwang Street, Miancheng Town, Lin'an City	+86-571-63720468	+86-571-63732536
			Hangzhou Qingchunlu Branch	3/F and 5/F, Huadu Tower, 137 Qingchun Road, Hangzhou City, Zhejiang Province	+86-571-87240406, 87246290	+86-571-87240397
			Fuyang Yingbinlu Branch	12-8 Yingbin Road, Fuyang City, Zhejiang Province	+86-571-61717888	+86-571-61716033
			Hangzhou Yuhanglu Branch	6/F, Yuhang Hotel, 427 Yuhang Road, Yuhang Town, Zhejiang Province	+86-571-88671260, 88671261	+86-571-88671261
Huzhou	2	CITIC Securities (Zhejiang)	Changxing Jinlingzhonglu Branch	Hunainongken Building, 268 Jinling Middle Road, Changxing County, Huzhou City, Zhejiang Province	+86-572-6025769	+86-572-6043309
			Huzhou Huanchengxilu Branch	288 West Huangcheng Road, Huzhou City, Zhejiang Province	+86-572-2212008, 2035005	+86-572-2023021
Taizhou	4		Wenling Donghuibeilu Branch	152 North Donghui Road, Taiping Town, Wenling, Taizhou City, Zhejiang Province	+86-576-86207119; 86207163	+86-576-86207160
			Taizhou Shifudadao Branch	1 to 3/F, First Time Life Square, 535 Shifu Avenue, Taizhou City, Zhejiang Province	+86-576-88896598, +86-576-88612301	+86-576-88612357
			Tiantai Xianhouxiang Branch	11 Xianhou Lane, Chicheng Sub-district, Tiantai County, Taizhou City, Zhejiang Province	+86-576-83796598	+86-576-83922987

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Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
Jiaxing	6	CITIC Futures (Zhejiang)	Wenling Branch	2/F Wandang Tower, No. 152 Donghuibei Road, Wenling City, Zhejiang Province	+86-576-86209683	+86-576-86209617
			Jiaxing Jiyanglu Branch	155 Jiyang Road, Jiaxing City, Zhejiang Province	+86-573-82069341	+86-573-82069190
			Haining Xiaxilu Branch	287 Xiayi Road, Haining, Jiaxing City, Zhejiang Province	+86-573-87047777	+86-573-87033181
			Pinghu Renmingdonglu Branch	19 East Renmin Road, Danghu Sub-district, Pinghu, Jiaxing City, Zhejiang Province	+86-573-85120528, 85121028	+86-573-85014315
			Haiyan Hebinxilu Branch	Yinyan Tower, 126 West Hebin Road, Wuyuan Town, Haiyan County, Jiaxing City, Zhejiang Province	+86-573-86033570	+86-573-86033570
			Tongxiang Shijidadao Branch	1338 Century Avenue, Zhendong New Area, Tongxiang, Jiaxing City, Zhejiang Province	+86-573-88138111	+86-573-88138106
Jinhua	6	CITIC Futures (Zhejiang)	Jiashan Jinyangxilu Branch	3/F, Huizhong Tower, 51 West Jinyang Road, Jiashan County, Jiaxing City, Zhejiang Province	+86-573-84233977	+86-573-84236053
			Jinhua Zhongshanlu Branch	Ocean Tower, 331 Middle Zhongshan Road, Jinhua City, Zhejiang Province	+86-579-82337102, 82303626	+86-579-82312327
			Yiwu Chengzhongzhonglu Branch	88 Middle Chengzhong Road, Yiwu City, Zhejiang Province	+86-579-85561808, 85561888	+86-579-85561877
			Pujiang Hongchangcaifuguangchang Branch	West Wing, Fortune Square, 33 East Renmin Road, Pujiang County, Jinhua City, Zhejiang Province	+86-579-84113222	+86-579-84111672
			Dongyang Zhongshanlu Branch	82 Zhongshan Road, Wuning Town, Dongyang City, Zhejiang Province	+86-579-86650188	+86-579-86650156
			Yongkang Jinchenglu Branch	3/F, Ganghai Tower, 29 Jincheng Road, Yongkang City, Zhejiang Province	+86-579-87196598	+86-579-87210782
Wenzhou	3	CITIC Securities (Zhejiang)	Yiwu Branch	Building 3, Building 5, No. 5-8 Slot, F3, West Danxi Road, Choucheng, Yiwu City, Zhejiang	+86-579-81560977	+86-579-85125608
			Wenzhou Chezhandadao Branch	1/F and 3/F, Shengde Tower, Chezhan Avenue, Wenzhou City, Zhejiang Province	+86-577-88107027, 88107028	+86-577-88107190
			Cangnan Longgangdadao Branch	3/F, Building 20, Deya Garden, Longgang Avenue, Longgang Town, Cangnan County, Wenzhou City, Zhejiang Province	+86-577-68625111	+86-577-68625152
			Leqing Mingyanglu Branch	138 Mingyang Road, Lecheng Town, Leqing City, Zhejiang Province	+86-577-62596598	+86-577-61600030

Appendix 2: List of Domestic and International Branches

Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile	
Shaoxing	6	CITIC Securities (Zhejiang)	Zhuji Yongxinglu Branch	22 Yongxin Road, Zhuji City, Shaoxing City, Zhejiang Province	+86-575-87222907	+86-575-87222203	
			Shengzhou Shidaishangwuguangchang Branch	2 Yijing Road, Shengzhou City, Shaoxing City, Zhejiang Province	+86-575-83000777	+86-575-83000779	
			Shaoxing Wanshanglu Branch	1076 Wanshang Road, Kejiao District, Shaoxing City, Zhejiang Province	+86-575-84136718, 84136719, 84133933	+86-575-84136728	
			Shaoxing Jiefanganlu Branch	Huifenghechang Commercial Building, 681 South Jiefang Road, Shaoxing City, Zhejiang Province	+86-575-88096598	+86-575-88589010	
			Shangyu Wangchonglu Branch	536 Wangchong Road, Shangyu, Shaoxing City, Zhejiang Province	+86-575-82596598	+86-575-81286822	
		CITIC Futures	Shaoxing Branch	Room 401-402, Building B, Morden Tower, No. 288, Zhonging Road, Shaoxing City, Zhejiang	+86-575-85099710	+86-575-85125608	
Quzhou	1	CITIC Securities (Zhejiang)	Quzhou Xinqiaojie Branch	2 Xinqiao Street, Quzhou City, Zhejiang Province	+86-570-8596598	+86-570-8287806	
Lishui	1	CITIC Securities (Zhejiang)	Lishui Shouerfulu Branch	445 Shouerfu Road, Liandu District, Lishui City, Zhejiang Province	+86-578-2225602	+86-578-2225650	
Ningbo	6	CITIC Securities (Zhejiang)	Ningbo ZhongShandonglu Branch	21/F, China Eastern Tower, 796 East Zhongshan Road, Jiangdong District, Ningbo City, Zhejiang Province	+86-574-87719580, 87719617	+86-574-87719929	
			Fenghua Xikouwulingdonglu Branch	19 East Wuling Road, Xikou County, Fenghua City, Ningbo City, Zhejiang Province	+86-574-88861612	+86-574-88873882	
			Ningbo Beilunxindalu Branch	548 Xinda Road, Beilun District, Ningbo City, Zhejiang Province	+86-574-86965931	+86-574-86850129	
			Ningbo Tiantongbeilu Branch	Building B, Hebang Tower, 939 North Tiantong Road, Yinzhou District, Ningbo City, Zhejiang Province	+86-574-88355536	+86-574-88355146	
		Yuyao Nanleilu Branch	10-68 Nanlei Road, Yuyao City, Zhejiang Province	+86-574-62729400	+86-574-62729411		
CITIC Futures	Ningbo Yinzhou Branch (in Preparation)	Rooms 607 and 609 and 610 and 611 and 612 and 615 and 616 and 617 and 618, Building B, 939 North Tiantong Road, Ningbo City, Zhejiang Province	+86-574-82809858	+86-574-82809858			
Jiangxi Province	Nanchang	2	CITIC Securities (Jiangxi Zhejiang)	Nanchang Xianshiyilu Branch	39 Xianshi No. 1 Road, Nanchang City, Jiangxi Province	+86-791-86396122; 86396126	+86-791-86396149

Appendix 2: List of Domestic and International Branches

Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile	
			Nanchang Shimaolu Branch	158 Shimaolu Road, Honggutan New Area, Nanchang City, Jiangxi Province	+86-791-88696598	+86-791-88532901	
Ganzhou	1		Ganzhou Changzhengdadao Branch	2/F, West Building, Zhongting Square, 17 Changzheng Avenue, Ganzhou City, Jiangxi Province	+86-797-8456588, 8456598	+86-797-8456577	
Yichun	1		Yichun Gaoshilu Branch	2/F, Yintai Tower, 91 Gaoshi Road, Yichun City, Jiangxi Province	+86-795-2178888	+86-795-2178002	
Shanrao	1		In Preparation	Shangrao County, Jiangxi Province			
Jingdezhen	1		In Preparation	Changjiang District, Jingdezhen City, Jiangxi Province			
Fujian Province	Fuzhou	1	CITIC Securities (Zhejiang)	2/F, Dongfangyinzuo, Yuefengyuan, 112 North Lianjiang Road, Jin'an District, Fuzhou City, Fujian Province	0591-83796598	+86-591-88302078	
	Quanzhou	1		Quanzhou Anjilu Branch	1/F and 5/F, Traffic Administration Building, 28 Anji Road, Luojiang District, Quanzhou City, Fujian Province	+86-595-28996598	+86-595-28291838
	Anxi	1		In Preparation	Anxi County, Fujian Province		
	Sanming	1		In Preparation	Sanming District, Sanming City, Fujian Province		
	Xiamen	1		In Preparation	Haicang District, Xiamen City, Fujian Province		
Hong Kong	7	CSI	CITIC Securities Brokerage (HK) Limited Central Branch	4/F, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong	852-22378998	852-21406093	
			CITIC Securities Futures (HK) Limited Central Branch				
			CITIC Securities Brokerage (HK) Limited Hunghom Branch	Room 1805, 83 Wuhu St., Hunghom Chuang's Plaza, Hunghom, Kowloon, Hong Kong	852-31909000	852-31909099	
			CITIC Securities Futures (HK) Limited Hunghom Branch				
			CITIC Securities Brokerage (HK) Limited Kwun Tong Branch	Room H, 25/F, Legend Tower 7 Shing Yip Street Kwun Tong Kowloon Hong Kong	852-29957888	852-23978857	
			CITIC Securities Futures (HK) Limited Kwun Tong Branch				

Appendix 2: List of Domestic and International Branches

Area	Number of Branches	Company Names	Branch Names	Address	Telephone	Facsimile
			CITIC Securities Brokerage (HK) Limited Mongkok Branch	16/F, Hang Seng Mongkok Building, 677 Nathan Road, Mong Kok, Kowloon	852-22379309	852-22168388
			CITIC Securities Futures (HK) Limited Mongkok Branch			
			CITIC Securities Brokerage (HK) Limited North Branch Point	Room 805 to 806, 8/F, Olympia Plaza, 255 Kings Road, North Point, Hong Kong	852-22168383	852-28778630
			CITIC Securities Futures (HK) Limited North Point Branch			
			CITIC Securities Brokerage (HK) Limited Wan Chai Branch	18/F, Times Media Cir, 133 Wan Chai Road, Hong Kong	852-28289688	852-28289688
			CITIC Securities Futures (HK) Limited Wan Chai Branch			
			CITIC Securities Brokerage (HK) Limited Yuen Long Branch	10/F, Hang Seng Yuen Long Building, 91-93, Castle Peak Road, Hong Kong	852- 35511888	852-24753318
			CITIC Securities Futures (HK) Limited Yuen Long Branch			

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