

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

2012 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of CITIC Securities Company Limited is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2012. This announcement, containing the main text of the 2012 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The 2012 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company and available for view on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and of the Company at <http://www.cs.ecitic.com> on or before 30 April 2013.

IMPORTANT NOTICE

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

This report was considered and approved at the 11th Meeting of the 5th Session of the Board of the Company. All Directors of the Company attended the meeting.

No Director or Supervisor submitted any objection to this report.

The Company's 2012 profit distribution proposal considered by the Board is a cash dividend of RMB3.00 for every 10 shares (tax inclusive), and is subject to the approval of the general meeting of the Company.

The domestic and international annual financial reports of the Company were audited by Ernst & Young Hua Ming LLP and Ernst & Young LLP respectively, and auditor's reports with standard unqualified audit opinions were issued accordingly.

Mr. WANG Dongming, Chairman of the Company, and Mr. GE Xiaobo, the person-in-charge of accounting affairs and the head of the Company's financial department, 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 by connected parties for non-operating purposes.

The Company had made no guarantee to external parties.

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

Contents

Definitions	4
Material Risk Factors	6
Company Information	7
Financial Summary	16
Chairman's Statement	19
Management Discussion and Analysis	21
Report of the Board	50
Significant Events	57
Changes in Share Capital and Shareholdings of Substantial Shareholders	70
Directors, Supervisors, Senior Management and Employees	78
Corporate Governance Report	93
Financial Report	129
Documents Available for Inspection	202
Appendix 1: Organization Chart	203
Appendix 2: Index of Information Disclosure	204
Appendix 3: Administrative Consents and Approvals Obtained During the Reporting Period	208
Appendix 4: List of Domestic and Overseas Branches	209

Definitions

“A Shareholder(s)”	holder(s) of A Shares
“A Shares”	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB (stock code: 600030)
“Articles of Association”	the Articles of Association of the Company
“AUM”	assets under management
“Board”	the board of directors of the Company
“CA-CIB”	Crédit Agricole Corporate and Investment Bank, a <i>société anonyme</i> established under the laws of the Republic of France and a wholly-owned subsidiary of Credit Agricole Group, a major international banking group headquartered in France. CLSA B.V. is one of the principal subsidiaries in CA-CIB’s equity brokerage and derivatives division
“CAM”	collective asset management
“CASA B.V.”	Crédit Agricole Securities Asia B.V., a private limited liability company established under the laws of the Netherlands, and an intermediate holding company through which CA-CIB holds the shares in CLSA B.V.
“China AMC”	China Asset Management Co., Ltd.
“China CITIC Bank”	China CITIC Bank Corporation Limited
“CITIC Group”	CITIC Group Corporation (formerly known as China International Trust and Investment Corporation and CITIC Group (中國中信集團公司))
“CITIC Industry Investment Fund”	CITIC Industry Investment Fund Management Co., Ltd
“CITIC Limited”	CITIC Limited
“CITIC Securities (Zhejiang)”	CITIC Securities (Zhejiang) Co., Ltd
“CITIC Securities Investment”	CITIC Securities Investment Limited
“CITIC Trust”	CITIC Trust Co., Ltd
“CITIC Wantong Securities”	CITIC Wantong Securities Co., Ltd
“CITIC-Kington Securities”	CITIC-Kington Securities Co., Ltd (renamed as “CITIC Securities (Zhejiang) Co., Ltd” in December 2011)
“CITICS Futures”	CITICS Futures Co., Ltd
“Company Law”	the Company Law of the People’s Republic of China
“Connected Transaction”	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time

“CSI”	CITIC Securities International Company Limited
“CSRC”	the China Securities Regulatory Commission
“Ernst & Young Hua Ming”	Ernst & Young Hua Ming LLP
“Ernst & Young”	Ernst & Young LLP and Ernst & Young Hua Ming LLP
“General Meeting”	the general meeting of the Company
“GoldStone Investment”	GoldStone Investment Co., Ltd
“Group”	CITIC Securities Company Limited and its subsidiaries
“H Shareholder(s)”	holder(s) of H Shares
“H Shares”	the overseas-listed foreign invested share(s) in the ordinary share capital of the Company with a normal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (stock code: 6030)
“HKEX”	Hong Kong Exchanges and Clearing Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“MOF”	the Ministry of Finance of the People’s Republic of China
“NSSF”	the National Social Security Fund
“Related Party Transaction”	has the meaning ascribed to it under the Shanghai Listing Rules currently in effect and as amended from time to time
“SAIC”	the State Administration for Industry & Commerce of the People’s Republic of China
“SAM”	specified asset management
“Securities Law”	the Securities Law of the People’s Republic of China
“Senior Management”	the senior management of the Company
“Shanghai Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shareholder” or “Shareholders”	A Shareholders and H Shareholders
“Shenzhen Bureau of the CSRC”	the Shenzhen Securities Regulatory Bureau of the CSRC
“Supervisors”	the supervisors of the Company
“TAM”	targeted asset management
“We”, “Company” and “CITIC Securities”	CITIC Securities Company Limited
“Wind Info”	Wind Information Co., Ltd

Material Risk Factors

The Company's business operation is highly dependent on the general economic and market conditions of China and other areas in which the Company operates, therefore, volatility in the Chinese and international capital markets will have significant impacts on the results of operation of the Company.

The Company is also exposed to the following major risks. Legal and compliance risk: the business management and standards may fail to align in a timely manner with changes in national laws and regulations and ordinances imposed by the regulatory authorities. Strategic risk: the Company may not be able to determine the strategic plan in response to the profound changes in the domestic and overseas capital markets. Internal operations and management risks: the risks arising from the transformation of our business model and emergence of new businesses and new technologies. Market risk may arise from the fluctuating price of the securities position held by the Company. Credit risk may arise from the default of its borrower or trading counterparty. Liquidity risk: the Company may encounter a shortage of fund in fulfillment of payment obligations. Operation risk may arise from the negligence or omission of the internal process management, information system failure or personnel misconduct. In addition, the Company is also exposed to risks such as currency exchange risks in relation to competition from the international market and the emerging financial business.

To cope with the above risks, the Company prevents risks through organizational structure, management system, information technology, etc., at the same time, optimizes business process and controls operational risks, manages market risk and credit risk, and focuses on risk monitoring on innovative business and products.

I. COMPANY INFORMATION

1.1 Profile

Name in Chinese:	中信証券股份有限公司
Abbreviation in Chinese:	中信証券
Name in English:	CITIC Securities Company Limited
Abbreviation in English:	CITIC Securities Co., Ltd.
Legal Representative:	WANG Dongming
Authorized Representatives:	YIN Ke, ZHENG Jing
President:	CHENG Boming
Secretary to the Board, Company Secretary:	ZHENG Jing
Compliance Officer:	WANG Dongming, the Chairman (as the acting Compliance Officer until Mr. ZHANG Guoming is granted the required qualifications as senior management of securities company and as compliance officer by the Shenzhen Bureau of the CSRC)
Registered Address:	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province (Postal Code: 518048)
Office Address:	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province (Postal Code: 518048) (Note: This is a postal address and is same as the registered address of the Company. The registered address of the Company corresponds to the name of building registered with Shenzhen Real Estate Ownership Registration Center.) CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing (Postal Code: 100125)
Place of Business in Hong Kong:	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Website:	http://www.cs.ecitic.com
Email:	ir@citics.com
Telephone:	0755-2383 5888, 010-6083 8888
Facsimile:	0755-2383 5861, 010-6083 6029
Brokerage Customer Service Hotline:	40088 95548
Asset Management Customer Service Hotline:	010-6083 6688
Investor Relations Hotline	0755-2383 5383, 010-6083 6030
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 Hong Kong Stock Exchange: http://www.hkexnews.hk (website for HKExnews)
Places where Annual Reports are Available:	16/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province 15/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal Adviser as to PRC Laws:	Beijing Jiayuan Law Firm
Legal Adviser as to Hong Kong Laws:	Linklaters
Domestic Auditor:	Ernst & Young Hua Ming LLP 16/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang'an Avenue, Dongcheng District, Beijing Signatories: LI Huimin and XI Zhiying
International Auditor:	Ernst & Young LLP 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
A Share Registrar:	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
H Share Registrar:	Computershare Hong Kong Investor Services Limited 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Places of Listing, Stock Name and Stock Code:	A Shares Shanghai Stock Exchange CITIC SECURITIES 600030 H Shares Hong Kong Stock Exchange CITIC SEC 6030
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
Registered Capital:	RMB11,016,908,400
Total Shares:	11,016,908,400 Shares (9,838,580,700 A Shares and 1,178,327,700 H Shares)
Net Capital:	RMB40,472,000,000

Changes in registration status during the reporting period are as follows:

- (1) On 6 June 2012, the Company completed the formalities for the registration of change and filing with the industry and commerce authorities in respect of the change of the Articles of Association and also renewed its Business License. The major changes to the Articles of Association and Business License were related to: the overall amendments to the Articles of Association as a result of the issue of H Shares by the Company; the change of address to "North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province"; the change of registered capital to "RMB11,016,908,400"; and the adding of "the Company may establish subsidiaries to carry out investment business, including investments in financial products" to the business scope in the Articles of Association.
- (2) On 5 December 2012, the Company completed the formalities for the registration of change and filing with the industry and commerce authorities for the Articles of Association and renewed its Business License. The change was related to the amendment of the Company's scope of business by adding the business of distributing financial products.

- (3) On 27 December 2012, the Company completed the formalities for the registration of changes and filing with the industry and commerce authorities for Articles of Association. The changes were related to the decrease in number of directors of the Company from 13 to 9 and the supplement made to the cash dividend policy.

Information of First Registration:

Date of First Registration: 25 October 1995

Address of First Registration: Capital Mansion, No. 6 Xinyuan South Road, Chaoyang District, Beijing

Registration Number of Corporate Legal Person Business License: 10001830

Certificate of Organization Code: 10178144

1.2 Corporate Information

1.2.1 History

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

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

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

In December 2002, the Company offered 400,000,000 A Shares at the price of RMB4.50 per share, and such Shares were listed on the 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 shares and the direct shareholding of CITIC Group decreased to 31.75%.

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

On 29 May 2006, the Company issued 500,000,000 A Shares to China Life Insurance (Group) Company and China Life Insurance Company Ltd. 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 and the direct shareholding of CITIC Group decreased to 24.88%.

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 and the direct shareholding of CITIC Group decreased to 23.43%.

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

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

In September and October 2011, the Company conducted the initial public offer of 1,071,207,000 H Shares (inclusive of the H Shares issued upon partial exercise of the over-allotment option) at the offering price of HK\$13.30 per share. All such Shares were ordinary shares, with a par value of RMB1.00 per share. According to the *Administrative Measures for Reducing the State-owned Shares to Raise Social Security Funds* and with the approval from 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 as a result of partial exercise of over-allotment option) to the NSSF and converted them into H Shares. The 1,094,830,000 H Shares issued pursuant to the global offering (including the H Shares converted from corresponding State-owned shares), the 75,907,000 H Shares issued upon the partial exercise of the over-allotment option and the 7,590,700 H Shares converted from the corresponding State-owned shares, respectively, were listed and traded on the Main Board of the Hong Kong Stock Exchange on 6 October 2011, 1 November 2011 and 7 November 2011. Upon completion of the offering, the total number of issued Shares of the Company increased from 9,945,701,400 to 11,016,908,400, of which 9,838,580,700 Shares were A Shares and 1,178,327,700 Shares were H Shares, and the direct shareholding of CITIC Group decreased to 20.30%.

On 27 December 2011, the largest shareholder of the Company, CITIC Group, was fully restructured into a wholly Stated-owned company and changed its name to “CITIC Group Corporation”, which took over all of the business and assets of CITIC Group. According to the restructuring plan, CITIC Group together with Beijing CITIC Enterprise Management Co., Ltd. established CITIC Limited on 27 December 2011 by contributing to it substantially all of its existing operating net assets (inclusive of its 20.30% shares in the Company). With the approval stated in the “Reply on the Change of Shareholders with Over 5% Shareholding in CITIC Securities Company Limited (關於核准中信証券股份有限公司變更持有5%以上股權的股東的批覆)” (Zheng Jian Xu Ke No. [2012]1387), CITIC Group and CITIC Limited completed the procedures for the transfer of shareholding on 25 February 2013. The largest shareholder of the Company was changed to CITIC Limited and its shareholding in the Company is 20.30%.

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 the approval of the CSRC on the qualifications to engage in entrusted investment management and fund sales agency services. In 2006, the Company became the only securities company to obtain the qualification approved by the People’s Bank of China as a lead underwriter of commercial papers. In 2007, the Company obtained the qualifications for the trial business of direct investment and overseas securities investment management as a qualified domestic institutional investor. In 2008, the Company became a Class-A clearing participant of China Securities Depository and Clearing Company Limited, and obtained the qualification for the provision of brokerage services 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. In 2012, the Company obtained the qualifications for underwriting of private placement of SME bonds, entrusted management of insurance funds, distribution of financial products, and for the pilot businesses of total return swap and refinancing. In February 2013, the Company obtained the qualification for sideline insurance agency business.

The Company was rated AA-level in A-class which was the highest level amongst all the securities companies ratings in China published for five consecutive years.

The Company currently owns 5 wholly-owned principal subsidiaries, namely: CITIC Securities (Zhejiang), CSI, CITICS Futures, GoldStone and CITIC Securities Investment; and has one principal controlling subsidiary, namely CITIC Wantong Securities.

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, Hang Seng China Enterprises Index, Hang Seng Mainland 100, FTSE China 25 Index and MSCI China Index, which greatly enhanced the image of the Company.

1.2.2 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; provision of brokerage services to futures companies; and distribution of financial products. In addition, the Company possesses the following business qualifications:

- (1) Business qualifications approved or certified by the CSRC: online trading; entrusted wealth management; operation of overseas securities investment management business by qualified domestic institutional investors; direct investment; inter-bank market interest rate swap; stock repo; and pilot business of stock return swap.
- (2) Business qualifications approved by the Shanghai Stock Exchange: SSE fixed income platform market maker and warrants trading.
- (3) Business qualifications approved by the Securities Association of China: quoted transfer; stock transfer agency; underwriting private placement of bonds by small-to-medium-sized companies, and pilot OTC business.

- (4) Business qualifications approved by the People's Bank of China: member of the national inter-bank lending market; commercial paper underwriting; inter-bank bond market market-maker and open market Class A trader.
- (5) Other business qualifications: member of book-entry government bond underwriting syndicates; Class A 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); qualified enterprise annuity fund management institution; qualified policy bank underwriter; qualified stock index futures trader in proprietary business; qualified stock index futures trader in asset management business; qualified manager of converted shares of the NSSF; qualified NSSF domestic investment manager; entrusted management of insurance funds; pilot refinancing business; and sideline insurance agency business.

1.3 Awards in 2012

1.3.1 The Company

Issued by: *Forbes*

Asia's Fab 50 Companies

Issued by: *Interbrand*

Ranked No. 21 — Best China Brands

Issued by: *The Asset Magazine*

Best Domestic Debt House — China

Best Brokerage — China

Issued by: *Euromoney*

Best Investment Bank in China

Issued by: *FinanceAsia*

Best Investment Bank in China

Best Bond House in China

Best Broker in China

Equity Deal of the Year — RMB5 billion Shanghai IPO of China Communications Construction

Issued by: *AsiaMoney*

Ranked No. 2 — Best Local Brokerage in China

Ranked No. 3 — Best Overall Sale Services in China

Issued by: *Takungpao*

2012 Golden Bauhinia Award for Securities Industry in China: Best Brand Value of Listed Companies

Issued by: *China Securities Journal*

Gold Bull Award for Investment Bank in China

Gold Bull Award for IPO Investment Bank

Gold Bull Award for Bond Financing Investment Bank

Gold Bull Award for Equity Re-financing Investment Bank

Gold Bull Award for Investment Bank

Gold Bull Award for Investment Banker

2012 Gold Bull Analysts in China Securities Industry:

Top 5 Gold Bull Research Team

Ranked No. 1 in the Industry: TMT/textile and apparel/transportation equipment/banking/household appliance/construction materials/public utility (inclusive of alternative energy and environmental protection)

Issued by: *Securities Times and New Fortune Magazine*

2012 Outstanding Investment Bank in China

Best Investment Bank

Best Investment Bank of the Main Board (SME Board)

Best Refinancing Investment Bank

Best Investment Bank in M&A and Restructuring

Best Corporate Debt Underwriting Syndicate

Best Refinancing Project (China CITIC Bank A+H Rights Issue)

Best M&A and Restructuring Project (Major Assets Restructuring of Shenzhen Development Bank)

Best Chinese Investment Bank in Hong Kong

Issued by: *Securities Daily*

Golden Key Award for the 8th Annual Conference of China Securities and Equity Market

Issued by: *Securities Market Weekly*

The 6th Crystal Ball Awards for Sell-side Analysts 2012

Ranked No. 1 — Local Gold Medal Research Team (Public Offering Chart)

Ranked No. 1 — Gold Medal Sales Service Team (Public Offering Chart)

Ranked No. 2 — Most Influential Research Institution (Public Offering Chart)

Ranked No. 2 — Gold Medal Conference Sponsor (Public Offering Chart)

Ranked No. 2 — Gold Medal Roadshow and Client Visitor (Public Offering Chart)

Ranked No. 2 — Gold Medal Sales Service Manager in Beijing (Public Offering Chart)

Ranked No. 3 — Gold Medal Sales Service Manager in Shanghai (Public Offering Chart)

Ranked No. 2 — Most Influential Institution (Non-public Offering Chart)

Ranked No. 4 — Gold Medal Sales Service Team (Non-public Offering Chart)

Ranked No. 3 — Gold Medal Conference Sponsor (Non-public Offering Chart)

Ranked No. 2 — Gold Medal Sales Service Manager in Shanghai District (Non-public Offering Chart)

Ranked No. 1 in the Industry (Public Offering Chart): household appliance, leisure and luxury products/automotive and automotive parts/public utility, inclusive of electricity, gas and water/construction and engineering/banking/communication and culture

Ranked No. 1 in the Industry (Non-public Offering Chart): automotive and automotive parts/public utility, inclusive of electricity, gas and water/banking/social service/communication and culture

Issued by: *New Fortune Magazine*

The 6th New Fortune Best Investment Bank in China

Ranked No. 1 — Best Local Investment Bank Team

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

Ranked No. 5 — Best Investment Bank with Business Capability in Small-to-Medium Projects

Ranked No. 2 — Best IPO Project on the Main Board (Founder Securities)

Ranked No. 5 — Best IPO Project on the Main Board (Joeone)

Ranked No. 4 — Best IPO Project on the SME Board (Yiling Pharmaceutical)

Ranked No. 3 — Best Secondary Offering (Midea)

Ranked No. 1 — Best Rights Issue (China CITIC Bank)

Ranked No. 1 — Best Convertible Bond (Convertible Bond of Sinopec)

Ranked No. 3 — Best Corporate Bond (11 Bond of Shanghai Pudong Development)

Ranked No. 4 — Best Financial Advisor (Acquisition of Shuanghui by Rotary Vortex)

The 10th New Fortune Best Analyst:

Ranked No. 1 — Best Local Research Team

Ranked No. 2 — Most Influential Research Institution

Ranked No. 3 — Best Small and Medium Market Capitalization Research Institution

Ranked No. 3 — Best Sales Service Team

Ranked No. 1 in the Industry: non-metal construction materials/household appliance/automotive and automotive parts/electricity/construction and engineering/communication and culture

Issued by: *hexun.com*

10th Finance Industry Power Chart: Best Brand Name Securities Firm for 2012

Issued by: *CBN*

CFV Chart of CBN: Financial Institution with the Best Forecast (Chinese Capital), Securities Firm Wealth Management Brand Name of the Year

Issued by: *Financial Times*

Gold Medal Chart for Chinese Financial Institutions • Golden Dragon Award: Best Securities Firm of the Year

Issued by: *Money Week*

2012 Best Board of Directors of Listed State-owned (Holding) Enterprises

2012 Best Board of Directors of Listed Companies on Main Board in China

Issued by: *China Times*

Golden Cicada Award: Best Innovative Securities Firm for 2012

Issued by: *Time-Weekly*

2012 China Times Innovative Sales and Marketing Award

Issued by: *People's Bank of China*

Advanced Corporation for Anti-Money Laundering

Issued by: *The Community Chest*

Platinum Award of the Hong Kong Community Chest

Issued by: *The Hong Kong Management Association*

Best Annual Reports Awards: Citation for Corporate Governance Disclosure 2012

Issued by: *League of American Communications Professionals*

2011 Vision Awards Annual Report Competition — Gold Award

Issued by: *IR Magazine*

Great China Top 30

1.3.2 CSI

Issued by: *Hong Kong Council of Social Service*

Caring Company for 6 Consecutive Years

Issued by: *The Employees Retraining Board*

Manpower Developer Award

1.3.3 CITIC Securities (Zhejiang)

Issued by: *Money Week*

2012 “Golden Trend Award” for China Securities Firm

2012 Most Innovative Securities Company in China

2012 Best Innovative Wealth Management Company amongst Securities Firms in China

1.3.4 CITIC Wantong Securities

Issued by: *Asia Pacific Contact Center Association Leaders (APCCAL)*

2012 Best China Call Center Operation Award

Issued by: *China Electronics Chamber of Commerce*

2012 Best China Call Center Operation Award

Issued by: *Municipal Party Committee and Municipal Government of Qingdao*

Outstanding Unit in Qingdao for the Establishment of National Sophisticated Cities

Advanced Unit in Finance Industry of Qingdao

Issued by: *Entrepreneur Association of Qingdao and Entrepreneur Society of Qingdao*

Top 50 Enterprises in Service Industry in Qingdao

Issued by: *qingdaonews.com*

“2012 Top 10 Securities Firms” of the 5th Qingdao Finance Industry Power Chart

1.3.5 CITICS Futures

Issued by: *Securities Times • Futures Daily*

Best Futures Company in China

Best Service Award for Financial Futures

Issued by: *hexun.com*

2012 China Finance Industry Power Chart

Top 10 Brand Value Futures Company of the Year

Gold Medal Research House

Gold Medal Futures Company in Service Industry

Star Analyst Team of Futures

Outstanding Contribution Award for Program Trading

Issued by: *CBN*

CFV Chart of CBN: Futures Company of the Year

Issued by: *jrj.com*

Annual Leading Honor for China Financial Industry: Best Brand Name Award of Futures Industry

1.3.6 GoldStone

Issued by: *Forbes*

2012 Forbes Best China PE Investment Firm

Issued by: *Zero2IPO*

Ranked No. 1 — Top 5 China Securities Firms Direct Investment for 2012

Ranked No. 1 — Best Exit of China Private Equity Investment Institutions for 2012

Ranked No. 4 — Best China Private Equity Investment Institutions for 2012

Ranked No. 4 — Top 30 China Private Equity Investment Institutions (Domestic) for 2012

Issued by: *21st Century Business Herald*

Best Securities Firm Direct Investment for 2012

2. FINANCIAL SUMMARY

2.1 Key Financial Data

2.1.1 Key Accounting Data

In RMB millions

Items	2012	2011	Variance in comparison with last year (%)	2010
Total revenue and other income	13,071	26,371	-50.43	30,281
Operating profit	5,055	14,615	-65.41	16,296
Profit before income tax	5,487	15,031	-63.50	16,320
Net profit attributable to owners of the parent	4,237	12,576	-66.31	11,311
Net cash inflow/(outflow) from operating activities	-17,194	122	Not applicable	-9,457

Items	31 December 2012	31 December 2011	Variance in comparison with last year (%)	31 December 2010
Total assets	168,508	148,280	13.64	153,178
Total liabilities	81,823	61,290	33.50	82,330
Equity attributable to owners of the parent	86,465	86,587	-0.14	70,435
Issued share capital	11,017	11,017	—	9,946

2.1.2 Key financial indicators

Items	2012	2011	Variance in comparison with last year (%)	2010
Basic earnings per share (in RMB yuan)	0.38	1.23	-69.11	1.14
Diluted earnings per share (in RMB yuan)	0.38	1.23	-69.11	1.14
Return on weighted average equity (%)	4.90	17.00	Decreased by 12.10 percentage points	17.28

Items	31 December 2012	31 December 2011	Variance in comparison with last year (%)	31 December 2010
Net assets per share attributable to owners of the parent (in RMB yuan)	7.85	7.86	-0.13	7.08
Gearing ratio (%)	35.17	22.19	Increased by 12.98 percentage points	22.23

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.

2.1.3 Net capital and relevant risk control indices of the parent company

As at 31 December 2012, the net capital of the parent Company amounted to RMB40,472 million, representing an decrease of 20.06% as compared to RMB50,628 million at the end of previous year, mainly attributable to a rise in investments in subsidiaries and scale of investments during the reporting period.

In RMB yuan

Items	31 December 2012	31 December 2011
Net capital	40,471,726,091.03	50,627,965,203.33
Net assets	72,592,882,594.91	73,770,509,385.01
Net capital/total risk capital reserves (%)	1,307.32	2,246.27
Net capital/net assets (%)	55.75	68.63
Net capital/total liabilities (%)	94.81	216.24
Net assets/total liabilities (%)	170.05	315.09
Value of equity securities and derivatives held (stock index futures inclusive)/net capital (%)	65.97	51.33
Value of fixed income securities held/net capital (%)	91.82	52.12

Note: (1) The net capital of the Company as of 31 December 2011 has been restated in accordance with the provisions on the standards for calculating net capital and risk capital reserves successively announced by the CSRC in 2012.

(2) 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.

2.2 Financial Data for the Last 5 Years

2.2.1 Operating results

In RMB millions

Items	2012	2011	2010	2009	2008
Total revenue and other income	13,071	26,371	30,281	23,868	19,837
Operating expenses	8,016	11,756	13,985	10,669	10,276
Share of profits and losses of associates and jointly- controlled entities	432	416	24	103	1
Profit before income tax	5,487	15,031	16,320	13,302	9,561
Net profit attributable to owners of the parent	4,237	12,576	11,311	8,984	7,305

2.2.2 Financial position

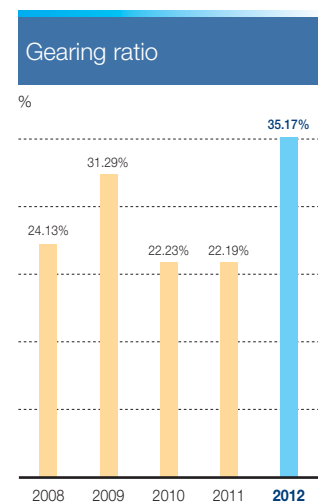
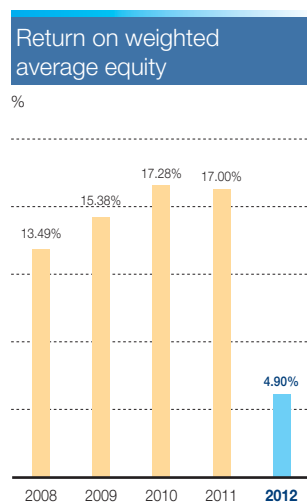
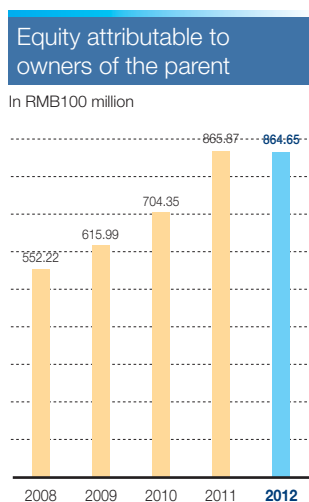
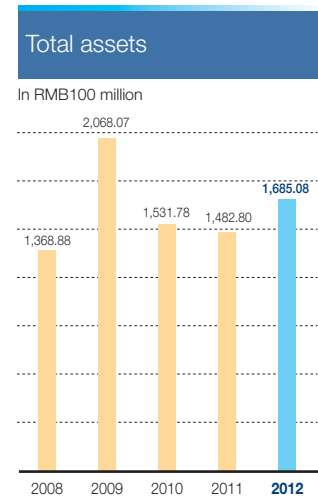
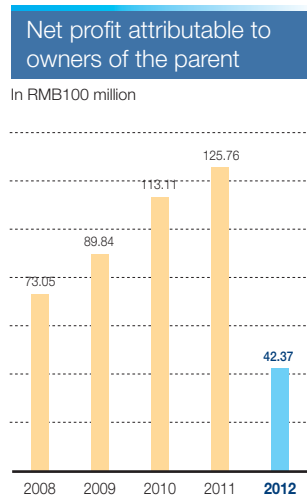
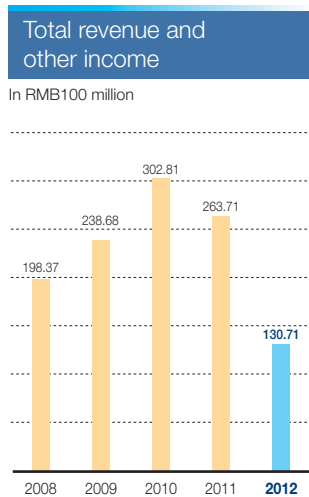
In RMB millions

Items	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
Issued share capital	11,017	11,017	9,946	6,630	6,630
Total equity	86,685	86,990	70,848	64,814	57,526
Equity attributable to owners of the parent	86,465	86,587	70,435	61,599	55,222
Total liabilities	81,823	61,290	82,330	141,993	79,362
Accounts payable	34,807	36,477	62,081	112,478	61,070
Total assets	168,508	148,280	153,178	206,807	136,888

2.2.3 Key financial indicators

Items	2012	2011	2010	2009	2008
Dividends per share (in RMB yuan)	0.30	0.43	0.50	0.50	0.50
Basic earnings per share (in RMB yuan)	0.38	1.23	1.14	0.90	0.73
Diluted earnings per share (in RMB yuan)	0.38	1.23	1.14	0.90	0.73
Return on weighted average equity (%)	4.90	17.00	17.28	15.38	13.49
Gearing ratio (%)	35.17	22.19	22.23	31.29	24.13

- 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 2008 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 respectively.



3. Chairman's Statement

Dear Shareholders,

2012 was a year of change in the development of China's securities industry. The gradual launch of a series of reforms by the regulatory authorities and the expedited construction of a multi-layer capital market have outlined a clear vision for a new round of innovation and development for the Chinese securities industry.

By seizing the opportunities arising from the development of the industry, overcoming challenges brought about by the economic downturn in China and the rest of the world, we accelerated the process of innovation, and achieved reasonably good operating results for the year. In 2012, we realized revenue of RMB13,071 million and net profit of RMB4,237 million, both ranking first among China's securities companies. During the year, we signed an agreement to acquire 100% shares in CLSA, commenced our international rating and were given a BBB+ rating by Standard & Poor's.

In 2012, our major businesses maintained their leading positions in China's securities industry. The brokerage business accounted for 5.76% of the combined market share, maintaining its number one position in the market. Our investment banking team completed a total of 30 equity lead underwriting transactions and 137 bond lead underwriting transactions, with a lead underwriting amount of RMB50.6 billion and RMB215.36 billion, accounting for 10.53% and 5.13% of the market share, and ranking second and first among brokers, respectively. We completed 19 merger and acquisition deals, of which 10 were domestic transactions and nine were cross-border transactions. The AUM of our asset management business reached RMB250.84 billion, ranking first among our peers. Our fixed income business completed a total bond market-making volume of RMB4.2 trillion, ranking fourth in the entire market and first among brokers. The outstanding balance of our margin financing and securities lending amounted to RMB8.84 billion, securing a market share of 9.87%, which was ranked first in the market. The number of our QFII clients increased to 72, with the trading volume ranking first in the market. Our research business was ranked first for the seventh consecutive year as the "Best Local Research Team" by New Fortune Magazine.

Significant Progress in Business Transformation

In 2012, with the efforts of our staff at all level, we vigorously promoted the transformation of major businesses in three aspects: from homogeneous competition to differentiated competition; from an equity-oriented business model to a diversified equity and bond focused business model; and from the product-centered model to client-oriented model.

First, all of our business lines carried out innovation and strived for the transformation to differentiated competition. For traditional fee-based business, efforts were made in developing new businesses without applying new business licenses, such as stock repo and equity-based financing, establishing cash management products, and increasing research coverage to include overseas-listed China concept stocks. For flow-based business, we were among the first to obtain the pilot qualifications for refinancing business and equity swap business. We obtained the approval for and completed the establishment of a buyout fund, which was the first one led by domestic securities companies and launched the first global fund of hedge funds by a domestic securities company and completed the initial investment.

Second, by seizing the opportunities in the development of the fixed income market, we made great efforts in the expansion of our fixed income businesses in order to further balance our equity and bond businesses. By consolidating our edges as the first mover in enterprise bonds, medium-term notes and asset securitization underwriting, we stepped up our efforts in bond product innovation. For fixed income business, by capitalizing our extensive clientele network, we actively developed new clients, explored new sources of demand, further enhanced our design and innovative capacities in fixed income products and strengthened the development of flow-based business.

Third, our transformation towards a more client-oriented business model has made steady gains. Aiming at meeting customers' needs, our investment banking business commenced cross-business training, expanded the spectrum of products and services, and optimized the structure of the Investment Banking Committee; our corporate finance and development business has established regional IBS to enhance the customer coverage; our brokerage business promoted the availability of various businesses of our headquarters in the area covered by the sales network and for the branch entities to undertake the IBS role of the Company in such areas.

Fundamental Change in the Operating Environment of Securities Industry

China's securities industry has its origin from the securities branches of banks and trust companies in 1980s, followed by stages of savage growth, comprehensive governance and regulated development, and its growth and development continued.

With the continuous progress of financial liberalization, financial disintermediation and capital account liberalization will be the two major trends. On the one hand, with financial disintermediation becoming the development trend of the domestic financial sector, the internal business delineations of the financial industry will become increasingly blurred. Through business innovation, securities companies gradually moved on to areas such as cash management, payment and settlement, wealth management, microfinance and asset securitization. Amid the trend of financial disintermediation, banks, trust companies and insurance companies will keep penetrating into traditional securities business and wealth management. On the other hand, under the trend of capital account liberalization, China's financial industry will further open up and domestic securities companies need to continue with overseas business expansion to improve their competitiveness, while international investment banks will also vigorously expand their business in China through their subsidiary organizations.

The regulatory environment of the securities industry is undergoing a fundamental change. During the stage of comprehensive governance and regulated development from 2004 to 2011, with the regulatory authorities focusing mainly on promoting the establishment of the industry's fundamental systems, awareness on compliance management and risk control of securities companies were significantly enhanced, which laid a solid foundation for the further development of the industry. Since 2012, in order to strengthen the capital market services for the real economy, the regulatory authorities are relaxing their regulatory controls with a view to stimulating market vitality, thereby opening up a new stage of innovative development for the securities industry. In this context, innovation of securities companies is changing from the regulator-guided mode to a more market-oriented approach, development of the industry is becoming more open and diversified, and reliance on industry protection and regulatory support to gain extra development opportunities is changing. The competitive landscape will change from "the left one takes all" to "winner takes all".

The 2013 Operation Strategy of the Company

In the new cycle, industry competitors have to return to the starting line to re-start the game under the new rules, and the ability to seize the new round of innovation bonus is the biggest challenge we face. Our 2013 business strategy is to "accelerate innovation, integrate resources and enhance our comprehensive advantages". We have to fully enhance our comprehensive advantages, seize the innovation bonus in the new round of development, and keep striving as the frontrunner of the industry.

All our business lines, departments, sub-branches and staff shall stimulate the enthusiasm and courage to restart the business and be liberated from the "small wealth immediate contention" mindset. One must assess the situation, adapt to changes, and release oneself from the inertial thinking of path dependence. We must give priority to the supreme interests of the Company as a whole, and be freed from parochial thinking. We shall forge ahead and innovate collectively to make greater achievements in the new cycle.

We firmly believe that, with the hard work of all our employees and the support and care from our shareholders and the community, CITIC Securities will embrace a brighter tomorrow! I take this opportunity to thank our shareholders again for their long-term care and support!

Wang Dongming
Chairman

27 March 2013

4. Management Discussion and Analysis

4.1 Corporate Strategy and Long-term Business Model

4.1.1 Competitive landscape and development trend of the industry

With the closing of the five-yearly national financial work conference, and the official release of the financial “12th Five-Year Plan”, China’s financial sector is at the point of a new development ready to take up a new historical mission. Servicing the real economy and the marketization reform have become the top priorities, and the financial industry is undergoing tremendous changes. Marketization, disintermediation and mixed operation have become the trend of the future development of China’s financial sector. Since 2012, upon the regulatory authorities steadily relaxing its regulation with a view to stimulating market momentum and enhancing capital market services to the real economy, the securities sector is heading into a new stage characterized by innovative development.

The first change is the shift from strict supervision to deregulation. Prior to 2012, admission system to the securities sector was implemented by the regulatory bodies, and approval was required for almost all businesses. Since 2012, the regulatory bodies have abolished and decentralized 35 administrative examination and approval processes. Collective asset management has shifted from the approval system to filing system, and approval is no longer a prerequisite for simple products and businesses under the forthcoming revision to the *Guidelines for Product and Business Innovation by Securities Firms*.

The second change is the shift of focus from risk control to innovation facilitation. Prior to 2012, regulatory authorities were conscious of risk consideration and were cautious in making decisions on policy reforms. Since 2012, the speed with which new policies were launched, such as the new OTC market expansion, private bonds by SMEs, launch of more varieties of futures and introduction of OTC trading, is well ahead of market expectations. Against this backdrop, securities companies are restoring the five basic functions on their agenda.

The third change is the shift from “supporting the superior while limiting the inferior” to encouraging competition. Prior to 2012, innovation was broadly led by the government, when regulatory authorities selected quality brokerage firms to be the pilot before promoting the business to other firms, and granted more favourable policies to quality securities firms in terms of financing, acquisition and branch establishment. Since 2012, more attention is given by regulatory authorities to encourage adequate competition in the sector. With the abolishment of prudential supervision on IPO of securities companies, qualified securities companies have a choice to list on domestic or overseas market; the practice of pilot trial was no longer applicable to simple business, and the pace with which pilot business became regularised was accelerated. As of the end of 2012, the number of securities companies qualified to participate in refinancing business increased to 30, while those qualified for underwriting business in the inter-bank market increased to 12, whereas direct investment, margin financing and securities lending, and stock repo have become conventional business.

The fourth change is the shift from industry protection to an open and diversified environment. Prior to 2012, regulatory authorities held a relatively cautious stance to opening up the industry, when the equity interests in the joint venture securities companies held by foreign investment was subject to a maximum of 33%, and the scope of business of joint venture brokerage companies was substantially restricted. Since 2012, regulatory authorities have gradually liberalized the access restrictions to the industry to encourage more capital to enter the securities industry. The ceiling of foreign equity participation in the joint venture brokerage was raised to 49%, and after two years of operation, qualified securities companies may apply to expand the scope of business.

In a broader financial context, market competition is set to become more intensive. More and more commercial banks are vigorously exploring the businesses of quasi-direct financing, quasi-asset securitization and wealth management through product innovation; more and more trust companies are entering the wealth management market; a growing number of Internet companies are seeking to engage in payment and microfinance business; a growing number of securities companies, by virtue of their special resource endowments and centralized human resources, are catching up the Company in certain minor segments.

4.1.2 Development Strategy

In early 2012, in response to changes in the external environment, we formulated our strategic plans by focusing on transformation in three aspects, namely, by promoting differentiated competition, diversified business model and customer-oriented services. Against the backdrop of full license competition and market innovation, we will stick to our strategy, strengthen the cooperation between our respective businesses, and maximise our comprehensive advantages in capital, customers, human resources, licenses and other resources, and increase our overall synergies, with a view to realizing our goal to become a “world-class, China-focused, global investment bank”.

4.1.3 Business Plan

In 2013, the Company intends to speed up innovation and to consolidate its leading position in the traditional flow-based business. Flow-based business lines such as brokerage, investment banking, and asset management need to jump out of the box and break the shackles of path dependence and inertial thinking. By means of solving the problem of “SME financing and private capital investment difficulties”, taking the opportunity of comprehensive financial operation, and beginning with liquidizing various types of social assets, the Company will break through the restrictions in license business, grow the size of client assets, maintain or increase our market share in order to consolidate our leading position in the industry.

It is also the Company’s strategy to grow our business scale and enhance the contribution from flow-based business and capital-efficient business to our income. Prime services business shall focus on developing institutional and overseas clients; fixed-income business shall enhance its capabilities of market-making and structured product design with a view to establishing the most influential fixed income platform; equity derivatives business shall develop the equity swap operations and improve its market-making capacity. GoldStone Investment shall strengthen ongoing fund raising and investment of the third party PE fund and the buyout fund, and enhance its post-investment value-added services; alternative investment department shall develop more trading strategies into products to form a more stable base for sustainable profits, and commence the provision of investment management and advisory services to third-party customers so as to gradually shift from proprietary trading to asset management; conventional stock investment shall control the investment scale and risk exposure, and to probe for transformation towards product development.

We also aim at developing cross-border business to improve the revenue contribution from the international operations. In 2013, the Company shall continue to enhance the synergies of its domestic and overseas business, and capitalize on CSI and CLSA as the platform to vigorously carry out cross-border business.

4.1.4 Capital Requirement

Fund allocation is crucial to the business of financial institutions and represents one of the Company’s core edges compared with its peers. In the past two years, the asset allocation structure of the Company has been undergoing tremendous changes. The proportion of volatile and directional asset allocation arising from traditional equity proprietary trading has been decreasing; innovative low-risk businesses characterized by stable earnings such as margin financing and securities lending, equity derivatives and alternative investments grow rapidly and are gradually taking up a larger share in our asset allocation. Our asset allocation has shown signs of diversification.

Self-initiated requests for capital from our respective business lines have increased sharply and the Company will prepare for the onshore and offshore issuances of our corporate debt financing instruments in 2013. Our overall financial leverage ratio will increase from 1.55 times in 2012 to about 2 times, which will result in transformation of our allocable funds from being “capital-based” to “a 2x leverage”.

4.1.5 Possible Risk Exposure

With deregulation in place, risk management obligations previously assumed by the regulatory bodies will be assumed by market entities, and the general trend is for securities companies to assume and manage risks by themselves. Corporate risk management will change from passive compliance to active understanding of risks, disciplined assumption of risks, strategic control of risks in order to protect the capital of the Company and to maximize risk adjusted returns.

The risk exposure of the Company is undergoing profound changes. Following our business transformation and innovation, new features of our risk exposure emerge: decreased on-balance sheet risks, increased off-balance sheet risks; decreased onshore risks, increased offshore risks; reduced market risks, but increased credit, liquidity and reputation risks; decreased market directionality risk, but increased market-neutral risks; reduced individual entity risk but increased systemic risk. Risks are becoming more complicated and concealed.

4.2 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 fund 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 is mainly engaged in dealing and broking of securities and futures, and distribution of financial products.

Trading

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

Asset Management

The Group provides asset management services and products to clients in China and globally. Asset management businesses operated by the Group include: CAM, TAM, SAM and other investment accounts management.

Investment

The investment business of the Group mainly includes private equity investment, strategic principal investment and other businesses.

Analysis of principal businesses

4.2.1 Investment Banking

Equity Financing

Market Conditions

In 2012, affected by headwinds in overseas markets and slowdown in the growth of the domestic economy, the scale of IPOs and follow-on offerings in the stock market in China continued to diminish. Due to continuous downturn and price adjustment of the A-share market during the year, equity finance business suffered greater pressure, and the pipeline for sizable IPO projects continued to shrink. As to regulation, CSRC has actively initiated IPO system reform by lowering the price-earnings ratios and adjusting the fund raising sizes, which has led to a remarkable reduction in the number of IPOs and increased difficulties in non-public issuances after October 2012. Compounded by the impacts of the above factors, funds raised by equity financing reduced by 38.85% in 2012, of which, funds raised by IPOs reduced by 63.63%, and funds raised by follow-on offerings reduced by 11.83%. Affected by its rapid slide, the funds raised by IPO only accounted for 30.21% of the funds raised on A-share market in China in 2012, down from 51.20% in 2011, while the funds raised on the main board accounted for 71.85% of the total funds raised in the market as a whole. In 2012, the market share of the top ten securities firms in terms of A-shares underwriting amount was 57.27%, which is comparable to 57.71% in 2011, representing a sustained market concentration.

Actions and Achievements

In face of the challenges arising from the ferocious market conditions in 2012, the Company optimized the organizational structure of the investment banking business based on its principles of “being client-oriented with full-product services; maximizing the efficiency of resources allocation; improving the quality of customer services”. The new structure focused on “full product coverage by IBS and specialized division of execution”. Apart from undertaking equity finance business, all industry teams are required to be customer-oriented, and to organize and deploy all the internal and external resources in order to provide all-rounded capital market product services to customers. The efficiency of equity financing execution had been enhanced, with greater client’s satisfaction and better business opportunities.

In respect of SME equity financing projects, with more than six years of development, the Company has established its competitive advantages in commercial and life style consumer goods, advanced equipment manufacturing, information technology, pharmaceutical, food and beverage, energy conservation and environmental protection. Against the backdrop of a lowering market valuation and increased offering risks in the ChiNext Board in the first half of 2012, the Company successfully sponsored a number of boutique IPOs for SMEs, such as Ourpalm Co., Ltd., Shenzhen Dongjiang Environmental Company Limited and Changsha Sinocare Co., Ltd., by capitalizing on our in-depth understanding of the respective industries and capital market, thereby continuously strengthening our market influence.

In 2012, the Company completed 30 equity lead underwriting projects, with the total lead underwriting amount of RMB50,600 million, accounting for a market share of 10.53%, and ranked second in the market. Of which, 25 were cash equity lead underwriting projects (please refer to the table below), with the total lead underwriting amount of RMB36,800 million, which was ranked number one in the market. Of these cash equity lead underwriting projects, 15 were IPOs, with a total lead underwriting amount of approximately RMB17,361 million, putting the Company on the top of the chart; nine were follow-on offerings, with a total lead underwriting amount of RMB19,136 million; the other one was a convertible bond issuance with a lead underwriting amount of RMB325 million.

Projects	2012		2011	
	Lead underwriting amount (RMB million)	Number of issues	Lead underwriting amount (RMB million)	Number of issues
IPOs	17,361	15	17,786	8
Follow-on offerings	19,136	9	23,402	6
Convertible bonds	325	1	3,833	1
Total	36,822	25	45,021	15

Source: Wind Info and the Company's internal statistical data

In respect of the international business, on the back of volatility in the global financial market and under keen competition in 2012, CSI's equity financing business has already built-up a competitive and resistant to market pressure capability. It completed a number of influential projects and formed a good number of project reserve. In 2012, CSI completed four IPOs, two follow-on offerings and four cross-border mergers and acquisitions. The Company will fully leverage on the synergy arising from the acquisition of CLSA, whose businesses are highly complementary on its own, to establish an investment banking services cooperation platform to facilitate an efficient international and domestic interactive businesses. Meanwhile, supported by the dominating client base and strongest expertise in China, the Company will continue with its endeavors in identifying global business partners, and promote the development of key businesses including equity financing in Hong Kong, cross-border mergers and acquisitions, and financing on the international board.

Outlook for 2013

In 2013, following changes in the industry structure, traditional large-scale IPO projects may be diminishing, while equity financing of the SMEs engaged in emerging industries or supported by the State will record an increase. Regarding the development of the equity financing business, the Company will keep focusing on strategic client coverage, at the same time, capitalize on SME financing opportunities arising from economic restructuring and industrial upgrading, and identify leading enterprises in sub-segments and regions. All these efforts are aiming at providing integrated capital market solutions, creating added value for and achieving mutual growth with the clients. In addition, the Company will strive to develop innovative businesses to achieve a greater synergy between the domestic and the international market. By adhering to the high standard of "selecting the best among the best", the Company will establish a multi-tier quality control system, strengthen the risk control on project sponsorship, upgrade the project quality, and enhance the market influence of its brand name.

Debt and Structured Financing

Market Conditions

In 2012, a surge in bond issuances had ushered in another fresh round of expansion in China's bond market since the financial crisis. Bond issuances amounted to RMB8.57 trillion for the year, representing a year-on-year rise of 11.66% from RMB895,832 million the previous year. Scale of issuance and underwriting of credit bonds, including corporate bonds, medium term notes, collective notes, commercial bank bonds, commercial papers and placement notes by non-financing institutions, have expanded substantially during the year. Size of inter-bank bond market offerings totaled RMB3.79 trillion, up approximately 63% year-on-year.

Actions and Achievements

In 2012, the Company completed a total of 137 transactions, including underwriting for enterprise bonds, corporate bonds, financial bonds of commercial banks, medium-term notes, commercial papers and asset-based securities, with the underwriting amount of RMB215,355 million, representing 5.13% of the market share. The Company ranked first in terms of number of issues and underwriting amount.

Projects	2012		2011	
	Lead underwriting amount (RMB million)	Number of issues	Lead underwriting amount (RMB million)	Number of issues
Enterprise bonds	37,267	20	16,500	12
Corporate bonds	20,716	13	10,500	6
Financial bonds	93,600	24	93,900	19
Medium-term notes	36,150	30	18,900	14
Commercial papers	16,950	15	13,500	8
Collective notes	—	—	100	1
Asset-backed securities	10,672	35	—	—
Total	215,355	137	153,400	60

Source: Wind Info and the Company's internal statistical data

In addition, during 2012, through the platform of CSI, the Group has achieved significant breakthrough in overseas bond offerings and completed a total of ten foreign RMB-denominated bond offerings as the lead underwriter and bookrunner, two as the tender agent, and two US bond offerings as the co-lead manager. Capitalizing on the opportunities in RMB-denominated bond business in Hong Kong, the Group diversified its business structure, expanded its business vision to be all-encompassing, thereby making constructive and forward-looking probe into the advancement of the Group's globalization development strategy.

In 2012, while maintaining its leading position in the conventional bond underwriting business, the Company recorded tremendous improvement in the private structured financing transactions, with an aggregate of about RMB15.9 billion fund raised, and became the frontrunner among domestic securities firms in this field.

Outlook for 2013

In 2013, upon the marketization reform on interest rates entering into a new phase of development and the re-starting of the trial on asset-backed securitization, the room for development of bonds and structured financing will further broaden. The Company will step up its efforts on the bond market by diversifying both clientele and product range within short term, and based on product diversification, to gradually remodel its business structure. Through driving the customer demand of bond offering, structured financing and other fixed income business, the Company endeavors to maintain its leading position and market influence, and to make breakthroughs in product innovation. Moreover, the Company will continue to develop the underwriting business of SME bonds private placement, with a view to providing new financing tools for SMEs to facilitate their healthy and speedy growth.

Financial Advisory Services

Market Conditions

According to Mergermarket, the total value of global merger and acquisition transactions in 2012 was US\$2,240 billion, representing a decrease of 0.31% compared to 2011; 13,194 transactions were announced in 2012, up by 0.17% compared to 2011. In terms of geographical locations, the focus of merger and acquisition transactions shifted from developed countries to Asia and Latin America where higher growth rates were recorded. On a sector basis, merger and acquisition activities were mainly found in the industries of power, mineral products and commercial services, which accounted for 30.43% of the value of all mergers and acquisitions of the world.

The value of merger and acquisition transactions in China amounted to US\$131.1 billion, representing a growth of 21.05% compared to 2011. 689 merger and acquisition transactions were announced in 2012, up by 8.85% compared to previous year. In terms of geographical locations, the value of merger and acquisition transactions in China accounted for 30.75% of that in the Asia Pacific region, of which, the value of outbound transactions by Chinese firms amounted to US\$58.1 billion, which doubled the value of inbound transactions. On a sector basis, the merger and acquisition activities were mainly found in the finance, industry and chemicals sectors, accounting for approximately 47.62% of the value of all mergers and acquisitions in China.

Actions and Achievements

In respect of financial advisory for mergers and acquisitions, the Company strived to develop itself into a leading brand name in the domestic and international markets, and to develop innovative financial advisory services as a new driver for profit growth.

In 2012, the Company completed 19 merger and acquisition transactions, of which 10 were domestic deals and nine were international by nature. Our clients included sizable State-owned enterprises such as China Telecom, State Grid, China National Machinery Industry, China Minmetals, Baosteel and China Merchants, and foreign companies such as Synthesis Energy of the U.S., New Millennium Iron of Canada, Diageo of the U.K. and Suntory of Japan. Meanwhile, according to the ranking in terms of number of mergers and acquisitions arranged by Chinese companies as compiled by Bloomberg in 2012, the Company ranked number one by virtue of the 29 financial advisory deals completed.

By sustaining its business advantages in the Chinese domestic market, the Company fully utilized its overseas team in 2012, and strengthened its established and all-rounded cooperation with overseas strategic partners, thus further developing and expanding its overseas business networks to cover key regions such as Europe, North America and Asia Pacific regions, and gradually extending into emerging regions such as Africa and South America, to facilitate the establishment of an international network for financial advisory services covering the whole world.

Outlook for 2013

In 2013, in respect of the domestic merger and acquisition market, the Company will continue to strengthen the client network of domestic mergers and acquisitions by in-depth studies of customer demands, and will capitalize on business opportunities arising from industry consolidation and flotation of sizable enterprises. Also, in order to strengthen its leading position, to explore the market and to provide innovative products, the Company will strive to arrange major projects for sizable clients and to play a core financial advisory role in transactions which have a more substantial market impact, with a view to further strengthening its advantageous position and to probing further into innovation.

In respect of the overseas merger and acquisition market, with the sustained establishment and continuous enhancement of the overseas networks, the Company will be able to participate in overseas merger and acquisition activities with more extensive impact in the international market. The Company will also try to provide flow-based services for cross-border merger and acquisition transactions to build up the Company's brand name in the China-involved cross-border merger and acquisition market.

4.2.2 Brokerage

Market Conditions

The average daily turnover of stock and fund in the A share market was RMB131.6 billion, representing a decrease of 25% compared to 2011. During the fourth quarter of 2012, the average daily turnover of the stock and fund was only RMB113.4 billion. The fall in commission rate, after successive and substantial slides of around 20% annually from 2009 to 2011, narrowed in 2012. The average commission rate of the industry was 0.788‰ in 2012, representing a year-on-year decrease of 3%.

Actions and Achievements

In 2012, the Company actively responded to market changes, and by leveraging on 2 rounds of market rallies, maintained its leading market position in brokerage business and widened the gap with its peers. In 2012, the Group recorded a total trading turnover of approximately RMB3.68 trillion in the Shanghai Stock Exchange and Shenzhen Stock Exchange, representing a market share of 5.76% and a year-on-year increase of 4.54%, putting it on the top of the market.

The Company has long emphasized on the importance of building up its clientele. As at the end of 2012, entrusted client assets of the Group, including the assets from holders of shares which are still subject to trading moratorium, amounted to RMB1.66 trillion in total. The number of high-net-worth individual clients with an asset value of RMB5 million or more increased by 24% compared to 2011. In respect of institutional clients, the Company set up 102 new transaction seats in 2012, enhanced investment research services to fully cover assets management companies of insurance companies, and increased the number of QFII clients to 72, with the trading turnover ranking number one in the market.

The Company was proactive in deepening the transformation of its brokerage business by facilitating the functional change of its branches into sales outlets and service centers for all businesses of the Company, so as to provide our clients with both investment and financing services. In 2012, in preparation for the provision of financial services to SMEs, the Company set up the Enterprise Financial Services Department under the Brokerage Business Development and Management Committee for the purpose of organizing local teams to promote businesses related to private placement of SME bonds, the new OTC market, and the regional equity market.

In 2012, the Company, CITIC Securities (Zhejiang) and CITIC Wantong Securities distributed a total of RMB43,706 million of financial products, all being fund products. Total income in this respect was RMB35.53 million. In December 2012, the Company was granted the qualification for distribution of financial products, whereby, in addition to fund products, the Company has been approved to distribute financial products, including insurance products, wealth management products of commercial banks and trust products. With the expanded scope of products, the financial product distribution business of the Company is expected to deliver promising results in 2013.

Outlook for 2013

In 2013, the macro-economic conditions are expected to be challenging and the securities market will probably see frequent fluctuations within a considerable range. The core concept for regulation in the future is “better governance with fewer rules”. The Company will experience challenges from fast chasing peers and mixed operation of the financial market.

For brokerage business, the Company will, aiming at “innovating and profit making”, strike a balance between distribution and financing businesses and will spare no effort in business transformation. The Company will focus on building up client assets and developing new clients, enhance customer loyalty by establishing a multi-tier client classification system, and continuously reinforce the competitive edge in institutional client services by better meeting the investment demands of high-net-worth clients.

4.2.3 Trading

Market Conditions

Market expectation of economic recovery, deregulation, and securities market system reform all helped drive the A share market higher during the first quarter of 2012, with the Shanghai Composite Index closing at the year high of 2,478 on 27 February 2012. Since the second quarter of 2012, impacted by the less-than-expected economic recovery and insufficient degree of deregulations, the A share market pulled back to a substantial extent. From May to November 2012, the market experienced a sliding trend until it finally rebounded in December 2012 in anticipation of the impact of economic reforms. The market managed to close the year with gains as compared to 2011. As at 31 December 2012, the Shanghai Composite Index closed at 2,269.13, up 3.17% compared to 2,199.42 at the end of 2011.

Actions and Achievements

Flow-based Business

The Company reported relatively rapid development in its flow-based business in 2012.

For equity flow-based business, the Company provided customers with equity management services such as stock repo, equity-backed financing and market cap management, as well as market making such as providing liquidity to block trades and exchange traded funds (ETF), and started the businesses of developing structured products and total return swaps.

On 1 April of 2012, the Company established a wholly-owned subsidiary known as CITIC Securities Investment to develop low-risk businesses including flow-based businesses and innovative buy-side businesses such as alternative investment. CITIC Securities Investment, with a registered capital of RMB3 billion, was built as an important platform to develop its flow-based business, including providing equity management services such as equity-backed financing and market cap management, and offering fixed-income products, such as investment and market-making products to customers.

For stock repo business, the Company leveraged its first-mover advantage to gradually expand the business scale, gaining leading market position in terms of stock repo balance. For equity swap, as one of the first securities companies qualified for trial operation, the Company recorded rapid growth in its business scale. For market-making business, the Company provided market making services for the liquidity of two newly listed ETFs.

The Company is keen to further develop the fund market-making and market cap management business. The Company participated in market making for more than 10 funds, including cross-market and cross-border ETF funds, structured funds as well as traditional ETFs and listed open-end funds (LOF). The Company's market-making business was broadly recognized by the market. The Company provided market cap management services such as reduction of non-tradable shares after the lock-up period, assets preservation and appreciation, and financing to listed companies, and established umbrella trust schemes through our trust platforms to meet customers' needs.

In respect of fixed income products, by capitalizing its extensive clientele network, the Company actively developed new clients, new sources of demand, and further enhanced the capability in product structuring to develop flow-based business. More specifically, measures adopted included launching innovative commodity and cross-border products; further expanding the scale of proprietary wealth management products; stepping up efforts in development and sales of innovative products; further consolidating its trading capacity that enabled the Company to reap remarkable investment results; continuing to strengthen its investment advisory services for wealth management of commercial banks and small-and medium-sized financial institutions; engaging in interest rate swap and market-making business to meet the client demands in risk management, investment and financing. In 2012, the Company continued to maintain its number one position in the interbank bond market in terms of trading turnover.

In respect of the prime services, the Company made significant progress in establishing service infrastructure, and has developed profound cooperation with a number of domestic mutual funds, private equity funds, trust companies, insurance companies and asset management institutions, which has further refined the investor mix of the Company's margin financing and securities lending business. By stepping up its efforts in marketing, the Company has achieved remarkable results in terms of the number of clients participating in margin financing and securities lending business and identification of key clients. During the reporting period, CITIC Securities (Zhejiang) and CITIC Wantong Securities, both subsidiaries of the Group, obtained the qualification to commence margin financing and securities lending business. Moreover, the Company and the two subsidiaries obtained the qualification to commence refinancing business, further enhancing the margin financing and securities lending business of the Group. As at 31 December 2012, the balance of the margin financing and securities lending of the Company, CITIC Securities (Zhejiang) and CITIC Wantong amounted to a total of RMB8,838 million, growing by 237.78% as compared to 2011 and accounting for a market share of 9.87% and ranked number one.

Item	Company	31 December 2012	31 December 2011
Number of credit accounts opened	CITIC Securities	14,921	4,534
	CITIC Securities (Zhejiang)	11,680	—
	CITIC Wantong Securities	5,674	—
	Total	32,275	4,534
Balance of margin financing and securities lending accounts (RMB million)	CITIC Securities	6,236	2,616
	CITIC Securities (Zhejiang)	1,869	—
	CITIC Wantong Securities	732	—
	Total	8,837	2,616

Source: the Company's internal statistical data

Proprietary Trading

Under the premise of ensuring a strategic shift to equity proprietary trading, the Company selectively invested in blue-chip stocks in the securities, gold, power, military industry and advanced equipment industries in 2012 with satisfactory investment gains. During the first half of 2012, the Company established an alternate investment business line and by leveraging on the non-effective nature on both domestic and foreign markets, and through means of proactive risk management, such as hedging, arbitrage and quantitative investment, the Company received extra gains. The business line is characterized by low risks and stable income. Since 2012, the alternate investment business line has commenced four principal trading strategies: domestic stock index futures arbitrage, fundamental quantitative investment, statistical arbitrage and foreign convertible bond arbitrage.

With deregulation in place and the variety and scope of proprietary investment of securities companies further expanded, the Company's ability to provide flow-based products will be enhanced in 2013. The Company will continue to vigorously develop the flow-based trading business and steadily expand the scale of each of our existing businesses. Through product structuring, the Company aims at providing customers with personalized solutions to meet their needs in financing, investment, risk management and liquidity.

In 2013, CITIC Securities Investment will grasp the opportunities arising from the support and encouragement for financial innovation by the relevant regulatory authorities, and continue to explore and develop their flow-based business to expand their investment channels; meanwhile, it will build up its team, enrich its product lines to meet clients' requirements and build up its core competence in the flow-based business.

In respect of margin financing and securities lending business, the Company will, subject to strict risk control, step up its efforts in product development and marketing to key clients, to ensure sustainable and stable growth in the scale of margin financing and securities lending business. The Company will seek to maintain its leading position through business and product innovation, by cultivating potential trading clients to use hedging strategies and by upsizing securities lending.

4.2.4 Asset Management

Market Conditions

During 2012, the asset management business faced tremendous challenges as well as new opportunities for development.

The volatile securities market waned investors' confidence and dampened sales of equity wealth management products. As a result, an increasing number of investors preferred fixed income or cash investment products. Furthermore, there was growing competition in the market for asset management business, with vigorous competition among mutual funds, securities houses, banks and trust companies. These factors contributed to the unprecedented challenges faced by the asset management business of securities companies.

Meanwhile, the promulgation of the "Implementation measures for the Customer Asset Management Business of Securities Companies" and the detailed implementation rules by the CSRC have effectively broadened the scope of asset management business of securities companies and brought about new business opportunities.

Actions and Achievements

As of 31 December 2012, the Company's total AUM amounted to RMB250,839 million, comprising CAM, TAM (including enterprise annuity and NSSF) and SAM of RMB24,923 million, RMB222,423 million and RMB3,493 million, respectively.

Type	31 December 2012 AUM (RMB million)	From January to December 2012 Management fees (RMB million)	31 December 2011 AUM (RMB million)	From January to December 2011 Management fees (RMB million)
CAM	24,923	151.56	14,066	187.90
TAM	222,423	46.13	46,905	29.50
SAM	3,493	0.40	1,037	0.40
Total	250,839	198.09	62,008	217.80

Source: the Company's internal statistical data

In 2012, the Company vigorously expanded its TAM business based on banks as the major clientele. The AUM of its TAM (excluding enterprise annuity and NSSF) increased by approximately RMB174,098 million, being the major driver of the AUM of the Company. In 2012, more than 22 new enterprises annuity accounts were opened with the Company with an aggregate amount of approximately RMB8,844 million. The Company also obtained the entrusted stock portfolios of NSSF as its domestic investment manager in 2012.

In 2012, the Company continued to enhance its business and product innovation by actively participating and advancing innovation campaigns promoted by the regulatory authorities, stock exchanges and industry associations, such as the launch of cash management products and classified collective schemes. The Company launched CAM schemes featured by selected funds, convertible bonds, cash value-added, quarterly bond interest-gaining and monthly return etc. in an ongoing endeavor to perfect its product line and to effectively grow the size of its AUM of CAM.

Outlook for 2013

In 2013, the Company will continue to expand its TAM business targeting banks, enterprise annuities, NSSF and other sizable institutional clients as major clients; attach greater importance to product innovation and continue to roll out new CAM schemes that fit investors' demands, providing quality services to customers; selectively push forward QDII (qualified domestic institutional investors) overseas investment business at opportune moment; raise investment management standards for the Company's various accounts, in particular the CAM schemes, and leverage on the leading position and brand name of its traditional products to effectively drive for overall business growth.

4.2.5 Investment

Private Equity Investment

Market Conditions

In 2012, affected by the slowdown of the macro economic growth worldwide, prolonged European woes, lower-than-expected domestic economic growth, and weakened domestic and foreign capital markets, China's PE fund raising market cooled down and was the weakest year since the financial crisis in 2008. On the one hand, domestic limited partnerships (LP) continued to face liquidity pressure arising from the unsatisfactory macro-economic condition and capital markets. On the other hand, book returns on exit in China's IPO market hit record low, it is expected that LPs will remain cautious in investing in PE funds.

According to the statistics of Zero2IPO, subscription of private equity investment funds which have been authorized to invest in Mainland China substantially reduced by 34.86% from US\$38,857 million in 2011 to US\$25,313 million in 2012. Of the 606 transactions which have disclosed the investment amounts in 2012, the aggregate investment amount was US\$19,785 million, representing a year-on-year decline of 28.31%. While there were sharp declines in subscriptions and investments, a decline in divestments was also noted. Since returns on divestment were trending lower, some institutions opted for divestment by way of mergers and acquisitions.

Actions and Achievements

GoldStone Investment, a wholly-owned subsidiary of the Company, has established a hybrid investment strategy of focusing on both direct investments and fund investments. By leveraging on the network of the Group, the strength of its investment team and the project resources of the RMB equity investment fund, the focus of its investment is on investment opportunities arising from large-scale equity investments in China.

In 2012, GoldStone Investment invested in 22 investment projects.

In April 2012, GoldStone Investment obtained the approvals to set up CITIC GoldStone Investment Fund (a direct investment fund), and to invest its proprietary fund in RMB equity investment funds in China. The registration formalities for the establishment of the direct investment fund management company and the direct investment fund were completed in Laoshan District, Qingdao on 4 December 2012 and 6 December 2012 respectively, and the two companies were named as Qingdao Goldstone Runhui Investment Management Company Limited and Qingdao Goldstone Hongxin Investment Centre (Limited Partnership).

In June 2012, GoldStone Investment obtained the approval to set up CITIC Buyout Fund, the first buyout fund established by a domestic securities company and approved by the CSRC. The registration formalities for the management company of the CITIC buyout investment fund and the buyout fund were completed on 3 September 2012 and 15 November 2012 respectively in Shenzhen, and the two companies were named as CITIC Buyout Fund Management Company Limited and CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership). Contract signing for the initial subscription amount of RMB3,000 million has been completed by the end of 2012.

Outlook for 2013

In response to the intensifying market competition, GoldStone Investment will actively pursue strategic transformation, shifting from a single capital investment business to a business with dual emphasis on proprietary capital investment and third-party asset management. It will take full advantage of the opportunities presented by the rapid expansion of China's equity investment market and fulfill its strategic goals of achieving economies of scale and brand recognition.

In 2013, GoldStone Investment will focus on the subscription of direct investment funds and buyout funds, and plans to complete the closing of the first subscriptions of the direct investment funds in early 2013. The Company will strive to foster a matrix network of investors' relations that will facilitate interaction, enhance communications and strengthen cooperation between the Company and institutional investors.

Principal Investments

China AMC

As the largest fund management company in China, China AMC managed mutual fund assets with an approximate total fund size of RMB235.3 billion as at 31 December 2012. It offered a diversified product portfolio comprising 30 open-end funds and 2 closed-end funds, each with distinctive risk and return features. China AMC has been appointed as the investment manager for annuity funds of over 150 medium or large enterprises.

In 2013, the mode of mixed operation will change the competitive landscape of mutual funds. Against this backdrop, the development of the mutual fund sector will face huge challenges, and traditional business model and way of organization will be put under pressure for changes. China AMC will remain committed to investment research as a core task in order to increase the level of its overall financial performance. It will also effectively improve its product design and innovation capability and steadily develop the mutual fund and institutional business and strive to maintain its industry leadership in terms of the size of AUM. Practical and effective measures will continue to be adopted to enhance standardized operations, while stronger efforts will be made in brand building and the fulfillment of social responsibility.

CITIC PE Fund

CITIC PE Fund manages two funds, namely CITIC Mianyang Private Equity Fund and Beijing CITIC Investment Center (Limited Partnership). In 2012, the two funds invested over RMB1,100 million in 5 new projects. Currently, seven of the projects invested by the two funds have been listed.

In 2013, CITIC PE Fund will, on the one hand, fully capitalize on the Group's business network, and in-depth industry knowledge of the Company's investment teams and their ability in identifying potential investment opportunities, to actively identify investments with potential upside. On the other hand, CITIC PE Fund will continue to enhance exchanges and cooperation with professional domestic and foreign investment institutions, so as to gain experience from leading institutions while identifying mutual investment opportunities.

4.2.6 Research Business

In 2012, the research business of the Company maintained its edges in the domestic sell-side research. Young analysts were growing up and well recognized by the market as sell-side analysts. Meanwhile, the Company actively pushed forward the internationalization and transformation of its research business. In line with the Company's dual focus on stocks and bonds, it deepened its search for investment opportunities in the stock and the bond markets, at the same time continued to expand research in relation to specific topics arising from regulations as well as non-stock financial products, with a view to offering differentiated and customized research products and services to a much broader community of investors. At the same time, the Company also set the stage for the overseas market by strengthening its cooperation with CLSA, continued with the expansion of the research coverage and global roadshow of overseas Chinese concept stocks to increase the influence of the Company's research business in the overseas market and to provide research support for the "going out" of its other businesses.

Meanwhile, benefiting from its first-hand market information and responsiveness, the Research Department continued to provide government departments, regulatory authorities, corporations and academic institutions with special reports on the latest market development and policy recommendations, with a view to becoming a reputed non-government economic think tank.

4.3 Financial Statement Analysis

4.3.1 Financial Statement Summary

Analysis on the profitability of the Group during the reporting period

The year 2012 was the new era for the innovation and development of the securities market of China. As competition in the traditional businesses was increasingly fierce and with the gradual launch of a series of reforms by the regulatory authorities, the Group seized the opportunities arising from the development of the industry, overcame the severe challenges brought by the unfavorable factors such as economic downturn in China and the rest of the world, and carried out innovative businesses in which certain achievements were obtained. The operating income and net profit of the Group ranked first among China's securities companies.

In 2012, the Group recognized total revenue and other income of RMB13,071 million, representing a decrease of 50.43%. Net profit attributable to owners of the parent amounted to RMB4,237 million, representing a year-on-year decrease of 66.31%. Basic earnings per share was RMB0.38, representing a year-on-year decrease of 69.11%. Return on weighted average equity was 4.90%, representing a year-on-year decrease of 12.10 percentage points. The year-on-year decreases of the Group's total revenue and other income and the Group's net profit in 2012 were mainly due to the revenue from the disposal of China AMC in 2011, and the financial statements of China AMC were no longer consolidated in 2012.

Assets structure and assets quality

At the end of 2012, equity attributable to owners of the parent were RMB86,465 million, representing a year-on-year decrease of RMB122 million or 0.14%.

The assets structure maintained a healthy assets structure, assets quality and liquidity. In 2012, excluding cash held on behalf of customers and customers' refundable deposits, the Group's total assets amounted to RMB133,701 million, representing an increase of RMB21,898 million or 19.59% compared with RMB111,803 million in 2011 on a comparable basis. Of which, cash and bank balances recognized RMB25,836 million, accounting for 19.32% of the total assets. Investment, which consisted primarily of investments in subsidiaries, associates/jointly controlled entities and financial assets, represented 65.00% of the total assets. Fixed assets, constructions in progress, intangible assets and investment properties in aggregate represented 2.90% of the total assets. The Group has made corresponding allowance for impairment losses in respect of available for sale financial assets. There is no significant impairment for other assets.

During 2012, the gearing ratio of the Group increased. At the end of 2012, excluding accounts payable to customers, liabilities of the Group were RMB47,016 million, representing an increase of RMB22,203 million or 89.48% compared with RMB24,813 million as at the end of 2011. Such increase was mainly due to the reason that the Group raised funds through various channels, expanded the scale of financing, and increased financial leverage, to vigorously develop flow-based business. Based on the assets and liabilities with cash held on behalf of customers, customers' refundable deposits and accounts payable to customers (customers deposits) excluded, the Group's gearing ratio at the end of 2012 was 35.17%, representing an increase of 12.98 percentage points as compared to the gearing ratio of 22.19% at the end of 2011.

Cash flow status

Excluding customers' deposits, the cash inflow from investing activities and financing activities were lower than the cash outflow from operating activities, which resulted in a net decrease of RMB7,600 million in cash and cash equivalents.

Net cash outflow from operating activities in 2012 was RMB17,194 million, representing a decrease of RMB17,316 million compared with an inflow of RMB122 million in 2011. Net cash inflow from investing activities in 2012 was RMB744 million, representing a decrease of RMB9,069 million compared with an inflow of RMB9,813 million for the corresponding period of 2011. Net cash inflow from financing activities in 2012 was RMB8,850 million, representing an increase of RMB2,495 million compared with an inflow of RMB6,355 million in 2011. Net decrease in cash and cash equivalents of the Group for 2012 was RMB7,600 million, representing a decrease of RMB23,890 million compared with the net increase of RMB16,290 million in 2011.

Financing channel and financing ability of the Company

Currently, the Company obtains short-term fund primarily by way of bond repurchases, due to banks and other financial institution, collateralised loans and issuance of commercial papers 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 follow-on offering, rights issue, issuance of bonds, and convertible bonds, subordinated bonds, private placement bond, notes and other financing methods 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 received from the cash deposit held by the Company, the market price of the bond investment and the investment income. Meanwhile, equity investment of the Company is also vulnerable to, though indirectly, the impact from changes in interest rates. In addition, the Company has also incorporated certain subsidiaries outside mainland China, and invested in capital denominated in foreign currencies. Considering 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 proprietary capital is centrally managed by the Treasury Department. There is also a comprehensive management system and corresponding work flows in place. The Company will fine-tune the structures of its different classes of assets in a timely manner to mitigate the risks and the impacts of the above adverse factors.

4.3.2 Analysis on Income Statement

Financial Highlights

In 2012, the Group accomplished a profit before income tax of RMB5,487 million, representing a decrease of 63.50%. Major financial highlights of the Group are as follows:

	<i>In RMB millions</i>	
Items	2012	2011
Fee and commission income	7,090	9,713
Interest income	2,172	2,056
Investment income	3,648	14,393
Other income	161	209
Operating expenses	8,016	11,756
Share of profits and losses of associates and jointly-controlled entities	432	416
Profit before income tax	5,487	15,031
Income tax expenses	1,180	2,427
Net profit attributable to owners of the parent	4,237	12,576

Structure of the revenue

In 2012, total revenue and other income of the Group amounted to RMB13,071 million, representing a year-on-year decrease of 50.43%. Fee and commission income accounted for 54.24% of the total revenue and other income, representing an increase of 17.41 percentage points from the previous year. Investment income accounted for 27.91% of the total revenue and other income, representing a decrease of 26.67 percentage points from the previous year. The following table sets out the composition of total revenue and other income of the Group in the past 5 years:

Items	2012	2011	2010	2009	2008
Fee and commission income	54.24%	36.83%	54.81%	76.05%	67.34%
Interest income	16.62%	7.80%	6.57%	8.46%	16.30%
Investment income	27.91%	54.58%	37.98%	14.36%	15.67%
Other income	1.23%	0.79%	0.64%	1.13%	0.69%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

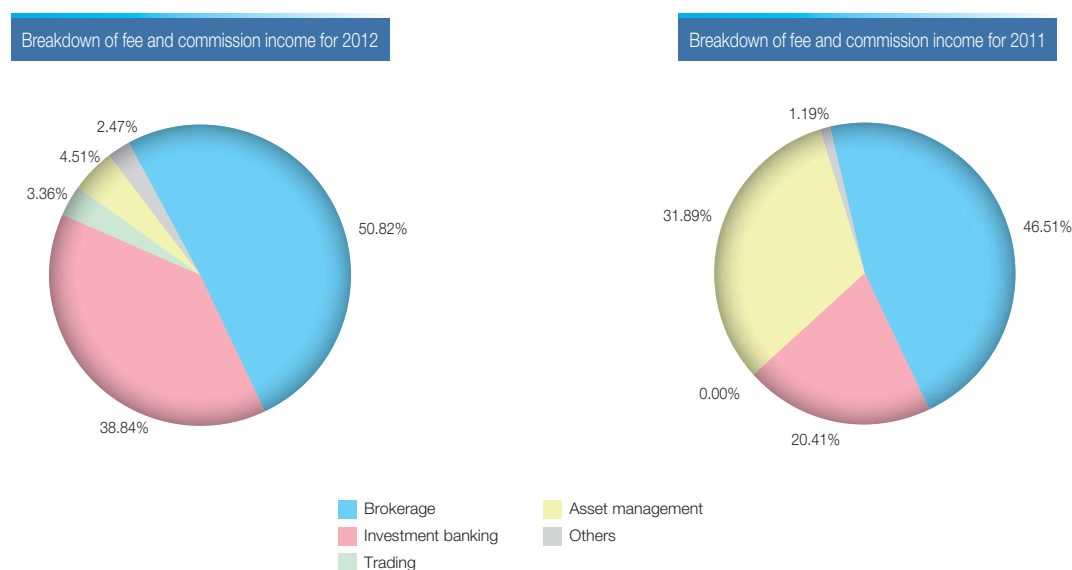
Fee and commission income

In 2012, net fee and commission income of the Group's segment amounted to RMB6,289 million, representing a decrease of 27.26% as compared to 2011. Such decrease was mainly attributable to a decrease in revenue from brokerage and asset management. The breakdown of fee and commission income of the Group during 2011 and 2012 were as follows:

In RMB millions

Items	2012	2011	Variance in amount	Variance in percentage
Fee and commission income				
Brokerage	3,603	4,518	-915	-20.25%
Investment banking	2,754	1,983	771	38.88%
Trading	238	—	238	100.00%
Asset management	320	3,097	-2,777	-89.67%
Others	175	115	60	52.17%
Fee and commission expenses	801	1,067	-266	-24.93%
Net fee and commission income	6,289	8,646	-2,357	-27.26%

The breakdown of fee and commission income during 2011 and 2012 were as follows:



In 2012, fee and commission income from brokerage segment decreased by RMB915 million compared to the previous year, representing a drop of 20.25%. Transaction volume in securities market continued to decline during the year to drag down the revenue from brokerage business.

Fee and commission income from investment banking segment for 2012 surged by RMB771 million year-on-year, representing an increase of 38.88%. Despite an overall decline in the scale of financing in the A share market, the underwriting fee and commission income of the Group still registered an increase, thanks to the Group's outstanding performance in the amount underwritten on the Main Board, SME Board and ChiNext Board, and its ability to maintain the leading position in mergers and acquisitions and bond underwriting businesses.

Fee and commission income from trading segment amounted to RMB238 million in 2012, mainly derived from financial advisory.

Fee and commission income from asset management segment decreased by RMB2,777 million or 89.67% compared to the previous year. Excluding the impact of China AMC in 2011, revenue generated from asset management business dropped by RMB34 million year-on-year in 2012. During the reporting period, restriction over asset management business has been relaxed, which gave a strong boost to the scale of the asset management. However, revenue derived from asset management business recorded a slight drop as rapid growth of new products was not registered until the third quarter and fourth quarter in 2012 and economy of scale is yet to be shown.

Interest income

In 2012, net interest income of the Group amounted to RMB1,224 million, representing a year-on-year decrease of 12.63%. The table below sets out the major composition of the net interest income during the period:

<i>In RMB millions</i>				
Items	2012	2011	Variance in amount	Variance in percentage
Interest income				
— Bank interest income	1,675	1,774	-99	-5.58%
— Interest income on margin and other financing	493	279	214	76.70%
Others	4	3	1	33.33%
Finance costs	948	655	293	44.73%
Net interest income	1,224	1,401	-177	-12.63%

In 2012, bank interest income decreased by RMB99 million, representing a year-on-year decrease of 5.58%, mainly due to increase in the scale of investment and margin financing and securities lending business of the Group, as well as a decline in the average daily balances of our deposits and customers' deposits. Moreover, expansion of financing scale has also resulted in surging finance cost.

In 2012, interest income on margin and other financing increased by RMB214 million, up year-on-year by 76.70% compared to the previous year. The increase was mainly attributed to the rapid growth in interest income from margin financing and securities lending business. During the reporting period, CITIC Wantong and CITIC Securities (Zhejiang) obtained the qualification to commence margin financing and securities lending business, which resulted in an increase in the interest income.

Investment income

In 2012, investment income of the Group amounted to RMB3,648 million, representing a year-on-year decrease of 74.65%. Excluding the impact on investment income of RMB13,081 million arising from the disposal of China AMC in 2011, investment income for 2012 would have increased by RMB2,336 million compared to the previous year, representing an increase of 178.05%. The table below sets out the major composition of the investment income during the period:

<i>In RMB millions</i>				
Items	2012	2011	Variance in amount	Variance in percentage
Net income from available-for-sale financial assets	1,646	1,254	392	31.26%
Net income/(loss) from financial instruments held for trading and financial instruments designated at fair value through profit or loss	1,815	-1,568	3,383	Not applicable
Gain on disposal of subsidiaries	—	13,081	-13,081	-100.00%
Others	187	1,626	-1,439	-88.50%
Total	3,648	14,393	-10,745	-74.65%

Net income from available-for-sale financial assets rose by RMB392 million, representing an increase of 31.26% compared to 2011, mainly due to a larger scale of investment and disposal by the Group in available-for-sale financial assets during the year, which in turn contributed to an increase of RMB173 million or 32.40% in investment income from disposal of available-for-sale financial assets, and an increase of RMB219 million or 30.42% in dividend income and interest income from available-for-sale financial assets held by the Group.

Net income/(loss) from financial instruments held for trading and financial instruments designated at fair value through profit or loss expanded by RMB3,383 million. Despite sluggish performance of the securities market in 2012, investment income of the Group recorded a substantial year-on-year increase to RMB1,815 million through timely adjustment of investment strategies, as well as fast expansion in the scale of fixed income market-making, which reduced investment risks.

Other investment income decreased by RMB1,439 million, representing a decrease of 88.50% compared to the previous year which was mainly attributable to the shrinking investment in derivatives and fair value changes.

Operating expenses

In 2012, operating expenses of the Group (excluding fee and commission expense and finance costs) amounted to RMB6,268 million, representing a year-on-year decrease of RMB3,765 million. Excluding the consolidation impact of China AMC in 2011, operating expenses would have decreased by RMB1,806 million, representing a decrease of 22.37%. The table below sets out the major composition of the operating expenses during the period:

<i>In RMB millions</i>				
Items	2012	2011	Variance in amount	Variance in percentage
Staff costs	3,786	4,997	-1,211	-24.23%
Depreciation	280	192	88	45.83%
Business tax and surcharges	401	488	-87	-17.83%
Other operating expenses	1,771	2,842	-1,071	-37.68%
Impairment losses	30	1,514	-1,484	-98.02%
Total	6,268	10,033	-3,765	-37.53%

In 2012, staff costs of the Group recorded a decrease of RMB1,211 million, representing a decrease of 24.23%. Excluding the consolidation impact of China AMC in 2011, staff costs would have decreased by RMB391 million. Such decrease was mainly attributable to the effective control of the Group over staff costs.

In 2012, depreciation increased by RMB88 million, representing an increase of 45.83%. Excluding the consolidation impact of China AMC in 2011, the relevant depreciation would have increased by RMB108 million, representing an increase of 62.79%. The hike in cost of depreciation in 2012 was mainly due to the Group's transfer of the two office buildings from construction in progress to fixed assets in the second half of 2011.

Business tax and surcharges decreased by 17.83%. Excluding the consolidation impact of China AMC in 2011, business tax and surcharges would have increased by RMB60 million mainly due to an increase in taxable income of the Group in 2012.

Other operating expenses decreased by RMB1,071 million, equivalent to a decrease of 37.68%. Excluding the consolidation impact of China AMC in 2011, other operating expenses would have dropped slightly by 5.34% mainly due to effective cost control.

In 2012, impairment losses amounted to RMB30 million, a decrease of RMB1,484 million compared to 2011, as no significant impairment losses occurred on available-for-sale financial assets held by the Group. The following table sets out the major composition of the impairment losses during the period:

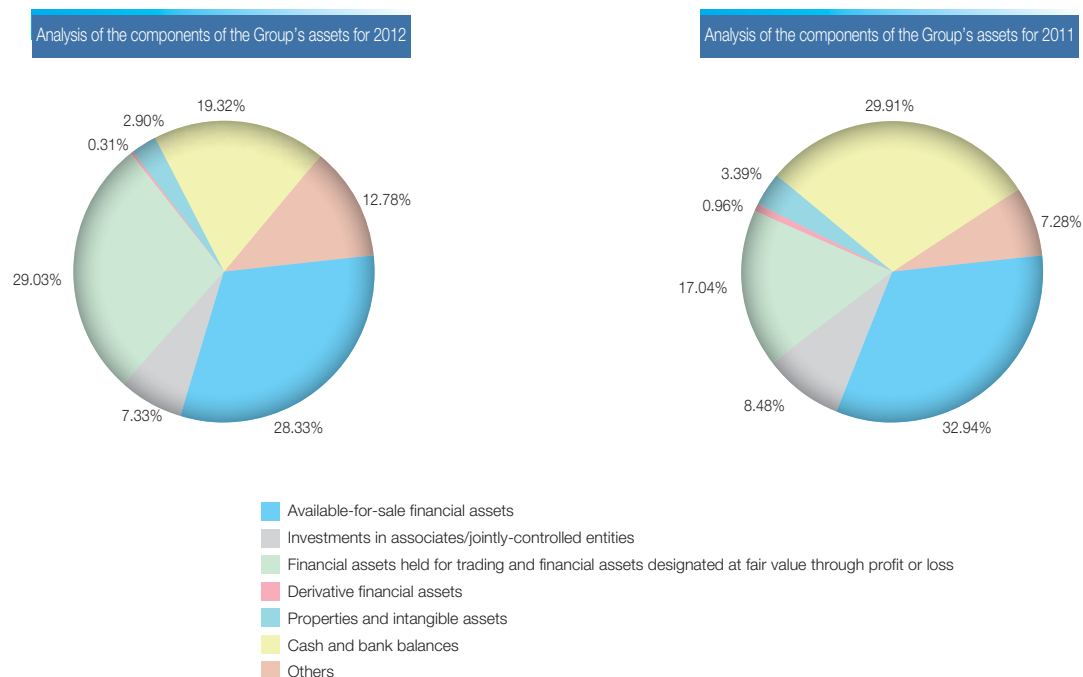
<i>In RMB millions</i>				
Items	2012	2011	Variance in amount	Variance in percentage
Impairment loss on available-for-sale financial assets	34	1,518	-1,484	-97.76%
Impairment loss on other receivables	-4	-5	1	-20.00%
Impairment loss on intangible assets	—	1	-1	-100.00%
Total	30	1,514	-1,484	-98.02%

4.3.3 Analysis on Financial Position

As at 31 December 2012, total assets of the Group were RMB168,508 million, representing a year-on-year increase of 13.64%. Excluding the effect of customers' deposits, total assets of the Group amounted to RMB133,701 million as at the end of 2012, representing an increase of 19.59% year-on-year. Major changes in the total assets of the Group were as follows:

<i>In RMB millions</i>				
Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Available-for-sale financial assets	37,878	36,828	1,050	2.85%
Investments in associates/jointly-controlled entities	9,796	9,479	317	3.34%
Financial assets held for trading and financial assets designated at fair value through profit or loss	38,808	19,049	19,759	103.73%
Derivative financial assets	423	1,078	-655	-60.76%
Properties and intangible assets	3,873	3,792	81	2.14%
Cash and bank balances	25,836	33,444	-7,608	-22.75%
Others	17,087	8,133	8,954	110.09%
Total	133,701	111,803	21,898	19.59%

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



Investment

Investment of the Group comprises 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 2012, total investment of the Group was RMB86,905 million, representing an increase of 30.81% compared to the end of previous year, and it accounted for 65.00% of the total assets, representing an increase of 5.58 percentage points 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 millions

Items	31 December 2012		31 December 2011	
	Amount	Percentage to total assets	Amount	Percentage to total assets
Available-for-sale financial assets	37,878	28.33%	36,828	32.94%
Investments in associates/ jointly-controlled entities	9,796	7.33%	9,479	8.48%
Financial assets held for trading and financial assets designated at fair value through profit or loss	38,808	29.03%	19,049	17.04%
Derivative financial assets	423	0.31%	1,078	0.96%
Total	<u>86,905</u>	<u>65.00%</u>	<u>66,434</u>	<u>59.42%</u>

Available-for-sale financial assets

As at 31 December 2012, available-for-sale financial assets of the Group expanded by RMB1,050 million, representing a year-on-year increase of 2.85%, and it accounted for 28.33% of the total assets.

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

In RMB millions

Items	31 December 2012		31 December 2011	
	Amount	Percentage	Amount	Percentage
Debt securities	12,547	33.12%	14,940	40.57%
Equity investments	21,698	57.28%	21,231	57.65%
Others	3,633	9.60%	657	1.78%
Total	37,878	100.00%	36,828	100.00%

Investments in associates/jointly-controlled entities

In RMB millions

Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Investments in associates	9,027	8,703	324	3.72%
Investments in jointly-controlled entities	769	776	-7	-0.90%
Total	9,796	9,479	317	3.34%

In 2012, investments in associates and jointly-controlled entities increased by 3.34% compared to the previous year, mainly due to changes in equity of the invested entities.

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

As at 31 December 2012, the Group's financial assets held for trading and financial assets designated at fair value through profit or loss increased by RMB19,759 million, representing an increase of 103.73%. It accounted for 29.03% of the total assets of the Group.

In 2012, the amount of financial assets held for trading by the Group registered an increase as the Group stepped up its investment and scale of market-making.

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:

In RMB millions

Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Debt securities held for trading	24,573	12,269	12,304	100.29%
Equity investments held for trading	13,568	6,442	7,126	110.62%
Financial assets designated at fair value through profit or loss	483	299	184	61.54%
Others	184	39	145	371.79%
Total	38,808	19,049	19,759	103.73%

Properties and intangible assets

As at 31 December 2012, properties and intangible assets of the Group amounted to RMB3,873 million, representing an increase of 2.14% year-on-year, mainly attributable to the increase in fixed assets. The following table sets out, as at the dates indicated, the properties and intangible assets of the Group:

In RMB millions

Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Property, plant and equipment	3,320	3,338	-18	-0.54%
Investment properties	392	314	78	24.84%
Other intangible assets	161	140	21	15.00%
Total	3,873	3,792	81	2.14%

Cash and bank balances

As at 31 December 2012, cash and bank balances decreased year-on-year by RMB7,608 million, mainly due to an increase in the scale of the Group's investment during the reporting period.

In RMB millions

Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Cash and bank balances	25,836	33,444	-7,608	-22.75%

Liabilities

As at 31 December 2012, total liabilities of the Group amounted to RMB81,823 million, representing an increase of 33.50% compared to the previous year. Excluding the effect of accounts payable, total liabilities of the Group would have amounted to RMB47,016 million at the end of 2012, representing a year-on-year increase of 89.48%.

To facilitate expansion of flow-based business, improve the level of financial leverage and expand the scale of financing, the Company has employed a variety of financing channels for financing. As at 31 December 2012, the outstanding amount of commercial papers reached RMB13,000 million. In addition, the Group also commenced the operation of refinancing business and repurchase business for brokerage clients during the reporting period, resulting in an increase of RMB2,800 million in due to banks and other financial institutions and an increase of RMB7,811 million in repurchase agreements.

The following table sets out, as at the dates indicated, the breakdown of the liabilities of the Group:

In RMB millions

Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Accounts payable	34,807	36,477	-1,670	-4.58%
Repurchase agreements	22,044	14,233	7,811	54.88%
Due to banks and other financial institutions	2,900	100	2,800	2,800.00%
Loans	791	—	791	100.00%
Commercial papers	13,000	—	13,000	100.00%
Others	8,281	10,480	-2,199	-20.98%
Total	81,823	61,290	20,533	33.50%

As at 31 December 2012, total accounts payable amounted to RMB34,807 million, down 4.58% from a year earlier. It accounted for 42.54% of the total liabilities of the Group. The following table sets out, as at the dates indicated, the Group's accounts payable as categorized by geographical locations and types of customers:

In RMB millions

Items	31 December 2012	31 December 2011	Variance in amount	Variance in percentage
Mainland China	33,109	35,005	-1,896	-5.42%
— Individual	27,915	27,793	122	0.44%
— Corporate	5,194	7,212	-2,018	-27.98%
Outside Mainland China	1,698	1,472	226	15.35%
Total	34,807	36,477	-1,670	-4.58%

As at 31 December 2012, the accounts payable decreased by RMB1,670 million, or 4.58%, mainly attributable to a decrease in accounts payable to clients in mainland China. For the overseas market, investor confidence has returned after the stock market in Hong Kong bottomed out. As at 31 December 2012, the Hang Seng Index increased by 22.90% for the year. The return in confidence resulted in a rise of 15.35% in the amount of accounts payable compared to the previous year.

Equity

As at 31 December 2012, the total equity of the Group amounted to RMB86,685 million, representing a decrease of 0.35% compared to the end of previous year, mainly attributable to decrease in net profits and dividends paid in 2012. The following table sets out, as at the dates indicated, the components of the Group's total equity:

In RMB millions

Items	31 December 2012	31 December 2011
Issued Share capital	11,017	11,017
Capital reserve	34,524	34,527
Surplus reserve	5,885	5,465
General reserve	10,425	9,719
Investment revaluation reserve	-133	-542
Foreign currency translation reserve	-473	-445
Retained profits	25,220	26,846
Non-controlling interests	220	403
Total	86,685	86,990

4.3.4 Major Off-balance Sheet Items

During the reporting period, the Company did not have any off-balance sheet items such as guarantee and security. CSI, a wholly owned subsidiary of the Company, has provided guarantees to its subsidiaries for the purpose of business development. For details, please refer to "6.5.2 Material Guarantees".

4.3.5 Significant accounting policies, estimates and assumptions

Please refer to the Financial Report for details of the Company's significant accounting policies, estimates and assumptions. After deliberation by the Audit Committee of the Board of the Company and discussion at the 11th meeting of the fifth session of the Board of the Company, the Company has revised the accounting policies related to impairment on available-for-sale financial assets in accordance with "Effectively preparation, auditing and disclosure of the financial statements of listed companies for 2012" (CSRC Announcement [2012] No.42). Quantitative criteria of the relevant data have been added and the revised account policies have come into effect in 2012.

4.3.6 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 is that 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 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.

4.3.7 Explanation of change in scope of statement consolidation

During the reporting period, the Company has established a wholly owned subsidiary, namely CITIC Securities Investment, to engage in investment and investment advisory; the Company has also invested in two funds, namely CITICS Global Absolute Return Fund and CITICS Global Multi-Strategy Fund. Number of primary subsidiaries that had been incorporated into the consolidated statement of the Company increased to eight, namely CITIC Securities (Zhejiang), CITIC Wantong Securities, CSI, CITICS Futures, GoldStone Investment, CITIC Securities Investment, CITICS Global Absolute Return Fund and CITICS Global Multi-Strategy Fund.

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

From 1 January 2008, the *Enterprise Income Tax Law of the PRC* and the *Regulations on the Implementation of Enterprise Income Tax Law of the PRC* 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 2012, upon the ending of the transition period for income tax concession, the income tax rate applicable to the Company is 25%.

4.4 Analysis of the Core Competitiveness

As the market leader in the securities industry of China, the Company endeavored to innovate and specialize its business management to solidify its competitiveness. The Company is one of the few industry players to deliver consecutive years of profits since establishment, and ranked first on the amount of revenue and net profit among peers for years. To lay the ground work for rapid business expansion, the Company has strengthened its capital position through overseas and domestic financing plans. The Company has set up a complete business chain to operate major businesses ranging from investment banking and brokerage to asset management, which have all maintained leading positions in the industries. In recent years, traditional business products had failed to meet customers' demand for investment and financing services, hence the Company strives to provide customized trading and product solutions to its clients. Through its business innovation, effective support has been given to direct investment, proprietary trading, margin trading and alternative investment business.

Through business innovation, the Company is gradually tapping into the field of cash management, wealth management, custody payment, microfinance, and asset securitization, and is in direct competition with banks, insurance companies, trusts companies and other institutions. At the same time, certain banks, insurance companies, trusts companies and other non-financial institutions are also sparing no effort in product innovation to penetrate gradually to the area of securities or financial field; overseas investment banks are also vigorously expanding business in China through their subsidiaries. The Company will innovate and compete under the current financial backdrop and is facing a number of challenges.

Active exploration and practice of innovative business models in recent years have facilitated business transformation of the Company for effective implementation of our differentiation competition strategy. Based on the differences in the natures of income and use of capital, the Company has divided its businesses into three categories, namely free-based business, flow-based business as well as capital-efficient business. The operation focus of customer-oriented traditional free-based business is to consolidate its market leading position more resources have been allocated to flow-based business, including market making and margin financing and securities lending, which is expected to be the growth engine of profits in the future, meanwhile, capital-efficient business including PE investment has made shifts towards productization and customization.

The Company has established a comprehensive set of corporate governance structure for modern securities company and a risk management mechanism. The Company has also set up various special committees to promote democratic and scientific management. The Asset Allocation Committee is responsible for allocation of the Company's proprietary funds and decision-making policies involving portfolio investment. The Capital Commitment Committee administers the final risk review and approval of the capital commitments on issuances. The Innovative Product and Business Committee facilitates innovation and assessment of innovative businesses and products. The Product Committee is responsible for the overall management of creation and marketing of all products. In addition, the Risk Management Committee is responsible for risk control policy formulation and coordination of scheduled risk.

The competition faced by the Company inside and outside the industry, onshore and offshore, is intensifying. The Company will duly analyze the changes in the environment, customers' demand and product categories, and strive to be the winner in the competition on the entire financial backdrop.

4.5 Profit Distribution Policy of the Company

4.5.1 Formulation and Implementation of Cash Dividend Policy

The Company has always attached great importance to cash dividend distribution, and has implemented a continued and stable profit distribution policy.

During the reporting period, as required by the *"Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies"* issued by the CSRC, and the *Notice Regarding Serious Implementation of Related Requirements of the "Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies"* (Shen Zheng Ju Gong Si Zi [2012] No.43) issued by the Shenzhen Bureau of the CSRC and other pertinent documents, the Company supplemented the policy relating to profit distribution in the Articles to insert the provision regarding the ratio of cash distribution as follows:

"The Company shall, in distributing its cash dividends, comprehensively consider internal and external factors, opinions of directors and expectations of shareholders, and do its best to ensure that the annual cash dividend scale be no less than 25% of the distributable profit and that the average cash dividend scale be no less than 30% for three consecutive years. In any of the following situations and after the adjustment being passed by shareholders representing 2/3 of the total shares with voting rights, the Company may adjust the aforementioned cash dividend payout ratio: (1) related laws and regulations are changed or adjusted; (2) the risk control indicator on net capital reaches early-warning level; (3) operating conditions of the Company deteriorates; (4) the Board proposes to adjust."

On 29 October 2012, the above amendments to the Articles of Association were considered and approved at the 2012 First Extraordinary General Meeting of the Company. According to the *No Objection Letter for the Amendment of Immaterial Clauses in the Articles of Association of CITIC Securities Company Limited* (Shen Zheng Ju Ji Gou Zi [2012] No.190) issued by the Shenzhen Bureau of the CSRC, the Company has completed the formalities for the registration of change and filing with the industry and commerce authorities on 27 December 2012, and the new profit distribution policy has duly come into effect.

The amendment to the profit distribution policy is transparent and complies with the laws and regulations, the Articles of Association, and the review procedures of the Company. The Company has fully taken into account the opinions from small-and-medium investors and independent Directors. The small-and-medium investors expressed their recognition and appreciation towards the sustained cash dividend policy of the Company, but at the same time expected the Company to put more efforts on business development and enhance the profitability for the sake of maintaining the long term stability and continuity of the cash dividends. Moreover, the independent non-executive Directors of the Company have shown their appreciation towards the sustained, steady and positive profit distribution policy of the Company, and suggested the Company to institutionalize its profit distribution policy according to relevant provisions of the State and to prudently determine the profit distribution plan according to the actual situation of the Company so as to enable investors to form an expectation of stable investment return and to facilitate a concept of long-term and rational investment among investors. (Please refer to the 2012 Interim Report of the Company for details of the revision process of the profit distribution policy).

4.5.2 Profit Distribution Plans for the Past Three Years

The Company formulates the profit distribution plan in strict accordance with the relevant provisions of dividend policy in the Articles of Association. Upon prior approval by the Board, the profit distribution plan of the Company will be subject to consideration and approval by shareholders at a general meeting. In the process of prior approval by the Board, the independent non-executive Directors of the Company will provide objective and independent opinions from the perspective of protecting the interest of the investors. During the general meeting, minority interests of the Company will 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 from 2009 to 2011 were as follows:

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); and

2011: a cash dividend of RMB4.30 for every 10 shares (tax inclusive).

From 2009 to 2011, the cash dividends declared by the Company represented over 30% of the net profit distributable to investors, details of which are as follows:

In RMB Yuan

Year of distribution	Amount of cash dividend (tax inclusive)	Net profit distributable to investors	Percentage to net profit distributable to investors	Net profit distributable to owners of the parent as stated in the consolidated statements of the year of distribution	Percentage to net profit distributable to owners of the parent as stated in the consolidated statements
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%
2011	4,737,270,612.00	15,688,226,816.78	30.20%	12,576,482,780.31	37.67%

4.6 Risk Management

4.6.1 Overview

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has established comprehensive risk management and internal control processes, through which the Company monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in its business activities.

The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's General Meeting of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law, and the Articles of Association. The Board has strengthened the relevant internal control arrangements and improved the Company's control environment and internal control structures. Internal control and risk management have become an essential element in the Company's decision-making process.

4.6.2 Structure of Risk Management

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

Level 1: Board of Directors

The Risk Management Committee of the Board supervises the overall risk management of the Company with a view to controlling risks within an acceptable level and ensures 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. Under the authority of the Board and Executive Committee of the Company, the committee performs decision-making and review on major issues and related systems involving application of proprietary capital. 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 risk exposures.

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

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and 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 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 under the authority of the Board and Executive Committee on major matters such as design, sales and related systems of new products of the Company and to drive the 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. The committee has set up risk evaluation units to test the regulatory compliance of financial products sold by the Company as agent, examine potential fraud and reveal the financial risks of such products. The product sales panel under the committee is responsible for review on the marketability of such 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 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 limits.

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 optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the Management, and regularly discloses the general risk portfolio of the Company and makes recommendations on risk management; establishes a comprehensive stress test mechanism as a basis for major decision making and daily operational adjustment and fulfillment of regulatory requirements; performs pre-risk assessment and control over new products and businesses.

The Audit Department has the overall responsibility for internal audit, organising 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.

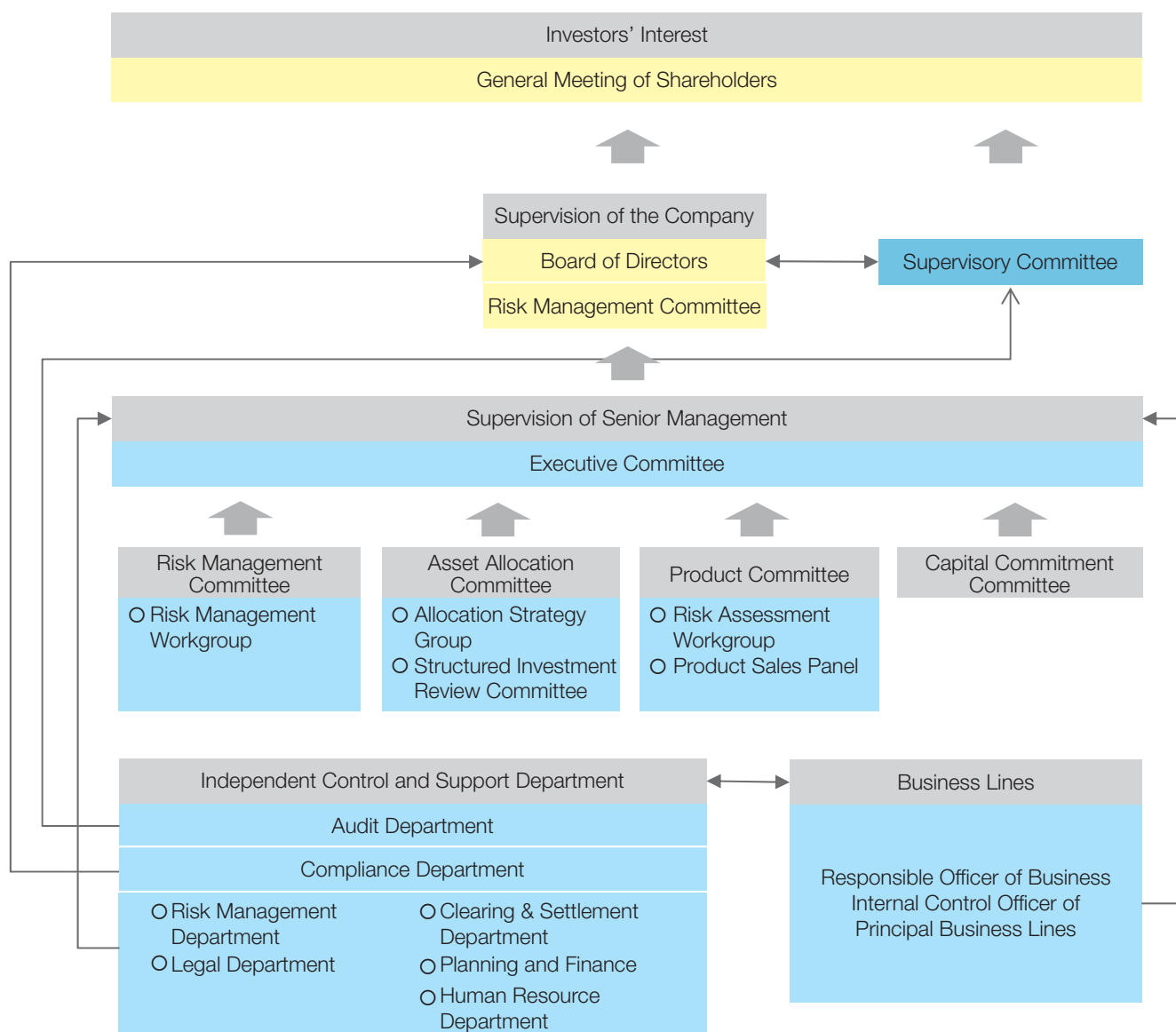


Chart: Structure of the Risk Management

4.6.3 Market Risk

Market risks represent potential losses due to movement in market prices of securities held by the Company. Securities held by the Company are derived from the Company's 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 proprietary investment.

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

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 departments, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within acceptable level.

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

The Risk Management Department estimates possible losses arising from market risks through series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk 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, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company upon occurrence of a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management. Through stress tests, the Company could focus on the possible losses to the Company, analyse its risk return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits.

The Company sets limits for its respective business departments to control fluctuations in profit or loss and market exposures. The risk limits are monitored by the Risk Management Department on a daily basis. When risk level is approaching or exceeds the threshold values, the Risk Management Department will warn 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.

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

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 2012	31 December 2011
Equity price risk	287	310
Interest rate risk	8	46
Exchange rate risk	7	—
Effect of diversification	-13	-34
Overall VaR	289	322

Note: 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 RMB322 million as at 31 December 2011 to RMB289 million as at 31 December 2012. Such changes were mainly attributable to the decrease of the equity exposures and decrease in fluctuations in the stock markets.

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

4.6.4 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 four 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 may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors, and accordingly resulting in losses; secondly, credit risk arising from the margin businesses including margin financing and securities lending, stock repo and equity swap business, refers to the Company's exposure to loss caused by client failure to perform the contracts; thirdly, default risks from trust product investment, which refers to the risk of asset and revenue losses by reason of non-payment of principal and interest due by the financers, which in turn results in the non-payment of trust companies in a timely basis; and fourthly, 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, or refusal to pay principal and interest due.

The Company uses its information management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Company's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Company will also measure the credit risks of its major operations through stress 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 deposit settlement arrangements.

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

For trust product investment, the Company has established the entrance levels and investment caps for its products and will manage its credit risk through daily marked-to-market monitoring, risk reminders to clients, mandatory liquidation and judicial recovery.

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 RMB millions

Investment rating	31 December 2012	31 December 2011
China's Sovereign Credit Rating	7,110	10,551
AAA	8,463	9,584
AA	8,922	9,926
A	535	689
A-1	5,918	4,848
Others	2,510	—
Total exposure	33,458	35,598

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.

As at the end of the reporting period, the minimum margin ratio was 134% for the Company's clients of margin financing and securities lending business, and was 150% for the Company's clients in stock repo business and in stock returns swap business.

4.6.5 Liquidity Risk

Liquidity risk is the risk to the Company arising from shortage of funds when 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. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and inter-bank market, the Company has a relative high credit rating, and has secured stable channels for short-term financing, such as fund lending or borrowing and repurchases, which enable the Company to maintain its overall liquidity at a relatively secured level.

In addition, the Risk Management Department independently monitors and assesses the fund and debt positions of the Company over a future time span on a daily basis. On the one hand, it measures the solvency of the Company via indicators such as liquidity coverage ratio, and on the other hand, it assesses the intra-day settlement risk of the Company through indicators such as intraday fund multiples. The Risk Management Department releases a liquidity risk report on a daily basis, and monitors and reports the status of payment risks and settlement risks pursuant to such report. The Company also set threshold values for relevant indicators, which when exceeded, the Risk Management Department will warn the management of the Company and relevant departments of such risks through independent pathways, and appropriate actions will be taken by the relevant competent departments to adjust the liquidity risks exposed to a level within the permitted ranges.

4.6.6 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 areas according to their division of functions.

In 2012, by integrating the internal control and governance required of securities companies, the Company rationalized its existing internal control system and procedures, recognized the risk control point of every business, inspected, perfected and assessed the areas in the business process that do not match the management and operation conditions, and improved the insufficiency and risk control management measures of the Company and its business lines. The above actions are to avoid operation risks that may 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.

5. Report of the Board

5.1 Operation of the Principal Businesses of the Company

The Group is principally engaged in providing securities brokerage, investment banking, assets management and other related financial services. The operation of the businesses of the Group is set out in “4.2 Business Overview” of this report.

5.2 Profit Distribution

For details of formulation and implementation of the Company’s cash dividend policy and profit distribution plan in 2012, please refer to “4.5 Profit Distribution Policy of the Company” and “6.8.1 Profit Distribution Plan of 2012” of this report.

5.3 Use of Proceeds

According to the Capital Verification Report (Ernst & Young Hua Ming (2011) Yan Zi No. 60469435_A09) issued by Ernst & Young Hua Ming, the net proceeds from the initial public offering of H Shares in 2011 were RMB11,271 million. As of 31 December 2012, the Company has utilised an aggregate of RMB6,049 million of the net proceeds, of which RMB2,265 million was spent on the acquisition of overseas platforms and the expansion of overseas business, RMB1,930 million was spent on overseas fixed income investment, RMB\$1,853 million was spent on the development of cross border businesses, and RMB1.428 million was used for the payment of expenses incurred overseas relating to the overseas platforms. Unutilised proceeds amounted to RMB5,222 million.

The use of proceeds from the offering of H Shares was in line with the disclosure in the H Share prospectus without any variation. In 2013, the Company will continue to use the proceeds according to the operation and development strategies of the Company with reference to the capital market conditions.

During the reporting period, the Company issued five tranches of commercial papers to raise a total of RMB23 billion, which has been utilised for replenishing the liquidity flow of the Company. The use of proceeds was the same as disclosed in the prospectus. As of 31 December 2012, the outstanding amount of commercial papers issued by the Company totaled RMB13 billion.

5.4 Analysis of the Operation and Results of Principal Subsidiaries and Non-Controlling Companies

On 29 April 2011, CSRC promulgated the *Regulations on Investment Scopes of Proprietary Trading Business of Securities Companies and the Relevant Matters* which stated that a securities company may form subsidiaries to invest in financial products other than those set forth in the *List of Securities Investment Products for the Proprietary Trading of Securities Companies*. In order to vigorously develop innovative purchaser business such as alternative investment and low-risk purchaser business such as flow-based business, optimize the risk-return ratio of trading business, enhance competitive edge and sustain profit, on 28 July 2011, the 30th Meeting of the 4th Session of the Board considered and approved the *Resolution on the Establishment of a Subsidiary to be Engaged in Financial Product Investments*, whereby the Company’s application to the CSRC for the establishment of a wholly-owned subsidiary to engage in investments in financial products with an initial investment of RMB3 billion was approved. Upon the approval by the Shenzhen Bureau of the CSRC, CITIC Securities Investment, a wholly-owned subsidiary, was officially established on 1 April 2012 with an initial tranche of capital contribution of RMB1.5 million from the Company and the remaining investment amount of RMB1.5 billion was paid up on 28 August 2012. The current registered capital of CITIC Securities Investment amounted to RMB3 billion.

The Company has six principal subsidiaries and four principal 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) Co., Ltd	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	0571-85783737
CITIC Wantong Securities Co., Ltd	96.00	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	0532-85022517
CSI	100.00	28 September 2005	Issued Capital of HK\$6,516.05 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	00852-22376899
CITIC Futures Co., Ltd	100.00	30 March 1993	RMB1,500 million	Level 14, Excellence Times Square II, No. 8 Zhongxin San Road, Futian District, Shenzhen City	1303-1305 Level 13 and Level 14, Excellence Times Square II, No. 8 Zhongxin San Road, Futian District, Shenzhen City	Yan Jinming (Note 1)	0755-83343493
GoldStone Investment Co., Ltd	100.00	11 October 2007	RMB5,900 million	17th Floor, CIPC Tower, No. 48 Liongmaqiong Road, Chaoyang District, Beijing	No. 48 Liongmaqiong Road, Chaoyang District, Beijing	Qi Shuguang	010-60833838
CITIC Securities Investment Limited	100.00	1 April 2012	RMB3,000 million	CIPC Tower, No. 48 Liongmaqiong Road, Chaoyang District, Beijing	Unit 2001, Tower 1, International Finance Center, 222 Shenzhen Road, Laoshan District, Qingdao	Ge Xiaobo	010-60838838
China Asset Management Co., Ltd.	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	010-60838866
CITIC Private Equity Funds Management Co., Ltd.	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	010-85079070
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	Gao Shixin	010-66276508
S&P/CITIC Index Information Services (Beijing) Co., Ltd. ^{Note 2}	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	010-65692913

Note 1: On 20 February 2013, the legal representative of CITIC Futures was changed to Zhang Lei.

Note 2: The Board had resolved to transfer of the entire equity interest held by the Company in S&P/CITIC Index Information Services (Beijing) Co., Ltd.. The related procedures are under process.

- (1) CITIC Securities (Zhejiang) Co., Ltd is a wholly-owned subsidiary of the Company with a registered capital of RMB885 million. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Securities (Zhejiang) amounted to RMB11,556.58 million, RMB2,351.31 million, RMB1,064.27 million, RMB276.37 million and RMB203.73 million, respectively. CITIC Securities (Zhejiang) had 57 securities brokerage branches and 2,488 staff (brokers inclusive).

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

- (2) CITIC Wantong Securities Co., Ltd was held as to 96% (as of the disclosure date of this report, the Company's shareholding amounted to 99%) by the Company with a registered capital of RMB800 million. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Wantong Securities amounted to RMB7,456.54 million, RMB2,715.52 million, RMB613.36 million, RMB159.84 million and RMB126.11 million, respectively. CITIC Wantong Securities had 44 securities brokerage branches and 2,149 staff (brokers inclusive).

The principal businesses of CITIC Wantong Securities include: foreign-currency negotiable securities brokerage; provision of brokerage service to CITIC Futures Co., Ltd; open-ended securities investment fund sales agency; securities investment advisory (for securities investment advisory business in Shandong and Henan only); margin trading; securities brokerage (in Shandong and Henan provinces only).

- (3) CSI is a wholly-owned subsidiary of the Company with an issued capital of HK\$6,516.05 million. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of CSI amounted to approximately RMB11,051.77 million, RMB6,045.05 million, RMB794.81 million, RMB236.26 million and RMB232.66 million, respectively. CSI had 5 branches in Hong Kong, and 413 staff (brokers inclusive) as of 31 December 2012.

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.

- (4) CITIC Futures Co., Ltd is a wholly-owned subsidiary of the Company with a registered capital of RMB1,500 million. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Futures amounted to RMB11,256.05 million, RMB1,788.51 million, RMB489.07 million, RMB192.70 million and RMB150.03 million, respectively. CITIC Futures had 23 futures brokerage branches and 726 staff.

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

- (5) GoldStone Investment Co., Ltd is a wholly-owned subsidiary of the Company with a registered capital of RMB5.9 billion. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of GoldStone Investment amounted to RMB10,074.65 million, RMB8,052.17 million, RMB825.05 million, RMB619.21 million and RMB472.74 million, respectively. GoldStone Investment had 58 staff.

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

- (6) CITIC Securities Investment Limited is a wholly-owned subsidiary of the Company with a registered capital of RMB3.0 billion. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of CITIC Securities Investment amounted to RMB3,126.06 million, RMB3,082.05 million, RMB114.90 million, RMB88.06 million and RMB66.05 million, respectively. CITIC Securities Investment had 8 staff.

The principal businesses of CITIC Securities Investment include: licensed operations: financial products investment, securities investment, investment advisory (license is required for the above range of businesses if any of them is subject to license).

- (7) China Asset Management Co., Ltd. is held as to 49% by the Company with a registered capital of RMB238 million. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit of China AMC amounted to RMB3,329.99 million, RMB2,622.27 million, RMB2,497.13 million, RMB800.60 million and RMB602.66 million respectively.

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

- (8) CITIC Private Equity Funds Management Co., Ltd. is held as to 35% by the Company with a registered capital of RMB1.8 billion. As of 31 December 2012, the total assets, net assets, net revenue, profit before income tax and net profit (unaudited) of CITIC PE Fund amounted to RMB4,278.62 million, RMB3,586.81 million, RMB689.76 million, RMB309.73 million and RMB276.56 million respectively (unaudited).

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.

- (9) 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 2012, the total assets, net assets and net profit (unaudited) of Jiantou Zhongxin amounted to RMB1,659.21 million, RMB1,428.06 million and RMB-5.00 million, respectively.

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

- (10) 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 2012, the total assets, net assets and net profit (unaudited) of S&P/CITIC amounted to RMB0.28 million, RMB-0.45 million and RMB-0.29 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.

5.5 Branches of the Company

The Company has 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 ^{Note}	29 September 2010	YANG Haifeng	Management of the securities brokerage branches of the Company in Beijing	4/F, 5 Jianguomen Beidajie, Dongcheng District, Beijing	010-65648601
CITIC Securities Company Limited, Shanghai Branch ^{Note}	26 October 2010	ZHANG Hao	Management of the securities brokerage branches of the Company in Shanghai	10/F, 1568 Century Avenue, Pudong New District, Shanghai	021-61768699
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 of 11/F and Unit 05-06 of 37/F, Poly Center, No. 5 Linjiang Dadao, Tianhe District, Guangzhou	020-66609909
CITIC Securities Company Limited, Hubei Branch	26 September 2010	SHI Xiangrong	Management of the securities brokerage branches of the Company in Hubei	16/F, CITIC Bank Building, No. 747 Jianshe Avenue, Jiangnan District, Wuhan	027-85355366
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	025-83600560

Note: During the reporting period, both the Beijing Branch and Shanghai Branch of the Company completed relocation within the same city, and were relocated from “Room 3801 & 3802, Capital Mansion, No.6 Xin Yuan South Road, Chaoyang District, Beijing” and “Floor 22 & 23, No. 1568 Century Avenue, Pudong New District, Shanghai” to the address set out above respectively.

5.6 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 its overseas coverage in the future. In 2012, the revenue attributable to the Company's five largest clients accounted for 6.33% of the total revenue of the Company.

CITIC Limited and its shareholder, CITIC Group, are the largest shareholder of the Company, and also one of the top five major clients of the Company.

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

5.7 Directors' and Supervisors' Service Contracts

The Company successively entered into an appointment letter with each of the nine directors of the 5th Session of the Board. All appointments were from the date of selection and approval by the General Meeting of Shareholders and obtaining of relevant qualification, until the expiry date of the term of the 5th Session of the Board. The appointment letter sets out the director's responsibilities, grounds for termination of appointment, commitments and directors' fees during the term of office. None of the 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)).

5.8 Directors' and Supervisors' Interests in Material Contracts

The Company or its subsidiaries did not enter into any material contract in which the Directors or Supervisors may be materially interested, whether directly or indirectly during the reporting period.

5.9 Directors' Interests in Businesses Competing with the Company

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

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

As of 31 December 2012, the following persons had interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

Name	Position	Nature of Interest	Class of Shares	Number of Shares	Percentage of Total Number of Shares of the Company (%)
WANG Dongming	Chairman and Executive Director	Personal Interest	A Shares	2,649,750	0.024%
CHENG Boming	Executive Director and General Manager	Personal Interest	A Shares	1,733,160	0.016%
ZHANG Youjun	Formerly Non-executive Director	Personal Interest	A Shares	1,733,160	0.016%
DA Xinya	Formerly 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%

Pursuant to the Securities and Futures Ordinance, none of the Senior Management (except the president of the Company) was required to disclose his/her interests to the Hong Kong Stock Exchange. For details of the shareholdings of other Senior Management, please refer to "8.1.1 Changes in shareholding and information of the remuneration" of this report. In addition, as at 31 December 2012, no other Directors, Supervisors and Senior Management or any of their spouses or children under 18 years of age were granted equity securities or warrants of the Company.

5.11 Pre-emptive Rights

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

5.12 Reserves and Distributable Reserves

Please refer to the Consolidated Statement of Changes in Equity and Note 40 to the Financial Report as set out in this report for details of changes in the reserves and the reserves of distributable profits of the Company.

5.13 Tax Relief

Holders of A Shares

In accordance with the *Notice on Issues Regarding the Implementation of Different Individual Income Tax Policies on Dividends and Bonus of Listed Companies* (Cai shui [2012] No.85) issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends obtained from listed companies by individual investors, if the date since the individual investor obtained the Company's share until the record date is more than one year, listed companies shall, in respect of their individual income tax, pay withholding tax at a rate of 5% of the dividends; if the date since the individual investor obtained the Company's share until the record date is less than one year (inclusive), listed companies shall, in respect of their individual income tax, pay withholding tax at a rate of 5% of the dividends, subject to adjustment to be made in accordance with the *Notice* at the time when the individual investors transferred their respective Shares.

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

For Qualified Foreign Institutional Investors (QFII), listed companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the *Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII* (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 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 Nonresident 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.

5.14 Fixed Assets

Please refer to Note 18 to the Financial Report as set out in this report for details of the Group's fixed assets as at 31 December 2012.

5.15 Social Responsibilities

In addition to the maximisation of economic benefits, the Company at the same time has actively fulfilled its social responsibilities to contribute to improvements of the community. We are also dedicated to become a quality corporate citizen that creates and holds value for social wealth and actively contributes to the healthy and stable development of the capital market in China. Moreover, the Company actively fulfills its social responsibilities through school donations, anti-poverty programs, investor education and environmental friendly measures.

In 2012, the Company continued to strengthen its efforts in promoting social welfare development. As of 31 December 2012, the balance of the staff donation program set up by the headquarters amounted to RMB13.1913 million, which would continue to be used in disaster relief and education subsidies in poverty areas. The CITIC-Kington Education Fund founded by CITIC Securities (Zhejiang) has raised a total of RMB5 million through staff donations over the years in a bid to support the development of schools and anti-poverty measures. The Golden Sunflower program operated by the fund was granted the "China's Financial Brand — Golden Elephant Award" in the "2012 China's Top Ten Financial Brand Charity Projects". In 2012, CSI has been awarded the "Caring Company" logo by Hong Kong Council of Social Service for sixth consecutive year. The award is intended to recognize qualified enterprises in caring for the community and their active involvement in charitable activities as well as contribution to the construction of a harmonious society. In addition, the Company has actively participated in the promotion of environmental protection. Through energy saving and emission reduction awareness, we encourage employees to show concern on environment protection, and take part in low-carbon actions.

In 2012, the Company had no material issue regarding 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 2012 Annual Report on Social Responsibilities of CITIC Securities Company Limited together with this annual report.

By order of the Board
Chairman
WANG Dongming

Beijing, 27 March 2013

6. Significant Events

6.1 Material Litigation and Arbitration

6.1.1 Retrial of the securities dispute with Chongqing Huaneng Talc Powder Co., Ltd.

On 11 April 2012, the Supreme People's Court delivered the final judgment on the case and the Company was ordered to pay compensation of RMB4.69 million and the related interest loss to Chongqing Huaneng Talc Powder Co., Ltd., and to bear part of the court costs and other litigation fees (for details of the judgment, please refer to the 2012 first quarter results of the Company). Currently, the judgment has been performed.

6.1.2 Debt dispute with Shenzhen Jinniu Investment (Group) Limited and Guizhou Aluminum Factory

On 1 June 2012, the Shenzhen Intermediate People's Court delivered the final judgment on the case, which allowed the appellant, Shenzhen Jinniu Investment (Group) Company, to withdraw its appeal and to bear the costs of the second trial of the case (For details of the judgment, please refer to the 2012 interim report of the Company). Currently, the judgment has been performed.

6.1.3 Commission contract dispute with Guangdong Nanguodesai Law Firm

On 11 May 2012, the Company received the Civil Case Judgment [(2011) Zhu Zhong Fa Min Er Zhong Zi No. 131] of the Guangdong Zhuhai Intermediate People's Court, of the rejection by the Zhuhai Intermediate People's Court of the Company's appeal and upholding of the original judgment (i.e., the Company shall indemnify Guangdong Nanguodesai Law Firm, the claimant, for losses in legal service fees in an amount in excess of RMB4.90 million and be responsible for payment of litigation costs in the amount of RMB44,300). On 17 May 2012, the Company filed an application for retrial in the Higher People's Court of Guangdong Province, and on 8 August 2012, the Company received the Civil Case Judgment from the Higher People's Court of Guangdong Province, which ordered a retrial of the case by the Guangdong Zhuhai Intermediate People's Court and stay of execution of the original judgment during retrial. The retrial by the Guangdong Zhuhai Intermediate People's Court was heard on 14 December 2012, but judgment has not yet been delivered. The Company has made provision for the RMB4,944,354.24 involved in the case. The case is not expected to have any effect on the Company's operations.

6.1.4 The lawsuit against Shanghai Xin Guo Da Real Estate Co., Ltd. (上海新國大房地產有限公司) for disputes arising from commercial residential housing pre-sale contracts

In order to fulfill its commitment to change the registration and to transfer the relevant properties as soon as possible, the Company filed a lawsuit with the Changning People's Court of Shanghai Municipality on 7 September 2012, requiring Shanghai Xin Guo Da Real Estate Co., Ltd. (上海新國大房地產有限公司) to commence the registration and transfer procedures in respect of the ownership of 10 units in Times Building (時代大廈) located at 390 Panyu Road, Shanghai. Upon hearing, the Changning People's Court of Shanghai Municipality, as the court of first instance, delivered its judgment on 16 November 2012, ordering Shanghai Xin Guo Da Real Estate Co., Ltd., the defendant, to transfer to and register the ownership of the 10 units under the name of the Company within ten days from the date of the judgment. Upon the judgment of first instance coming into effect, the Company applied for enforcement of the judgment on 26 December 2012, and the Changning People's Court of Shanghai Municipality correspondingly issued the notice of enforcement of judgment on 17 January 2013.

6.1.5 The lawsuit filed by Mr. Zhang Qihe (Mr. Zhang Qihe), a customer, against Mr. Xu Qiang (Mr. Xu Qiang) and the securities division of Hangzhou Zhaohui Road Citic-Kington Securities for infringement of rights

In December 2007, Mr. Zhang Qihe, a customer of the securities division of Citic-Kington Securities Co., Ltd. (now the securities division of Citic Securities (Zhejiang) at Zhaohui Road, Hangzhou) filed a claim with the Intermediate People's Court of Jinhua, Zhejiang Province against Mr. Xu Qiang, a friend of him, and the securities division of Citic-Kington Securities Co., Ltd. for infringement of his rights. The Intermediate People's Court of Jinhua, Zhejiang Province, the court of first instance, gave judgment in Civil Judgment ((2008) Jin Zhong Min Yi Chu Zi No. 5) that Citic Securities (Zhejiang) and Mr. Xu Qiang shall jointly compensate Mr. Zhang Qihe in an amount of RMB6 million together with the interest accrued thereon.

In July 2008, Citic Securities (Zhejiang) appealed to the Higher People's Court of Zhejiang, the court of second instance, which gave judgment in Civil Judgment ((2008) Zhe Min Er Zhong Zi No. 199) that Citic Securities (Zhejiang) shall be not be liable and ordered the withdrawal of the judgment of the court of first instance of the Intermediate People's Court of Jinhua, Zhejiang Province.

In 2009, Mr. Zhang Qihe filed an application for appeal to the Supreme People's Procuratorate of the PRC. On 29 March 2010, the Supreme People's Procuratorate of the PRC declined the application by reason stated on the Refusal Certificate (Gao Jian Min Xing Bu Kang (2010) No. 5). In 2010, Mr. Zhang Qihe filed an application for retrial to the Supreme People's Court. On 25 November 2010, the Supreme People's Court issued Civil Judgment ((2010) Min Shen Zi No. 723) ordering a retrial of the case by the Higher People's Court of Zhejiang. Subsequent to the retrial hearing, the Higher People's Court of Zhejiang adjudged in Civil Judgment ((2011) Zhe Min Zai Zi No. 64) that Citic Securities (Zhejiang) shall have no responsibility and upheld the judgment in Civil Judgment ((2008) Zhe Min Er Zhong Zi No. 199). In 2012, Mr. Zhang Qihe re-applied to the Supreme People's Court for a retrial. Currently, the Supreme People's Court is examining the re-application and no adjudication has been reached yet.

(Note: The principal and interest claimed was approximately RMB6 million, and it is currently estimated that the aggregate sum of the principal and interest thereon accrued is approximately RMB10 million.)

6.2 During the reporting period, there was no event generally questioned by the mass media.

6.3 Major Acquisition and Disposal of Assets

6.3.1 Acquisition of 100% equity interest in CLSA

On 20 July 2012, the 2nd Meeting of the 5th Session of the Board considered and approved the *Resolution on Wholly-owned Subsidiary CITIC Securities International Company Limited to Acquire 100% Equity Interest in CLSA* relating to the acquisition of 100% equity interest in CLSA by CSI at a total consideration of US\$1.252 billion. CSI has paid the consideration of US\$310.32 million for the acquisition of 19.9% equity interest in CLSA, and at the same time granted a put option to CA-CIB to require CSI to acquire the remaining 80.1% equity interest in CLSA. On 3 August 2012, CSI entered into a supplemental deed with the other signing parties to the Options Deed (please refer to the announcement of the same date for specific details).

On 5 November 2012, the 6th Meeting of the 5th Session of the Board considered and approved the *Resolution on Wholly-owned Subsidiary CITIC Securities International Company Limited to Acquire the remaining 80.1% equity interest in CLSA*, relating to the acquisition of 80.1% equity interest in CLSA by CSI at a total consideration of US\$941.68 million, and agreed to provide relevant financing to CSI for the acquisition. At the same time, the meeting also approved the *Resolution on the Provision of Guarantees to Wholly-owned Subsidiary CITIC Securities International Company Limited*, relating to the provision of guarantee for the consideration of US\$941.68 million payable by CSI to CLSA for acquisition of the 80.1% equity interest in CLSA and for the liabilities relating to the relevant equity transfer transaction. The validity of such guarantee is subject to approval of the relevant regulatory authorities. According to the above resolution of the Board, on 5 November 2012, the Company and CSI signed the an equity transfer agreement with CA-CIB and CASA B.V. for the transfer of 80.1% equity interest in CLSA.

Currently, CSI, with the assistance of CLSA and other French shareholders, is going through a series of approval processes with domestic and international regulatory bodies. Uncertainties exist in respect of the final completion time and approvals by the relevant regulatory authorities of the validity of the licenses in the countries where CLSA currently conducts its businesses.

6.3.2 Acquisition of the remaining equity interest in CITIC Wantong Securities

On 29 March 2010, the 10th Meeting of the 4th Session of the Board considered and approved the *Resolution Relating to the Proposed Acquisition of the Remaining Equity Interest in CITIC Wantong Securities Co., Ltd.*, pursuant to which the Company acquired an 8.6% equity interest of CITIC Wantong Securities with its own funds. In March 2012, 0.5% equity interest in CITIC Wantong Securities held by Shandong Machinery I&E Group Corporation was transferred to the Company for a consideration of RMB22.08 million. In February 2013, Shandong Expressway Company Limited transferred its 3% equity interest in CITIC Wantong Securities to the Company for a consideration of RMB143.23 million. As at the date of this report, the Company's shareholding percentage in CITIC Wantong Securities has increased from 95.50% to 99%. The acquisition of the remaining 1% equity interest in CITIC Wantong Securities is still in progress.

Save as disclosed, there is no major acquisition, disposal, replacement or reorganization of assets of the Company in 2012.

6.4 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. Related-party/connected transactions of the Group are conducted in accordance with the principles of impartiality, open and fairness and related party/connected transaction agreements are entered into based on the principles of equality, free will and fair value compensation.

The related party/connected transactions of the Company are mainly entered into with CITIC Group and its associates. CITIC Group together with its substantial number of subsidiaries are engaged in a wide range of businesses and relying on the platform provided by CITIC Group, the Company is able to capture many business opportunities. The related party/connected transactions between the Group and CITIC Group and its subsidiaries are carried out at market price. The Group, as a participant in the financial market, would inevitably transact with China CITIC Bank Corporation Limited, CITIC Trust Co., Ltd., CITIC Prudential Life Insurance Co., Ltd. and CITIC-Prudential Fund Management Company Ltd., which are companies with strong market influences, form integrated operations under CITIC Holdings and provide comprehensive domestic and overseas financial services to its clients together with CITIC International Financial Holdings Limited. Related party/connected transactions in the relevant businesses will be favourable to the development of such businesses, increase investment returns, and are in line with the Group's business and thus favourable to the long term development of the Group.

In September 2011, according to the relevant requirements, and based on the types and contents of possible ongoing related party/connected transactions in the future, the Group categorized its related party/connected transactions with CITIC Group and its associates into three major categories, namely securities and financial products transactions and services, property leasing and miscellaneous services. Upon the approval granted by the 2011 Third Extraordinary General Meeting of the Company, the Company entered into the Securities and Financial Products Transactions and Services Framework Agreement, the Property Leasing Framework Agreement and the Miscellaneous Services Framework Agreement with CITIC Group on 23 September 2011, and set the annual caps respectively for the related party/connected transactions from 2011 to 2013 under each of these framework agreements.

6.4.1 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 Group 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 agreements. Matters related to the framework agreement and its implementation during the reporting period are as follows:

Securities and Financial Products Transactions and Services Framework Agreement between the Company and CITIC Group

Pursuant to the framework agreement, both the Company and CITIC Group 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 Group on the following matters: (i) as for the securities and financial products transactions, exemption from setting up the annual caps for such transactions; (ii) as for the securities and financial services, in respect of the proprietary funds of the Company and its subsidiaries and its customers' funds placed with the banking subsidiaries of CITIC Group in the PRC and Hong Kong, exemption from complying with the requirement to set a maximum daily deposit balance limit on such deposits.

In terms of the securities and financial products transactions, as of 31 December 2012, 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 RMB36,361 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 RMB22,120 million.

In terms of the securities and financial services, as of 31 December 2012, (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 RMB2,000 million in 2012, and the actual income amounted to RMB753 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 RMB180 million in 2012, and the actual payment amounted to RMB36 million. Details are set out below:

<i>In RMB millions</i>			
Subject matter	Annual cap for transaction in 2012	Actual transaction amount in 2012	Percentage to total amount of similar transactions (%)
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	—	36,361	—
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	—	22,120	—
2. Securities and Financial Services:			
Income: Securities and financial services provided by the Company and its subsidiaries to CITIC Group and its associates	2,000	753	8.13%
Expense: Securities and financial services provided by CITIC Group and its associates to the Company and its subsidiaries	180	36	2.04%

Property Leasing Framework Agreement between the Company and CITIC Group

Pursuant to the agreement, the Company and CITIC Group both agreed to determine the rentals for the property leased according to the relevant laws and regulations and the local fair market value as confirmed by the qualified independent property valuer. This agreement is valid for ten years, from 23 September 2011 to 22 September 2021, subject to renewal.

As of 31 December 2012, (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 RMB60 million in 2012, and the actual income amounted to RMB25 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 RMB110 million in 2012, and the actual rental expense amounted to RMB33 million. Details are set out below:

In RMB millions

Subject matter	Annual cap for transaction in 2012	Actual transaction amount in 2012	Percentage to total amount of similar transactions
Income: Lease of properties to CITIC Group or its associate by the Company and its subsidiaries	60	25	33.07%
Expense: Lease of properties from CITIC Group or its associate by the Company and its subsidiaries	110	33	0.57%

Miscellaneous Services Framework Agreement between the Company and CITIC Group

Pursuant to the framework 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 2012, (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 RMB5 million in 2012, and the actual income of such transaction amounted to RMB15,300; (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 RMB120 million in 2012, and the actual payment amounted to RMB28.52 million. Details of such transactions are set out below:

In RMB thousands

Subject matter	Annual cap for transaction in 2012	Actual transaction amount in 2012	Percentage to total amount of similar transactions
Income: Non-financial services provided by the Company and its subsidiaries to CITIC Group or its associates	5,000	15	0.02%
Expense: Non-financial services provided by CITIC Group or its associates to the Company and its subsidiaries	120,000	28,523	0.49%

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/connected transactions mentioned in Note 44 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.

During the 2011 annual general meeting of the Company, in accordance with the terms of the above framework agreements and the requirements of the Shanghai Stock Exchange Listing Rules, the Company determined the regular related party transaction budget for 2012. In estimating the related party transactions with CITIC Group, the Group has also included transactions relating to equity investments, details of the estimates and the amounts of the transactions were as follows:

- Minority equity investment. A subsidiary of the Company intends to acquire a minority interest in a subsidiary of CITIC Group by way of capital increase, the amount involved is not expected to exceed RMB50 million. During the reporting period, such transaction has not yet been carried out.
- Capital contribution to equity investment fund. A subsidiary of the Company intends to invest in an equity investment fund jointly with CITIC Group and its subsidiaries, the amount involved is not expected to exceed RMB500 million. During the reporting period, such transaction has not yet been carried out.

Other Related Party Transactions under Shanghai Stock Exchange Listing Rules

According to the Shanghai Stock Exchange Listing Rules, in addition to CITIC Group and its subsidiaries, China AMC and CITIC PE Fund are also 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 Exchange Listing Rules. During the reporting period, these related party transactions have been implemented according to the Resolution Relating to the Estimate on Normal Related Party Transactions of the Company in 2012, which was considered and approved at the 2011 Annual General Meeting of the Company. New related party transactions have been approved under the corresponding procedures set out in the Shanghai Stock Exchange Listing Rules according to the transaction amounts involved.

In RMB millions

Related Party	Subject matter	Estimated transaction amount or amount of new related party transactions in 2012	Actual transaction amount	Percentage to total amount of similar transactions
China AMC	Fee income	50	1	0.02%
	Securities and Financial Products Transactions	in actual amount	—	—
CITIC PE Fund	Fee income	27	2	0.03%
	Subscribed capital contribution to equity investment fund	US\$30 million	—	—
	Equity transferred	385	50	—
	Securities and Financial Products Transactions	in actual amount	—	—

During the reporting period, the Company had a new related party transaction which was not included in the estimate. Goldstone Investment, a wholly-owned subsidiary of the Company, transferred 12,746,835 shares in Huatai Insurance Group Company Limited to Tianjin Xinshang Investment Management Limited, a wholly-owned subsidiary of CITIC PE Fund for a consideration of RMB50.35 million. Since the transaction amount involved was less than 0.5% of our audited net assets in 2010, the transaction was entered into on 27 February 2012 upon approval by the 4th session of the Independent non-executive directors of the Board of the Company. The transaction was completed on 15 November 2012.

In addition, on 28 October 2011, the 34th meeting of the 4th session of the Board considered and approved the “Proposal in relation to Subscription for Equity Investment Funds”, pursuant to which, the Company or its subsidiaries had been approved to contribute RMB500 million and RMB200 million to CITIC Capital (Tianjin) Equity Investment Partnership (Limited Partnership, established by CITIC Capital Holdings Limited and its management team) and CITIC Mezzanine Investment Fund (Shanghai) Phase 1 (Limited Partnership), respectively. Upon obtaining the approval by the CSRC, and on 25 April 2012, Goldstone Investment settled the initial payment to CITIC Capital (Tianjin) Equity Investment Partnership, and as at 31 December 2012, the contribution by Goldstone Investment amounted to RMB155.71 million. As at 31 December 2012, investment to CITIC Mezzanine Investment Fund (Shanghai) Phase 1 (Limited Partnership) has not yet commenced.

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. Such transactions also are not prejudicial to the interests of the non-related shareholders and do not have any adverse effect on the independence of the Company.

The independent non-executive Directors have confirmed to the Board of the Company that they have 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.

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.

6.4.2 Guarantees, debts and liabilities due from/owed to related parties between the Company and its related parties

Guarantees provided to the Company by its related parties

In 2006, the Company issued RMB corporate bonds in an amount of RMB1,500 million for a term of 15 years guaranteed by CITIC Group. As at 31 December 2012, the guarantee provided by CITIC Group to the Company amounted to a total of RMB1,500 million (as at 31 December 2011: RMB1,500 million).

Balance of debts and liabilities due from/owed to related parties

In RMB thousands

Related party	Capacity	Amount due from related party		Amount due to related party	
		Actual amount	Balance	Actual amount	Balance
China CITIC Bank Corporation Limited ⁽¹⁾	Subsidiary of the largest shareholder of the Company	—	642	—	—
CITIC Bohai Aluminum Industries Holding Company Limited ⁽²⁾	Subsidiary of the largest shareholder of the Company	—	—	—	333
CITIC Trust Co., Limited ⁽³⁾	Subsidiary of the largest shareholder of the Company	—	—	—	150
China CITIC Bank Corporation Limited ⁽⁴⁾	Subsidiary of the largest shareholder of the Company	—	—	—	3,205

As at 31 December 2012, there has been no misappropriation of the Company's capital by its related parties.

Debts and liabilities due from/owed to related parties arose from:

- (1) Receivable deposits by the Company;
- (2) Payable amount of construction fees by the Company;
- (3) Rental deposits received by the Company;
- (4) Rental deposits received by the Company.

The above debts and liabilities did not have any adverse effect on the financial position and operation results of the Company.

6.5 Material Contracts and their Performance

6.5.1 During the reporting period, the Company was not involved in any material custody, sub-contract or lease arrangement, and there was no custody, sub-contract or lease arrangement brought forward to the current reporting period from last year.

6.5.2 Material Guarantee

During the reporting period, the Company and its controlling subsidiaries had not provided any external guarantee. As of the end of the reporting period, the balance of external guarantee provided by the Company and its controlling subsidiaries was nil. During the reporting period, guarantees provided by the Company and its controlling subsidiaries to their respective subsidiaries were as below:

Guarantees Provided by the Company to its Subsidiaries

At the 6th meeting of the 5th Session of the Board held on November 5, 2012, the Board approved the "Proposal for the Provision of Guarantee to CSI, a Wholly-owned Subsidiary (關於向全資子公司中信證券國際有限公司提供擔保的議案)" relating to the provision of guarantees by the Company regarding the payment of US\$941.68 million by CSI for the acquisition of 80.1% equity interests in CLSA Securities Limited. The Company also provided guarantees for the performance by CSI of all obligations involved in the equity transactions. The validity of the guarantee is conditional upon approval to be granted by the relevant regulatory authorities. For details of the guarantees, please refer to the press announcement headed "Proposal for the Provision of Guarantee by CITIC Securities Company Limited to CSI, a Wholly-owned Subsidiary (中信證券股份有限公司為全資子公司中信證券國際有限公司提供擔保的公告)" dated 6 November 2012. Currently, as CSI is seeking regulatory approvals for the acquisition of 80.1% equity interests in Fortune CLSA Securities Limited, the guarantee has not yet become effective.

Apart from the guarantee mentioned above, the Company had not provided any other guarantee to its controlling subsidiaries, nor had it provided any external guarantee. The Company had not provided any guarantee to its shareholders, actual controllers and their respective associates, or to any party with a gearing ratio of over 70%.

As of the end of the reporting period, there was no external guarantee provided by the Company.

Guarantees Provided by Controlling Subsidiaries to Subsidiaries

During the reporting period, among all controlling subsidiaries of the Company, only CSI had provided guarantees. All those guarantees were provided by CSI for the business development of the relevant subsidiaries, such guarantees include mainly loan guarantees, guarantees for transactions involving the execution of framework agreements of the International Swaps and Derivatives Association (the “ISDA Agreements”) with overseas counterparties and guarantees for property leasing. During the reporting period, the external guarantees provided by CSI amounted to US\$20.8075 million and HK\$270 million, together with interest to be accrued thereon in case of breach (which cannot be estimated). It should be noted that as for the guarantees provided by CSI for transactions involving the ISDA Agreements entered into between its subsidiaries and overseas counterparties, the amount of guarantees to be provided varies according to the transaction amount whereas the ISDA Master Agreement involves no specific transaction amount. As a result, the Company is unable to confirm the actual amount of guarantees provided. As of the end of the reporting period, the outstanding amount of guarantees provided by CSI was consistent with the above figures. Details are listed as below:

No.	Guaranteed Object^{Note 1}	Amount of guarantee	Nature
1	CSI Capital Management Limited	US\$15 million and interest costs related to breach of contracts	guarantee for loans
2	CITIC Securities Brokerage (HK) Co., Ltd.	HK\$70 million	guarantee for loans
3	CITIC Securities Brokerage (HK) Co., Ltd.	HK\$200 million	guarantee for loans
4	CITIC Securities International USA, LLC	US\$5.8075 million	guarantee for property leasing
5	CSI Capital Management Limited	Not applicable	guarantee for the ISDA Agreement entered into between the guaranteed object and the counter party

Note 1: All of the above guaranteed parties are wholly-owned subsidiaries of CSI.

Note 2: All of the above guarantees are for general guarantees and have been approved by the Board of CSI.

Note 3: The guarantee period will expire upon the performance of all obligations by the guaranteed party.

During the reporting period, the guarantees provided by the Company and its controlling subsidiaries to their respective subsidiaries amounted to US\$20.8075 million and HK\$270 million, together with interest to be accrued thereon in case of breach (which cannot be estimated), and the sum of the abovementioned two items represents approximately 0.40% of the equity attributable to the parent as of 31 December 2012. The outstanding amount of guarantees provided by the Company and its controlling subsidiaries to subsidiaries as of the end of the reporting period is consistent with the total amount of guarantees provided by the Company for the reporting period.

In addition, the Company and its controlling subsidiaries are not involved in any overdue guarantee.

6.5.3 During the reporting period, no cash or asset of the Company was entrusted to others for management.

6.5.4 During the reporting period, there was no other material contract which shall be disclosed but not yet disclosed.

6.6 Undertakings of the Company or its Shareholders with Shareholding of 5% or more

6.6.1 Undertakings of the Company and their performance

There are three set properties that are currently under property title certificate 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 Floors 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”.

The Company has commenced legal proceedings to expedite the process for the transfer of title of such properties. On 16 November 2012, Changning People's Court of Shanghai Municipality, the court of first instance, ordered Shanghai Xin Guo Da Real Estate Co., Ltd. to transfer the ownership of the 10 units of Times Plaza at No.390 Panyu Road, Shanghai, to the Company within ten days from the date of the judgment.

6.6.2 Undertaking of the Company's shareholders and related parties and their performance

Undertaking in respect of non-competition

During the initial public offering of the Company in December 2002, CITIC Group, the largest shareholder of the Company undertook that "there did not exist and it will not establish any further new companies engaging in securities business. In respect of those minor banking and trust investment businesses engaged by its subsidiaries that might potentially compete with our business, CITIC Group has undertaken that our Company can make adequate disclosure of such business and that it will not misuse its shareholder position to act to the detriment of our interests and other Shareholders."

The long-term commitment is still valid and is duly performed and observed.

Undertaking in respect of restriction on sale of the Company's shares

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

The long-term commitment is still valid and is duly performed and observed.

There was no unperformed open commitment by other shareholders and related parties.

6.7 Punishment and Remedial Actions of the Company, Board, Directors and Senior Management

During the reporting period, none of the Company, the Board, Directors or Supervisors or Senior Management or Shareholders with shareholding of 5% or more was subject to investigations by competent authorities, enforcement actions by judiciary authorities or disciplinary departments, or brought before relevant judiciary authorities or being investigated for involvement in criminal responsibilities, investigations or administrative punishments by the CSRC or prohibitions against entry into or being identified as an inappropriate person for the securities markets, punishment by administrative authorities or publicly reprimands by any stock exchange. None of the Company's Directors, Supervisors, senior management or shareholders with shareholding of 5% or more has purchased or sold shares in the Company in breach of relevant requirements.

6.8 Other Significant Events and Subsequent Updates

6.8.1 Profit Distribution Plan of 2012

The retained profits of the Company at the beginning of 2012 amounted to RMB15,826,344,901.54, together with the Company's 2012 net profit of RMB3,130,651,180.83, and after deduction of the 2012 cash dividends of RMB4,737,270,612.00, the distributable profits of the Company in 2012 amounted to RMB14,219,725,470.37.

Pursuant to the *Company Law*, *Securities Law*, *Financial Rules for Financial Enterprises* and the Articles of Association, the net profits of the Company for 2012 are distributed in the following sequences:

- (1) The Company appropriates a total of RMB313,065,118.08 to the statutory surplus reserve calculated on the basis of 10% of the net profit attributable to the Company for 2012;
- (2) The Company appropriates a total of RMB313,065,118.08 to the general risk reserve calculated on the basis of 10% of the net profit attributable to the Company for 2012;
- (3) The Company appropriates a total of RMB313,065,118.08 to the transaction risk reserve calculated on the basis of 10% of the net profit attributable to the Company for 2012.

The aggregate of the above three items amounted to RMB939,195,354.24.

Net of the above three items, the distributable profits of the Company amounted to RMB13,280,530,116.13.

According to the auditing requirements applicable to listed companies under the current accounting principles, 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 the fair values on the distributable profits of 2012, the distributable profits attributable to the Shareholders that can be distributed as cash dividends in 2012 amounted to RMB13,208,953,104.85.

In consideration of factors such as the development of the Company and the interests of the Shareholders, the Company proposed the profit distribution plan of 2012 as follows:

- (1) On the basis of the total number of A Shares and H Shares of 11,016,908,400 as at 31 December 2012, a cash dividend is proposed to be distributed to the 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 RMB3.00 for every 10 Shares held (tax inclusive), the proposed dividend is RMB3,305,072,520.00, representing 25.02% of the profits distributable in cash. The outstanding balance of the retained profits distributable as cash dividends for 2012 amounted to RMB9,903,880,584.85 and will be carried forward to the next year.
- (2) Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in Hong Kong dollars to the 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 for the five business days before the date of the 2012 Annual General Meeting of the Company.

The proposed cash dividends of the Company for 2012 account for 78% of the net profit attributable to the parent in 2012, are in compliance with the *Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies* issued by the CSRC and the related provisions set out in the *Guidelines on Distribution of Cash Dividends by Listed Companies* issued by the Shanghai Stock Exchange.

Upon the approval of the profit distribution plan of 2012 at the 2012 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(s) on the record date and book closure date for the dividends in respect of H Shares.

6.8.2 Change of Branches for Securities Operation

(1) The Company

During the reporting period, the Company had not established any new branches. The Company continues to owns 59 branches, 5 of which have completed same city relocation, as follows:

No.	Name of branch before relocation	Name of branch after relocation	Branch address after relocation
1	Foshan Hujinglu Branch	Foshan Jihuawulu Branch	3/F, Jinhai Plaza, 21 Jihua Fifth Road, Foshan City, Guangdong Province
2	Shanghai Jululu Branch	Shanghai Shijidadao Branch	10/F, 1568 Century Avenue, Pudong New District, Shanghai
3	Xuzhou Minzhunanlu Branch	Xuzhou Jiefangnanlu Branch	2/F & 3/F, Annex Building, Diwang Mansion, 303 Jiefang South Road, Yunlong District, Xuzhou City, Jiangsu Province
4	Beijing Huayuandonglu Branch	Beijing Janguomen Branch	4/F, 5 Janguomen North Avenue, Dongcheng District, Beijing
5	Haimen Zhenzhonglu Branch	Haimen Renminxilu Branch	226 Renmin West Road, Haimen Town, Haimen City, Jiangsu Province

In addition, during the reporting period, Beijing Branch and Shanghai Branch of the Company completed the same city relocation, please refer to "5.5 Branches of the Company" of this report.

In February 2013, the Company was granted approvals to set up a securities business department respectively in Hongshan District, Wuhan City, Hubei Province, Rongcheng District, Jieyang City, Guangdong Province, and Yandu District, Yancheng City, Jiangsu Province. Currently the relevant procedures for establishments are being processed.

(2) CITIC Securities (Zhejiang)

During the reporting period, CITIC Securities (Zhejiang) established five new securities brokerage branches, namely: Jingdezhen Changnandadao Branch, Shangrao County Qiliulu Branch, Anxi Minzhulu Branch, Sanming Xinshizhonglu Branch and Xiamen Canglinlu Branch. In addition, the Company set up its new branch office in Fujian and completed the same-city relocation for five securities brokerage branches and its Ningbo Branch Office. Currently, CITIC Securities Zhejiang has 57 securities brokerage branches, two branch offices with its Wenzhou Branch Office and Jiangxi Branch Office established in January and March 2013 respectively.

(3) CITIC Wantong Securities

During the reporting period, CITIC Wantong Securities established two new securities brokerage branches, namely: Chengyang Chunchenglu Branch and Laixi Qingdaolu Branch. In addition, CITIC Wantong Securities completed the same-city relocation for two securities brokerage branches. Currently, CITIC Wantong Securities has 44 securities brokerage branches.

(4) CITICS Futures

During the reporting period, CITICS Futures established three new futures brokerage branch, namely: Shenzhen Branch, Hangzhou Fengqilu Branch and Ningbo Yinzhou Branch. In January 2013, CITICS Futures established the Guangzhou Branch and Xi'an Branch. Currently, CITICS Futures has 23 futures brokerage branches.

(5) CSI

During the reporting period, CSI did not establish any new branches but closed two branches in Hung Hom and Wan Chai according to the business operation. Currently, CSI has five branches.

For detailed distribution of branches of the Company and its subsidiaries, please refer to "Appendix 4: List of Domestic and Overseas Branches" of this Report.

6.8.3 Collective Asset Management Scheme

As approved by the CSRC, during the reporting period up to the disclosure date of this Report, the Company has rolled out 22 new collective asset management schemes. As at present, the Company has launched 38 collective asset management schemes, among which one scheme matured and had been settled, 36 schemes are subsisting to date, and one scheme is in the promotional period. As at 31 December 2012, 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	1,946,210,354.28	Established on 22 March 2006
2	CITIC Securities Equity-bond Hybrid Collective Asset Management Scheme	792,169,914.64	Established on 6 April 2007
3	CITIC Securities Bond Optimal Collective Asset Management Scheme	676,120,474.86	Established on 6 January 2009
4	CITIC Securities Jubaopen Umbrella Collective Asset Management Scheme	953,964,819.33	Established on 8 May 2009
5	CITIC Securities Prudent Return Collective Asset Management Scheme	919,726,381.02	Established on 25 February 2010
6	CITIC Securities VIP #1 Selected Themes Collective Asset Management Scheme	162,153,070.44	Established on 28 September 2010
7	CITIC Securities Selected Equities Collective Asset Management Scheme	2,276,423,253.21	Established on 10 December 2010
8	CITIC Securities VIP #2 Selected Themes Collective Asset Management Scheme	105,704,642.65	Established on 13 January 2011

No.	Name	Asset units	Note
9	CITIC Securities VIP #3 Strategic Return Collective Asset Management Scheme	102,709,695.29	Established on 15 April 2011
10	CITIC Securities Superior Growth Equities Collective Asset Management Scheme	1,067,653,388.04	Established on 19 May 2011
11	CITIC Securities VIP #5 Strategic Return Collective Asset Management Scheme	101,912,902.26	Established on 18 July 2011
12	CITIC Securities Dividend Value Equities Collective Asset Management Scheme	224,619,126.32	Established on 25 August 2011
13	CITIC Securities VIP #6 Strategic Return Collective Asset Management Scheme	98,989,783.10	Established on 24 October 2011
14	CITIC Securities Selected Funds Collective Asset Management Scheme	103,177,589.33	Established on 23 December 2011
15	CITIC Securities Convertible Bond Collective Asset Management Scheme	132,586,901.41	Established on 2 March 2012
16	CITIC Securities VIP Tailor-made #1 Collective Asset Management Scheme	989,021,793.27	Established on 27 April 2012
17	CITIC Securities VIP Tailor-made #2 Collective Asset Management Scheme	986,989,068.23	Established on 27 April 2012
18	CITIC Securities VIP #7 Multi-strategic Return Collective Asset Management Scheme	136,896,998.30	Established on 23 August 2012
19	CITIC Securities VIP #8 Multi-strategic Return Collective Asset Management Scheme	219,729,979.76	Established on 2 August 2012
20	CITIC Securities Cash Value-added Collective Asset Management Scheme	1,297,450,000.00	Established on 3 September 2012
21	CITIC Securities Quarterly Bond Interest-gaining Collective Asset Management Scheme	1,615,168,616.05	Established on 26 October 2012
22	CITIC Securities Monthly Return Collective Asset Management Scheme	264,160,716.69	Established on 7 November 2012
23	CITIC Securities VIP Tailor-made #3 Collective Asset Management Scheme	3,616,574,375.21	Established on 13 December 2012
24	CITIC Securities VIP Tailor-made #5 Collective Asset Management Scheme	3,616,776,613.83	Established on 13 December 2012
25	CITIC Securities VIP Tailor-made #6 Collective Asset Management Scheme	2,102,801,621.46	Established on 13 December 2012
26	CITIC Securities VIP Tailor-made #7 Collective Asset Management Scheme	101,000,000.00	Established on 13 December 2012
27	CITIC Securities VIP Tailor-made #8 Collective Asset Management Scheme	101,000,000.00	Established on 13 December 2012
28	CITIC Securities Xinze Wealth #1 Collective Asset Management Scheme	211,010,485.00	Established on 21 December 2012
Total		<u>24,922,702,563.98</u>	<u>—</u>

In addition, the Company established CITIC Securities Xinze Wealth #2 Collective Asset Management Scheme on 14 January 2013, CITIC Securities Xinze Wealth #3 Collective Asset Management Scheme on 21 January 2013, CITIC Securities Debt-stabilized #1 Collective Asset Management Scheme on 1 February 2013, CITIC Securities Xinze Wealth #9 Collective Asset Management Scheme and CITIC Securities Xinze Wealth #10 Collective Asset Management Scheme on 6 February 2013, CITIC Securities Holiday Wealth Management Collective Asset Management Scheme on 7 February 2013, CITIC Securities Xinze Wealth #11 Collective Asset Management Scheme on 5 March 2013 and CITIC Securities Xinze Wealth #12 Collective Asset Management on 27 March 2012. The Company began the sales of CITIC Securities Baoying Quantitative #1 Collective Asset Management on 27 March 2013.

7. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

7.1 Share Capital Structure

Name of shareholders	Type of the Shares	Number of Shares (Share)	Percentage to the total number of Shares (%)
CITIC Group ^{Note}	A Shares	2,303,963,550	20.913
Public holders of A Shares	A Shares	7,544,617,150	68.391
Public holders of H Shares	H Shares	1,178,327,700	10.696
Total	—	11,016,98,400	100.000

Note: CITIC Group holds such A Shares both directly and indirectly through its subsidiaries, including CITIC Guoan Group and its subsidiaries. According to the restructure plan of CITIC Group and the reply from the relevant regulatory departments, CITIC Group transferred the above said Shares (excluding Shares held on custody) to CITIC Limited on 25 February 2013. For details, please refer to “7.4.6 Information on Substantial Shareholders of the Company”.

7.2 Changes in Share Capital

During the reporting period, there were no changes in the share capital of the Company (including Shares subject to trading moratorium).

Class of Shares	Before the change		Change due to this movement (+, -)			After the change	
	Number of Shares	Percentage (%)	Issue of new Shares	Others	Sub-total	Number of Shares	Percentage (%)
I. Shares subject to trading moratorium ^{Note}							
1. Shares held by the State	—	—	—	—	—	—	—
2. Shares held by State-owned legal persons	—	—	—	—	—	—	—
3. Shares held by other domestic investors	23,919,000	0.217	—	—	—	23,919,000	0.217
Including: Shares held by domestic legal persons	—	—	—	—	—	—	—
Shares held by domestic natural persons	—	—	—	—	—	—	—
Others	23,919,000	0.217	—	—	—	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	23,919,000	0.217	—	—	—	23,919,000	0.217
II. Shares not subject to trading moratorium							
1. RMB denominated ordinary shares	9,814,661,700	89.087	—	—	—	9,814,661,700	89.087
2. Domestic shares listed in the PRC	—	—	—	—	—	—	—
3. Foreign shares listed overseas	1,178,327,700	10.696	—	—	—	1,178,327,700	10.696
Total number of shares not subject to trading moratorium	10,992,989,400	99.783	—	—	—	10,992,989,400	99.783
III. Total	11,016,908,400	100.000	—	—	—	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).

7.3 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 issued 5 bonus shares per 10 shares held by the shareholders by way of capitalizing 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 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.

According to the 2011 Annual General Meeting, the 1st Meeting of the 5th Session of the Board of the Company approved the *Resolution in Relation to the Mandate Grants to the Board to Issue Short Term Financing Bonds* and the *Resolution in Relation to the Mandate Grants to the Chairman WANG Dongming to Issue Short Term Financing Bonds*, respectively. With the approval from the Peoples' Bank of China ("Notice of People's Bank of China on the Issuance of Commercial Papers by CITIC Securities Company Limited" (Yin Fa [2012] No.197)), the maximum remaining amount of outstanding commercial papers of the Company should be RMB20 billion, with a term of one year. The Company was free to issue commercial papers by itself within the validity period. During the reporting period, the Company issued 5 tranches of commercial papers, each with a term of 91 days, and raised RMB23 billion in total, and the settlement condition is good. The issuance of commercial papers effectively helped improving the assets and liabilities structure of the Company, and supplementing the operating capital. The details are as followed:

Name	Value date	Payment date	Coupon rate	Issue size
2012 Commercial Papers				
Tranche 1	23 August 2012	22 November 2012	3.84%	RMB5 billion
2012 Commercial Papers				
Tranche 2	19 September 2012	19 December 2012	3.96%	RMB5 billion
2012 Commercial Papers				
Tranche 3	17 October 2012	16 January 2013	4.00%	RMB5 billion
2012 Commercial Papers				
Tranche 4	21 November 2012	20 February 2013	4.19%	RMB5 billion
2012 Commercial Papers				
Tranche 5	13 December 2012	14 March 2013	4.31%	RMB3 billion

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

There were no internal employee shares issued by the Company.

7.4 Information on Shareholders

7.4.1 Total number of Shareholders as of 31 December 2012: 604,238 units, including 604,106 A-Share accounts and 132 H-Share accounts.

7.4.2 Total number of Shareholders as of the end of the fifth trading days (21 March 2013) before the disclosure of the Report: 580,532 units, including 580,405 A-Share accounts and 127 H-Share accounts.

7.4.3 Shareholdings of the top 10 Shareholders as at 31 December 2012

Name of Shareholder	Type of the Shareholder ^{Note 7}	Number of Shares (Shares)	Percentage (%)	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)
CITIC Group	State-owned legal person	2,236,890,620	20.30	—	2,236,890,620	—
	Custodian	23,510,652	0.21	—	23,510,652	—
HKSCC Nominees Limited ^{Note 1}	Foreign legal person	1,178,056,700	10.69	-26,500	1,178,056,700	—
China Life Insurance Company Limited ^{Note 2}	Domestic non State-owned legal person	361,059,999	3.28	-127,172,766	361,059,999	—
China Life Insurance (Group) Company — Traditional — General Insurance products	Domestic non State-owned legal person	231,141,935	2.10	—	231,141,935	—
China Academy of Launch Vehicle Technology	State-owned legal person	106,478,308	0.97	—	106,478,308	—
Nanjing Xingang High-Tech Co., Ltd. ^{Note 3}	Domestic non State-owned legal person	71,223,634	0.65	-20,600,000	71,223,634	—
Everbright Securities Co., Ltd.	Domestic non State-owned legal person	66,737,803	0.61	1,094,025	66,737,803	—
CITIC Guoan Group	State-owned legal person	63,739,930	0.58	—	63,739,930	—
Bosera Value Group Securities Investment Fund	Domestic non State-owned legal person	59,040,332	0.54	59,040,332	59,040,332	—
New Times Trust Co., Ltd. — Fengjin #12 Collective Trust Scheme	Domestic non State-owned legal person	58,000,000	0.53	58,000,000	58,000,000	—

Note 1: Among the H Shareholders, HKSCC Nominees Limited held Shares on behalf of holders who do not register the Shares under their names.

Note 2: 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 351,322,773 Shares and 9,737,226 Shares respectively (same as hereinunder).

Note 3: Nanjing Xingang High-Tech Company Limited changed its name into “Nanjing Gaoke Company Limited” on 22 January 2013.

Note 4: As of 31 December 2012, except for the 33,000,000 Shares held by Nanjing Xingang High-Tech Co., Ltd. which have been frozen, no Shares of the top 10 Shareholders 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 5: Among the top 10 Shareholders, CITIC Guoan Group is a wholly-owned subsidiary of CITIC Group; China Life Insurance Company Limited is controlling subsidiary of China Life Insurance (Group) Company.

Note 6: Shares held by HKSCC Nominees Limited were H Shares, and Shares held by other Shareholders were A Shares.

Note 7: Type of A Shareholders represents the type of account held by A Shareholders with Shanghai branch of China Securities Depository and Clearing Corporation Limited. As the Shares are margin trading underlying securities, the shareholding of Shareholders are calculated together with their Shares in their ordinary securities accounts and credit securities accounts, and their equity interests.

7.4.4 Shareholdings of the Top 10 Non-Restricted Shareholders as at 31 December 2012

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	1,178,056,700	H Shares
China Life Insurance Company Limited	361,059,999	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.	71,223,634	A Shares
Everbright Securities Co., Ltd.	66,737,803	A Shares
CITIC Guoan Group	63,739,930	A Shares
Bosera Value Group Securities Investment Fund	59,040,332	A Shares
New Times Trust Co., Ltd. — Fengjin 12 Collective Trust Scheme	58,000,000	A Shares

7.4.5 Shareholdings of the Restricted Shareholders as at 31 December 2012

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	To be determined upon implementation of the incentive share arrangement	—	To be determined upon implementation of the incentive share arrangement

7.4.6 Information on Substantial Shareholders of the Company

(1) Largest Shareholder

The Company does not have a controlling shareholder with a controlling interest. The largest shareholder of the Company, CITIC Group owns 20.30% of shares in the Company. On 25 February 2013, CITIC Limited was transferred 20.30% of shares in the Company by CITIC Group, and became the largest shareholder of the Company.

On 27 December 2011, CITIC Group was restructured into a wholly state-owned company, and changed its name to “CITIC Group Corporation” which took over all of the businesses 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 net operating assets (inclusive of its 20.30% shares in the Company). With the approval stated in the “Reply on the Change of Shareholders with Over 5% Shareholding in CITIC Securities Company Limited” (Zheng Jian Xu Ke [2012] No. 1387) issued by the CSRC, CITIC Limited formally became a shareholder of the Company and was entitled to hold over 5% shareholding in the Company. The CSRC did not object to the legal transfer of 2,236,890,620 shares (representing 20.30% of shares in the Company) to CITIC Limited. On 25 February 2013, the equity transfer was completed and CITIC Limited, rather than CITIC Group, has become the largest shareholder of the Company. For details, please refer to the announcements dated 28 December 2011, 18 January 2012, 27 October 2012 and 26 February 2013 respectively.

CITIC Group was founded in 1979, and the existing legal representative of CITIC Group Corporation is Mr. CHANG Zhenming. Its registered capital is RMB183,702.63 million and the organisation code is 10168558-X. Its scope of business is as follows: Licensed operations: internet information service business (except for contents related to news, publishing, education, healthcare, medicine and medical equipment) (valid until 25 November 2013); and arrangement of human resources for overseas projects with reference to its capacity, scale and performance (valid until 23 April 2013); General operations: investment and management of domestic and foreign banks, securities, insurance, trust, assets management, futures, leasing, funds, credit card financial enterprises and related industries, energy, construction of transport infrastructures, mining, exploration 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, logistics, warehousing, 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; assets management; capital operation.

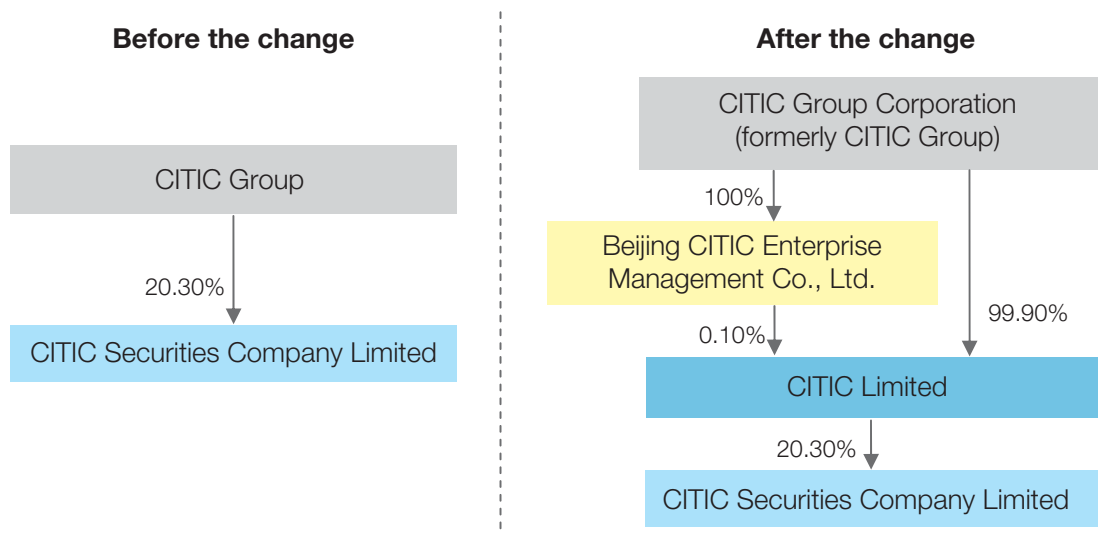
As of 31 December 2011, the total assets of CITIC Group amounted to RMB3,277.1 billion, the total liabilities amounted to RMB2,942.3 billion and the net assets attributable to the parent amounted to RMB205.1 billion. In 2011, the realised revenue, net profit attributable to the parent, net cash inflow from operating activities, net cash outflow from investing activities, and net cash flow from financing activities amounted to RMB319 billion, RMB36.5 billion, RMB311.4 billion, RMB22 billion and RMB27.4 billion respectively. After completion of its reorganization, CITIC Group has no direct shareholdings in any listed company, whether wholly or partly owned.

CITIC Limited was established on 27 December 2011 and its existing legal representative is Mr. CHANG Zhenming. Its registered capital is RMB128,000 million and the organisation code is 71783170-9. Its scope of business is as follow: Licensed operations: (Nil); General operations: investment and management of domestic and foreign banks, securities, insurance, trust, futures, leasing, funds, credit card financial enterprises and related industries, information system infrastructures, basic telecommunication and value-added telecommunication business, energy, construction of transport infrastructures, mining, exploration of timber resources and raw material industry, machinery manufacturing, real property development, environmental protection, medicine, bio-engineering as well as new materials, aviation, transportation, warehousing, 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; and capital operation.

Due to the short period of establishment, CITIC Limited has no related financial data so far. As at the date of this report, the shareholdings of CITIC Limited in other listed companies, whether wholly or partly owned, are as follows:

Name of Listed Investee	Stock Code	Listing Place	Percentage of Shareholding (%)
China CITIC Bank Corporation Limited	601998 and 00998	Shanghai and Hong Kong	61.85
CITIC Heavy Industries Co., Ltd.	601608	Shanghai	63.87
Sinopec Yizheng Chemical Fibre Company Limited	600871	Shanghai	18.00
CITIC Resources Holdings Limited	01205	Hong Kong	59.06
CITIC Pacific Limited	00267	Hong Kong	57.51
Asia Satellite Telecommunications Holdings Limited	01135	Hong Kong	37.59
DVN (Holdings) Limited	00500	Hong Kong	20.88
CITIC 21CN Company Limited	00241	Hong Kong	1.19

Before and after the change of the largest Shareholder, the shareholding structure of the Company is as follows:



- (2) As of 31 December 2012, there was no other Shareholder directly holding more than 5% shares in the Company. The Shares held by HKSCC Nominees Limited belong to the non-registered H Shareholders.

7.4.7 Interest and Short Positions of Substantial Shareholders

Pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), substantial Shareholders are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed threshold. The following table is derived from the latest interest information disclosed by the substantial Shareholders on the HKExnews website of HKEX during the reporting period. As they are only required to disclose the change of their interests when it reaches certain prescribed threshold, the information set out in the following table may be inconsistent with their actual interests as at 31 December 2012.

Name of Shareholders	Capacity	Class of Shares	Number of Shares/Positions	Percentage to the Number of A Shares/H Shares in the Company as of 31 December 2012 (%)	Percentage to Total Issued Capital of the Company as of 31 December 2012 (%)
CITIC Group Corporation ^{Note 1}	Beneficial owner and interest of controlled corporation	A Shares	2,303,963,550 Shares/ Long positions	23.42	20.91
China Life Insurance (Group) Company ^{Note 2}	Beneficial owner and interest of controlled corporation	A Shares	688,700,626 Shares/ Long positions	6.99	6.25
The NSSF	Beneficial owner	H Shares	93,499,500 Shares/ Long positions	7.93	0.85
Temasek Holdings (Private) Limited ^{Note 3}	Interest of controlled corporation	H Shares	87,938,000 Shares/ Long positions	7.46	0.80
Citigroup Inc. ^{Note 4}	Others ^{Note 4}	H Shares	84,927,023 Shares/ Long positions	7.20	0.77
		H Shares	42,380,120 Shares/ Short positions	3.60	0.38
		H Shares	45,059,640 Shares/ Lending pool	3.82	0.41
		H Shares	Derivative interests of 2,675,000 Shares/ Short positions	0.23	0.02
		H Shares	80,519,364 Shares/ Long positions	6.83	0.73
BlackRock, Inc.	Interest of controlled corporation ^{Note 5}	H Shares	17,690,727 Shares/ Short positions	1.50	0.16
		H Shares	Derivative interests of 2,387,500 Shares/ Long positions	0.20	0.02
		H Shares	Derivative interests of 339,000 Shares/ Short positions	0.03	0.003
		H Shares	76,769,500 Shares/ Long positions	6.52	0.70
The Capital Group Companies, Inc. ^{Note 6}	Interest of controlled corporation	H Shares	58,625,500 Shares/ Long positions	4.98	0.53
Banco BTG Pactual S.A.	Beneficial owner	H Shares			

Note 1: On 25 February 2013, CITIC Group Corporation transferred its entire interest in 2,236,890,620 A Shares to its subsidiary CITIC Limited. In addition, CITIC Group Corporation indirectly held 67,072,930 A Shares through its wholly-owned subsidiary CITIC Guoan Group and its subsidiaries. As a result, CITIC Group Corporation in aggregate held 2,303,963,550 A Shares, representing 20.91% of the total number of shares in the Company.

Note 2: China Life Insurance (Group) Company directly held 231,141,935 A Shares, and indirectly held 457,558,691 A Shares through its subsidiary China Life Insurance Company Limited. China Life Insurance (Group) Company and its subsidiary held in aggregate 688,700,626 A Shares, representing 6.25% of the total number of Shares. As of 31 December 2012, China Life Insurance (Group) Company and its subsidiary in aggregate held 592,201,934 Shares, representing 5.38% of the total number of Shares.

Note 3: Temasek Holdings (Private) Limited held 87,938,000 H Shares through its controlled corporations Fullerton Management Pte Ltd. and Cairnhill Investments (Mauritius) Pte Ltd.

Note 4: Citigroup Inc. held the relevant interests and short positions through its controlled corporations, in the capacities of, including, a custodian corporation/an approved lending agent and person having security interests in shares.

Note 5: BlockRock Inc. held the relevant interests and short positions through its controlled corporations.

Note 6: The Capital Group Companies, Inc. held 76,769,500 H Shares through its controlled corporation Capital Research and Management Company.

Note 7: The NSSF, Temasek Holdings (Private) Limited and Banco BTG Pactual S.A. were non-registered H Shareholders and such Shares were held by HKSCC Nominees Limited on their behalf. As such, the Company is not able to ascertain their respective shareholdings as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, no other interest or short position was recorded in the equity interest information disclosed on the HKExnews website of HKEX or the register maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

7.5 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 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 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 Hong Kong Listing Rules and the requirements for minimum public float as set out in the waiver granted by the Hong Kong Stock Exchange.

7.6 Purchase, Sale or Redemption of the Securities of the Company

During the reporting period, neither the Company nor its subsidiary had purchased, sold or redeemed any of the securities of the Company.

7.7 Shares Issued by the Company or its Subsidiary

During the reporting period, the Company did not issue any additional Shares and the increase of capital contribution to the Company's subsidiaries is as follows:

On 29 May 2012, the 40th meeting of the 4th Session of the Board considered and approved the *Resolution on the Increase of Capital Contribution to CITICS Futures Co., Ltd.*, to provide an additional capital contribution of RMB700 million to CITICS Futures. On 14 August 2012, the capital contribution was approved by the CSRC (the *Approval in Relation to the Approval for Revising the Registered Capital of CITICS Futures Co., Ltd. (Zheng Jian Xu Ke [2012] 1104)*). In October 2012, upon completion of the registration formalities required for the change were completed by CITICS Securities with the industry and commerce authorities, the registered capital of CITICS Futures increased from RMB800 million to RMB1,500 million.

On 20 June 2012, the 1st Meeting of the 5th Session of the Board considered and approved the *Resolution on the Increase of Capital Contribution to GoldStone Investment Company Limited*, whereby an additional capital contribution of RMB700 million to GoldStone Investment was approved. In June 2012, the increase of capital contribution was completed, and the registration formalities required for the change were completed with the industry and commerce authorities. Upon the completion of capital increment, the registered capital of GoldStone Investment increased from RMB5.2 billion to RMB5.9 billion.

On 16 August 2010, the 18th Meeting of the 4th Session of the Board considered and approved the *Resolution on the Increase of Capital Contribution to CITIC Securities International Company Limited*, whereby an additional capital contribution of USD400 million from the Company to CSI, for the purpose of enhancing its business capabilities in various aspects was approved. In July 2012, the Company completed the first tranche of additional capital contribution in the amount of USD356.32 million in accordance with the *Reply on Approval of Additional Capital Contribution to CITIC Securities International Company Limited by CITIC Securities Company Limited (Ji Gou Bu Bu Han [2011] No.397)* issued by CSRC. Upon the completion of capital increment, the issued capital of CSI increased from HKD3.73675 billion to HKD6.51605 billion.

On 28 July 2011, the 30th meeting of the 4th Session of the Board considered and approved the *Resolution on the Establishment of a Subsidiary to be Engaged in Financial Product Investment*, whereby the Company's application to the CSRC for the establishment of a wholly-owned subsidiary to be engaged in financial product investments with an initial investment of RMB3 billion was approved. Upon obtaining the approval from the Shenzhen Bureau of the CSRC, CITIC Securities Investment Limited, a wholly-owned subsidiary of the Company, was duly incorporated on 1 April 2012 with an initial capital contribution of RMB1.5 billion from the Company. The remaining capital contribution of RMB1.5 billion by the Company was made to such subsidiary on 28 August 2012. Upon the completion of capital increment, the registered capital of CITIC Securities Investment Limited increased from RMB1.5 billion to RMB3 billion.

8. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

8.1 Basic Information of Directors, Supervisors and Senior Management

8.1.1 Changes in shareholding and information of the remuneration (the order of independent non-executive Director is arranged in alphabetical order)

Name	Position ^{Note 1}	Gender	Age	Term of office for current session	Shares held at the beginning of 2012 (Shares) ^{Note 2}	Shares held at the end of 2012 (Shares) ^{Note 2}	Changes in shareholding (Shares)	Total remuneration in 2012 (RMB ten thousand)
WANG Dongming	Chairman, executive Director, member of Executive Committee, acting Compliance Officer	Male	61	2012.6.20–2015.6.19	2,649,750	2,649,750	—	347.92
CHENG Boming	Executive Director, President, and member of Executive Committee	Male	51	2012.6.20-2015.6.19	1,733,160	1,733,160	—	282.59
YIN Ke	Vice-chairman, executive Director and member of the Executive Committee	Male	49	2012.6.20–2015.6.19	—	—	—	HK\$9.9026 million
JU Weimin	Non-executive Director	Male	49	2012.6.20-2015.6.19	—	—	—	9.00
FANG Jun	Non-executive Director	Male	44	2012.6.20-2015.6.19	—	—	—	—
WU Xiaoqiu	Independent non-executive Director	Male	54	2012.6.20-2015.6.19	—	—	—	7.50
LEE Kong Wai, Conway	Independent non-executive Director	Male	58	2012.6.20-2015.6.19	—	—	—	13.50
RAO Geping	Independent non-executive Director	Male	65	2012.6.20-2015.6.19	—	—	—	13.50
WEI Benhua	Independent non-executive Director	Male	65	2012.10.29-2015.6.19	—	—	—	2.50
ZHANG Jijing	Former non-executive Director	Male	57	2009.6.29-2012.6.20	—	—	—	4.00
ZHANG Youjun	Former non-executive Director	Male	47	2009.6.29-2012.6.20	1,733,160	1,733,160	—	—
YANG Hualiang	Former non-executive Director	Male	48	2009.6.29-2012.6.20	—	—	—	—
LIU Lefei	Former non-executive Director	Male	39	2009.6.29-2012.6.20	—	—	—	—
DA Xinya	Former non-executive Director	Male	56	2009.6.29-2012.6.20	1,644,182	1,644,182	—	112.42
FENG Zuxin	Former independent non-executive Director	Male	58	2009.6.29-2012.6.20	—	—	—	6.00
LI Jian	Former independent non-executive Director	Female	59	2009.6.29-2012.6.20	—	—	—	6.00
NI Jun	Chairman of the Supervisory Committee	Female	57	2012.6.20-2015.6.19	1,728,363	1,728,363	—	226.47
GUO Zhao	Supervisor	Male	56	2012.6.20-2015.6.19	—	—	—	9.00
HE Dexu	Supervisor	Male	50	2012.6.20-2015.6.19	—	—	—	9.00
LEI Yong	Supervisor and Managing Director of Brokerage Business Development and Management Committee	Male	45	2012.6.20-2015.6.19	483,285	483,285	—	210.07
YANG Zhenyu	Supervisor, Head of General Administration Department	Male	42	2012.6.20-2015.6.19	108,000	108,000	—	190.05
TOKUCHI Tatsuhito	Member of the Executive Committee	Male	60	2012.6.20-2015.6.19	—	—	—	378.24
HUANG Weidong	Member of the Executive Committee	Male	45	2012.6.20-2015.6.19	1,728,363	1,728,363	—	257.48
XU Gang	Member of the Executive Committee	Male	43	2012.6.20-2015.6.19	870,000	870,000	—	255.38
GE Xiaobo	Member of the Executive Committee	Male	42	2012.6.20-2015.6.19	1,740,000	1,310,000	430,000	243.27
ZHENG Jing	Secretary to the Board and Company Secretary	Female	40	2012.6.20-2015.6.19	—	—	—	179.85
WU Jianwei	Former Compliance Officer	Female	57	2009.11.27-2012.6.20	—	—	—	100.52
Total					14,418,263	13,988,263	430,000	3,667.21

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.

Note 2: Shares held by Directors, Supervisors and Senior Management including the incentive shares initially granted upon the implementation of the share incentive arrangement, the placing shares and the capitalization issue of bonus shares are A Shares.

Note 3: According to the resolution at the 2011 Annual General Meeting, since July 2012, the Company shall pay an allowance of RMB100,000 per year (tax inclusive) to each of the non-executive Directors and Supervisors, and an allowance of RMB150,000 per year (tax inclusive) to each of the independent non-executive Directors. Please refer to the information published in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 21 June 2012 for details of the resolution. Previously, according to the resolution at the 2006 Annual General Meeting, the Company paid the related allowance (i.e. the allowance of RMB80,000 per year (tax inclusive) payable to each of the non-executive Directors and Supervisors, and the allowance of RMB120,000 per year (tax inclusive) payable to each of the independent non-executive Directors). Please refer to the information published in *China Securities Journal*, *Shanghai Securities News* and *Securities Times* dated 10 April 2007 for details of the resolution. 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. FANG Jun, Mr. ZHANG Youjun, Mr. YANG Hualiang and Mr. LIU Lefei, the non-executive Directors, never received any remuneration or allowance from the Company. Remuneration of non-executive Director Mr. JU Weimin, independent non-executive Directors Mr. WU Xiaoqi, Mr. LEE Kong Wai, Conway, Mr. RAO Geping and Mr. WEI Benhua, former non-executive Director Mr. ZHANG Jijing, former independent non-executive Directors Mr. FENG Zuxin and Ms. LI Jian, Supervisors Mr. GUO Zhao and Mr. HE Dexu in 2012 represented Directors'/Supervisors' allowance received from the Company. Remunerations of Mr. DA Xinya and Ms. WU Jianwei represent the remuneration paid to them during their appointment as Director and Senior Management for the periods from January to June 2012.

Note 4: Within the reporting period and as at the date of this report, there were changes of the Directors, Supervisors and Senior Management, please refer to “8.2 Changes of Directors, Supervisors, and Senior Management” of this report for details.

Note 5: On 31 December 2012, the A Share closed at RMB13.36, and the H Share closed at HKD19.60.

8.1.2 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
FANG Jun	China Life Insurance (Group) Company	General Manager of the Department of Investment and Asset Management	From February 2011 to present	Yes
GUO Zhao	Nanjing Gaoke Co., Ltd.	Vice President	From January 2001 to present	Yes

8.1.3 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, CEO	From February 2007 to present	Yes
WU Xiaoqi	Renmin University of China	Professor of the School of Finance, Director of Finance and Securities Institute	From October 1994 to present	Yes
RAO Geping	Peking University	Professor of the Law School, Ph.D. Candidate Supervisor	From August 1994 to present	Yes
WEI Benhua	China Foreign Exchange Magazine	Chairman	From July 2009 to present	Yes
HE Dexu	Chinese Academy of Social Sciences	Deputy Director of the Institute of Quantitative and Technical Economics	From October 2008 to present	Yes

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

Executive Directors (3 individuals)

(1) Mr. WANG Dongming, 61, serves as the chairman of 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 the 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, chairman of the board of CITIC PE Fund and non-executive director of CSI. Mr. Wang previously worked in Scotiabank Securities Company, Canada from 1987 to 1992, responsible for investment banking business. 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.

(2) Mr. CHENG Boming, 51, serves as executive Director, president and a member of the Executive Committee. Mr. Cheng joined the Group in 2001, and was appointed as a Director on 20 June 2012. Previously, he 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.

(3) Mr. YIN Ke, 49, serves as the vice-chairman of 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 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; director of Zhongxing Shenyang Commercial Building Group Co., Ltd. from 2006 to 2010; non-executive director of CITIC Dameng Holdings Limited from 2010 to 2011; and non-executive director of Dah Chong Hong Holdings Limited from 2010 to 2012. He obtained a bachelor's degree in electronics engineering in 1985 and a master's degree in economics in 1991 from Zhejiang University.

Non-executive Directors (2 individuals)

(4) Mr. JU Weimin, 49, 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; the chairman of the board of CITIC Resources Holdings Limited; the chairman of the board of Asia Satellite Telecommunications Co. Ltd.; the non-executive director of CITIC Pacific Limited, CITIC Bank Co. Ltd., CITIC International Financial Holdings Limited and CITIC Bank International Limited, 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 management of the company; the managing director of Shortridge Company Ltd. from 1998 to 2000, responsible for the general management of the company; the director, finance director and chief accountant of China International Trust and Investment Corporation from 2000 to 2002, responsible for the financial management and capital business of the company; and 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.

(5) Mr. FANG Jun, 44, serves as a non-executive Director. Mr. Fang joined the Group in 2012 and was appointed as a Director on 20 June 2012. He also serves as the general manager of the investment and asset management department of China Life Insurance (Group) Company, and a director of China Life Investment Holding Company Ltd., Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd., Hui Xian Holding Limited and Bohai Industrial Investment Fund Management Co., Ltd.. Mr. Fang previously worked as assistant to the general manager of the equity management department of China Life Insurance (Group) Company in 2005; and assistant to the general manager and deputy general manager of the asset management department of China Life Insurance (Group) Company from 2005 to February 2011. Mr Fang obtained a bachelor's degree in law in 1991 from Renmin University of China, a master's degree in law in 1996 and a Ph.D. degree in management in 1999 from Chinese Academy of Social Science.

Independent non-executive director (4 individuals, in alphabetical order)

(6) Mr. WU Xiaoqiu, 54, serves as an independent non-executive Director. Mr. Wu joined the Group in 2012 and was appointed as a Director on 20 June 2012. He also serves as a professor of the School of Finance, chairman of the Finance and Securities Research Institute of Renmin University of China, and independent director of Bank of Beijing Co., Ltd., Xinyu Iron and Steel Co., Ltd. and UFIDA Software Co., Ltd, and external director of Industrial Securities Co., Ltd.. Mr. Wu previously worked as teaching assistant, lecturer, associate professor, professor and head of the Institute of Economic Research of Renmin University of China from July 1986 to September 1994; professor and doctoral supervisor of the School of Finance of Renmin University of China from October 1994 to June 2002; chairman of the Finance and Securities Research Institute of Renmin University of China since July 1994. Mr. Wu obtained a bachelor's degree in National Economic Planning and Management in July 1983 from Jiangxi University of Finance and Economics; a master's degree in National Economic Planning and Management in July 1986 from Renmin University of China; and a Ph.D. degree in National Economic Management in July 1990 from School of Economic Management of Renmin University of China.

(7) Mr. LEE Kong Wai, Conway, 58, 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., NVC Lighting Holding Limited 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.

(8) Mr. RAO Geping, 65, 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 12th CPPCC National Committee and 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 China National Biotec Group and 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 law in 1982 from Peking University.

(9) Mr. WEI Benhua, 65, serves as an independent non-executive Director. Mr. Wei joined the Group in 2012 and was appointed as a Director on 29 October 2012. He is also the chairman of the office of China Forex Management Magazine and an independent director of Beijing Hualian Department Store Co., Ltd.. He previously served at the International Department of the People's Bank of China (including his service as head of office and head of department) from 1984 to 2003; deputy chief of the State Administration of Foreign Exchange from 2003 to 2008; and director of ASEAN +3 Macroeconomic Research Office from 2011 to May 2012. Mr. WEI obtained a Bachelor of Arts degree from Inner Mongolia Normal University in January 1982 and a master's degree in international finance from the Finance Research Institute of the Headquarters of the People's Bank of China in December 1984.

Supervisors (5 individuals)

(1) Ms. NI Jun, 57, 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 the 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.

(2) Mr. GUO Zhao, 56, 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 vice president of Nanjing Gaoke 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; 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; and as director of Nanjing Xingang High-Tech Co., Ltd. from January 2001 to January 2013. Mr. Guo is an accountant and obtained the accountant certificate in September 1993, which was granted by the Committee for Assessment of Academic Qualifications of the PRC Ministry of Transport. Mr. Guo obtained a college diploma in water transport finance and accounting in 1988 from Wuhan Heyun College.

(3) Mr. HE Dexu, 50, 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, 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 research associate, 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 post-doctoral researcher at the South Western University of Finance and Economics.

(4) Mr. LEI Yong, 45, serves as a Staff 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.

(5) Mr. YANG Zhenyu, 42, serves as a Staff 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.

Other Senior Management (5 individuals)

(1) Mr. TOKUCHI Tatsuhito, 60, 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.

(2) Mr. HUANG Weidong, 45, 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.

(3) Mr. XU Gang, 43, 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 director of Citic Wantong Securities, director of China AMC, director of CITICS Futures, and 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.

(4) Mr. GE Xiaobo, 42, serves as a member of the Executive Committee and the managing director of the Company with responsibility for financial matters, capital operation, alternative investments and risk management work. 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. He is the director of GoldStone Investor, China AMC and CITIC Securities Investment. 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.

(5) Ms. ZHENG Jing, 40, 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.

8.2 Changes of Directors, Supervisors and Senior Management

No.	Name	Position	Date of Change	Reason of Change
1	ZHANG Jijing	Non-executive Director	20 June 2012	Ceased to be a Director following the expiration of his term of office
2	ZHANG Youjun	Non-executive Director	20 June 2012	Ceased to be a Director following the expiration of his term of office
3	YANG Hualiang	Non-executive Director	20 June 2012	Ceased to be a Director following the expiration of his term of office
4	LIU Lefei	Non-executive Director	20 June 2012	Ceased to be a Director following the expiration of his term of office
5	DA Xinya	Non-executive Director	20 June 2012	Ceased to be a Director following the expiration of his term of office
6	FENG Zuxin	Independent non-executive Director	20 June 2012	Ceased to be a Director following the expiration of his term of office
7	LI Jian	Independent non-executive Director	20 June 2012	Ceased to be a Director following the expiration of her term of office
8	WU Jianwei	Compliance Officer	20 June 2012	Ceased to be a compliance officer due to personal reasons
9	WEI Benhua	Independent non-executive Director	29 October 2012	Recommended by the Board

8.2.1 Changes in Directors

In 20 June 2012, the *Resolution on the Election of Members of the 5th Session of the Board of the Company* was approved in the 2011 Annual General Meeting of the Company, to elect the following candidates as the members of the 5th Session of the Board:

Executive Directors (3 individuals): WANG Dongming, CHENG Boming, YIN Ke.

Non-executive Directors (2 individuals): JU Weimin, FANG Jun.

Independent non-executive Directors (3 individuals, in alphabetical order): WU Xiaoqiu, LEE Kong Wai, Conway, RAO Geping.

Among the members of the 4th Session of the Board, Mr. ZHANG Jijing, Mr. ZHANG Youjun, Mr. YANG Hualiang, Mr. LIU Lefei, Mr. DA Xinya, Mr. FENG Zuxin, and Ms. LI Jian ceased to be directors since 20 June 2012.

On 29 October 2012, the 2012 First Extraordinary General Meeting of Shareholders of the Company considered and approved the *Resolution on the Election of Independent non-executive Director*, and appointed Mr. WEI Benhua as its Independent non-executive Director. Since then, the 5th Session of the Board consists of 9 Directors, including 3 executive Directors, 2 non-executive Directors and 4 Independent non-executive Directors.

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

8.2.3 Changes in Senior Management

On 20 June 2012, Ms. WU Jianwei ceased to be the compliance officer due to her personal reasons, while WANG Dongming, the Chairman, had become the acting compliance officer. On 19 December 2012, the 8th meeting of the 5th Session of the Board approved the *Resolution on the Appointment of Compliance Officer*, and intended to appoint Mr. ZHANG Guoming as the compliance officer of the Company. Upon obtaining the qualifications of being a senior management member of the securities company and the qualifications of being a compliance officer from the Shenzhen Bureau of the CSRC, Mr. Zhang will become the compliance officer of the Company

8.3 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.

8.4 Performance Appraisal and Remuneration of Directors, Supervisors and Senior Management

8.4.1 Performance Appraisal of Directors and Supervisors

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

The Directors of the Company attended the Board meetings and specific committee meetings as required. During the meetings, the Directors prudently considered the resolutions proposed and explicitly put forward their views and suggestions. When the Board was not in meeting, the Directors kept themselves abreast of the operation and management of the Company by reading the various types of documents and reports provided by the Company.

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

Full attendance of Supervisory Committee meetings had been recorded for all the Supervisors and they were in attendance at all Board meetings and general meetings of shareholders. They inspected and monitored the overall compliance, material decision making, significant operation events and the financial conditions of the Company.

Details of the attendance and performance of Directors and Supervisors have been set forth in the "9. Corporate Governance Report" in this report.

8.4.2 Performance and Appraisal of Senior Management

During the reporting period, the Senior Management conscientiously performed their duties and completed the tasks assigned to them by the Board and further enhanced the internal control and risk control mechanisms of the Company. Under the directions of the Board, the Senior Management grasped the development opportunities and had overcome challenges posed by the domestic and overseas economies, expedited innovations and achieved relatively good operating results.

The Company provided clear targets for the Senior Management within their scope of work and evaluated their performances during year end. In addition to evaluation of financial performances and completion of specified tasks, their appraisals were linked up with the performance of the Company. Considering the overall operation results for 2012 and performance of each member of the Senior Management, the overall appraisal results for 2012 were promising.

8.4.3 Remunerations of Directors, Supervisors and Senior Management for the Year

- (1) Procedures for the determination of remunerations of the Directors, Supervisors and Senior Management: the Remuneration and Appraisal Committee of the Board is responsible for making recommendations to the Board on the remuneration policy and structure for all Directors and Senior Management, as well as the establishment of formal and transparent procedures for the formulation of remuneration policy. The Board is responsible for decision making regarding the remuneration, reward and punishment issues for the Senior Management, whereas the remuneration of Directors and Supervisors are determined by the General Meetings.
- (2) Criteria for the determination of remunerations of Directors, Supervisors and Senior Management: The remunerations of Directors, Supervisors and Senior Management are determined in accordance with the Remuneration Management System of CITIC Securities Company Limited (中信证券股份有限公司薪酬管理制度), and are linked up with their respective positions and performance.
- (3) Please refer to "8.1.1 Changes in shareholding and information of the remuneration" in this report for further details of remunerations of the current Directors, Supervisors, and Senior Management for the year. Allowances for independent Directors and Supervisors are calculated on a yearly basis, booked on a monthly basis, and granted twice a year.

The Company will strive to improve its remuneration management system and to establish performance appraisal systems for the Directors, Supervisors, and Senior Management in accordance with the “Corporate Governance Standards of Securities Companies” (effective from 1 January 2013) issued by the CSRC.

8.4.4 Share Incentives of Directors, Supervisors, and Senior Management

(1) *Implementation of Share Incentive Scheme of the Company*

The Company did not implement any new share incentive scheme during the reporting period. The current share incentive scheme implemented by the Company was adopted upon the approval of resolution at the 5th Meeting of the 3rd Session of the Board on 6 September 2006 (Please refer to the *Announcement of the Resolution Passed at the 5th Meeting of the 3rd Session of the Board of CITIC Securities Co., Ltd.* on 7 September 2006). Among the incentive shares, 66,081,000 shares had been listed and tradable on 6 September 2011. Please refer to “8.1.1 Changes in shareholding and information of the remuneration” of this report for details of shares held by Directors, Supervisors and Senior Management.

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

(2) *Appraisal of Eligible Participants for Share Incentives*

The Company has established and implemented a comprehensive performance appraisal system. The performance appraisal system forms a part of the target management system of the Company, and is complementary to the budget management system. It adopts “balance score cards” to determine and track key indicators and targets for the year, and implements an online evaluation for the whole process with the IT system. Based on the targets set at the beginning of the year, the Company reviewed and evaluated the performance as to the scope of responsibilities of respective eligible participants for share incentives by the end of the year.

(3) *Impact of Share Incentive Scheme on Financial Status and Operating Results of the Company*

The share incentive scheme has further improved the corporate governance of the Company and linked up the personal interests of the Senior Management and key persons of business operation with the overall interests of the Company and its shareholders, effectively promoting the long-term health development of the Company.

Despite the substantial fluctuations of the stock market during the reporting period and the intensifying competitions for talents in the industry, the Company has been able to retain its key employees through the share incentive scheme.

8.5 Persons in Charge of Branches

8.5.1 Basic information

Name	Position	Gender	Age	Beginning of term of office
YANG Haifeng	General manager of Beijing Branch	Male	44	29 December 2011
ZHENG Chunjing	General manager of Beijing Jianguomen Branch	Male	49	19 January 2009
MO Tao	General manager of Beijing Zhangzizhonglu Branch	Male	43	29 December 2011
WU Di	General manager of Beijing Fuwaidajie Branch	Male	43	17 August 2010
WANG Zonghao	General manager of Beijing Fuwaidajie Branch (presiding over the work)	Male	36	28 January 2013
FENG Ruidong	General manager of Beijing Beisanhuan Zhonglu Branch	Male	39	17 August 2010
SONG Dianguo	General manager of Beijing Zizhuyuanlu Branch	Male	46	16 October 2007
XU Peng	General manager of Beijing Zizhuyuanlu Branch (presiding over the work)	Male	39	25 January 2013
HAN Gang	Deputy general manager of Beijing Anwaidajie Branch (presiding over the work)	Male	41	7 December 2012
TAO Lin	General manager of Beijing Hujialou Branch	Male	38	29 December 2011
JIANG Lijuan	General manager of Beijing Fengguanlu Branch	Female	46	2 August 2012
WU Xiaohui	General manager of Beijing Fengguanlu Branch	Male	45	28 January 2013
FENG Zongjun	General manager of Beijing Nansanhuan Donglu Branch	Male	40	1 November 2011
TANG Xiong	General manager of Beijing Tiantongyuan Branch	Male	48	15 October 2009
XIAO Hong	Deputy general manager of Tianjin Dagang Branch (presiding over the work)	Female	47	6 June 2012

Name	Position	Gender	Age	Beginning of term of office
LIU Jinkun	General manager of Tianjin Youyilu Branch	Male	51	12 June 2012
CHEN Xiao	Deputy general manager of Shijiazhuang Jianshe Beidajie Branch (presiding over the work)	Male	31	8 November 2012
ZHANG Xinyu	General manager of Tangshan Jianshe Beilu Branch	Female	42	20 April 2010
ZHENG Wenhui	General manager of Taiyuan Yingzexidajie Branch	Female	39	13 June 2012
XU Xin	General manager of Shenyang Fudalu Branch	Male	36	22 May 2012
YE Yang	General manager of Dalian Xinghaiguangchang Branch	Male	43	30 November 2012
ZHANG Hao	General manager of Shanghai Branch	Male	44	22 March 2011
ZHU Zhengmao	General manager of Shanghai Dongfanglu Branch	Male	45	16 December 2010
XIA Yun	General manager of Shanghai Pudongdadao Branch	Male	40	17 January 2006
ZHOU Qing	General manager of Shanghai Shijidadao Branch	Male	42	19 January 2009
ZHU Xiangrong	General manager of Shanghai Liyanglu Branch	Female	40	29 April 2011
ZHENG Yulin	General manager of Shanghai Huaihai Zhonglu Branch	Female	42	17 January 2012
XUE Qun	General manager of Shanghai Huminlu Branch	Male	39	17 July 2012
ZHU Bingyu	General manager of Shanghai Caoxi Beilu Branch	Male	40	12 June 2012
XU Gang	General manager of Shanghai Hengfenglu Branch	Male	45	1 February 2010
XIAO Qin	General manager of Shanghai Gubeilu Branch	Female	46	16 September 2011
LIN Xiaojie	General manager of Shanghai Anting Branch	Female	50	13 June 2012
CHEN Zhe	General manager of Shanghai Shihua Branch	Male	38	8 April 2011
YAO Yanping	General manager of Shanghai Changshoulu Branch	Female	46	13 June 2012
WANG Guoqing	General manager of Jiangsu Branch	Male	54	22 March 2011
ZHONG Weijiang	General manager of Nanjing Gaoloumen Branch	Male	45	12 December 2011
YAN Yong	General manager of Suzhou Zhongxinlu Branch	Male	46	16 January 2008
YU Guzhan	General manager of Wuxi Zhenghedadao Branch	Male	51	9 May 2011
ZHOU Jinfei	General manager of Changzhou Huanfulu Branch	Male	35	26 January 2010
GAO Qun	General manager of Zhenjiang Dianlilu Branch	Female	39	4 May 2011
LI Xin	General manager of Xuzhou Jiefang Nanlu Branch	Male	40	15 April 2010
SHEN Dongxiao	General manager of Haimen Renmin Xilu Branch	Male	46	16 April 2010
LU Xiaodong	General manager of Qidong Renmin Zhonglu Branch	Male	45	16 April 2010
ZHU Liangming	General manager of Rugao Jiankang Nanlu Branch	Male	58	16 January 2008
CHAI Yan	General manager of Hefei Suixilu Branch	Female	41	25 June 2012
WANG Zhengdong	General manager of Wuhu Xinshidaishangyejie Branch	Male	45	21 March 2011
SHI Xiangrong	General manager of Hubei Branch	Female	46	22 March 2011
	General manager of Wuhan Jianshedadao Branch			22 February 2011
LUO Nan	General manager of Wuhan Xudongdajie Branch	Female	40	7 November 2011
LI Hui	General manager of Xiangyang Jiefanglu Branch	Female	40	9 July 2012
CHEN Wei	General manager of Changsha Furonglu Branch	Male	34	21 September 2012
QIU Wensheng	General manager of Guangdong Branch	Male	44	22 March 2011
ZHUANG Yiqun	General manager of Guangzhou Linjiangdadao Branch	Male	47	5 December 2011
ZENG Fanwen	General manager of Guangzhou Panyuguanghua Nanlu Branch	Male	42	4 May 2011
LIANG Qi	General manager of Shenzhen Shennandadao Branch	Female	46	17 January 2006
LI Jie	General manager of Shenzhen Shennan Zhonglu CITIC Tower Branch	Male	47	19 January 2009
YIN Hongwei	General manager of Shenzhen Fuhua Yilu Branch	Female	47	1 September 2005
MAI Gang	General manager of Zhongshan Zhongshan Silu Branch	Male	47	24 January 2007
CAO Hong	General manager of Dongguan Hongfulu Branch	Male	41	1 November 2011
HUANG Maohui	General manager of Foshan Jihua Wulu Branch	Female	41	13 August 2012
CHEN Shan	General manager of Huizhou Maidi Donglu Branch	Male	30	26 April 2012
SU Hong	General manager of Shantou Haibinlu Branch	Male	43	20 December 2011
HUANG Gengxin	General manager of Nanning Keyuandadao Branch	Male	42	19 December 2011
FENG Guan	General manager of Haikou Guoxingdadao Branch	Male	42	1 November 2011
WU Guangming	General manager of Chengdu Yulin Beijie Branch	Male	47	31 August 2012
ZHANG Rui	General manager of Kunming Dianchilu Branch	Female	42	14 May 2012
SUN Jiayu	General manager of Xi'an Kejilu Branch	Male	47	30 March 2011

8.5.2 Changes in persons in charge of branches

- (1) On 17 January 2012, the Company appointed Ms. ZHENG Yulin as the general manager of Shanghai Huaihai Zhonglu Branch.
- (2) On 26 April 2012, the Company appointed Mr. CHEN Shan as the general manager of Huizhou Maidi Donglu Branch.
- (3) On 14 May 2012, the Company appointed Ms. ZHANG Rui as the general manager of Kunming Dianchilu Branch.
- (4) On 22 May 2012, the Company appointed Mr. XU Xin as the general manager of Shenyang Fudalu Branch.
- (5) On 6 June 2012, the Company appointed Ms. XIAO Hong as the deputy general manager of Tianjin Dagang Branch (presiding over the work).
- (6) On 12 June 2012, the Company appointed Mr. LIU Jinkun as the general manager of Tianjin Youyilu Branch, and appointed Mr. ZHU Bingyu as the general manager of Shanghai Caoxi Beilu Branch.
- (7) On 13 June 2012, the Company appointed Ms. ZHENG Wenhui as the general manager of Taiyuan Yingzexidajie Branch, Ms. LIN Xiaojie as the general manager of Shanghai Anting Branch, and Ms. YAO Yanping as the general manager of Shanghai Changshoulu Branch.
- (8) On 25 June 2012, the Company appointed Ms. CHAI Yan as the general manager of Hefei Suixilu Branch.
- (9) On 9 July 2012, the Company appointed Ms. LI Hui as the general manager of Xiangyang Jiefanglu Branch.
- (10) On 17 July 2012, the Company appointed Mr. XUE Qun as the general manager of Shanghai Huminlu Branch.
- (11) On 2 August 2012, the Company appointed Ms. JIANG Lijuan as the general manager of Beijing Fengguanlu Branch.
- (12) On 13 August 2012, the Company appointed Ms. HUANG Maohui as the general manager of Foshan Jihua Wulu Branch.
- (13) On 31 August 2012, the Company appointed Mr. WU Guangming as the general manager of Chengdu Yulin Beijie Branch.
- (14) On 21 September 2012, the Company appointed Mr. CHEN Wei as the general manager of Changsha Furonglu Branch.
- (15) On 8 November 2012, the Company appointed Mr. CHEN Xiao as the deputy general manager of Shijiazhuang Jianshe Beidajie Branch (presiding over the work).
- (16) On 30 November 2012, the Company appointed Mr. YE Yang as the general manager of Dalian Xinghaiguangchang Branch.
- (17) On 7 December 2012, the Company appointed Mr. HAN Gang as the deputy general manager of Beijing Anwaidajie Branch (presiding over the work).
- (18) On 25 January 2013, the Company appointed Mr. XU Peng as the deputy general manager of Beijing Zizhuyuanlu Branch (presiding over the work) while Mr. SONG Dianguo ceased to be the general manager of Beijing Zizhuyuanlu Branch.
- (19) On 28 January 2013, the Company appointed Mr. WANG Zonghao as the deputy general manager of Beijing Fuwaidajie Branch (presiding over the work) while Mr. WU Di ceased to be the general manager of Beijing Fuwaidajie Branch, and also appointed Mr. WU Xiaohui as the deputy general manager of Beijing Fengguanlu Branch (presiding over the work) while Ms. JIANG Lijuan ceased to be the general manager of Beijing Fengguanlu Branch.

8.5.3 Profiles of Newly Appointed Executives

Ms. ZHENG Yulin, 42, with Master's degree, previously served as the General Manager of Zheshang Securities Shanghai Changlelu Branch and the General Manager of Bohai Securities Shanghai Tianshanlu Branch. She joined CITIC Securities in 2008 and currently served as General Manager of Shanghai Huaihaizhonglu Branch.

Mr. CHEN Shan, 30, with Bachelor's degree, joined CITIC Securities in 2007. He previously served as the Customer Manager of Guangzhou Linjiangdadao Branch, and currently served as the General Manager of Huizhou Maididonglu Branch.

Ms. ZHANG Rui, 42, with Bachelor's degree, previously served as the senior researcher of the R&D Center of Pacific Securities, Director of Operations in Guosen Securities, and the General Manager of AVIC Securities Kunming Beijinglu Branch. She joined CITIC Securities in 2011, and currently served as the General Manager of Kunming Dianchilu Branch.

Mr. XU Xin, 36, with Master's degree, joined CITIC Securities in 2000. He previously served as the Marketing Director of Dalian Renminlu Branch, the Marketing Director of Shenyang Fudalu Branch, and the General Manager of CITIC Securities Kunming Dianchilu Branch. He currently served as the General Manager of Shenyang Fudalu Branch.

Ms. XIAO Hong, 47, with Bachelor's degree, joined CITIC Securities in 1996. She currently served as the Deputy General Manager of Tianjin Dagang Branch (presiding over the work).

Mr. LIU Jinkun, 51, with Associate's degree, joined CITIC Securities in 1994. He previously served as the General Manager of Tianjin Youyilu Branch and the General Manager of Tianjin Dagang Branch, and currently served as the General Manager of Tianjin Youyilu Branch.

Mr. ZHU Bingyu, 40, with Bachelor's degree. He previously served as the Customer Manager of Credit Card Department in the Bank of China Shanghai Branch and the President of China CITIC Bank Shanghai Central Branch. Mr. Zhu joined CITIC Securities in 2012 and currently served as the General Manager of Shanghai Caoxibeilu Branch.

Ms. ZHENG Wenhui, 39, with Bachelor's degree. She previously served as the Company Accountant of TISCO Property, Accountant and Marketing Director of Shanxi Securities, Marketing Manager and Investment and Finance Manager of Daton Securities Taiyuan Branch, and Assistant General Manager and Marketing Director of Everbright Securities Taiyuan Branch. Ms. Zheng joined CITIC Securities in 2008 and currently served as the General Manager of Taiyuan Yingzexidajie Branch.

Ms. LIN Xiaojie, 50, high school graduated, joined CITIC Securities in 1997, and currently served as the General Manager of Shanghai Anting Branch.

Ms. YAO Yanping, 46, with Associate's degree. She previously served as the Trading Manager of Cathay Securities Shanghai Yanpinglu Branch and Guotai Junan Securities Shanghai Hongqiaolu Branch. Ms. Yao joined CITIC Securities in 2004, and currently served as the General Manager of Shanghai Changshoulu Branch.

Ms. CHAI Yan, 41, with Bachelor's degree and previously served as the Senior Marketing Manager of Xiangcai Securities Hefei Jinzhailu Branch. She joined CITIC Securities in 2010, and currently served as the General Manager of Hefei Suixilu Branch.

Ms. LI Hui, 40, with Bachelor's degree. She previously served as the Deputy General Manager of CITIC Construction Investment Xiangfan Branch, and the General Manager of CITIC Construction Investment Laohekou Branch. Ms. Li joined CITIC Securities in 2012, and currently served as the General Manager of Xiangyang Jiefanglu Branch.

Mr. XUE Qun, 39, with Bachelor's degree and previously served as the General Manager of Cinda Securities Shanghai Hongmeinanlu Branch. He joined CITIC Securities in 2012, and currently served as the General Manager of Shanghai Huminlu Branch.

Ms. JIANG Lijuan, 46, with Bachelor's degree and previously served as the Administrative Director of Jutian Securities Beijing Branch. She joined CITIC Securities in 2007, had served as the Operation Director of Beijing Fuwaidajie Branch, and currently served as the General Manager of Beijing Fengguanlu Branch.

Ms. HUANG Maohui, 41, with Bachelor's degree. She joined CITIC Securities in 2003 and previously served as the Deputy General Manager of Guangzhou Linjiangdadao Branch. Ms. Huang currently served as the General Manager of Foshan Jihuawulu Branch.

Mr. WU Guangming, 47, with Bachelor's degree and previously served as the Deputy General Manager of China Merchants Securities Chongqing Yujiangzhilu Branch. He joined CITIC Securities in 2012, and currently served as the General Manager of Chengdu Yulinbeijie Branch.

Mr. CHEN Wei, 34, with Master's degree and previously served as the General Manager of Xiangcai Securities Changsha Shaoshanlu Branch. He joined CITIC Securities in 2012, and currently served as the General Manager of Changsha Furonglu Branch.

Mr. CHEN Xiao, 31, with Master's degree and previously served as the Customer Service Manager of Pacific Securities Beijing Haidiandajie Branch. He joined CITIC Securities in 2011 and has served as the Marketing Director Beijing Anwaidajie Branch. He currently served as the Deputy General Manager of Shijiazhuang Jianshe Beidajie Branch (presiding over the work).

Mr. YE Yang, 43, with Bachelor's degree and previously served as the Manager of Dalian Department Store Co, Ltd.. He joined CITIC Securities in 1997 and has served as the Manager of Computer Department in Dalian Renminlu Branch and the General Manager of Shijiazhuang Jianshe Beidajie Branch. He currently served as the General Manager of Dalian Xinghaiguangchang Branch

Mr. HAN Gang, 41, with Associate's degree and joined CITIC Securities in 1993. He previously served as the Operating Director of Beijing Anwaidajie Branch. He currently served as the Deputy General Manager of Beijing Anwaidajie Branch (presiding over the work).

Mr. Xu Peng, 39, with bachelor's degree, has been the deputy general manager of the Beijing branch of Morgan Securities, manager of the marketing department of Beijing Marketing Center of Guoxin Securities. He joined CITIC Securities in 2007. Currently he serves as the deputy general manager at Beijing Zizhuyuan Road Securities Business Department.

Mr. Wang Zonghao, 36, with bachelor's degree, has been the deputy general manager of the Beijing Fu Wai Avenue Business Department of Founder Securities, deputy general manager of Beijing Zhongguancun Business Department of Fortune Securities. He joined CITIC Securities in 2010. Currently he serves as the deputy general manager at Beijing Fu Wai Street Securities Business Department (presiding over the work).

Mr. Wu Xiaohui, 45, with master's degree, has been the deputy general manager of the Beijing Dongsu Street Business Department of Century Securities. He joined CIYIC Securities in 2012. Currently he is the deputy general manager at Beijing Fengguan Road Securities Business Department (presiding over the work).

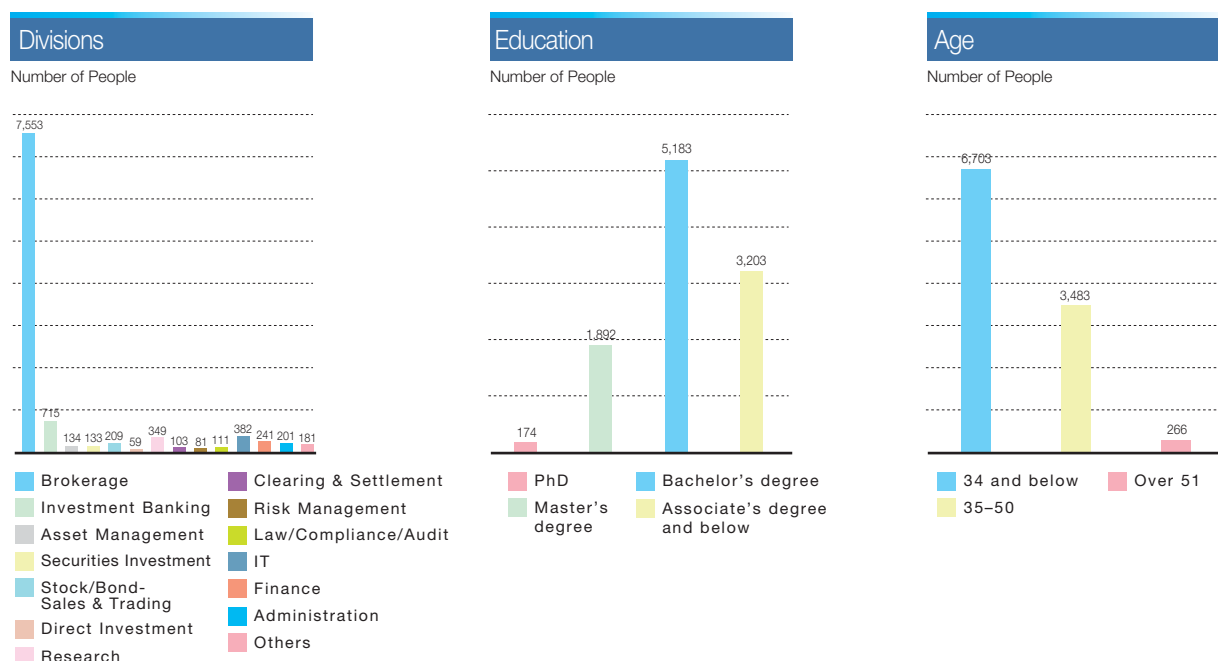
8.6 Staff Information

8.6.1 Number and Composition of Staff

As of 31 December 2012, the Group had a total of 10,452 employees (including brokers); 4,618 (including brokers) of which are with the Company:

Item		The Group		The Company	
		Number	Percentage (%)	Number	Percentage (%)
Divisions	Brokerage	7,553	72.26	2,951	63.90
	Investment Banking	715	6.84	664	14.38
	Asset Management	134	1.28	102	2.21
	Securities Investment	133	1.27	108	2.34
	Stock/Bond Sales & Trading	209	2.00	148	3.20
	Direct Investment	59	0.57	22	0.48
	Research	349	3.34	138	2.99
	Clearing & Settlement	103	0.99	61	1.32
	Risk Management	81	0.78	30	0.65
	Law/Compliance/Audit	111	1.06	64	1.38
	IT	382	3.65	186	4.03
	Finance	241	2.31	49	1.06
	Administration	201	1.92	82	1.78
	Others	181	1.73	13	0.28
Total		10,452	100.00	4,618	100.00
Education	PhD	174	1.66	149	3.23
	Master's degree	1,892	18.10	1,444	31.27
	Bachelor's degree	5,183	49.60	2,141	46.36
	Associate's degree and below	3,203	30.64	884	19.14
Total		10,452	100.00	4,618	100.00
Age	34 and below	6,703	64.13	2,941	63.69
	35–50	3,483	33.32	1,568	33.95
	Over 51	266	2.55	109	2.36
Total		10,452	100.00	4,618	100.00

As of 31 December 2012, the Group had to bear the expenses of 52 retirees; among which the Company had to bear the expenses of 35 of them.



During the reporting period, there was no material change in the composition of the chief executives of the Company other than the Directors, Supervisors and Senior Management.

8.6.2 Employee Compensation

- (1) Please refer to the Note 37 to the Financial Report of this report for compensations received by employees from the Company during the reporting period.
- (2) 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, to encourage innovation and team spirit, and to maintain the stability of the core staff team.

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.

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.

- (3) 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 "8.4.4 Share Incentives of Directors, Supervisors, and Senior Management" in this report.

8.6.3 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.

- (1) 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;
- (2) Strengthen execution and professional skills training to middle-level employees, to improve their theoretical knowledge and ability in execution, organization development, and business innovation;
- (3) 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.

9. Corporate Governance Report

9.1 Overview of Corporate Governance

The Company strives for excellence and to become a first class international investment bank that specializes in PRC business. For details about our corporate strategy and long term operational model, please refer to "4. Management Discussion and Analysis" of this report. As a company listed both in the Mainland China and Hong Kong, the Company has operated its business in strict compliance with the requirements set forth in the laws, regulations and normative documents of PRC and other jurisdictions where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. The Company keeps improving its corporate governance structure according to the requirements of the Company Law, the Securities Law and relevant regulations of CSRC of PRC. The corporate governance of the Company complies with the requirements of the relevant laws and regulations, and put in place a corporate governance structure where checks and balances among the General Meeting, the Board, the Supervisory Committee and the operation management are maintained, with each of them separating from the other and performing its own functions and responsibilities corresponding to its position 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 and Corporate Governance Report* (the "Code") as set out in Appendix 14 of the *Hong Kong Listing Rules*, and has observed all the code provisions and satisfied most of the recommended best practices in the Code.

During the reporting period, subject to the Company Law, Securities Law and other relevant regulatory requirements, the Company amended the Articles of Association three times according to the actual conditions of the Company. For details, please refer to "9.13 Investor Relations" of the report.

9.2 Dealing in Securities by Directors, Supervisors and Relevant Employees

According to the domestic regulatory requirements, the 23rd Meeting of the 3rd Session of the Board 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. 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. For details about the shareholdings of the Directors, Supervisors and relevant employees in the Company, please refer to "8. Directors, Supervisors, Senior Management and Employees" of this report.

9.3 Shareholders and General Meetings

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

Pursuant to Article 78 of the Articles of Association, Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company shall have the right to request in writing the Board to hold an extraordinary General Meeting. The Board shall give a written response on whether or not it agrees to call such an extraordinary General Meeting within 10 days after receipt of such request. If the Board agrees to hold an extraordinary General Meeting, it will issue a notice calling such meeting within 5 days after it has so resolved. The consent of the relevant shareholders shall be acquired if any change is to be made in the notice to the original request. If the Board disagrees with the holding of an extraordinary General Meeting or fails to give a response within 10 days after the receipt of such request, Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company shall have the right to propose in writing the Supervisory Committee to hold an extraordinary General Meeting. If the Supervisory Committee agrees with the holding of an extraordinary General Meeting, it shall issue a notice calling such meeting within 5 days after the receipt of such request. The consent of the relevant Shareholders shall be acquired if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice calling such meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and chair such meeting. Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company for 90 consecutive days or more may convene and chair such meeting on its or their own.

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

The Company attached great importance to the management of the investor relations, pursuant to the *Management System For Information Disclosures and Management System For Investor Relations*, secretary to the Board is designated to handle information disclosure and to receive visits and enquiries from the Shareholders, an effective channel has therefore been set up to better communicate with our Shareholders. In addition to the information disclosure means designated by the laws, the Company mainly communicates with its investors through telephone, emails, internet platform, receives visits and investors meetings, to ensure that all Shareholders, especially the minority shareholders, can fully exercise their rights (For ways to contact with the Company, please refer to “1.1 Profile” of this report).

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

The largest shareholder of the Company exercises 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 nor appropriated any fund of the Company or requested the Company to provide guarantee for it or other third party. The Company is completely independent from the largest Shareholder in terms of business, staff, assets, organization and finance, details of which are set out as follows:

Business Independence

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

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 independent from that of the Shareholders.

The appointments of the Directors, Supervisors and Senior Management 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 Senior Officers of Securities Companies*, and all the current Directors, Supervisors and Senior Management 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 is employed by the substantial Shareholders of the Company.

Assets Integrity

The Company has the operating concessions, real estates and equipment required for the business operation. The Company has not set any mortgage, pledge or any other security on the aforesaid assets, and has the lawful ownership and the right to use of such assets. The largest Shareholder has not appropriated any asset or fund that would impair the interests of the Company.

Organizational Independence

As an economic entity independently carrying out business operations in the market, after 17 years of development, the Company has established an organizational structure that suit for our business development. The existing business departments and functional departments of the Company have formed a wholly systematic and 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 and accounting staff. None of our financial or accounting staff is concurrently employed by our Shareholders.

The Company has opened independent bank accounts and completed its independent tax registration, and has 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 2012, no guarantees had been provided for any Shareholder or any other connected party by the Company. During the reporting period, the Company did not violate any corporate governance practice, such as provision of any non-public information to any major shareholder. 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 two General Meetings in total. Details of which are as follows:

The Company's 2011 Annual General Meeting was held on 20 June 2012 at Landmark Hotel, Beijing, the following resolutions were considered and approved at the meeting, including two special resolutions: *Resolution on the Amendments to the Articles of Association of the Company* and *Resolution on the Expansion of the business Scope of the Company*; and twelve ordinary resolutions: *2011 Work Report of the Board of Directors*, *2011 Work Report of the Supervisory Committee*, *2011 Annual Report*, *2011 Profit Distribution Plan*, *Resolution on the Renewal of the Appointment of Auditors*, *Resolution on the Estimated Investment Limit for Proprietary Business of the Company for 2012*, *Resolution on Authorizing the Board of Directors to Issue Short-term Commercial Paper of the Company*, *Resolution on Considering the Total Remuneration of Directors and Supervisors of the Company for 2011*, *Resolution on the Election of the 5th Session of the Board of Directors of the Company*, *Resolution on the Election of Non-employee Representative Supervisors of the 5th Session of Supervisory Committee of the Company*, *Resolution on the Related/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2012* and *Resolution on the Adjustment to the Allowance of Non-Executive Directors, Independent Non-Executive Directors and Supervisors of the Company* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange that day, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day). The *Resolution on the Expansion of the Scope of Business of the Company* was an extempore motion proposed by the largest Shareholder, CITIC Group. The said General Meeting was chaired by Chairman WANG Dongming, the Directors of the Company (Mr. ZHANG Jijing, Mr. ZHANG Youjun and Mr. LIU Lefei no longer served as the Directors of the Company after the said meeting, and they had not attended the said meeting), chairman of each Board Committee, Supervisors, Senior Management and auditor had attended such meeting and answered queries from the Shareholders.

The Company's 2012 First Extraordinary General Meeting was held on 29 October 2012 at Kempinski Hotel Beijing Lufthansa Center, Beijing, the following resolutions were considered and approved at the meeting, including one special resolution: *Resolution on the Amendments to the Articles of Association of the Company*; and one ordinary resolution: *Resolution on the Election of Independent Non-Executive Directors* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange that day, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day). The said General Meeting was chaired by Chairman WANG Dongming, all Directors of the Board, Supervisors and Senior Management had attended such meeting.

During the reporting period, the attendances of Directors at the General Meeting are as follows:

Name of Director	Position	Mandatory times of attendance during the year	Actual times of attendance	Of which: Times of attendance in person	Of which: Times of attendance by tele-communication	Attendance	Note
WANG Dongming	Chairman, Executive Director	2	2	2	—	100%	—
CHENG Boming	Executive Director, President	1	1	1	—	100%	Duly become the executive Director of the Company after the 2011 Annual General Meeting held on 20 June 2012, and sat in at such meeting
YIN Ke	Vice Chairman, Executive Director	2	2	1	1	100%	—
JU Weimin	Non-executive Director	2	2	—	2	100%	—
FANG Jun	Non-executive Director	1	1	1	—	100%	Duly become the non-executive Director of the Company after the 2011 Annual General Meeting held on 20 June 2012, and sat in at such meeting
WU Xiaoqiu	Independent non-executive Director	1	1	—	1	100%	Duly become the independent non-executive Director of the Company after the 2011 Annual General Meeting held on 20 June 2012, Mr. Wu sat in at such meeting
LEE Kong Wai, Conway	Independent non-executive Director	2	2	2	—	100%	—
RAO Geping	Independent non-executive Director	2	2	2	—	100%	—
WEI Benhua	Independent non-executive Director	—	—	—	—	—	Duly become the independent non-executive Director of the Company after the 2012 First Extraordinary General Meeting held on 29 October 2012, Mr. WEI sat in at such meeting.
ZHANG Jijing	Former non-executive Director	1	—	—	—	—	—
ZHANG Youjun	Former non-executive Director	1	—	—	—	—	No longer serve as a non-executive Director of the Company after the 2011 Annual General Meeting held on 20 June 2012
YANG Hualiang	Former non-executive Director	1	1	—	1	100%	—
LIU Lefei	Former non-executive Director	1	—	—	—	—	—
DA Xinya	Former non-executive Director	1	1	—	—	100%	—
FENG Zuxin	Former independent non-executive Director	1	1	1	—	100%	No longer serve as an independent non-executive Director of the Company after the 2011 Annual General Meeting held on 20 June 2012
LI Jian	Former independent non-executive Director	1	1	1	—	100%	—

9.4 The Board and the Operating Management

9.4.1 Composition of the Board

The Company strictly complies with the requirements under the Article of Association in the appointment and change of the Directors. The number and composition of the Board conformed to the requirements of the relevant laws and regulations. In order to fully exert the function of independent non-executive Directors, the Board appointed an additional independent non-executive Director during the reporting period. After the selection and review process conducted by the Nomination Committee, with the recommendation from the Board, Mr. WEI Benhua's appointment as the independent non-executive Director had been considered and approved by the Shareholders at the 2012 First Extraordinary General Meeting. Besides, the Directors of the Company have also kept improving the rules of procedure of the Board. The convening, holding, as well as the voting procedures of all Board meetings were legitimate and valid. The independent non-executive Directors are able to protect the interests of minority Shareholders independently and objectively, and perform checks and balances function over the Board in decision making.

The current Board composes of 9 Directors, including 3 executive Directors (Mr. WANG Dongming, Mr. CHENG Boming and Mr. YIN Ke.), 2 non-executive Directors (Mr. JU Weimin and Mr. FANG Jun) and 4 independent non-executive Directors (Mr. WU Xiaoqiu, Mr. LEE Kong Wai, Conway, Mr. RAO Geping, and Mr. WEI Benhua), and the number of independent non-executive Directors exceeds 1/3 of the Board. Mr. WANG Dongming is the Chairman of the Company and Mr. YIN Ke is the vice-chairman of the Company.

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

Pursuant to the resolution of the 2011 5th Extraordinary General Meeting, the Company has taken out liabilities insurances for the Directors, Supervisors and Senior Management, to protect them against the compensation liabilities that may arise from performing their duties and to encourage them to earnestly fulfill their duties and responsibilities.

9.4.2 Duties and Responsibilities of the Board

The Board is the decision-making body of the Company and shall report its work to the General Meeting. The Board is principally responsible for the long term strategy of the Group, as well as for making decision in respect of the corporate governance, development strategy, risk management, financial operation and other aspects. The Board is also responsible for the review and approval of all major financial and investment decisions and business strategy plans.

The Board shall exercise the following major functions and powers in accordance with the Articles of Association: to convene General Meeting and implement the resolutions of the General Meeting; to decide on the business plans and investment plans (except those that require approval of the General Meeting 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 material acquisitions, purchase of the Company's 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 wealth management and related transactions within the scope of the authorization of the General Meeting; 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 determine their remuneration, rewards and punishments; to appoint or dismiss the members of the Executive Committee, person in charge of financing and other Senior Management pursuant to the nominations by the Chairman or the President and determine their remuneration, rewards and punishments; to formulate the basic management system of the Company; to formulate proposals for the amendment to the Articles of Association; to manage information disclosures of the Company; to propose to the General Meeting on the engagement or replacement of the auditors of the Company; to review the work report prepared by the President of the Company and assess his work; to formulate the basic compliance management system and other risk control systems; and to review work reports prepared by the Compliance Officer.

9.4.3 Responsibilities of the Operating Management

The Board is responsible for the overall strategic direction and management of the Group, while the Executive Committee of the Company is responsible for implementing the development strategy, as well as the daily operation and management of the Group. The Executive Committee is the highest management authority of the Company established to carry through and implement the development roadmap and direction. The Executive Committee shall exercise the following major functions and powers in accordance with the Articles of Association: to carry through the operation plan of the Company set by the Board, and decide on material matters in respect of the operation and management of the Company; to formulate proposal for financial statement, profit distribution and loss recovering plan; to formulate proposals for altering the register capital of the Company and bonds issuance; to formulate proposals for merging, splitting, transforming the form of and dissolution of the Company; to formulate the proposals for investment, financing and disposal of assets of the Company, and submit the proposals to the Board for approval according to its terms of reference; to formulate proposal on the establishment of the management structure; to formulate and approve the proposed remuneration package, rewards and punishments of staff; and other responsibility delegated by the Board.

During the reporting period, all management work of the Company had achieved steady progress.

In 2012, with the direction from the Executive Committee of the Company, the Company had further enhanced the decision making system of all professional committees. The Asset Allocation Committee had set aside more capital to support the development of the innovative businesses, such as capital brokerage business. The Purchase Committee had organized and completed the tender for substantial purchase projects. The New Products and New Business Committee continued the evaluation work for the innovation award and cooperation award, and the quantity and quality of innovation awards had increased and enhanced substantially.

Keep improving the risk management system. The Executive Committee established a Risk Management Committee which reports to the Risk Management Committee of the Board and the Executive Committee of the Company, and is responsible for carrying out the specific procedures for monitoring and managing the daily risks of the Company within its designated authority. During the reporting period, the committee had completed the following major tasks: issued daily report on the risk of the Company's proprietary business, and established a preliminary system for risk allocation and limit management; expanded the coverage of risk management upon its subsidiaries, and to manage and control the risks of foreign investment business on a regular basis; followed up on the innovative business in a timely manner, and assessed the risks of products sold to individual customers. The involvement of Planning and Finance Department, Clearing & Settlement Department, IT Center, Risk Management Department, Legal Department, Compliance Department and other intermediate and back office departments in exploring innovative business had provided great support for the launch of innovative business. In addition, the Risk Management Department had rationalized its functions during the reporting period and changed its Chinese name to 風險管理部.

To accelerate the transformation and upgrade of information technology. We had improved the working system of IT Committee by establishing a Project Management Office and a Technical Expert Team, as well as deploying customer services managers to each business line; improved the design of IT system at the top level, so as to establish an IT system at the company level; established three research and development centers at Beijing, Shenzhen and Hangzhou respectively, so as to gradually build up our own research and development capability; developed and upgraded the brokerage business centralized trading system, assets management and investment trading system, fixed income investment platform.

Established a long-term human resources management system. We had further centralized the administration of the human resources of the subsidiaries and branches, and started to establish a recruitment system, performance appraisal system, etc.; drew up the overall planning for the leadership assessment and development program, as well as organized the third session of the assessment and development program for MD, AB Role of every department and ED Grade staff; started the strategic cooperation with the PBC School of Finance, Tsinghua University, and conducted the third training session for the middle and senior management and the first training session for management trainee; developed a preliminary talent pool of management trainee.

9.4.4 Meeting of the Board and Attendance of Directors

During the reporting period, the Board held twelve meetings:

- (1) During the 37th Meeting of the 4th Session of the Board held on 15 March 2012 by means of teleconference, the Board considered and approved unanimously the *Resolution on the Transfer of the Equity Interest in CITIC Standard and Poor's Information Service (Beijing) Co., Ltd.*, *Resolution on the Establishment of Alternative Investment Business Line*, and *Resolution on Increasing the Investment Budget for CITIC Securities Qingdao Training Center* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (2) During the 38th Meeting of the 4th Session of the Board held at the conference room, 27/F, Citic Tower, Hong Kong on 29 March 2012, the Board considered and approved unanimously the *2011 Work Report of the Board of Directors*, *Duty Performance Report of the Independent Directors for 2011*, *Proposal on Considering the 2011 Annual Report*, *2011 Profit Distribution Proposal*, *Proposal on the Renewal of Auditors*, *Proposal on the Estimated Investment Limit for Proprietary Business of the Company for 2012*, *Proposal on the Issuance of short-term Commercial Paper by the Company and Seek for a Renewal of Authorization*, *Proposal on the Election of the 5th Session of the Board of Directors of the Company*, *Proposal on the Amendments to the Articles of Association of the Company*, *Proposal on the Related/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2012*, *Proposal on the Adjustment to the Allowance of Non-Executive Directors, Independent Non-Executive Directors and Supervisors of the Company*, *Proposal on the Review of the Total Remuneration of the Directors of the Company for 2011*, *Resolution on the Review of the 2011 Self-Assessment Report on Internal Control of the Company*, *Resolution on the Review of the 2011 Compliance Report of the Company*, *Resolution on the Review of the 2011 Social Responsibility Report of the Company*, *Resolution on the Amendments to the Accounting Policy*, *Resolution on the Review of the Total Remuneration of the Senior Management of the Company for 2011*, *Resolution on Continue to Invest in CLSA by the Wholly-owned Subsidiary CITIC Securities International Company Limited and the Adjustment to the Original Transaction Framework*, *Resolution on the Authorization to Convene the 2011 Annual General Meeting* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (3) During the 39th Meeting of the 4th Session of the Board held on 27 April 2012 by means of teleconference, the Board considered and approved unanimously the *2012 First Quarterly Report of CITIC Securities Company Limited* as well as the *Progress and Work Arrangement for the Internal Control and Governance Activities for 2012 of CITIC Securities Company Limited*, for details about the 2012 First Quarterly Report of the Company, please refer to the report published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the report published on the Shanghai Stock Exchange, *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on the following day.
- (4) During the 40th Meeting of the 4th Session of the Board held on 29 May 2012 by means of teleconference, the Board considered and approved unanimously the *Supplemental Proposal of 2011 Annual General Meeting (the Expansion of the Scope of Business of the Company)* and *Proposal on Increasing the Investment in CITIC Futures Company Limited* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (5) During the 1st Meeting of the 5th Session of the Board held on 20 June 2012 at Lotus Room 2, Level 3, Beijing Landmark Hotel, Beijing, the Board considered and approved unanimously the *Resolution on the Election of the Chairman and Vice Chairman of the Company*, *Resolution on the Election of the Specialized Committee of the Board of Directors*, *Resolution on the Employment of Senior Management of the Company*, *Resolution on Increasing the Investment in Goldstone Investment Company Limited*, *Resolution on the Launch of SMEs Private Bond Underwriting Business*, *Resolution on the Grant of Authorization to Chairman WANG Dongming for Issuing Short-term Commercial Paper* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).

- (6) During the 2nd Meeting of the 5th Session of the Board held on 20 July 2012 at Conference Room 1, 10/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Beijing, the Board considered and approved unanimously the *Resolution on the Acquisition of 100% Equity Interest of CSLA by the Wholly-owned Subsidiary CITIC Securities International Company Limited* (For details of the relevant resolution, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (7) During the 3rd Meeting of the 5th Session of the Board held on 30 August 2012 by means of teleconference, the Board considered and approved unanimously the *Proposal on the Amendments to the Articles of Association of the Company*, *Proposal on the Election of Independent Non-Executive Directors*, *Resolution on the Review of the 2012 Interim Report of the Company*, *Resolution on the Review of the 2012 Interim Compliance Report of the Company*, *Resolution on the Review of the “Analysis Report on the Shareholder Return Plan of the Company for 2012-2014”*, *Resolution on Change of Name of Risk Management Department*, *Resolution on the Launch of Entrusted Management Insurance Fund by the Company*, *Resolution on the Authorization to Convene the 2012 First Extraordinary General Meeting* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (8) During the 4th Meeting of the 5th Session of the Board held on 3 September 2012 by means of teleconference, the Board considered and approved unanimously the *Resolution on the Contribution of Capital to Qianhai Equity Trading Center (Shenzhen) Company Limited (前海股權交易中心 (深圳) 有限公司)* (For details of the relevant resolution, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (9) During the 5th meeting of the 5th Session of the Board held on 30 October 2012 by means of teleconference, the Board considered and approved unanimously the *Resolution on the Review of the Company’s Third Quarterly Report of 2012*. For details of the 2012 Third Quarterly Report, please refer to the report published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the report published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (10) During the 6th Meeting of the 5th Session of the Board held on 5 November 2012 at Conference Room 1, 11/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Beijing, the Board considered and approved unanimously the *Resolution on the Acquisition of the Remaining 80.1% Equity Interest of CSLA by the Wholly-owned Subsidiary CITIC Securities International Company Limited*, *Resolution on the Provision of Guarantee to the Wholly-owned Subsidiary CITIC Securities International Company Limited* and *Resolution on the Change of Members of the Specialized Committee of the Board of Directors of the Company* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (11) During the 7th meeting of the 5th Session of the Board held on 29 November 2012 by means of teleconference, the Board considered and approved unanimously the *Resolution on the Review of the “2012 Evaluation Report on the Internal Control and Governance of the Company”*. To this point, the Company has successfully completed all specific works regarding the internal control and governance of security companies, for details about the works being done, please refer to “9.14.4 Commencement of Internal Control Activities” of this report.
- (12) During the 8th Meeting of the 5th Session of the Board held on 19 December 2012 by means of teleconference, the Board of Directors considered and approved unanimously the *Resolution on the Engagement of the Compliance Officer of the Company* (For details of the relevant resolution, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange on the day of the meeting, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).

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

Name of Director	Position	Expected Times of Attendance		Times of attendance		Times of attendance by proxy	Times of Absence	Means of attendance of on-site meeting
		During the Year (times)	Actual times of attendance	of on-site meetings by other means	of on-site meetings by other means			
WANG Dongming	Chairman, Executive Director	12	12	—	—	—	—	On-site
CHENG Boming	Executive Director, President	8	8	—	—	—	—	On-site
YIN Ke	Vice-chairman, Executive Director	12	12	—	—	—	—	On-site
JU Weimin	Non-executive Director	12	12	2	1 ^{note 1}	—	—	On-site or teleconference
FANG Jun	Non-executive Director	8	8	—	—	—	—	On-site
WU Xiaohu	Independent non-executive Director	8	8	—	—	—	—	On-site
LEE Kong Wai, Conway	Independent non-executive Director	12	12	2	—	—	—	On-site or teleconference
RAO Geping	Independent non-executive Director	12	12	1	—	—	—	On-site or teleconference
WEI Benhua	Independent non-executive Director	4	4	—	—	—	—	On-site
ZHANG Jijing	Former non-executive Director	4	4	1	—	—	—	On-site or video Conference
ZHANG Youjun	Former non-executive Director	4	4	1	—	—	—	On-site or teleconference
YANG Hualiang	Former non-executive Director	4	4	—	—	—	—	On-site
LIU Lefei	Former non-executive Director	4	4	—	1 ^{note 1}	—	—	On-site
DA Xinya	Former non-executive Director	4	4	—	—	—	—	On-site
FENG Zuxin	Former independent non-executive Director	4	4	—	—	—	—	On-site
LI Jian	Former independent non-executive Director	4	4	—	—	—	—	On-site
Board meetings held during the year						12		
Among which: Number of meetings on-site						4		
Number of meetings held by teleconference						8		
Number of meetings held both on-site and via teleconferencing						—		

Note 1: On 29 March 2012, Mr. JU Weimin and Mr. LIU Lefei appointed Chairman WANG Dongming as their proxy respectively to vote on their behalf in respect of the matters being considered at the 38th Meeting of the 4th Session of the Board.

Note 2: During the reporting period, all Directors had duly performed their duties, and none of them had not shown up in person for two consecutive meetings.

9.4.5 Implementation of resolutions 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 *Resolution on the Amendments to the Articles of Association and its Annex*; 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 above two amendments to the Articles of Association were mainly related to: amendments to the entire Articles of Association as a result of the issuance of H Shares; change of registered address; expansion of the business scope and amendments to the relevant provisions of the Articles of Association according to the result of H Shares offering. On 6 June 2012, pursuant to the *Reply Letter in relation to the Approval for the Amendments to the Key Clauses of the Articles of Association of CITIC Securities Company Limited* (Shen Zheng Ju Fa [2012] No. 49) and the *Reply Letter in relation to the Amendments to the Non-key Clauses of the Articles of Association of CITIC Securities Company Limited* (Shen Zheng Ju Ji Gou Zi [2012] No. 41) issued by the Shenzhen Bureau of the CSRC, the Company completed the registration and filing procedures with the Administration of Industry and Commerce in respect of the change of Articles of Association, and had been issued with a new Business License.

- (2) On 20 June 2012, the 2011 Annual General Meeting of the Company considered and approved the *2011 Profit Distribution Plan* to pay a cash dividend of RMB4.30 (tax inclusive) for every 10 Shares. The cash dividend was denominated and declared in RMB and payable in RMB to A Shareholders and in Hong Kong dollars to H Shareholders. All cash dividend were fully paid on 9 August 2012.
- (3) On 20 June 2012, the 2011 Annual General Meeting of the Company considered and approved the *Resolution on the Renewal of Auditors*, pursuant to the resolution, the Company re-appointed Ernst & Young Hua Ming and Ernst & Young LLP as the external auditors of the Company for 2012, to provide related audit services and review services in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards respectively; and that the Company re-appointed Ernst & Young Hua Ming as the auditor for the internal control of the Company in 2012. On 27 March 2013, Ernst & Young Hua Ming and Ernst & Young LLP issued standard unqualified audit reports for the Company; and Ernst & Young Hua Ming issued the *Audit Report on the Internal Control of CITIC Securities Company Limited* for the Company.
- (4) On 20 June 2012, the 2011 Annual General Meeting of the Company considered and approved the *Resolution on Authorizing the Board of Directors to Issue Short-term Commercial Paper of the Company*. On the same day, the 1st Meeting of the 5th Session of the Board considered and approved the *Resolution on the Grant of Authorization to Chairman WANG Dongming for Issuing Short-term Commercial Paper* according to the resolution of the General Meeting, to authorize Chairman WANG Dongming to determine the issuance scale, timing and other related matters for each tranche of *Short-term* commercial paper of the Company. This authorization shall be effective for two years from the date of the resolution being approved at the Board meeting, which is: from 20 June 2012 to 19 June 2014. During the reporting period, the Company had issued a total of 5 tranches of short-term commercial paper.
- (5) On 20 June 2012, the 2011 Annual General Meeting of the Company considered and approved the *Resolution on the Adjustment to the Allowance of Non-Executive Directors, Independent Non-Executive Directors and Supervisors of the Company* whereby the Company shall pay an allowance of RMB100,000 per year (tax inclusive) to each of the non-executive independent Directors and Supervisors who does not receive remuneration from the Company, an allowance of RMB150,000 per year (tax inclusive) to each of the independent non-executive Directors, and to reimburse the members of each specialized committee under the Board for participating in the meetings of the respective committee at a standard rate of RMB3,000/person for each meeting since July 2012. The Company has adjusted the allowance provided to the non-executive Directors or Supervisors of the Company according to the resolution of the Company, for details please refer to “8.1.1 Changes in shareholding and information of the remuneration” of this report.
- (6) On 20 June 2012, the 2011 Annual General Meeting of the Company considered and approved the *Resolution on the Expansion of the Business Scope of the Company*. On 29 November 2012, Shenzhen Securities Regulatory Bureau issued the *Reply Letter in Relation to the Approval for the Qualification for the sale of Financial Products by CITIC Securities Company Limited on Agency Basis* (Shen Zhen Ju Fa [2012] No. 260, to authorize the Company to launch financial products sale services. According to the reply letter, the Company completed the registration and filing procedures with the Administration of Industry and Commerce in respect of the change of the Articles of Association and also renewed its Business License on 5 December 2012.
- (7) On 20 June 2012 and 29 October 2012, the 2011 Annual General Meeting and the 2012 First Extraordinary General Meeting of the Company considered and approved the *Resolution on the Amendments to the Articles of Association of the Company*, the major amendments were: reduce the number of members of the Board from 13 to 9; provide supplemental information about the profit distribution plan. On 27 December 2012, pursuant to the *Reply Letter in relation to the Approval for the Amendments to the Key Clauses of the Articles of Association of CITIC Securities Company Limited* (Shen Zheng Ju Fa [2012] No. 278) and the *Letter of Consent in relation to the Amendments to the Non-key Clauses of the Articles of Association of CITIC Securities Company Limited* (Shen Zheng Ju Ji Gou Zi [2012] No. 190) issued by the Shenzhen Bureau of the CSRC, the Company completed the registration and filing procedures with the Administration of Industry and Commerce in respect of the change of the Articles of Association.

- (8) On 29 October 2012, the 2012 First Extraordinary General Meeting of the Company considered and approved the *Resolution on the Election of Independent Non-executive Director*, and elected Mr. WEI Benhua as the independent non-executive Director of the Company. As Mr. WEI Benhua has already obtained the qualification of being an independent director of a securities company from Shenzhen Securities Regulatory Bureau (*Reply Letter in relation to the Approval of Qualifications of Mr. WEI Benhua as an Independent Director* (Shen Zheng Ju Fa [2012] No. 227), Mr. WEI took up his office as an independent non-executive Director of the Company from 29 October 2012.

9.4.6 Training of Directors

The Company will arrange induction training for all new Directors according to their respective experience and background. The Company will also provide relevant reading materials to new Directors to enhance their knowledge and understanding about the corporate culture and operation of the Group. The training and reading materials include brief information about the structure, business and corporate governance of the Group, as well as an introduction about the securities industry and investment banking business in China.

In addition, every Director will receive a guideline on code of conduct and other documents. Training will be provided to our Directors on an on-going basis. During the reporting period, the Directors had been periodically provided with information about the business and operation of the Group, as well as updates and summary of the changes about the legislative and regulatory environment. Besides, the Company also encourages all Directors to participate in relevant training courses at the cost of the Company. From January 2012, all Directors have provided regular training report to the Company.

During the reporting period, the Directors of the Company attached great importance to update their professional knowledge and skills to cater the needs for the development of the Company, the method and the details of the training are as follows:

Name	Position	Method and details of the training
WANG Dongming	Chairman, Executive Director	In April 2012, Mr Wang Dongming was invited to deliver a speech at the sub-forum of Boao Forum for Asia on the topic of “Financial Crisis and New Challenges for Global Capital Markets”. He was also a speaker at the Annual Conference of China Finance 40 Forum and the Seminar on the New Stage of Economic and Market Reform, and delivered a speech themed “Role of Chinese Investment Banks in History” in the capital market forum held by Peking University. In September 2012, he was invited to express his views at the CLSA Forum and the China Wealth Management 50 Forum. In November 2012, he delivered a speech titled “China’s Financial Industry and Development Outlook” at the Night of Finance in Yangtze Region for the Decade.
CHENG Boming	Executive Director, President	From January to December 2012, Mr Cheng Boming, as a mentor to master degree students, studied publications related to securities and financial investment each day to provide students with guidance on learning and practice programs. From May to September 2012, he took up the post as a trainer for the Company’s to new employees, to explain the general background and strategic plans of the Company. In August 2012, he was invited to deliver a speech titled “Views and Insights for the Development of the Securities Industry in China” for students of the PBC School of Finance, Tsinghua University.

Name	Position	Method and details of the training
YIN Ke	Vice-chairman, Executive Director	Participated in the training about the amendments to the Hong Kong Listing Rules organized by Dah Chong Hong Holdings Limited on 1 March 2012. Participated in the advanced management program organised by Harvard Business School during 3 September to 25 October 2012. Participated in the <i>Due Diligence in an Equity Offering</i> course organized by Hong Kong Securities and Investment Institute on 3 November 2012. Participated in the <i>Know Your Client and Detection of Money Laundering</i> course organized by Hong Kong Securities and Investment Institute on 6 December 2012. Participated in the <i>Doing Business in China</i> course organized by Hong Kong Securities and Investment Institute on 12 December 2012.
JU Weimin	Non-executive Director	In June and September 2012, Mr Ju Weimin studied “Guidelines on Disclosure of Inside Information” and “Summaries of Amendments to Corporate Governance Code and Associated Listing Rules” respectively. In November 2012, he participated in the training related to “Insider Information (formerly Price Sensitive Information)”. In November 2012, he participated in and the 5th training session of 2012 for directors and supervisors hosted by the Beijing Securities Regulatory Bureau.
FANG Jun	Non-executive Director	Participated in the <i>Innovation Strategy and Leadership Training</i> co-organized by China Insurance and Cass Business School of the City University of London during 15–19 October 2012. Participated in the 2012 <i>Director and Supervisor Training Course for Listed Companies in Shenzhen</i> organized by Shenzhen Securities Regulatory Bureau during 15–16 November 2012.
WU Xiaoqiu	Independent non-executive Director	From January to December 2012, as a doctoral tutor, Mr. WU read books related to finance and investment every day, and led his students to conduct related academic research. Participated in the 16th China Capital Market Forum held on 7 January 2012, and expressed his view on the current situation and development of securities companies in China. Participated in the Central China Triangle Capital Market Forum held in December 2012, and expressed his view on the transformation of the capital market system in China.
LEE Kong Wai, Conway	Independent non-executive Director	In March 2012, he studied the <i>Guidelines for Independent non-executive Directors</i> published by the Hong Kong Institute of Directors on his own. In October 2012, He studied the <i>New Price Sensitive Information Disclosure Requirements</i> provided by the Computershare Hong Kong Investor Services Limited. In November 2012, he studied the <i>Great Expectations: The Regulator’s View of Independent non-executive Directors</i> provided by Deloitte Touche Tohmatsu on his own. In November 2012, he studied the <i>Ongoing Responsibility for Hong Kong Listed Companies and their respective Directors</i> provided by Freshfields Bruckhaus Deringer on his own.

Name	Position	Method and details of the training
RAO Geping	Independent non-executive Director	From May to November 2012, he served as a tutor of the Senior Civil Service Training Course (10 sessions) co-organized by Peking University, Chinese Academy of Governance and China Executive Leadership Academy, Pudong, and gave lecture on <i>The Basic Law of Hong Kong</i> and other topics.
WEI Benhua	Independent non-executive Director	In 2012, he delivered a speech on topics related to foreign exchange administration in the advanced training course for Bullion Investor organized by the China Gold Association.

Note: As Mr. ZHANG Jijing, Mr. ZHANG Youjun, Mr. YANG Hualiang, Mr. LIU Lefei, Mr. DA Xinya, Mr. FENG Zuxin, Ms. LI Jian no longer served as the Directors of the Company from 20 June 2012, no information about the training they undertook is disclosed in this report.

9.5 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 role 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 allocation of duties of these two positions are clear and described in writing 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, fulfills its duties and considers all important and appropriate issues, and to ensure that the Directors can receive necessary information in an accurate, timely and clear manner. The President takes charge of the daily operation of the Company, organizes and implements the resolutions of the Board and reports his work to the Board.

9.6 Non-executive Directors

The Company has 6 non-executive Directors, of which 4 are independent non-executive Directors. For details about their terms, please refer to "8.1 Basic Information of Directors, Supervisors and Senior Management".

9.7 Specialized Committees under the Board

The Board has established 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, the purpose is to assist the Board to perform its duties from various aspects. The composition of each committee is listed as follows:

No.	Name of Specialized Committee under the Board	Name of the Committee Members
1	Strategic Planning Committee	WANG Dongming, JU Weimin, FANG Jun, CHENG Boming, YIN Ke, WU Xiaoqiu
2	Audit Committee	LEE Kong Wai, Conway, WU Xiaoqiu, RAO Geping, JU Weimin
3	Remuneration and Appraisal Committee	WEI Benhua, RAO Geping, LEE Kong Wai, Conway, WU Xiaoqiu
4	Nomination Committee	WANG Dongming, WU Xiaoqiu, LEE Kong Wai, Conway, RAO Geping, WEI Benhua
5	Risk Management Committee	CHENG Boming, YIN Ke, JU Weimin, FANG Jun, WEI Benhua
6	Related Party Transactions Control Committee ^{Note 2}	LEE Kong Wai, Conway, WU Xiaoqiu, RAO Geping, WEI Benhua

Note 1: In the table above, the first person appearing on the list of members is the chairman elected by the relevant specialized committee. For more information about each member, please refer to "8.1.4 Major working experiences of the current Directors, Supervisors and Senior Management" of this Report.

Note 2: The Related Party Transactions Control Committee was officially established on 6 June 2012 upon the Articles of Association (as amended in 2011) became effective.

During the reporting period, the attendances of the members at the respective meetings of the specialized committees of the Board are as follows:

9.7.1 Strategic Planning Committee

The primary responsibilities of the Strategic Planning Committee are to understand and master the overall operations of the Company; to understand, analyze and master the current conditions of the international and domestic markets; to understand and master relevant policies of the state; 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 two meetings. The committee discussed the mid-to long- term strategic planning of the Company, the election of the new session of the Board and other matters, and elected the chairman of the 5th Session of the Strategic Planning Committee. The details are as follows:

Date of meeting	Resolutions Passed
28 March 2012	This meeting was a joint meeting held by the Strategic Planning Committee and the Nomination Committee to consider and approve: <i>Resolution on Restructuring of the 5th Session of the Board of Directors of the Company, Proposal on the Election of the 5th Session of the Board of Directors of the Board of Directors of the Company, Proposal on the Adjustment to the Allowance of Non-executive Directors, Independent Non-executive Directors and Supervisors of the Company and Resolution on considering the Mid-and-Long-term Strategic Planning of the Company</i>
20 June 2012	<i>Resolution on the Election of the Chairman of the Strategic Planning Committee of the 5th Session of the Board of Directors of the Company</i> (election of Mr. WANG Dongming as the chairman of the Strategic Planning Committee of the 5th Session of the Board).

Attendance of the members at the meetings of the Strategic Planning Committee during the reporting period:

Name of Committee Member	Position	Times of Attendance/ Expected Times of Attendance	Note
WANG Dongming	Chairman, Executive Director, Chairman of Strategic Planning Committee	2/2	—
CHENG Boming	Executive Director, President	1/1	Became an executive Director and a member of the Strategic Planning Committee since 20 June 2012.
YIN Ke	Vice-chairman, Executive Director	2/2	—
JU Weimin	Non-executive Director	1/1	Became a member of the Strategic Planning Committee since 20 June 2012.
FANG Jun	Non-executive Director	1/1	Became a non-executive Director and a member of the Strategic Planning Committee since 20 June 2012.
WU Xiaoqiu	Independent non-executive Director	1/1	Became an independent non-executive Director and a member of the Strategic Planning Committee since 20 June 2012.
ZHANG Jijing	Former non-executive Director	1/1	No longer served as a Director and a member of the Strategic Planning Committee since 20 June 2012.
ZHANG Youjun	Former non-executive Director	1/1	Absent from the meeting jointly held by the Strategic Planning Committee and the Nomination Committee due to business engagement, and appointed Chairman WANG Dongming as his proxy in writing to vote on his behalf. No longer served as a Director and a member of the Strategic Planning Committee since 20 June 2012.

9.7.2 Audit Committee

The primary responsibilities of the Audit Committee are to make recommendations to the Board on the appointment and removal of the auditors of the Company; to approve the remuneration and terms of engagement for the auditors; to review and monitor the independence and objectivity of the external auditors and the effectiveness of the 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 seven 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 *Working 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 prudently reviewed the financial status of the Company and examined the financial statements prepared by the Company. The committee considered that the Company's financial system is under stable operation and the financial status is good.

Major accomplishments of the Audit Committee in 2012 included:

- reviewing regular financial reports
- reviewing the summary of the internal audits and approving the annual internal audit scheme
- reviewing the major findings on the audits of the internal audit departments and external auditors, and replies of the management to the recommendations on such audits
- reviewing the effectiveness of the internal control system and adequacy of accounting and financial reporting
- reviewing the statutory scope of review of the external auditors in 2012
- considering the remuneration and appointment of the external auditors in 2012
- reviewing and monitoring the independence of the external auditors and the non-audit work they performed

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

Date of meeting	Resolutions Passed
12 March 2012	<i>Report of Ernst & Young Regarding the Company's Interim Audit Result of 2011, Proposal of Amending the Accounting Policy and Proposal on the Renewal of Auditors</i>
28 March 2012	<i>Summary Report of Ernst & Young Regarding the Audit Work, 2011 Annual Report of the Company, 2011 Self-Assessment Report on the Internal Control of the Company, Summary Report on the Performance of Duties by the Audit Committee and 2011 Audit Working Report of the Company</i>
21 April 2012	Preliminary review of 2012 <i>First Quarterly Report of the Company</i> and issued the written opinion and review of 2012 <i>Audit Plan for CITIC Securities Company Limited</i>
20 June 2012	<i>Resolution on the Election of the Chairman of the Audit Committee of the 5th Session of the Board of Directors of the Company</i> (election of Mr. LEE Kong Wai, Conway as the chairman of the Audit Committee of the 5th Session of the Board)
30 August 2012	Preliminary review of 2012 <i>Interim Report of the Company</i> and issued the written opinion
30 October 2012	Preliminary review of 2012 <i>Third Quarterly Report of the Company</i> and issued the written opinion
10 December 2012	<i>Audit Plan of 2012 for CITIC Securities</i>
13 March 2013	<i>Report of Ernst & Young Regarding the Company's Preliminary Audit Result of 2012, Proposal of Amending the Accounting Policy, Proposal on the Renewal of Auditors and 2012 Audit Working Report of the Company</i>
27 March 2013	<i>Summary Report of Ernst & Young Regarding the Audit Work, 2012 Annual Report of the Company, 2012 Self-Assessment Report on Internal Control of the Company, Audit Report on the Internal Control of the Company, Summary Report on the Performance of Duties by the Audit Committee, and 2013 Internal Auditing Plan of the Company</i>

During the reporting period, all members of the Audit Committee actively participated in all meetings. They carefully reviewed the relevant documents before the meetings and made full preparation for the performance of their duties. During the consideration of the proposals at the meetings, each member gave pertinent advice based on his or her professional background and experience, and provided constructive guidance to improve the governance of the Company. Attendance of the members at the meetings of the Audit Committee:

Name of Committee Member	Position	Times of Attendance/ Expected Times of Attendance	Note
LEE Kong Wai, Conway	Independent non-executive Director, Chairman of the Audit Committee	7/7	—
WU Xiaoqiu	Independent non-executive Director	4/4	Became an independent non-executive Director and a member of the Audit Committee since 20 June 2012.
RAO Geping	Independent non-executive Director	4/4	Became a member of the Audit Committee since 20 June 2012.
JU Weimin	Non-executive Director	7/7	Absent from the 2012 2nd meeting of the Audit Committee of the 4th Session of the Board due to business, commitment and appointed Mr. DA Xinya as his proxy in writing to vote on his behalf.
LI Jian	Former independent non-executive Director	3/3	No longer served as an independent non-executive Director and a member of the Audit Committee since 20 June 2012.

Name of Committee Member	Position	Times of Attendance/ Expected Times of Attendance	Note
FENG Zuxin	Former independent non-executive Director	3/3	Absent from the 2011 1st meeting of the Audit Committee due to other business commitment, and appointed Ms. LI Jian as his proxy in writing to vote on his behalf. No longer served as an independent non-executive Director and a member of the Audit Committee since 20 June 2012.
DA Xinya	Former non-executive Director	3/3	Absent from the 2012 1st meeting of the Audit Committee of the 4th Session of the Board due to business commitment, and appointed Mr. JU Weimin as his proxy in writing to vote on his behalf. No longer served as a non-executive Director and a member of the Audit Committee since 20 June 2012.

Overview of Audit Work of the Company:

The audit on the Company conducted by Ernst & Young Hua Ming and Ernst & Young LLP (collectively, “Ernst & Young”) in 2012 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) to evaluate the effectiveness of the internal control design; 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 liquidation provisions, refundable deposits, financial assets held for trading, available-for-sale financial assets, fixed assets, intangible assets and investment properties; tested and evaluated the major computer systems adopted by the Company. During the year-end audit, Ernst & Young carried out detailed audit on liquidation provisions, refundable deposits, financial assets held for trading, available-for-sale financial assets, fixed assets, intangible assets, investment properties and applicable taxes, as well as audit on applicable off-balance sheet items in the auditor’s report. Ernst & Young followed up with the relevant items audited in the interim audit focused on the analysis of its changes. In addition, they also carried out the same procedure on subsidiaries incorporated in the consolidated statements.

In order to successfully complete the audit on the 2012 Annual Financial Report of the Company and supervise Ernst & Young to issue relevant audit reports within the agreed period, the Audit Committee of the 5th Session of the Board authorized the Planning and Financial Department of the Company to discuss with Ernst & Young about the settlement affairs in the year end, accounting progress, depreciation of financial assets and value of derivatives, accounting notes, initial draft and final draft of the audit report. During the audited period, the Audit Committee engaged with the auditors 10 times with a view to expediting the issuance of the audit report.

On 27 March 2013, Ernst & Young issued the audit reports with an unqualified audit opinion within the scheduled time.

In addition, the Audit Committee conducted an annual appraisal of Ernst & Young. In the appraisal, major considerations of the Audit Committee included applicable requirements of the relevant laws and regulations of the Mainland China and Hong Kong and relevant provisions on the part of the external auditors, and the external auditors’ compliance with such laws, regulations and provisions and their overall performance during the reporting period. The Audit Committee is also responsible for reviewing the independence of Ernst & Young to ensure that the financial statements issued are true and objective. The Audit Committee has received a written confirmation from Ernst & Young of their independence and objectivity prior to the audit of the Company’s 2012 financial statements. Ernst & Young shall not offer any other non-audit service unless otherwise approved to ensure that their judgment and independence in the audit are not undermined. The Audit Committee of the Company was of the opinion that Ernst & Young conducted its independent audit on the 2012 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 that the Company shall continue to appoint Ernst & Young Hua Ming and Ernst & Young LLP as the external auditors of the Company in 2013, to provide audit services and review services in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards; and that the Company shall continue to appoint Ernst & Young Hua Ming as the auditor for the internal control of the Company in 2013.

On 27 March 2013, the Audit Committee conducted a preliminary review on the 2012 Self-Assessment Report on the Internal Control of the Company and Audit Report on the Internal Control of the Company, and is of the view that the internal control system of the Company is effective and performing well, such that the steady development of the Company is secured. For details of the Board's evaluation of our internal control and relevant information, please refer to "9.14 Internal Control".

9.7.3 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 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.

Major accomplishments of the Remuneration and Appraisal Committee in 2012 included:

- reviewing the performance of the Directors and senior management members, and carrying out annual performance appraisals over them
- reviewing the remuneration of Directors and Senior Management and recommending to the Board in this regard
- supervising the implementation of the remuneration system of the Company
- reviewing the implementation of the share incentive scheme

During the reporting period, the Remuneration and Appraisal Committee performed their duties well and held four meetings, details of which are shown as follows:

Date of meeting	Resolutions Passed
12 March 2012	<i>Report of the Remuneration and Appraisal Committee of the Board of Directors on the Performance of Duties in 2012, Achievement of Performance Targets in 2011 and the Plan of Annual Performance Based Remuneration Policy for Senior Management</i>
28 March 2012	<i>Proposal on Considering the Total Remuneration of the Directors of the Company for 2011, Proposal on Considering the Total Remuneration of the Senior Management of the Company for 2011, Proposal on the Adjustment to the Allowance of the Directors, Supervisors and Independent Non-executive Directors of the Company</i>
20 June 2012	<i>Resolution on the Election of the Chairman of the Remuneration and Appraisal Committee of the 5th Session of the Board of Directors of the Company (election of Mr. RAO Geping as the chairman of the Remuneration and Appraisal Committee of the 5th Session of the Board)</i>
5 November 2012	<i>Resolution on the Election of the Chairman of the Remuneration and Appraisal Committee of the 5th Session of the Board of Directors of the Company (election of Mr. WEI Benhua as the chairman of the Remuneration and Appraisal Committee of the 5th Session of the Board)</i>

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

Name of Committee Member	Position	Times of Attendance/ Expected Times of Attendance	Note
WEI Benhua	Independent non-executive Director, Chairman of the Remuneration and Appraisal Committee	1/1	Became an independent non-executive Director since 29 October 2012; and became the chairman of the Remuneration and Appraisal Committee since 5 November 2012.
RAO Geping	Independent non-executive Director, former Chairman of the Remuneration and Appraisal Committee	4/4	Served as the chairman of the Remuneration and Appraisal Committee from 20 June 2012 to 4 November 2012.
LEE Kong Wai, Conway	Independent non-executive Director	4/4	—
WU Xiaohu	Independent non-executive Director	2/2	Became an independent non-executive Director and a member of the Remuneration and Appraisal Committee since 20 June 2012.
LI Jian	Former independent non-executive Director, former Chairman of the Remuneration and Appraisal Committee	2/2	No longer served as an independent non-executive Director and a member of the Remuneration and Appraisal Committee since 20 June 2012.
FENG Zuxin	Former Independent non-executive Director	2/2	

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 2012 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 implementation in September 2006.

9.7.4. 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.

The Company shall provide the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may, if necessary, seek independent professional advice for the purpose of performing its duties performance at the Company's expense.

Major accomplishments of the Nomination Committee in 2012 included:

- nominating Mr. CHENG Boming, Mr. FANG Jun, Mr. WU Xiaohu and Mr. WEI Benhua as candidates for directors of the 5th Session of the Board

- reviewing and confirming the independence of the four independent non-executive directors for the year ended 31 December 2012

During the reporting period, the Nomination Committee held four meetings, details of which are as follows:

Date of the Meeting	Resolutions Passed
28 March 2012	Such meeting was jointly held by the Strategic Planning Committee and the Nomination Committee to consider and approve: <i>Resolution on Restructuring of the 5th Session of the Board of Directors of the Company, Proposal on the Election of the 5th Session of the Board of Directors of the Company, Proposal on the Adjustment to the Allowance of Non-Executive Directors, Independent Non-Executive Directors and Supervisors of the Company and Resolution on the Review of the Mid— and-Long-term Strategic Planning of the Company</i>
20 June 2012	<i>Resolution on the Election of the Chairman of the Nomination Committee of the 5th Session of the Board of Directors of the Company</i> (election of Mr. WANG Dongming as the chairman of the Nomination Committee of the 5th Session of the Board of Directors of the Company)
30 August 2012	<i>Proposal on the Nomination of Independent non-executive Directors</i>
19 December 2012	<i>Proposal on the Appointment of the Compliance Officer of the Company</i>

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

Name of Committee	Position	Times of Attendance/ Expected Times of Attendance	Note
WANG Dongming	Chairman, executive Director and chairman of Nomination Committee	4/4	Became the chairman of the Nomination Committee since 20 June 2012.
WU Xiaoqiu	Independent non-executive Director	3/3	Became an independent non-executive Director and a member of the Nomination Committee since 20 June 2012.
LEE Kong Wai, Conway	Independent non-executive Director	3/3	Became a member of the Nomination Committee since 20 June 2012.
RAO Geping	Independent non-executive Director and the former chairman of the Nomination Committee	4/4	Served as the chairman of the Nomination Committee from 9 September 2011 to 19 June 2012.
WEI Benhua	Independent non-executive Director	1/1	Became a member of the Nomination Committee since 5 November 2012.
FENG Zuxin	Former independent non-executive Director	1/1	Absent from the meeting jointly held by the Strategic Planning Committee and the Nomination Committee and appointed Mr. WANG Dongming, chairman of the Board of Directors, as his proxy in writing to vote on his behalf. Mr. FENG Zuxin no longer served as an independent non-executive Director and a member of the Nomination Committee since 20 June 2012.
YANG Hualiang	former non-executive director	1/1	No longer served as a non-executive director and a member of the Nomination Committee since 20 June 2012.

During the reporting period, the Nomination Committee extensively searched for qualified candidates for nomination as independent non-executive 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 for independent non-executive 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.

After interviews with the respective candidates, the Nomination Committee decided to propose Mr. CHENG Boming, Mr. FANG Jun and Mr. WU Xiaoqiu as the candidates for directors of the 5th Session of the Board. The Nomination Committee was of the view that Mr. CHENG Boming had in-depth knowledge in the operation and management of the Company and extensive financial expertise; whereas Mr. FANG Jun had been engaging in the financial industry for many years and had extensive experience, as well as possessed profound knowledge in science of law; and Mr. WU Xiaoqiu had substantial achievements in the financial sector and was renowned in both theories and practice, and that the above appointments will drive the development of the Company.

The Nomination Committee decided to propose Mr. WEI Benhua as the candidate for independent non-executive Director and nominated him as an independent non-executive Director of the 5th Session of the Board in October 2012. The Nomination Committee was of the view that Mr. WEI Benhua had extensive knowledge and experience in international finance and foreign exchange management, and the appointment will drive the expansion of the international business of the Company.

9.7.5 Risk Management Committee

The primary responsibilities of the Risk Management Committee of the Board 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 review and consider reports in relation to various risk control, compliance management and internal control and governance, and make recommendations on restructuring of the risk management structure, details of which are as follows:

Date of the Meeting	Resolutions Passed
26 March 2012	Preliminary review of <i>the 2011 Self-Valuation Report on Internal Control of the Company</i> and <i>the 2011 Compliance Report of the Company</i>
20 June 2012	<i>Resolution on the Election of the Chairman of the Risk Management Committee of the 5th Session of the Board of Directors of the Company</i> (election of Mr. CHENG Boming as the chairman of the Risk Management Committee of the 5th Session of the Board)
30 August 2012	Preliminary review of <i>the 2012 Interim Compliance Report of the Company</i> and <i>the Proposal on the Change of Name of the Risk Control Department of the Company</i>
29 November 2012	Preliminary review of <i>the 2012 Evaluation Report on Internal Control and Governance of the Company</i>

Attendance of the members at the meetings of the Risk Management Committee during the reporting period:

Name of Committee	Position	Times of Attendance/ Expected Times of Attendance	Note
CHENG Boming	Executive Director, president, chairman of the Risk Management Committee	3/3	Became the executive Director, chairman of the Risk Management Committee since 20 June 2012.
YIN Ke	Vice-chairman and executive Director	3/3	Became a member of the Risk Management Committee since 20 June 2012.
JU Weimin	Non-executive Director	4/4	—
FANG Jun	Non-executive Director	3/3	Became the non-executive Director, a member of the Risk Management Committee since 20 June 2012.
WEI Benhua	Independent non-executive Director	1/1	Became a member of the Risk Management Committee since 5 November 2012.
DA Xinya	Former non-executive Director Former chairman of the Risk Management Committee	1/1	No longer served as a non-executive director and a member of the Risk Management Committee since 20 June 2012.
ZHANG Jijing	Former non-executive Director	1/1	
YANG Hualiang	Former non-executive Director	1/1	
LIU Lefei	Former non-executive Director	1/1	

9.7.6 Related Party Transactions Control Committee

The Related Transactions Control Committee of the Board was established on 6 June 2012 upon the Articles of Association (revised in 2011) becoming effective, its primary responsibilities 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.

During the reporting period, the Related Party Transactions Control Committee held one meeting, and selected Mr. LEE Kong Wai, Conway as the chairman of the Related Party Transactions Control Committee in 20 June 2012.

During the reporting period, the Board primarily implemented the following corporate governance policies:

- Corporate governance of the Company and related recommendations: During 2012, amid turbulence in the global financial market and political backdrop, and intensified competition among domestic investment banks, the Board and the respective specialized committees had a number of discussions over risks and their management. The Board had carried out on-going assessment on the potential effects of the rapidly-changing environment and amendments to rules and regulation of the PRC and the statutes of regulatory bodies on the business of the Company.
- Development of Directors and Senior Management: the Company has tailor-made training for new directors when they joined the Company to equip them with knowledge on the Group, securities industry and investment banking industry of the PRC to ensure an effective decision-making process in the Board and the specialized committees.

- Compliance management of laws and regulations: The Board kept abreast of the requirements on disclosure of inside information of Hong Kong companies through the Secretary to the Board, and is working on the revision to the Company's inside information disclosure policy. In addition, the Board also kept abreast of the Rules of Corporate Governance of Securities Companies issued by the CSRC and intended to the Articles of Association.
- Code of conduct and compliance handbook: During the reporting period, the Board introduced the additional standards on disclosure of inside information under the Hong Kong Securities and Futures Ordinance to the Board, supervisors and senior management of the Company through the Secretary to the Board.
- Corporate Governance Report: The Board has reviewed the Corporate Governance Report set out in this report prior to its publication, and the Board is of the view that the Corporate Governance Report complies with the relevant requirements of the Hong Kong Listing Rules.

9.8 Performance of Duties by Independent Non-executive Directors

9.8.1 Regular Report of Works

All independent non-executive 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 during the compilation of the annual report*:

(1) Compilation and Review of 2011 Annual Report

On 12 March 2012, the independent non-executive 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 business operations, financial status and audit work of the Company in 2011.

On 29 March 2012, the 38th Meeting of the 4th Session of the Board considered and approved the Duty Performance Report of the Independent Directors for 2011.

(2) Compilation and Review of 2012 Annual Report

On 10 December 2012, the 2nd Meeting of the Audit Committee of the 5th Session of the Board in 2012 considered and approved the *2012 Audit Plan of CITIC Securities*. Among all the four members of the Audit Committee, three are independent non-executive Directors. They attended the meeting and delivered their opinions on the 2012 audit plan in both capacities, i.e. as members of the Audit Committee and as independent non-executive Directors.

Upon consideration and approval by the Audit Committee, the Company reported in writing to the independent Directors on the *2012 Audit Plan of CITIC Securities*.

On 13 March 2013, the independent non-executive 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 business operations, financial status and audit work of the Company in 2012.

9.8.2 Consideration about Related Party Transactions

On 27 February 2012, the independent non-executive Directors resolved and approved the proposed related party transaction in which Goldstone Investment, a wholly-owned subsidiary of the Company, proposed to transfer 12,746,835 shares held in Huatai Insurance to Tianjin Xinshang, a wholly-owned subsidiary of CITIC PE Fund for a consideration of RMB50.35 million. On the same day, the resolution was filed with the Shanghai Stock Exchange for record.

On 29 March 2012, the independent non-executive Directors delivered their independent opinions, respectively, on the *Proposal on the Related Party/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2012* and on the Company's routine related party transactions in 2011. On the same day, the resolution was filed with the Shanghai Stock Exchange for record.

9.8.3 Consideration about External Guarantees

On 29 March 2012, the independent non-executive Directors gave specific explanations and delivered independent opinions on the aggregate and current external guarantees and the implementation of the Zheng Jian Fa [2003] No. 56 Document in 2011 as follows: As of 31 December 2011, the Company had no outstanding aggregate or current-period guarantees; and the Company had no outstanding guarantees for any controlling shareholder or its subsidiary, or any unincorporated entity or individual.

On 5 November 2012, the independent non-executive Directors delivered independent opinions on the provision of guarantees to CSI, a wholly-owned subsidiary of the Company.

9.8.4 Consideration about Profit Distribution Plan

On 28 March 2012, the independent non-executive Directors pre-examined the 2011 Annual Profit Distribution Plan of the Company and delivered independent opinions.

9.8.5 Nomination and Appointment of Directors

During the reporting period, the independent non-executive Directors delivered their opinions on the nomination of candidates for directors of the 5th Session of the Board.

9.8.6 Appointment of Senior Management

During the reporting period, the independent non-executive Directors delivered their opinions on the appointment of Senior Management.

9.8.7 Establishment and Improvement of Working Rules for Independent Non-executive 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 it was considered and adopted at the 28th Meeting of the 3rd Session of the Board. 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 non-executive Directors 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 non-executive Directors were not affected by the substantial shareholders of the Company or any other entity or individual having an interest in the Company; and they endeavored to protect the interests of the Company and all minority shareholders.

The independent non-executive Directors actively participated in all the meetings of the Board. Among the members of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Related Party Transactions Control Committee of the Board, the Company has appointed the requisite number of independent non-executive Directors as required by their respective rules, and the office of chairman of each of the Audit Committee, Remuneration and Appraisal Committee and Related Party Transactions Control Committee is assumed by an non-executive Director. All the chairmen of the committees convened the meetings according to the relevant rules of procedure.

The attendances of independent non-executive Directors at the meetings of the Board are reported in “9.4.4 Meeting of the Board and Attendance of Directors” of this report.

9.8.8 Objections of Independent Non-executive Directors to Relevant Resolutions

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

9.9 Supervisors and the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company and is accountable 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 2012, 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, made reports to the General Meeting of Shareholders and submitted its report and relevant proposals. Based on the principle of being accountable to all Shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company's finance and the performance of duties by the financial staff, the Board and the Management of the Company.

9.9.1 Meeting of the Supervisory Committee and Attendance of Supervisors during the Reporting Period

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

- (1) During the 14th Meeting of the 4th Session of the Supervisory Committee of the Company held on 29 March 2012 on the 26/F, CITIC Tower, Hong Kong, the committee considered and approved the *2011 Work Report of the Supervisory Committee, Proposal on the Review of the 2011 Annual Report, Proposal on the Review of the 2011 Annual Profit Distribution Plan, Proposal on the Election of the Employee Representative Supervisors of the 5th Session of the Supervisory Committee, Proposal on the Review of the Total Remuneration of the Supervisors of the Company for 2011, 2011 Social Responsibility Report and 2011 Audit Working Report*. (For details of the relevant resolutions, please refer to the announcement published on Shanghai Stock Exchange website, HKExnews website of the Hong Kong Stock Exchange, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the day after the meeting).
- (2) During the 15th Meeting of the 4th Session of the Supervisory Committee of the Company held on 27 April 2012 by means of teleconference, the committee considered and approved the 2012 First Quarterly Report of CITIC Securities Company Limited, and a written audit opinion was issued. The report was published on HKExnews website of the Hong Kong Stock Exchange on the same day, and the announcement was published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on the following day.
- (3) During the 1st Meeting of the 5th Session of the Supervisory Committee of the Company held on 20 June 2012 at Lotus Room 2, Level 3, Beijing Landmark Hotel, Beijing, the committee considered and approved the *Resolution on the Election of the Chairman of the Supervisory Committee* (For details of the relevant resolutions, please refer to the announcement published on HKExnews website of the Hong Kong Stock Exchange that day, and the announcement published on Shanghai Stock Exchange website, *China Securities Journal*, *Shanghai Securities Journal* and *Securities Times* on the following day).
- (4) During the 2nd Meeting of the 5th Session of the Supervisory Committee of the Company held on 30 August 2012 by means of teleconference, the committee considered and approved the *Resolution on the Review of the Company's Interim Report of 2012*, and a written audit opinion was issued. The 2012 interim report was published on HKExnews website of the Hong Kong Stock Exchange on the same day, and the website of the Shanghai Stock Exchange, *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on the following day.
- (5) During the 3rd Meeting of the 5th Session of the Supervisory Committee of the Company held on 30 October 2012 by means of teleconference, the committee considered and approved the *Resolution on the Review of the Company's Third Quarterly Report of 2012*, and a written audit opinion was issued. The 2012 third quarterly report was published on HKExnews website of the Hong Kong Stock Exchange on the same day, and the website of the Shanghai Stock Exchange, *China Securities Journal*, *Shanghai Securities News* and *Securities Times* on the following day.

During the reporting period, all supervisors attended all meetings held, details of which are as follows:

Name of Supervisor	Position	Expected Times of Attendance During the Year	Actual times of attendance	Times of attendance of on-site meetings by other means	Times of attendance by proxy	Times of Absence	Means of attendance of on-site meeting
		(times)					
NI Jun	Chairman of the Supervisory Committee	5	5	—	—	—	On-site
GUO Zhao	Supervisor	5	5	—	—	—	On-site
HE Dexu	Supervisor	5	5	—	—	—	On-site
LEI Yong	Employee Representative Supervisor	5	5	—	—	—	On-site
YANG Zhenyu	Employee Representative Supervisor	5	5	—	—	—	On-site
Meetings held during the year						5	
Of which: Number of meetings on-site						2	
Number of meetings held by teleconference						3	
Number of meetings held both on-site and via teleconferencing						—	

9.9.2 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, major decision-making procedure, business activities and the financial positions of the Company. On the basis of the above, the following independent opinions in respect of the Company were given:

- (1) The Company operated in strict compliance with the Company Law, Securities Law, Articles of Association and the 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 was involved in any default or other acts that may harm the interest of the Company. The Supervisory Committee had no disagreement with any supervisory matters during the reporting period.
- (2) The financial position of the Company had been satisfactory. The financial statements for 2012 had been audited by Ernst & Young Hua Ming and Ernst & Young LLP. Both accountants had issued their respective auditor's report with standard and unqualified opinions, and the auditor's reports gave a true and fair view on the financial condition and state of affairs of the Company.
- (3) During the reporting period, the Company issued a total of 5 tranches of short-term commercial paper and raised RMB23 billion. The proceeds were applied as working capital of the Company and in line with the disclosure made in the prospectuses.
- (4) Acquisitions or disposal of assets were made by the Company at reasonable prices, and no inside dealings were found, nor was there any act which may jeopardize the interests of part of the shareholders or cause any loss to the Company's assets.
- (5) The relevant related/connected party transactions were fair and were in compliance with laws and not prejudicial to the interests of the Company.
- (6) The Secretary to the Board 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 Hong Kong 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 the relevant laws and regulations and ensured the truth, accuracy and completeness as to the information disclosed, 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 Inside Information came into effect to provide for additional 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 safeguarded. 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 was satisfactory.

- (7) 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, the Articles of Association 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 Hong Kong 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 had committed any action in breach of confidentiality requirements in respect of the annual report.

- (8) The Supervisory Committee of the Company had reviewed the 2012 Self-Valuation Report on Internal Control, the 2012 Annual Internal Auditing Report, and the 2012 Annual Compliance Report of the Company, and it had no disagreement with the contents therein.

9.10 Appointment of Auditors and Other External Agents

9.10.1 Appointment of Accounting Firms

With the approval by the 2011 Annual General Meeting of Shareholders, the Company resolved to re-appoint Ernst & Young Hua Ming and Ernst & Young LLP as the Company's independent auditors for 2012 to be responsible for the provision of related audit services and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. The Board also renewed the appointment of Ernst & Young Hua Ming as the auditor for the internal control of the Company in 2012.

Are there any changes in the accounting firms appointed: No

Information on the incumbent accounting firms:

Name of the PRC accounting firm, signing auditors and duration of service:	Ernst & Young Hua Ming/6 years (Note: acted as the Company's supplementary auditor from 2000 to 2006) Signing auditors: Li Huimin and Xi Zhiying/2 years
Name of the international accounting firm and duration of service:	Ernst & Young/2 years
Remuneration for the accounting firm:	In 2012, the Company paid RMB3.8 million as remuneration to Ernst & Young Hua Ming Certified Public Accountants Co., Ltd. and Ernst & Young for their audit services on 2011 annual financial report (including the international audit and the audit on the effectiveness of internal control, etc.), and RMB1.2 million for their review services on semiannual report.

In accordance with the resolution passed at the 2011 Annual General Meeting, the audit fees payable to Ernst & Young by the Company shall be no more than RMB4 million and the review fees shall be no more than RMB2 million for 2012 (including the international audit and the audit on the effectiveness of internal control, etc.). The remuneration will be paid in 2013.

The Directors are responsible for the preparation of the accounts and the auditors are responsible for the issuance of an opinion to the financial statements based on their audit.

At the forthcoming 2012 Annual General Meeting of Shareholders, the Board will submit a proposal on the renewal of the appointment of Ernst & Young as the external auditors of the Company and Ernst & Young Hua Ming as the auditors for the internal control of the Company in 2013, subject to the consideration and approval of the General Meeting of Shareholders.

9.10.2 Non-audit Work

During the reporting period, the Company has engaged Ernst & Young Hua Ming to provide capital verification services in relation to the CAMs launched by the Company, the relevant fees for capital verification were paid from the sales of CAMs.

9.11 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 statement 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.

9.12 Company Secretary

At the 1st meeting of the 5th Session of the Board held on 20 June 2012, Ms. Zheng Jing was re-appointed as the secretary to the Board and the Company Secretary. The Company Secretary is accountable to the Board of Directors, and ensures that various meetings of the Board are convened according to the correct procedures; advises and recommends on issues related to corporate governance of the Company; promotes the effective communication among members of the Board, and between the Directors, Shareholders and management of the Company.

The Company Secretary circulates the agenda on corporate governance to the Chairman, and provides sufficient explanation and information to the Board in a timely manner, especially the plans of annual Board meetings and meetings of the special committees thereunder; regularly provides Weekly Information and Monthly Management to the Board and the Supervisory Committee to keep abreast the Board of the latest development. The Company Secretary provides sufficient basis and recommendations on corporate governance, Board meeting procedures, non-executive Directors' involvement in the internal management meetings, and non-executive Directors' visits to the Company and other matters for the Board's review. The Directors are entitled to access to the Company Secretary for her opinion, recommendation and related services. During the reporting period, the Company Secretary duly performed her duties in ensuring that the respective meetings of the Board are properly convened; promoted the effective communication among members of the Board, and between the Directors, Shareholders and management of the Company; arranged for induction programs for the new Directors to ensure that they understand the responsibilities to be fulfilled.

During the reporting period, in order to better perform her duties in accordance with the requirements of the Hong Kong Listing Rules, Ms. Zheng Jing received a total of 23.515 hours of professional training, so as to update her professional knowledge. These trainings include: Attending the "Getting to learn the new Code for better corporate governance" lecture organized by Baker & McKenzie LLP, the webinar on the topic of "Shareholder Identification and Proxy Solicitation", trainings on new regulations regarding price-sensitive information, the webinar on the topic of "Enhancing the role of Company Secretary" organized by Computershare Hong Kong Investor Services Limited, trainings for Company Secretary organized by the Hong Kong Institute of Chartered Secretaries; specific trainings jointly organized by the Hong Kong Securities and Futures Commission and the Hong Kong Stock Exchange for listed companies. In addition, Ms Zheng Jing also attended 10 hours of continuous professional training for board secretaries organized by the Shanghai Stock Exchange.

9.13 Investor Relations

9.13.1 Amendments to the Articles of Association

During the reporting period, the Company made three amendments to the Articles of Association, details of which are as follows:

- (1) The Company had amended its Articles of Association in accordance with the resolutions passed at the 2011 First Extraordinary General Meeting and the 2011 Fifth Extraordinary General Meeting, and the relevant amendments had been approved by and filed with the Shenzhen Bureau of the CSRC. The Company completed the formalities for the registration of change and filing with the industry and commerce authorities in respect of the new Articles of Association as well as renewed its Business License on 6 June 2012.

The major changes to the Articles of Association and Business License primarily related to the overall amendments made the Articles of Association as a result of the issue of H shares by the Company; the change of the Company's address to North Tower, Excellence Times Plaza II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province; the change of the Company's registered capital to RMB11,016,908,400; the expansion of the business scope described in the Article of Association to include the following: "the Company may establish subsidiaries to carry out investment business, including investments in financial products" and upon the addition of the above description, the article as amended reads, "Subject to the approval of China Securities Regulatory Commission, the Company may establish wholly-owned subsidiaries to carry out direct investments business and establish subsidiaries to carry out investment business, including investments in financial products".

The amended Articles of Association was published on the website of the Hong Kong Stock Exchange on 6 June 2012, and the website of the Shanghai Stock Exchange on the following day.

- (2) The Company had amended its Articles of Association in accordance with the resolutions passed at the 2011 Annual General Meeting in relation to the expansion of business scope, and the obtaining of the qualification of agency sale of financial products from the Shenzhen Bureau of the CSRC. The Company completed the formalities for the registration of change and filing with the industry and commerce authorities in respect of the new Articles of Association and also renewed its Business License on 5 December 2012.

The changes in the Articles of Association and the business license are in relation to the change in the business scope of the Company, by adding the business of distributing financial products.

The amended Articles of Association was published on the HKExnews of the website of the Hong Kong Stock Exchange on 5 December 2012, and the website of the Shanghai Stock Exchange on the following day.

- (3) The Company had amended its Articles of Association in accordance with the resolutions passed at the 2011 Annual General Meeting and the 2012 First Extraordinary General Meeting, and the relevant amendments had been approved by and filed with the Shenzhen Bureau of the CSRC. The Company completed the formalities for the registration of change and filing with the industry and commerce authorities in respect of the new Articles of Association on 27 December 2012.

The major changes to the Articles of Association and Business License primarily related to: the reduction of the number of Directors is reduced from 13 to 9; supplementing the profit distribution plan and increasing the ratio of cash dividend. (For details of the amendments relating to our profit distribution policy, please refer to “4.5.1 Formulation and Implementation of Cash Dividend Policy” of this report).

The amended Articles of Association was published on the HKExnews of the website of the Hong Kong Stock Exchange on 27 December 2012, and the website of the Shanghai Stock Exchange on the following day.

9.13.2 Commencement of Investor Relations During the Reporting Period

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.

In 2012, the Company actively responded to domestic and international economic and financial challenges, and accelerated its pace in transformation and innovation. The Company upholds its principle to be open and fair in pursuit of an active and proactive management strategy in investor relations, and ensures the truthfulness, accuracy and completeness of the information disclosed, with an aim to improve our communication with the market.

During the reporting period, the Company organized various exchange activities for investors and analysts in accordance with the regulatory requirements and the needs for business development including: two 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 explain matters to be discussed at the meetings, introduce the latest development of the Company, and answer the Shareholders’ inquiries, through which the Company was able to achieve satisfactory communication with the Shareholders. The 2011 annual results press conference and 2012 interim results press conference were held along with the publication of regular reports; roadshows were conducted in Hong Kong, US, Singapore and UK to visit local investors and promote investors’ in-depth knowledge of our operations and results; over 220 meetings in various forms were held between the management of the Company and domestic and overseas institutional investors and analysts, thereby 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 addition, our investor relations team maintained smooth and effective communication with analysts and investors, and timely exchanged their views on hot topics in the market. The Company also optimized the function of the investor hotline, voicemail and our website to ensure a smooth access and connection to them to provide its investors with a convenient, quick, timely and comprehensive method to know about the development of the Company.

In 2012, the Company carried out comprehensive propaganda on protection of investors’ rights, led by the Chairman as the first responsible person and the Office of the Board as the lead department to coordinate allocation of resources between various departments and provide centralized arrangement and deployment to special activities. The Company carried out the specialized activity from three main perspectives. The first respective is the display of its characteristics as an A+H shares listed company to enhance investor exchanges and investment knowledge popularization, promote the Company’s dividend policy, generally promote the advantages of the Company’s business development and effectively guide market expectations. The second respective is to strengthen exchanges and cooperation with major financial media, and enhance investor protection advertisement with media channels. The

third respective is the play of the advantages stemming from its securities business network to deepen investment themes of new policies and new initiatives around the capital market, hot market issues and information of listed companies, and strengthen investors' awareness in risk identification and aversion, to promote innovative business knowledge and customer services, and carry out a series of the meticulous, solid and effective work.

In 2012, the Company launched the work of overseas credit rating, through communication with rating agencies in respect of the Company's risk profile, results of operations and development strategy, the Company was assigned a BBB+ rating with "stable" outlook, and a "ca A+/ca A-1" Greater China credit score rating by Standard & Poor's. The Company was assigned an overseas credit rating for the first time, which laid a solid foundation for our overseas capital operations and benefited the Company from improving its publicity and influence in the market.

In 2012, the Company's investor relations and information disclosure gained market recognition. The Company was awarded the "Most Valuable Brands of Listed Company Award" in the 2012 China Securities Golden Bauhinia Award by Ta Kung Pao. The Company was granted Great China Top 30 by the Investor Relations Magazine, a reflection that our investor relations management was recognized by the market. The Company's 2011 Annual Report was granted the "Best Annual Report Award: Outstanding Corporate Governance Disclosure Award in 2012" by The Hong Kong Management Association and won the "Gold Award" in the 2011 Vision Awards held by the League of American Communications Professionals, it was also granted China Annual Report Competition Top 25.

In 2013, 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 delivered by the Company to investors and analysts.

9.14 Internal Control

9.14.1 Statement of the Board Regarding the Responsibility of Internal Control

It is the responsibility of the Board and the Management of the Company to establish, improve, effectively implement and review the internal control system. 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 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 2012 (benchmark date) and did not find any material or substantial defect in the Company's internal control.

The Board 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.

9.14.2 Basis of Internal Control in the Financial Report

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.

9.14.3 Overall Building of the Internal Control System

The Company has attached great importance to the development of the internal rules and regulations and the management systems since the Company was established. After the 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.

During the reporting period, the Company completed the trial of regulation on internal control of listed companies in Shenzhen administrative area as a key designated company, and further improved its internal control system.

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.

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 inside 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.

9.14.4 Commencement of Internal Control Activities

As a key company designated to carry out the trial of regulation on internal control of listed companies in Shenzhen administrative area in 2011, the Company had completed the building of internal control mechanism by the end of March 2012 according to the relevant requirements. During the reporting period, the Company further commenced the trial of regulation on internal control in accordance with the regulatory requirements of the *Notice on Further Procuring Work relating to the Implementation of Internal Control Rules for Shenzhen Listed Companies*” (Shen Zheng Ju Fa [2012] No.105) promulgated by the Shenzhen Bureau of the CSRC in May 2012. To ensure the reasonable design and effective operation of the internal control system, the Company prepared the *Concluding Report on the Implementation of Internal Control Regulation in 2011* and *Programs to Improve Internal Control on an On-going Basis* based on a summary of the implementation of internal control in 2011. The Company also further improved its Internal Control Manual. The Company will continue to optimize the internal control system based on the actual operation to secure the steady development of the Company in the long run.

During the reporting period, the Company started an internal control campaign from the perspective of securities company in accordance with the *Notice on Conducting Internal Control Activities among Securities Companies in Shenzhen Administrative Area* (Shen Zheng Ju Fa [2012] No. 15) and other regulatory requirements. The Company had set up a leadership group and a working group to carry out internal control management. In addition, it had

studied and formulated the *Internal Control Management Program Progress and Work Plan of 2012*, which was considered and approved at the 39th Meeting of the 4th Session of the Board on 27 April 2012. During the 7th Meeting of the 5th Session of the Board held on 29 November 2012, the Board considered and approved the 2012 Evaluation Report on the Internal Control and Governance of the Company. As a result, the Company had completed the three stages, namely, self-assessment, rectification and evaluation in accordance with the relevant regulatory requirements. In light of the objectives to establish the mechanism and authority, and the themes of effectiveness and authority of internal control system, the Company had conducted serious self-assessment and rectified the issues identified with an aim to mitigate any potential risk effectively. After rectification, operation of the Company's internal control system has been satisfactory. Sufficient security was given in respect of the performance of duties by internal control departments, and the internal control system and work flow have been built in and effectively implemented within the respective business activities and functions. The goal of such internal control activities has been achieved.

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

As a company concurrently listed domestically and abroad, the Company will disclose the 2012 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, together with this Report.

9.14.6 Establishment and Implementation of the Registration and Administration System for Persons Informed of Inside 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 Inside Information of the Company became effective from 29 September 2009. During the reporting period, the Company managed to achieve due performance of inside information management and registration of persons informed of inside information in accordance with the requirements of the Registration System for Persons Informed of Inside Information. The Company also maintained relevant documents for inspection by the Company itself and relevant regulatory bodies, including a true and complete list of persons informed of inside information in various processes such as reporting, circulation, preparation, audit and disclosure prior to dissemination of such inside information, and the substance and time of such information being known by such persons. During the reporting period, the Company was not aware of any non-compliance with the Registration System for Persons Informed of Inside Information.

In addition, the Company 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 of the CSRC Companies (Shen Zheng Ju Ji Gou Zi [2010] No. 126) issued by the Shenzhen Bureau of the CSRC. During the reporting period, in strict compliance with the Registration System of Persons Informed of Undisclosed Information, and 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 Regulatory Bureau of the CSRC.

9.14.7 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 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 satisfactorily, and there were no material accounting errors, supplemental of material omissions of information or correction of the preliminary announcement of results.

9.14.8 Other Matters of Report

Establishment of the Compliance Management System

According to the regulatory requirements, the Company has established a comprehensive and multi-level organizational structure for compliance management. The compliance management is led by the Board, 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, inside 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 2012, the Company amended the Guidance on Information Chinese Wall in accordance with the Measures for the Administration of Securities Issuance and Underwriting and the Practice Criteria on Issuing Securities Study Report as amended and promulgated by the CSRC and Securities Association of China; released and implemented the Notice on Reporting and Record of Staff's Part-time Jobs to strengthen the management over staff's part-time jobs; released and implemented the Notice on Strengthening the Management of the Compliance of Dispatched Staff to further regulate activities of dispatched staff. 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.

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 two aspects: (i) it completed the annual compliance inspection on the assets management business according to the regulatory requirements and timely reported the findings to the Shenzhen Bureau of the CSRC; (ii) it conducted on-site inspections on certain Business Departments, focusing on the implementation of anti-money laundering, commencement of margin financing and securities lending businesses, sale of financial products and management of trading of newly listed shares by clients. Subsequent to the above inspections, the *Compliance Inspection Report on 5 Business Department Including the Xi'an Kejilu Branch and Compliance Opinion on the Company's Account Management and Self-inspection* were issued.

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 audit on the headquarters, securities business offices, overseas subsidiaries and the high-risk businesses concerned by the regulatory authorities.

During the reporting period, the audit department completed routine audits, separation audits, follow-up audits and compulsory leaving audits in 46 projects, involving 6 departments/business lines at the headquarters, 35 securities business offices and 1 subsidiary (including 5 projects).

Details of the audited projects are as follows:

- Six audited projects at the headquarters, including routine audits on the Transactions and Derivative Products Business Department, the Asset Management Department, the Treasury Department, business segments under the Investment Banking Committee, sale and marketing of financial products and shares sale and trading department;
- Thirty-five audited projects in the securities business offices, including routine audits on six securities business offices, separation audits on the general managers of twenty-one securities business offices, and compulsory leaving audits on the general managers of eight securities business offices;
- Five audited projects in CSI (subsidiary of the Company), including routine audits on the subsidiaries of CSI that are engaged in brokerage business, futures business, asset management business, corporate finance business, investment banking business and proprietary 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 2012, the net capital reached RMB40,472 million, 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 continued the compliance inspection on accounts in 2012 by conducting daily inspection on newly opened capital accounts and securities accounts with the business departments in certain aspects, such as the status of securities accounts, consistency of our clients' information and depository status of designated third parties, to ensure that the accounts were opened with the securities business departments in strict compliance with the relevant requirements of regulatory bodies and the Company. In September 2012, upon request by the Company, the respective securities business departments underwent self-assessment on the account opening agency business, including verification and updating of account information, re-examination of any unusual information as shown on clients' identification cards and the custody of account information. No non-compliance was identified during the sample check in some of the self-assessment of our securities departments. At the end of December 2012, according to the centralized arrangement of the China Securities Depository and Clearing Corporation Limited, the Company submitted an additional batch of eligible dormant accounts and stored them in a separate database.

As of 31 December 2012, the Company had 2,177,629 securities accounts held by the clients of the brokerage business. Of these accounts, 1,697,022 were eligible securities accounts, accounting for 77.93%; 479,845 were dormant securities accounts, accounting for 22.04%; and 762 were ineligible securities accounts, accounting for 0.03% 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 2012, the Company had 1,522,498 capital accounts held by the clients of the brokerage business. Of these accounts, 1,101,121 were eligible capital accounts, accounting for 72.32%; 420,222 were dormant capital accounts, accounting for 27.6%; 1,127 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 0.0018% 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 2012 Self-Appraisal Report of CITIC Securities Company Limited on Internal Control.

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 2012, 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. Currently, the Company is in the process of improving its information disclosure policy in accordance with the requirements of the newly revised Securities and Futures Ordinance of the Securities and Futures Commission of Hong Kong in relation to inside information disclosure.

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 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 (2013) Zhuan Zi No. 60469435_A06), stating that there was no appropriation of funds by the largest shareholder or other affiliated parties of the Company in 2012.

Guarantee for External Parties

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 non-executive Directors, Mr. WU Xiaoqiu, Mr. LEE Kong Wai, Conway, Mr. RAO Geping and Mr. WEI Benhua, made the following statements and independent opinions regarding the aggregate and current-period external guarantees:

As of 31 December 2012, the Company had no outstanding aggregate or current-period guarantees. The wholly owned subsidiary of the Company, CSI has provided guarantee to its subsidiary for the purpose of business development. There is no conflict between such guarantee and the legitimate interests of the Company and other shareholders.

The Company had not provided any outstanding guarantees for the controlling shareholder or its subsidiary, or any unincorporated entity or individual.

There is no overdue debts for the Company.

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

10. FINANCIAL REPORT

CONTENTS

Pages

INDEPENDENT AUDITORS' REPORT.....	131
-----------------------------------	-----

AUDITED FINANCIAL STATEMENTS

Consolidated:

Income statement	132
Statement of comprehensive income	133
Statement of financial position	134
Statement of changes in equity	136
Statement of cash flows	138

Company:

Statement of financial position	140
---------------------------------------	-----

NOTES TO THE FINANCIAL STATEMENTS

1.	Corporate Information	142
2.	Basis of Preparation	142
3.	Significant Accounting Policies	143
4.	Significant Accounting Judgements and Estimates	153
5.	Taxation	154
6.	Impact of Issued but not yet Effective International Financial Reporting Standards	155
7.	Operating Segment Information	158
8.	Interest Income	159
9.	Investment Income	159
10.	Operating Expenses	160
11.	Directors' and Supervisors' Remuneration	161
12.	Five Highest Paid Employees	163
13.	Impairment Losses	163
14.	Income Tax Expense	163
15.	Profit Attributable to Owners of the Parent	164
16.	Dividends	164
17.	Earnings Per Share Attributable to Ordinary Equity Holders of the Parent	164
18.	Property, Plant and Equipment	165
19.	Goodwill	167
20.	Investments in Subsidiaries	168
21.	Investments in Associates and Jointly — controlled Entities	170
22.	Available-for-sale Financial Assets	172
23.	Refundable Deposits	173
24.	Deferred Income Tax Assets and Liabilities	173
25.	Margin Accounts Receivable	175
26.	Financial Assets Held for Trading	175
27.	Financial Assets Designated as at Fair Value through Profit or Loss	176
28.	Derivative Financial Instruments	176
29.	Reverse Repurchase Agreements	177
30.	Other Current Assets	177
31.	Cash Held on Behalf of Customers	177
32.	Cash and Bank Balances	177
33.	Accounts Payable	178
34.	Repurchase Agreements	178
35.	Tax Payable	178
36.	Loans	178
37.	Other Current Liabilities	179
38.	Bonds Payable	179
39.	Issued Share Capital	179
40.	Reserves	180
41.	Cash and Cash Equivalents	182
42.	Transferred Financial Assets	182
43.	Commitments and Contingent Liabilities	183
44.	Related Party Disclosures	184
45.	Fair Value and Fair Value Hierarchy	187
46.	Financial Instruments Risk Management	190
47.	Events after the Reporting Period	200
48.	Approval of the Consolidated Financial Statements	201

INDEPENDENT AUDITORS' REPORT

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 132 to 201, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

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 2012, 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

27 March 2013

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2012

(In RMB thousands, unless otherwise stated)

	Notes	2012	2011
Revenue			
— Fee and commission income		7,089,695	9,713,232
— Interest income	8	2,172,183	2,056,433
— Investment income	9	3,648,018	14,392,596
		<u>12,909,896</u>	<u>26,162,261</u>
Other income		161,345	208,612
		<u>13,071,241</u>	<u>26,370,873</u>
Total revenue and other income			
Fee and commission expense	10	800,805	1,067,483
Finance costs	10	947,693	654,986
Staff costs	10	3,785,608	4,996,961
Depreciation		280,174	191,601
Business tax and surcharges		400,888	488,343
Other operating expenses	10	1,770,933	2,842,634
Impairment losses	13	30,039	1,513,625
		<u>8,016,140</u>	<u>11,755,633</u>
Total operating expenses			
Operating profit		5,055,101	14,615,240
Share of profits and losses of:			
Associates		439,344	376,127
Jointly-controlled entities		(7,176)	39,636
		<u>5,487,269</u>	<u>15,031,003</u>
Profit before income tax			
Income tax expense	14	1,180,466	2,426,514
		<u>4,306,803</u>	<u>12,604,489</u>
Profit for the year			
Attributable to:			
Owners of the parent		4,237,418	12,576,483
Non-controlling interests		69,385	28,006
		<u>4,306,803</u>	<u>12,604,489</u>
Earnings per share attributable to ordinary equity holders of the parent (in RMB yuan)			
— Basic	17	0.38	1.23
— Diluted	17	0.38	1.23

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 2012

(In RMB thousands, unless otherwise stated)

	2012	2011
Profit for the year	4,306,803	12,604,489
Other comprehensive income		
Available-for-sale financial assets:		
Changes in fair value	191,365	(1,816,623)
Income tax effect on changes in fair value	(32,802)	436,199
Reclassification adjustments for gains/(losses) included in the consolidated income statement, net	251,296	(1,289,967)
	409,859	(2,670,391)
Share of other comprehensive income of associates and jointly-controlled entities	5,417	—
Exchange differences on translation of foreign operations	(28,582)	(202,233)
Other comprehensive income for the year, net of tax	386,694	(2,872,624)
Total comprehensive income for the year	4,693,497	9,731,865
Attributable to:		
Owners of the parent	4,624,149	9,715,170
Non-controlling interests	69,348	16,695
	4,693,497	9,731,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2012

(In RMB thousands, unless otherwise stated)

	Notes	31 December 2012	2011
Non-current assets			
Property, plant and equipment	18	3,319,826	3,338,447
Investment properties		391,786	314,424
Goodwill	19	500,900	500,880
Other intangible assets		160,950	138,758
Investments in associates	21	9,027,265	8,703,425
Investments in jointly-controlled entities	21	768,276	775,387
Available-for-sale financial assets	22	11,985,629	7,993,916
Financial assets designated as at fair value through profit or loss	27	272,835	—
Refundable deposits	23	818,533	840,411
Deferred income tax assets	24	836,688	1,344,367
Other non-current assets		255,170	241,838
Total non-current assets		28,337,858	24,191,853
Current assets			
Fee and commission receivables		48,387	35,993
Margin accounts receivable	25	9,423,188	2,967,278
Available-for-sale financial assets	22	25,892,481	28,833,816
Financial assets held for trading	26	38,325,031	18,750,470
Financial assets designated as at fair value through profit or loss	27	209,743	298,885
Derivative financial assets	28	423,192	1,077,628
Reverse repurchase agreements	29	793,623	575,760
Due from banks		—	790,000
Other current assets	30	5,366,768	1,554,008
Cash held on behalf of customers	31	33,851,517	35,760,238
Cash and bank balances	32	25,835,767	33,444,451
Total current assets		140,169,697	124,088,527
Current liabilities			
Accounts payable	33	34,807,288	36,477,143
Derivative financial liabilities	28	636,272	1,127,702
Financial liabilities held for trading		14,303	—
Financial liabilities designated as at fair value through profit or loss		4,475	6,283
Repurchase agreements	34	22,043,614	14,232,693
Due to banks and other financial institutions		2,900,000	100,000
Tax payable	35	1,004,471	2,689,667
Loans	36	790,564	—
Other current liabilities	37	17,533,863	5,041,520
Total current liabilities		79,734,850	59,675,008
Net current assets		60,434,847	64,413,519
Total assets less current liabilities		88,772,705	88,605,372

	<i>Notes</i>	31 December 2012	2011
Non-current liabilities			
Bonds payable	38	1,500,000	1,500,000
Deferred income tax liabilities	24	323,176	104,478
Other non-current liabilities		265,232	10,691
Total non-current liabilities		2,088,408	1,615,169
Net assets		86,684,297	86,990,203
Equity			
Equity attributable to owners of the parent			
Issued share capital	39	11,016,908	11,016,908
Reserves	40	50,228,214	48,723,982
Retained profits		25,219,882	26,846,395
		86,465,004	86,587,285
Non-controlling interests		219,293	402,918
Total equity		86,684,297	86,990,203

Chairman

Executive Director and President

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2012

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the parent									
	Reserves						Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2012	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
Profit for the year	—	—	—	—	—	—	4,237,418	4,237,418	69,385	4,306,803
Other comprehensive income for the year	—	5,417	—	—	409,896	(28,582)	—	386,731	(37)	386,694
Total comprehensive income for the year	—	5,417	—	—	409,896	(28,582)	4,237,418	4,624,149	69,348	4,693,497
Dividend — 2011	—	—	—	—	—	—	(4,737,271)	(4,737,271)	—	(4,737,271)
Appropriation to surplus reserves	—	—	420,568	—	—	—	(420,568)	—	—	—
Appropriation to general reserve	—	—	—	706,092	—	—	(706,092)	—	—	—
Capital increase/(decrease) by shareholders										
— Capital contribution by shareholders	—	—	—	—	—	—	—	—	26,744	26,744
— Others	—	(9,159)	—	—	—	—	—	(9,159)	(12,921)	(22,080)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	(72,572)	(72,572)
Others	—	—	—	—	—	—	—	—	(194,224)	(194,224)
At 31 December 2012	<u>11,016,908</u>	<u>34,524,094</u>	<u>5,885,189</u>	<u>10,424,685</u>	<u>(132,572)</u>	<u>(473,182)</u>	<u>25,219,882</u>	<u>86,465,004</u>	<u>219,293</u>	<u>86,684,297</u>

Attributable to owners of the parent

	Reserves						Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2011	9,945,702	24,199,570	4,679,619	9,073,546	2,116,612	(242,367)	20,662,217	70,434,899	412,816	70,847,715
Profit for the 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	<u>11,016,908</u>	<u>34,527,836</u>	<u>5,464,621</u>	<u>9,718,593</u>	<u>(542,468)</u>	<u>(444,600)</u>	<u>26,846,395</u>	<u>86,587,285</u>	<u>402,918</u>	<u>86,990,203</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2012

(In RMB thousands, unless otherwise stated)

	2012	2011
Cash flows from operating activities		
Profit before income tax	5,487,269	15,031,003
Adjustments for:		
Interest expense on bonds issued	232,890	63,750
Share of profits and losses of associates and jointly-controlled entities	(432,168)	(415,763)
Dividend income and interest income from available-for-sale financial assets	(939,206)	(720,174)
Net gain on disposal of available-for-sale financial assets	(707,201)	(534,058)
Net gain on disposal of property, plant and equipment and other assets	(82,823)	(570)
Gain on disposal of subsidiaries	—	(13,081,306)
Fair value loss/(gain) on financial instruments at fair value through profit or loss	(416,774)	755,001
Depreciation	291,391	196,473
Amortisation	133,335	110,908
Impairment on available-for-sale financial assets	33,922	1,517,836
Impairment on other assets	(3,883)	(4,211)
	<u>3,596,752</u>	<u>2,918,889</u>
Net (increase)/decrease in operating assets		
Financial assets held for trading	(18,279,029)	(5,286,391)
Cash held on behalf of customers	1,908,721	27,046,255
Other assets	(11,610,687)	(3,494,901)
	<u>(27,980,995)</u>	<u>18,264,963</u>
Net increase/(decrease) in operating liabilities		
Accounts payable	(1,610,766)	(26,478,795)
Repurchase agreements	7,810,921	7,331,093
Other liabilities	3,017,367	1,950,932
	<u>9,217,522</u>	<u>(17,196,770)</u>
Net cash inflow/(outflow) from operating activities before tax	(15,166,721)	3,987,082
Income tax paid	(2,027,246)	(3,864,736)
Net cash inflow/(outflow) from operating activities	<u>(17,193,967)</u>	<u>122,346</u>

	Notes	2012	2011
Cash flows from investing activities			
Dividend income and interest income received from available-for-sale financial assets		939,391	805,620
Net cash flows from purchases, leases and sales of items of property, plant and equipment and other assets		(506,170)	(1,792,735)
Net cash flows from disposal of subsidiaries		—	7,944,870
Net cash flows from business combination		(17,988)	37,737
Net cash flows from investments in associates and jointly-controlled entities		120,840	(119,008)
Net cash flows from disposal or purchase of available-for-sale financial assets		(48,895)	1,136,347
Other net cash flows from investing activities		256,676	1,799,918
Net cash inflow from investing activities		743,854	9,812,749
Cash flows from financing activities			
Cash inflows from financing activities		13,819,367	11,589,980
Payment of debts		—	(184,631)
Dividends and interest expense		(4,969,594)	(5,050,361)
Other cash outflows from financing activities		—	—
Net cash inflow from financing activities		8,849,773	6,354,988
Net increase/(decrease) in cash and cash equivalents		(7,600,340)	16,290,083
Cash and cash equivalents at the beginning of the year		33,444,451	17,353,363
Effect of exchange rate changes on cash and bank balances		(8,344)	(198,995)
Cash and cash equivalents at the end of the year	41	25,835,767	33,444,451
Cash and bank balances	32	25,835,767	33,444,451
Less: Restricted funds	32	—	—
Cash and cash equivalents		25,835,767	33,444,451

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2012

(In RMB thousands, unless otherwise stated)

	Notes	31 December 2012	2011
Non-current assets			
Property, plant and equipment	18	3,118,746	3,101,246
Investment properties		391,786	314,424
Other intangible assets		106,257	82,089
Investments in subsidiaries	20	18,066,759	10,428,305
Investments in associates	21	2,877,276	2,573,413
Investments in jointly-controlled entities	21	—	20
Available-for-sale financial assets	22	4,302,490	1,269,712
Refundable deposits	23	1,783,536	1,318,629
Deferred income tax assets	24	788,948	1,294,981
Other non-current assets		122,831	120,739
Total non-current assets		31,558,629	20,503,558
Current assets			
Fee and commission receivables		48,387	35,993
Margin financing and securities lending	25	5,990,043	2,600,668
Available-for-sale financial assets	22	21,868,201	26,810,134
Financial assets held for trading	26	35,178,305	17,680,535
Derivative financial assets	28	374,991	1,071,567
Reverse repurchase agreements	29	793,623	55,760
Other current assets	30	893,481	867,244
Cash held on behalf of customers	31	14,571,019	16,921,210
Cash and bank balances	32	18,924,821	27,843,736
Total current assets		98,642,871	93,886,847
Current liabilities			
Accounts payable	33	14,919,595	17,207,569
Derivative financial liabilities	28	610,136	1,127,063
Repurchase agreements	34	20,925,313	14,785,763
Due to banks and other financial institutions		2,800,000	100,000
Tax payable	35	728,015	2,440,774
Other current liabilities	37	15,880,344	3,458,727
Total current liabilities		55,863,403	39,119,896
Net current assets		42,779,468	54,766,951
Total assets less current liabilities		74,338,097	75,270,509

	<i>Notes</i>	31 December 2012	2011
Non-current liabilities			
Bonds payable	38	1,500,000	1,500,000
Deferred income tax liabilities	24	245,215	—
Total non-current liabilities		1,745,215	1,500,000
Net assets		72,592,882	73,770,509
Equity			
Issued share capital	39	11,016,908	11,016,908
Reserves	40	48,295,444	46,927,256
Retained profits		13,280,530	15,826,345
Total equity		72,592,882	73,770,509

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2012

(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 North Tower, Excellence Times Plaza II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, PRC.

According to a resolution relating to the issue and listing of H Shares in Hong Kong passed in the first extraordinary general meeting of shareholders in 2011, along with the "Approval of Issue of Overseas-Listed Foreign Shares of Citic Securities" (CSRC [2011] No.1366) issued by the CSRC, the Company conducted its initial public offering of overseas-listed foreign shares ("H shares") 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
- securities investment fund distribution and introducing brokerage for futures companies
- agency sale of financial products
- securities underwriting and sponsorship
- provision of investment advisory and consultancy services
- proprietary securities investment
- asset management and fund management
- margin financing and securities lending services

On October 22 2012, with the approval of the CSRC, CITIC Limited obtained the qualification to hold shares over 5% of the Company, the CSRC had no objection on the transfer of 2,236,890,620 shares of the Company (accounting for 20.30% of the total shares) to CITIC Limited. On February 25 2013, the procedures for the transfer of shareholding were completed and the largest shareholder of the Company was changed from CITIC Group to CITIC Limited. However, as at December 31 2012, the largest shareholder remained as "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 in this report continues to refer to as "CITIC Group".

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 2012 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 as 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 2012. 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.

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.

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 the 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 as at fair value through profit or loss.

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 expenses 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 at fair value through profit or loss 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 the 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 cost. 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.

(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 as 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 the 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.

If no active market exists, valuation techniques are used to determine the fair value of a financial instrument.

If the 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 investments

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.
- (iv) For debt securities traded on the inter-bank bond market and the over-the-counter (“OTC”) market, including government bonds, corporate bonds, commercial papers, 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 invested warrants and issued warrants. For invested 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 invested 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 the value estimated through the BS valuation model and 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 the original effective interest rate.
- (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 decline in its fair value exceeding 30% of its cost or the decline has been prolonged for more than one year.

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.
- (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.

(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.

(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 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.

The estimated useful lives, the depreciation rate and the 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, the estimated residual value and the depreciation method of each type of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

(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 idle 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.

(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.

(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 at the end of the reporting period and its tax base, and the temporary difference between the carrying amount of an item not recognised as an asset or liability at the end of the reporting period and its tax base.

All taxable temporary differences are recognised as deferred income tax liabilities, except:

- (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.

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 relatively allocated cost 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
- (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.

(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 according to the requirements of CSRC, sets aside 10% for a transaction risk reserve. 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 is no longer mandatory.

The transaction risk reserve sets 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.

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 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 estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, all discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes the 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 the 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》) and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) 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 is 25%.

(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 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, education surcharges and local education surcharges are paid at 7%, 3% and 2% of the actual payment of turnover taxes, respectively.

6. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	<i>First-time Adoption of International Financial Reporting Standards — Government Loans</i> ²
IFRS 7 Amendments	<i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> ²
IFRS 9	<i>Financial Instruments</i> ⁴
IFRS 10 and IAS 27 (Revised)	<i>Consolidated Financial Statements 2 and Separate Financial Statements</i> ²
IFRS 11	<i>Joint Arrangements</i> ²
IFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
IFRS 13	<i>Fair Value Measurement</i> ²
IFRS 10, IFRS 11 and IFRS 12 Amendments	<i>Transition Guidance</i> ²
IAS 1 Amendments	<i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> ¹
IAS 19 Amendments	<i>Employee Benefits</i> ²
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> ²
IAS 32 Amendments	<i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ³
IFRS10, IFRS12 and IAS27 (Revised) Amendments	<i>Investment Entities</i> ³
Annual Improvements May 2012	<i>Amendments to a number of IFRSs issued in May 2012</i> ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to affect the Group is as follows:

IFRS 1 First-time Adoption of IFRSs — Government Loans (Amendments)

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendments will have no impact on the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments)

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of 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 and IAS 27 Separate Financial Statements (as revised in 2011)

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IAS 27 (Revised) is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The standard has insignificant impact on the Group's financial position or performance.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly-Controlled Entities — Non-Monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, jointly-controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard has insignificant impact on the Group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard has insignificant impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The standard is not expected to have a material impact on the Group's financial position or performance.

IFRS 10, IFRS 11 and IFRS 12 Transition Guidance (Amendments)

These amendments provide further relief from full retrospective application of the standards. The amendments clarify that retrospective adjustments are only required if the control assessment is different between IFRS 10 and IAS 27 at the beginning of the annual reporting period in which IFRS 10 is applied for the first time. The amendments have insignificant impact on the Group's financial position or performance.

IAS 1 Presentation of Financial Statements — 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 would be presented separately from items that will never be reclassified. The amendments affect presentation only and are not expected to impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Amendments)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendments are not expected to impact on the Group's financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

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 revised standard is not expected to impact on the Group's financial statements.

IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities (Amendments)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group is currently assessing the impact of the amendments on its financial position and performance.

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Revised) Amendments

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9. Consequential amendments were made to IFRS 12 and IAS 27 (Revised) for new disclosure requirements related to investment entities. The amendments have insignificant impact on the Group's financial position or performance.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of IFRSs

This improvement clarifies that an entity that stopped applying IFRSs in the past and chooses, or is required, to apply IFRSs, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRSs.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property, Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventories.

IAS 32 Financial Instruments: Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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, and alternative investment business;
- (d) the asset management segment engages in asset management services, including the provision of management services to PE funds, pension funds, annuity plans and other asset management accounts; and
- (e) the others segment primarily engages in private equity investment, principal investment and other businesses.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of the Group's 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 the Company basis and are not allocated to operating segments.

2012	Investment banking	Brokerage	Trading	Asset management	Others	Total
Segment revenue and other income	2,754,659	4,574,422	4,238,268	327,918	1,175,974	13,071,241
— Fee and commission income	2,754,315	3,602,717	237,915	319,542	175,206	7,089,695
— Interest income	393	893,204	1,267,278	3,341	7,967	2,172,183
— Investment income	—	461	2,711,835	4,964	930,758	3,648,018
— Other income	(49)	78,040	21,240	71	62,043	161,345
Operating expenses	1,632,138	3,373,948	2,377,867	264,695	367,492	8,016,140
Including: Finance costs	—	152,877	781,931	1	12,884	947,693
Impairment losses	—	(3,854)	27,637	6,284	(28)	30,039
Operating profit	1,122,521	1,200,474	1,860,401	63,223	808,482	5,055,101
Share of profits and losses of associates and jointly-controlled entities	—	—	—	—	432,168	432,168
Profit before income tax	1,122,521	1,200,474	1,860,401	63,223	1,240,650	5,487,269
Income tax expense	—	—	—	—	—	1,180,466
Profit for the year	<u>1,122,521</u>	<u>1,200,474</u>	<u>1,860,401</u>	<u>63,223</u>	<u>1,240,650</u>	<u>4,306,803</u>
Other segment information:						
Depreciation and amortisation	22,618	202,278	12,859	5,694	181,277	424,726
Capital expenditure	<u>103,025</u>	<u>171,260</u>	<u>59,176</u>	<u>19,984</u>	<u>161,922</u>	<u>515,367</u>

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	<u>398,649</u>	<u>2,037,647</u>	<u>(1,510,613)</u>	<u>961,280</u>	<u>13,144,040</u>	<u>12,604,489</u>
Other segment information:						
Depreciation and amortisation	13,628	172,657	4,595	30,991	85,510	307,381
Capital expenditure	<u>492,453</u>	<u>233,160</u>	<u>203,675</u>	<u>296,507</u>	<u>589,865</u>	<u>1,815,660</u>

8. INTEREST INCOME

	2012	2011
Bank interest income	1,675,381	1,774,074
Interest income on margin and other financing	493,385	278,590
Others	3,417	3,769
Total	<u>2,172,183</u>	<u>2,056,433</u>

9. INVESTMENT INCOME

	2012	2011
Net gains from disposal of available-for-sale financial assets	707,201	534,058
Dividend income and interest income from available-for-sale financial assets	939,206	720,174
Net gains/(losses) from financial assets held for trading	1,672,851	(1,622,917)
Net gains from financial instruments designated as at fair value through profit or loss	147,636	55,334
Net losses from financial liabilities held for trading	(5,658)	—
Gain on disposal of subsidiaries	—	13,081,306
Others	(i) 186,782	1,624,641
Total	<u>3,648,018</u>	<u>14,392,596</u>

(i) Others mainly include the profit from dealing with stock index futures earned by the Company.

10. OPERATING EXPENSES

	2012	2011
Fee and commission expense:		
— Commission expense	788,302	1,048,699
— Others	12,503	18,784
Total	<u>800,805</u>	<u>1,067,483</u>

	2012	2011
Finance costs:		
— Accounts payable to clients	152,877	242,445
— Due to banks and other financial institutions	556,035	339,622
— Bonds issued	232,890	63,750
— Others	5,891	9,169
Total	<u>947,693</u>	<u>654,986</u>

An analysis of loans is as follows:

	2012	2011
Finance costs on loans		
— wholly repayable within five years	<u>5,147</u>	<u>8,059</u>
	2012	2011
Staff costs (including directors' and supervisors' remuneration):		
— Salaries and bonuses	3,211,313	4,402,888
— Staff benefits	368,938	406,338
— Contributions to defined contribution schemes	205,357	187,735
Total	<u>3,785,608</u>	<u>4,996,961</u>

Note: Retirement benefits are included, and the nature is shown as below:

The full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these retirement plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

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

	2012	2011
Other operating expenses:		
— Consulting fees	266,655	212,006
— Minimum lease payments under operating leases in respect of land and buildings	263,301	329,755
— Business travel expenses	138,562	226,594
— Miscellaneous office expenses	133,276	213,956
— Postal and communication expenses	128,953	151,918
— Electronic device operating costs	113,111	171,401
— Business entertainment expenses	111,136	130,257
— Long-term prepaid expenses amortization	93,727	83,288
— Securities investor protection fund	54,890	168,021
— Heating expenses	49,518	35,005
— Auditors' remuneration	8,623	5,670
— Others	409,181	1,114,763
Total	<u>1,770,933</u>	<u>2,842,634</u>

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	2012			
		Salaries and allowances (1)	Discretionary bonuses (2)	Fee (3)	Total remuneration before tax (4)=(1)+(2)+(3)
Wang Dongming	Chairman, Executive Director, Member of the Executive Committee, Acting on behalf of Compliance Director	2,414	1,065	—	3,479
Cheng Boming	Executive Director, President, Member of the Executive Committee	1,782	1,044	—	2,826
Yin Ke	Vice Chairman, Executive Director, Member of the Executive Committee	3,002	5,027	—	8,029
Ju Weimin	Non-executive Director	—	—	90	90
Fang Jun	Non-executive Director	—	—	—	—
Wu Xiaoqiu	Independent Non-executive Director	—	—	75	75
Lee Kong Wai, Conway	Independent Non-executive Director	—	—	135	135
Rao Geping	Independent Non-executive Director	—	—	135	135
Wei Benhua	Independent Non-executive Director	—	—	25	25
Zhang Jijing	Former Non-executive Director	—	—	40	40
Zhang Youjun	Former Non-executive Director	—	—	—	—
Yang Hualiang	Former Non-executive Director	—	—	—	—
Liu Lefei	Former Non-executive Director	—	—	—	—
Da Xinya	Former Non-executive Director	617	507	—	1,124
Feng Zuxin	Former Independent Non-executive Director	—	—	60	60
Li Jian	Former Independent Non-executive Director	—	—	60	60
Ni Jun	Chairman of the Supervisory Committee	1,251	1,014	—	2,265
Guo Zhao	Supervisor	—	—	90	90
He Dexu	Supervisor	—	—	90	90
Lei Yong	Supervisor, Managing Director of Brokerage Business Development and Management Committee	1,094	1,007	—	2,101
Yang Zhenyu	Supervisor, Head of General Administration Department	907	993	—	1,900
		11,067	10,657	800	22,524

2011

Name	Position	Salaries and allowances (1)	Discretionary bonuses (2)	Fee (3)	Total remuneration before tax (4)=(1)+(2)+(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
Lee Kong Wai, Conway	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
		<u>11,115</u>	<u>17,648</u>	<u>750</u>	<u>29,513</u>

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration and 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.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil (2011: one) director, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining five (2011: four) non-director and non-supervisor, highest paid employees for the year are as follows:

	2012	2011
Salaries and allowances	5,984	12,672
Discretionary bonuses	47,717	31,832
Termination compensation	—	3,141
	<u> </u>	<u> </u>
Total	<u><u>53,701</u></u>	<u><u>47,645</u></u>

The number of these individuals whose remuneration fell within the following bands is set out below:

	Number of employees	
	2012	2011
RMB9,000,001 to RMB9,500,000	1	—
RMB9,500,001 to RMB10,000,000	1	—
RMB10,000,001 to RMB10,500,000	—	1
RMB10,500,001 to RMB11,000,000	1	—
RMB11,000,001 to RMB11,500,000	1	1
RMB11,500,001 to RMB12,000,000	—	1
RMB12,000,001 to RMB12,500,000	1	—
RMB14,000,001 to RMB14,500,000	—	1
	<u> </u>	<u> </u>
Total	<u><u>5</u></u>	<u><u>4</u></u>

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

		2012	2011
Impairment loss on available-for-sale financial assets	(i)	33,922	1,517,836
Impairment loss on other receivables		(3,883)	(5,363)
Impairment loss on intangible assets		—	1,152
		<u> </u>	<u> </u>
Total		<u><u>30,039</u></u>	<u><u>1,513,625</u></u>

- (i) The Group considers that there was a significant or prolonged decline in the market value of certain listed securities investments during the year, and accordingly an impairment loss of RMB34 million (2011: RMB1,518 million) has been recognised in the income statement for the year.

14. INCOME TAX EXPENSE

(a) Income tax

	2012	2011
Current income tax expense	570,656	2,576,546
— Mainland China	568,121	2,539,235
— Hong Kong	2,535	37,311
Deferred income tax expense	609,810	(150,032)
	<u> </u>	<u> </u>
Total	<u><u>1,180,466</u></u>	<u><u>2,426,514</u></u>

(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:

	2012	2011
Profit before income tax	<u>5,487,269</u>	<u>15,031,003</u>
Tax at the PRC statutory income tax rate	1,371,817	3,757,751
Effects of different applicable rates of tax prevailing in various regions	(20,082)	(44,397)
Non-deductible expenses	42,266	49,353
Non-taxable income	(220,381)	(117,639)
Adjustments in respect of current and deferred income tax of prior years	(10,805)	(50,554)
Others	<u>17,651</u>	<u>(1,168,000)</u>
Tax expense at the Group's effective income tax rate	<u>1,180,466</u>	<u>2,426,514</u>

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of approximately RMB3,131 million (2011: RMB7,361 million), which has been dealt with in the financial statements of the Company (note 40).

16. DIVIDENDS

	2012	2011
Dividends on ordinary shares paid	<u>4,737,271</u>	<u>4,972,851</u>
Dividends on ordinary shares proposed for approval	<u>3,305,073</u>	<u>4,737,271</u>

Dividends on ordinary shares proposed for approval were RMB0.30 yuan per share for the year ended 31 December 2012 (2011: RMB0.43 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:

	2012	2011
Earnings:		
Profit attributable to ordinary equity holders of the parent	<u>4,237,418</u>	<u>12,576,483</u>
Shares:		
Weighted average number of ordinary shares in issue (thousand)	<u>11,016,908</u>	<u>10,192,688</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.38</u>	<u>1.23</u>

Earnings per share was calculated based on the calculation method prescribed in the announcement of the CSRC (2010) No. 2 — Rules on the preparation and submission of information disclosed by companies that offer securities to the public (No.9): Calculation and disclosure of return on equity and earnings per share (2010 Revision) and IAS 33 *Earnings per Share*.

Basic earnings per share was calculated by dividing profit for the 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 2012 (2011: None).

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 2012										
Cost										
At 31 December 2011 and										
1 January 2012	2,276,176	4,510	141,363	71,633	5,281	756,782	36,589	3,292,334	691,921	3,984,255
Additions	137,641	1,170	14,834	3,720	184	114,156	10,084	281,789	230,677	512,466
Decreases	89,064	178	1,181	16,687	83	31,576	—	138,769	153,923	292,692
At 31 December 2012	2,324,753	5,502	155,016	58,666	5,382	839,362	46,673	3,435,354	768,675	4,204,029
Accumulated depreciation										
At 31 December 2011 and										
1 January 2012	124,108	2,144	45,765	36,482	2,705	405,277	29,327	645,808	—	645,808
Additions	59,016	753	38,811	10,934	876	164,989	4,806	280,185	—	280,185
Decreases	1,222	172	825	8,992	76	30,495	8	41,790	—	41,790
At 31 December 2012	181,902	2,725	83,751	38,424	3,505	539,771	34,125	884,203	—	884,203
Net carrying amount										
At 31 December 2012	2,142,851	2,777	71,265	20,242	1,877	299,591	12,548	2,551,151	768,675	3,319,826
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

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

Company

	Properties and buildings	Communication equipment	Office equipment	Motor vehicles	Security equipment	Electronic devices	Others	Subtotal	Construction in progress	Total
31 December 2012										
Cost										
At 31 December 2011 and 1 January 2012	2,117,301	2,270	88,360	38,596	2,099	410,129	281	2,659,036	690,458	3,349,494
Additions	137,641	117	5,581	1,559	20	78,594	—	223,512	228,676	452,188
Decreases	89,063	79	690	935	41	24,686	—	115,494	150,880	266,374
At 31 December 2012	2,165,879	2,308	93,251	39,220	2,078	464,037	281	2,767,054	768,254	3,535,308
Accumulated depreciation										
At 31 December 2011 and 1 January 2012	51,199	1,153	14,231	19,865	1,117	160,412	271	248,248	—	248,248
Additions	55,209	260	27,623	6,421	307	105,243	—	195,063	—	195,063
Decreases	1,222	77	506	907	40	23,997	—	26,749	—	26,749
At 31 December 2012	105,186	1,336	41,348	25,379	1,384	241,658	271	416,562	—	416,562
Net carrying amount										
At 31 December 2012	2,060,693	972	51,903	13,841	694	222,379	10	2,350,492	768,254	3,118,746
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

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

19. GOODWILL

Group

	31 December 2012	2011
Carrying amount at the beginning of the year:		
Cost	500,880	825,112
Accumulated impairment	—	—
Net carrying amount	500,880	825,112
Movement during the year:		
Net carrying amount at the beginning of the year	500,880	825,112
Change in shareholders' equity in subsidiaries and effect of exchange rate changes	20	(324,232)
Impairment	—	—
Net carrying amount at the end of the year	500,900	500,880
Carrying amount at the end of the year:		
Cost	500,900	500,880
Accumulated impairment	—	—
Net carrying amount	500,900	500,880

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 2012	2011
Unlisted shares, at cost	<u>18,066,759</u>	<u>10,428,305</u>

Particulars of the Company's principal subsidiaries are as follows:

(a) *Principal subsidiaries acquired through establishment or investment*

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
GoldStone Investment Co., Ltd. (金石投資有限公司) ^(a)	Mainland China	RMB5.9 billion	Direct investment, investment advisory, management	RMB5.9 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%
Shanghai CITIC Goldstone Equity Investment Management Company Limited (上海中信金石股權投資管理有限公司)	Mainland China	RMB15 million	Equity investment, advisory service	RMB15 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	RMB831 million	Investment management, information advisory	RMB831 million	—	100%
CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司)	Mainland China	RMB100 million	Investment management, advisory service	RMB100 million	—	100%
CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership) (中信併購投資基金(深圳)合夥企業 (有限合夥))	Mainland China	RMB320 million	Investment, advisory service	RMB223.81 million	—	69.94%
Shanghai Mintai Industrial Development Company Limited (上海旻泰實業發展有限公司)	Mainland China	RMB672 million	Investment management, advisory service	RMB672 million	—	100%
Qingdao Goldstone Runhui Investment Management Company Limited (青島金石潤滙投資管理有限公司)	Mainland China	RMB5 million	Investment management, advisory service	RMB5 million	—	100%
Qingdao Goldstone Haorui Investment Management Company Limited (青島金石灝潤投資管理有限公司)	Mainland China	RMB5 million	Investment management, advisory service	RMB5 million	—	100%
Jinjin Investment (Tianjin) Co. Ltd (金津投資(天津)有限公司)	Mainland China	RMB100 million	Investment	RMB100 million	—	100%
Tianjin Jin Ju Lian Bao Investment (Limited Partnership) (天津金聚聯保投資合夥企業(有限合夥))	Mainland China	RMB210 million	Investment	RMB110 million	—	52.38%
Xinjin Investment Management (Tianjin) Company Limited (信津投資管理(天津)有限公司)	Mainland China	RMB2 million	Investment management, advisory service	RMB2 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	98.80%	—
CITIC Securities Investment Ltd (中信證券投資有限公司) ^(a)	Mainland China	RMB3 billion	Financial product investment, securities investment, investment advisory	RMB3 billion	100%	—

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
CITIC Securities International Company Limited (中信證券國際有限公司) ⁽ⁱⁱⁱ⁾	Hong Kong	Not applicable	Holding, investment	HK\$6.52 billion	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\$250 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\$50 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\$380 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%
CSI Capital Management Limited ^(iv)	BVI	Not applicable	Proprietary trading	US\$50 million	—	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\$18 million	—	72%
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%
August Sky Holdings Limited	BVI	Not applicable	Direct investment	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\$8.801 million	—	100%
CITIC Securities Carbon Trade and Investment Company Limited	Great Britain	Not applicable	Carbon trade brokerage, transactions and management operation	GBP0.25 million	—	100%
CSI Nominee Services Limited	Hong Kong	Not applicable	Not in operation	HK\$1	—	100%
CSI Capital Advisors, Limited	Hong Kong	Not applicable	Asset investment advisor (not in operation)	HK\$0.2 million	—	100%
GMMC Limited	Hong Kong	Not applicable	Not in operation	HK\$1	—	100%
CITICS Global Absolute Return Fund ^(v)	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$100 million	—	100%
CITICS Global Multi-strategy Fund ^(v)	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$50 million	—	100%

(b) Principal subsidiaries acquired from business combination

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
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) ^(vi)	Mainland China	RMB800 million	Securities business	RMB953.09 million	96%	—
CITIC (Zhejiang) Securities Co., Ltd. (中信證券(浙江)有限責任公司)	Mainland China	RMB885 million	Securities business	—	100%	—
CITICS Futures Co., Ltd. (中證期貨有限公司) ^(vii)	Mainland China	RMB1.5 billion	Futures brokerage, asset management	RMB1.5 billion	100%	—
Jinshang (Tianjin) Investment Management Co. Ltd (金尚(天津)投資管理有限公司)	Mainland China	RMB12.5 million	Investment management, advisory service	RMB18.59 million	—	100%

The Company's principal subsidiaries have been disclosed.

- (i) During the year, the Company made an additional capital injection of RMB700 million into GoldStone Investment Co., Ltd, and the total registered capital increased to RMB5,900 million.
- (ii) During the year, the Company established CITIC Securities Investment Ltd.
- (iii) During the year, the Company made an additional capital injection of US\$356.32 million into CITIC Securities International Company Limited.
- (iv) During the year, CITIC Securities International Fixed Income Limited was renamed CSI Capital Management Limited.
- (v) During the year, the Company invested in CITICS Global Absolute Return Fund and CITICS Global Multi-strategy Fund.
- (vi) During the year, the Company acquired 0.5% 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 96%.
- (vii) During the year, the Company made an additional capital injection of RMB700 million into CITICS Futures Co., Ltd., and the total registered capital increased to RMB1,500 million.

21. INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	Group 31 December 2012		Company 31 December 2012	
		2011		2011
Associates	9,027,265	8,703,425	2,877,276	2,573,413
Jointly-controlled entities	768,276	775,387	—	20
	<u>9,795,541</u>	<u>9,478,812</u>	<u>2,877,276</u>	<u>2,573,433</u>

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	Establishing fund, fund management	49%	49%
Beijing GoldStone Agricultural Investment Fund Management Center (Limited Partnership) (北京金石農業投資基金管理中心 (有限合夥))	Mainland China	RMB30 million	Fund management	33%	33%
Beijing Agricultural Investment Fund (Limited Partnership) (北京農業產業投資基金 (有限合夥))	Mainland China	RMB620 million	Investment	32.26%	32.26%
CITIC PE (Hong Kong) Limited	Hong Kong	Not applicable	Investment holding	35%	35%
World Deluxe Enterprise Limited	BVI	Not applicable	Investment holding	40%	40%

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.

The following table illustrates the summarised financial information of the Group's associates and jointly-controlled entities:

	31 December 2012	2011
Associates:		
Assets	8,746,750	8,126,966
Liabilities	1,633,835	1,524,370
Net assets	7,112,915	6,602,596
Revenue	3,654,973	4,722,192
Net profit	991,712	1,723,012
Jointly-controlled entities:		
Assets	925,469	1,537,876
Liabilities	132,150	745,874
Net assets	793,319	792,002
Revenue	50,594	123,934
Net profit/(loss)	(6,158)	43,530

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	Group 31 December 2012		2011	Company 31 December 2012		2011
At fair value:						
Equity investments	3,299,264		63,840	3,033,177		—
At cost:						
Equity investments	8,852,696		8,096,007	1,421,042		1,421,441
	12,151,960		8,159,847	4,454,219		1,421,441
Less: Allowance for impairment losses	166,331		165,931	151,729		151,729
Total	11,985,629		7,993,916	4,302,490		1,269,712
Analysed into:						
Listed	3,299,264		63,840	3,033,177		—
Unlisted	8,852,696		8,096,007	1,421,042		1,421,441
	12,151,960		8,159,847	4,454,219		1,421,441

Current

	Group 31 December 2012		2011	Company 31 December 2012		2011
At fair value:						
Debt securities	12,556,957		14,940,175	13,845,139		14,520,340
Equity investments	9,803,086		14,818,519	7,994,922		13,740,031
Others	3,632,801		657,005	60,082		60,000
	25,992,844		30,415,699	21,900,143		28,320,371
Less: Allowance for impairment losses	100,363		1,581,883	31,942		1,510,237
Total	25,892,481		28,833,816	21,868,201		26,810,134
Analysed into:						
Listed	21,472,658		28,028,745	19,254,643		26,850,527
Unlisted	4,520,186		2,386,954	2,645,500		1,469,844
	25,992,844		30,415,699	21,900,143		28,320,371

- (i) Includes RMB115 million securities lent out under securities lending arrangements as at 31 December 2012 (31 December 2011: RMB15 million).

23. REFUNDABLE DEPOSITS

	Group 31 December 2012	2011	Company 31 December 2012	2011
Margin trading	693,696	827,599	362,834	389,225
Performance bonds	40	30	1,312,744	916,622
Credit deposits	124,797	12,782	107,958	12,782
Total	<u>818,533</u>	<u>840,411</u>	<u>1,783,536</u>	<u>1,318,629</u>

24. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Group

	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 2012	—	54,781	271,876	377,659	52	632,976	7,023	1,344,367
Credited/(debited) to the income statement	—	(54,781)	—	(369,674)	262,307	(200,687)	(192)	(363,027)
Debited to other comprehensive income	—	—	(144,652)	—	—	—	—	(144,652)
At 31 December 2012	<u>—</u>	<u>—</u>	<u>127,224</u>	<u>7,985</u>	<u>262,359</u>	<u>432,289</u>	<u>6,831</u>	<u>836,688</u>

	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	<u>—</u>	<u>54,781</u>	<u>271,876</u>	<u>377,659</u>	<u>52</u>	<u>632,976</u>	<u>7,023</u>	<u>1,344,367</u>

Group

	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
Deferred income tax liabilities:					
At 1 January 2012	—	104,478	—	—	104,478
Debited to the income statement	245,271	—	694	818	246,783
Credited to other comprehensive income	—	(28,085)	—	—	(28,085)
At 31 December 2012	<u>245,271</u>	<u>76,393</u>	<u>694</u>	<u>818</u>	<u>323,176</u>

	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
Deferred income tax liabilities:					
At 1 January 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	<u>—</u>	<u>104,478</u>	<u>—</u>	<u>—</u>	<u>104,478</u>

Company

	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
Deferred income tax assets:							
At 1 January 2012	54,781	269,351	377,559	52	588,025	5,213	1,294,981
Credited/(debited) to the income statement	(54,781)	—	(369,574)	257,862	(194,726)	(3,623)	(364,842)
Debited to other comprehensive income	—	(141,191)	—	—	—	—	(141,191)
At 31 December 2012	<u>—</u>	<u>128,160</u>	<u>7,985</u>	<u>257,914</u>	<u>393,299</u>	<u>1,590</u>	<u>788,948</u>

	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
Deferred income tax assets:							
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	<u>54,781</u>	<u>269,351</u>	<u>377,559</u>	<u>52</u>	<u>588,025</u>	<u>5,213</u>	<u>1,294,981</u>

Company

	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
Deferred income tax liabilities:					
At 1 January 2012	—	—	—	—	—
Debited to the income statement	245,215	—	—	—	245,215
At 31 December 2012	<u>245,215</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>245,215</u>
	Change in fair value of financial assets held for trading	Change in fair value of available-for-sale financial assets	Change in fair value of derivatives	Others	Total
Deferred income tax liabilities:					
At 1 January 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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

25. MARGIN ACCOUNTS RECEIVABLE

Margin accounts receivable are secured by adequate collateral and are neither overdue nor impaired as at 31 December 2012 and 2011.

26. FINANCIAL ASSETS HELD FOR TRADING

		Group 31 December 2012	2011	Company 31 December 2012	2011
Debt securities		24,572,542	12,268,816	22,879,988	11,627,555
Equity investments	(i)	13,567,693	6,441,654	12,113,521	6,012,980
Others		184,796	40,000	184,796	40,000
Total		<u>38,325,031</u>	<u>18,750,470</u>	<u>35,178,305</u>	<u>17,680,535</u>
Analysed into:					
Listed		34,421,284	17,587,970	34,060,922	17,202,457
Unlisted		3,903,747	1,162,500	1,117,383	478,078
		<u>38,325,031</u>	<u>18,750,470</u>	<u>35,178,305</u>	<u>17,680,535</u>

- (i) Includes RMB136 million securities lent out under securities lending arrangements as at 31 December 2012 (31 December 2011: nil).

27. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	31 December 2012	2011
Non-current Equity investments	<u>272,835</u>	<u>—</u>
Analysed into:		
Listed	<u>272,835</u>	<u>—</u>
Unlisted	<u>—</u>	<u>—</u>
	<u>272,835</u>	<u>—</u>
Current Equity investments	<u>209,743</u>	<u>298,885</u>
Analysed into:		
Listed	<u>91,435</u>	<u>—</u>
Unlisted	<u>118,308</u>	<u>298,885</u>
	<u>209,743</u>	<u>298,885</u>

28. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	31 December 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Swaps business	289,309	524,825	965,500	987,947
Forward transactions	128,352	102,479	111,622	139,755
Others	<u>5,531</u>	<u>8,968</u>	<u>506</u>	<u>—</u>
Total	<u>423,192</u>	<u>636,272</u>	<u>1,077,628</u>	<u>1,127,702</u>

Company

	31 December 2012		31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Swaps business	260,624	522,408	962,737	987,947
Forward transactions	<u>114,367</u>	<u>87,728</u>	<u>108,830</u>	<u>139,116</u>
Total	<u>374,991</u>	<u>610,136</u>	<u>1,071,567</u>	<u>1,127,063</u>

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 2012. 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 31 December 2012		2011	Company 31 December 2012		2011
Analysed by collateral:						
Securities	<u>793,623</u>	<u>575,760</u>		<u>793,623</u>	<u>55,760</u>	
Analysed by counterparty:						
Banks	<u>103,193</u>	<u>520,000</u>		<u>103,193</u>	<u>—</u>	
Other financial institutions	<u>—</u>	<u>40,000</u>		<u>—</u>	<u>40,000</u>	
Others	<u>690,430</u>	<u>15,760</u>		<u>690,430</u>	<u>15,760</u>	
Total	<u>793,623</u>	<u>575,760</u>		<u>793,623</u>	<u>55,760</u>	

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to repledge in the absence of default by their owners. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group has an obligation to return the collateral to its counterparties at the maturity of the contracts. As at 31 December 2012, the Group had received securities as collateral with a fair value of approximately RMB100.93 million on such terms (2011: Nil). In addition, securities above have all been repledged (2011: Nil).

30. OTHER CURRENT ASSETS

	Group 31 December 2012		2011	Company 31 December 2012		2011
Interest receivable	<u>705,315</u>	<u>495,072</u>		<u>643,863</u>	<u>489,859</u>	
Deferred expenses	<u>51,589</u>	<u>36,919</u>		<u>10,707</u>	<u>7,603</u>	
Guaranteed deposits placed with clearing house	<u>20,166</u>	<u>20,166</u>		<u>—</u>	<u>—</u>	
Receivables arising from net assets increment	<u>—</u>	<u>278,756</u>		<u>—</u>	<u>278,756</u>	
Other receivables	<u>923,665</u>	<u>740,234</u>		<u>90,331</u>	<u>92,525</u>	
Investment prepaid	<u>3,670,454</u>	<u>—</u>		<u>150,000</u>	<u>—</u>	
Less: Impairment loss	<u>4,421</u>	<u>17,139</u>		<u>1,420</u>	<u>1,499</u>	
Total	<u>5,366,768</u>	<u>1,554,008</u>		<u>893,481</u>	<u>867,244</u>	

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.

32. CASH AND BANK BALANCES

	Group 31 December 2012		2011	Company 31 December 2012		2011
Cash on hand	<u>313</u>	<u>186</u>		<u>67</u>	<u>80</u>	
Deposits in banks	<u>25,835,454</u>	<u>33,444,265</u>		<u>18,924,754</u>	<u>27,843,656</u>	
Total	<u>25,835,767</u>	<u>33,444,451</u>		<u>18,924,821</u>	<u>27,843,736</u>	

As at 31 December 2012, the Group had no restricted funds (31 December 2011: Nil).

33. ACCOUNTS PAYABLE

	Group 31 December 2012		2011	Company 31 December 2012		2011
Accounts payable	34,807,288		36,477,143	14,919,595		17,207,569

Accounts payable represent the amounts 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 2012		2011	Company 31 December 2012		2011
Analysed by collateral:						
Securities	20,846,684		14,232,693	20,925,313		14,785,763
Others	1,196,930		—	—		—
Total	22,043,614		14,232,693	20,925,313		14,785,763
Analysed by counterparty:						
Banks	10,663,889		7,327,700	10,663,889		7,327,700
Other financial institutions	5,754,959		6,904,993	4,738,029		7,458,063
Others	5,624,766		—	5,523,395		—
Total	22,043,614		14,232,693	20,925,313		14,785,763

35. TAX PAYABLE

	Group 31 December 2012		2011	Company 31 December 2012		2011
Income tax	405,927		1,862,516	196,400		1,672,035
Business tax	59,874		46,132	41,315		34,404
Others	538,670		781,019	490,300		734,335
Total	1,004,471		2,689,667	728,015		2,440,774

36. LOANS

Group

	31 December 2012		2011
Analysed by nature:			
Credit Loans	406,766		—
Collateralised Loans	383,798		—
Total	790,564		—
Analysed by term:			
Maturity within one year	790,564		—

37. OTHER CURRENT LIABILITIES

	Group 31 December		Company 31 December	
	2012	2011	2012	2011
Salaries, bonuses and allowances payables	2,313,600	3,120,181	1,608,931	2,370,699
Funds payable to securities holders	191,224	187,291	177,870	173,915
Funds payable to securities issuers	175,297	106,443	175,118	106,443
Interest payable	143,094	37,188	132,708	37,188
Accrued liabilities	4,944	19,355	4,944	19,355
Commercial papers	13,000,000	—	13,000,000	—
Other payables	1,705,704	1,571,062	780,773	751,127
Total	<u>17,533,863</u>	<u>5,041,520</u>	<u>15,880,344</u>	<u>3,458,727</u>

38. BONDS PAYABLE

The bonds issued by the Group and the Company are as follows:

	31 December 2012	2011
Analysed by maturity:		
Maturity over five years	<u>1,500,000</u>	<u>1,500,000</u>
	<u>1,500,000</u>	<u>1,500,000</u>

Pursuant to the 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

39. ISSUED SHARE CAPITAL

Share capital of the Group and the Company is as follows:

	31 December 2012		31 December 2011	
	Number of shares (Thousand)	Nominal Value	Number of shares (Thousand)	Nominal Value
Registered, issued and fully paid:				
A shares of RMB1 each	9,838,580	9,838,580	9,838,580	9,838,580
H shares of RMB1 each	1,178,328	1,178,328	1,178,328	1,178,328
	<u>11,016,908</u>	<u>11,016,908</u>	<u>11,016,908</u>	<u>11,016,908</u>

As at 31 December 2012, the number of shares of the Company in issue are 11,016,908,400 shares (31 December 2011: 11,016,908,400 shares).

40. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement 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.

(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				Sub-total	Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve		
Balance as at 1 January 2012	34,369,462	4,748,611	8,576,500	(767,317)	46,927,256	15,826,345
Profit for the year	—	—	—	—	—	3,130,651
Other comprehensive income	—	—	—	428,993	428,993	—
Total comprehensive income	—	—	—	428,993	428,993	3,130,651
Dividend — 2011	—	—	—	—	—	(4,737,271)
Appropriation to surplus reserves	—	313,065	—	—	313,065	(313,065)
Appropriation to general reserve	—	—	626,130	—	626,130	(626,130)
Capital contribution by shareholders	—	—	—	—	—	—
Others	—	—	—	—	—	—
Balance as at 31 December 2012	<u>34,369,462</u>	<u>5,061,676</u>	<u>9,202,630</u>	<u>(338,324)</u>	<u>48,295,444</u>	<u>13,280,530</u>

Company

	Reserves				Sub-total	Retained profits
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve		
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	<u>34,369,462</u>	<u>4,748,611</u>	<u>8,576,500</u>	<u>(767,317)</u>	<u>46,927,256</u>	<u>15,826,345</u>

41. CASH AND CASH EQUIVALENTS

	31 December 2012	2011
Cash on hand	313	186
Deposits in banks	25,835,454	33,444,265
Total	<u>25,835,767</u>	<u>33,444,451</u>

42. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received.

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling, for which the customers provide the Group with collaterals that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2012		31 December 2011
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets
			Carrying amount of related liabilities
Repurchase agreements	8,199,630	8,309,118	2,794,239
Securities lending	250,817	—	15,477
Total	<u>8,450,447</u>	<u>8,309,118</u>	<u>2,809,716</u>
			<u>2,754,328</u>

43. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	Group 31 December 2012		2011	Company 31 December 2012		2011
Contracted, but not provided for	30,880		228,891	28,043		171,642

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 31 December 2012		2011	Company 31 December 2012		2011
Within one year	250,248		310,183	104,254		199,164
After one year but not more than two years	213,375		156,571	93,451		87,391
After two years but not more than three years	156,822		123,297	74,912		75,331
After three years	372,123		322,808	227,785		267,093
Total	992,568		912,859	500,402		628,979

(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 parties to legal and regulatory proceedings. As at 31 December 2012, 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.

44. 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

	2012	2011
Income from providing services	121,266	158,483
Interest expense	10	—
Total	<u>121,276</u>	<u>158,483</u>

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 2012, the total guarantees provided by CITIC Group amounted to RMB1.5 billion (2011: RMB1.5 billion).

(ii) Second largest shareholder of the Company — China Life Insurance Company

Transactions during the year

	2012	2011
Lease expenses paid	<u>—</u>	<u>3,590</u>

(b) *Subsidiaries*

Transactions during the year

	2012	2011
Interest expense	90,468	26,465
Interest income	72,241	3,249
Investment income	34,203	—
Lease fees received	10,978	3,173
Expense from receiving services	4,333	239,140
Income from providing services	1,769	2,412
Total	213,992	274,439

Balances at the end of the year

	31 December	
	2012	2011
Deposits for investments — Stock index futures	2,576,793	1,961,756
Available-for-sale financial assets	1,864,955	—
Refundable deposits	1,312,714	916,592
Derivative financial assets	18,109	—
Other current assets	33,008	—
Due to banks and other financial institutions	200,000	—
Repurchase agreements	180,000	—
Accounts payable	68,010	34,209
Derivative financial liabilities	327	—
Other current liabilities	1,542	—
Total	6,255,458	2,912,557

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

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

Transactions during the year

	2012	2011
Lease fees received	24,850	19,663
Lease expenses paid	32,957	40,255
Interest income	514,762	517,504
Interest expense	6,689	11,746
Income from providing services	100,615	55,081
Expense on receiving services	57,498	79,768
Investment income	16,946	18,168
Capital Expenditure	—	5,399
Project consultant expense	—	3,318
Total	754,317	750,902

Balances at the end of the year

		31 December 2012	2011
Accounts receivable		642	642
Accounts payable		3,688	3,688
Cash held on behalf of customers	(i)	5,124,615	4,482,444
Cash and bank balances	(i)	8,264,703	12,738,243
Total		13,393,648	17,255,017

(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

	2012	2011
Income from providing services	—	1,225

(e) *Associates*

Transactions during the year

	2012	2011
Income from providing services	3,412	5

Available-for-sale financial assets transactions during the year

	2012	2011
Available-for-sale financial assets transfer	50,350	155,912

(f) As at 31 December 2012, the collective asset management plan managed by the Company held by the Company and its subsidiaries amount to RMB250 million (2011: nil).

(g) *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 those disclosed in note 11, is as follows:

	2012	2011
Salary and other short term employment benefits	14,147	22,842

45. 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 values of refundable deposits, reverse repurchase agreements, cash held on behalf of customers, cash and bank balances, fee and commission receivables, margin accounts receivable, due from banks, accounts payable, repurchase agreements, loans and due to banks and other financial institutions 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).

(a) *Financial instruments recorded at fair value*

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading	23,328,086	14,924,758	72,187	38,325,031
— Debt securities	10,361,955	14,210,587	—	24,572,542
— Equity investments	12,966,131	529,375	72,187	13,567,693
— Others	—	184,796	—	184,796
Financial assets designated as at fair value through profit or loss	95,910	272,835	113,833	482,578
Derivative financial assets	1,356	421,836	—	423,192
Available-for-sale financial assets	10,536,708	14,943,747	3,811,653	29,292,108
— Debt securities	1,248,991	11,307,966	—	12,556,957
— Equity investments	9,287,717	2,980	3,811,653	13,102,350
— Others	—	3,632,801	—	3,632,801
Total	<u>33,962,060</u>	<u>30,563,176</u>	<u>3,997,673</u>	<u>68,522,909</u>
Financial liabilities:				
Financial liabilities held for trading	14,303	—	—	14,303
Financial liabilities designated as at fair value through profit or loss	4,475	—	—	4,475
Derivative financial liabilities	4,900	631,372	—	636,272
Total	<u>23,678</u>	<u>631,372</u>	<u>—</u>	<u>655,050</u>
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 as 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	<u>30,053,580</u>	<u>19,436,043</u>	<u>1,116,899</u>	<u>50,606,522</u>
Financial liabilities:				
Financial liabilities designated as at fair value through profit or loss	6,283	—	—	6,283
Derivative financial liabilities	—	1,127,702	—	1,127,702
Total	<u>6,283</u>	<u>1,127,702</u>	<u>—</u>	<u>1,133,985</u>

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

The following table shows a reconciliation of the opening and closing balances of level 3 financial assets and liabilities which are recorded at fair value:

	As at 1 January 2012	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Decreases	Transfers to level 1 from level 3	Transfers to level 2 from level 3	As at 31 December 2012
Financial assets:								
Financial assets held								
for trading	32,088	607	—	71,580	—	32,088	—	72,187
— Equity investments	32,088	607	—	71,580	—	32,088	—	72,187
Financial assets designated as at fair value through profit or loss	298,885	154,452	—	31,502	6,737	91,434	272,835	113,833
Available-for-sale financial assets	785,926	307,893	(336,109)	3,638,912	222,147	362,822	—	3,811,653
— Equity investments	785,926	307,893	(336,109)	3,638,912	222,147	362,822	—	3,811,653

	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 as 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

Gains on level 3 financial instruments included in the profit or loss for the year comprise:

	2012			2011		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains in the profit or loss for the year	<u>314,709</u>	<u>148,243</u>	<u>462,952</u>	<u>42,561</u>	<u>6,143</u>	<u>48,704</u>

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

2012

During the year ended 31 December 2012, there were no transfers of fair value measurement 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

(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.

46. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has established comprehensive risk management and internal control processes, through which the Company monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in its business activities.

The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's General Meeting of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law of the PRC, Securities Law of the PRC, and the Articles of Association. The Board has strengthened the relevant internal control arrangements and improved the Company's control environment and internal control structures. Internal control and risk management have become an essential element in 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, the related professional committees under the Executive Committee, the relevant departments responsible for internal control and business. The relatively comprehensive three-level risk management system enables a network of collective decision making between the respective committees, and close cooperation between internal control functions and business departments, and manages risks through review decision, execution and supervision.

Level 1: Board of Directors

The Risk Management Committee of the Board supervises the overall risk management of the Company with a view to controlling risks within an acceptable level and ensures 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. Under the authority of the Board and Executive Committee of the Company, the committee performs decision-making and review on major issues and related systems involving application of proprietary capital. 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 risk exposures.

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

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and 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 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 under the authority of the Board and Executive Committee on major matters such as design, sales and related systems of new products of the Company and to drive the 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. The committee has set up risk evaluation units to test the regulatory compliance of financial products sold by the Company as agent, examine potential fraud and reveal the financial risks of such products. The product sales panel under the committee is responsible for review on the marketability of such 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 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 limits.

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 optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the Management, and regularly discloses the general risk portfolio of the Company and makes recommendations on risk management; establishes a comprehensive stress test mechanism as a basis for major decision making and daily operational adjustment and fulfillment of regulatory requirements; performs pre-risk assessment and control over new products and businesses.

The Audit Department has the overall responsibility for internal audit, organising 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.

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.

(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 four 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 may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors, and accordingly resulting in losses; secondly, credit risk arising from the margin businesses including margin financing and securities lending, stock repo and equity swap business, refers to the Company's exposure to loss caused by client failure to perform the contracts; thirdly, default risks from trust product investment, which refers to the risk of asset and revenue losses by reason of non-payment of principal and interest due by the financers, which in turn results in the non-payment of trust companies in a timely basis; and fourthly, 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, or refusal to pay principal and interest due.

The Company uses its information management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Company's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Company will also measure the credit risks of its major operations through stress 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 deposit settlement arrangements.

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

For trust product investment, the Company has established the entrance levels and investment caps for its products and will manage its credit risk through daily marked-to-market monitoring, risk reminders to clients, mandatory liquidation and judicial recovery.

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.

(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	
	2012	2011
Available-for-sale financial assets	14,952,000	14,940,175
Refundable deposits	818,533	840,411
Financial assets held for trading	24,732,339	12,268,816
Derivative financial assets	423,192	1,077,628
Reverse repurchase agreements	793,623	575,760
Due from banks	—	790,000
Cash held on behalf of customers	33,851,517	35,760,238
Bank balances	25,835,454	33,444,265
Others	14,626,361	4,180,232
Total maximum credit risk exposure	<u>116,033,019</u>	<u>103,877,525</u>

Company

	31 December	
	2012	2011
Available-for-sale financial assets	13,880,971	14,520,340
Refundable deposits	1,783,536	1,318,629
Financial assets held for trading	23,039,784	11,627,555
Derivative financial assets	374,991	1,071,567
Reverse repurchase agreements	793,623	55,760
Cash held on behalf of customers	14,571,019	16,921,210
Bank balances	18,924,754	27,843,656
Others	6,911,930	3,487,027
Total maximum credit risk exposure	<u>80,280,608</u>	<u>76,845,744</u>

(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:

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2012			
Available-for-sale financial assets	14,841,700	110,300	14,952,000
Refundable deposits	815,095	3,438	818,533
Financial assets held for trading	23,039,784	1,692,555	24,732,339
Derivative financial assets	340,646	82,546	423,192
Reverse repurchase agreements	793,623	—	793,623
Cash held on behalf of customers	32,432,456	1,419,061	33,851,517
Bank balances	19,660,212	6,175,242	25,835,454
Others	11,171,466	3,454,895	14,626,361
Total maximum credit risk exposure	<u>103,094,982</u>	<u>12,938,037</u>	<u>116,033,019</u>

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2011			
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	<u>89,243,186</u>	<u>14,634,339</u>	<u>103,877,525</u>

(b) **Liquidity risk**

Liquidity risk is the risk to the Company arising from shortage of funds when 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. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and inter-bank market, the Company has a relative high credit rating, and has secured stable channels for short-term financing, such as fund lending or borrowing and repurchases, which enable the Company to maintain its overall liquidity at a relatively secured level.

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

Group

	31 December 2012						
	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	34,807,288	—	—	—	—	—	34,807,288
Financial liabilities held for trading	—	—	—	—	—	14,303	14,303
Financial liabilities designated as at fair value through profit or loss	—	—	—	—	—	4,475	4,475
Repurchase agreements	—	20,393,342	1,760,329	—	—	—	22,153,671
Due to banks and other financial institutions	—	2,904,765	—	—	—	—	2,904,765
Loans	—	490,597	323,000	—	—	—	813,597
Bonds payable	—	—	63,750	255,000	1,755,000	—	2,073,750
Others	366,521	13,134,331	—	—	—	—	13,500,852
Total	<u>35,173,809</u>	<u>36,923,035</u>	<u>2,147,079</u>	<u>255,000</u>	<u>1,755,000</u>	<u>18,778</u>	<u>76,272,701</u>
Cash flows from derivative financial liabilities settled on a net basis	<u>—</u>	<u>23,722</u>	<u>222,041</u>	<u>325,999</u>	<u>—</u>	<u>—</u>	<u>571,762</u>
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(18,524,538)	—	—	—	—	(18,524,538)
Contractual amounts payable	—	18,612,266	—	—	—	—	18,612,266
	<u>—</u>	<u>87,728</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>87,728</u>

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 as at fair value through profit or loss	—	—	—	—	—	6,283	6,283
Repurchase agreements	—	14,244,935	—	—	—	—	14,244,935
Due to banks and other financial institutions	—	100,109	—	—	—	—	100,109
Bonds payable	—	—	63,750	255,000	1,818,750	—	2,137,500
Others	293,734	—	—	—	10,691	—	304,425
Total	<u>36,770,877</u>	<u>14,345,044</u>	<u>63,750</u>	<u>255,000</u>	<u>1,829,441</u>	<u>6,283</u>	<u>53,270,395</u>
Cash flows from derivative financial liabilities settled on a net basis	<u>—</u>	<u>24,786</u>	<u>74,572</u>	<u>933,965</u>	<u>—</u>	<u>—</u>	<u>1,033,323</u>
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
	<u>—</u>	<u>139,222</u>	<u>264</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>139,486</u>

Company

31 December 2012

	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	14,919,595	—	—	—	—	—	14,919,595
Repurchase agreements	—	20,472,024	500,659	—	—	—	20,972,683
Due to banks and other financial institutions	—	2,803,590	—	—	—	—	2,803,590
Bonds payable	—	—	63,750	255,000	1,755,000	—	2,073,750
Others	352,988	13,134,331	—	—	—	—	13,487,319
Total	<u>15,272,583</u>	<u>36,409,945</u>	<u>564,409</u>	<u>255,000</u>	<u>1,755,000</u>	<u>—</u>	<u>54,256,937</u>
Cash flows from derivative financial liabilities settled on a net basis	<u>—</u>	<u>6,071</u>	<u>217,743</u>	<u>321,617</u>	<u>—</u>	<u>436</u>	<u>545,867</u>
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(18,524,538)	—	—	—	—	(18,524,538)
Contractual amounts payable	—	18,612,266	—	—	—	—	18,612,266
	<u>—</u>	<u>87,728</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>87,728</u>

Company

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	17,207,569	—	—	—	—	—	17,207,569
Repurchase agreements	—	14,798,005	—	—	—	—	14,798,005
Due to banks and other financial institutions	—	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

(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 are derived from the Company's 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 proprietary investment.

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

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 departments, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within acceptable level.

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

The Risk Management Department estimates possible losses arising from market risks through series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk 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 adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion the Company.

The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company upon occurrence of a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management. Through stress tests, the Company could focus on the possible losses to the Company, analyse its risk return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits.

The Company sets limits for its respective business departments to control fluctuations in profit or loss and market exposures. The risk limits are monitored by the Risk Management Department on a daily basis. When risk level is approaching or exceeds the threshold values, the Risk Management Department will warn 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.

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

(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, stock prices or currency rates 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 2012	2012		
		Average	Highest	Lowest
Price-sensitive financial instruments	287,227	238,556	536,178	125,045
Interest rate-sensitive financial instruments	8,308	26,471	63,021	7,737
Exchange rate-sensitive financial instruments	6,544	5,015	12,932	543
Total portfolio VaR	288,734	239,927	551,729	127,421

	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

(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 arising from adverse movements in interest rates. The Company's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Company which are sensitive to the interest rate risk, resulting from market interest rate's negative fluctuation.

The Company uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Company's total income and shareholders' equity when interest rates fluctuate reasonably and possibly. Assuming a parallel shift in the market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on revenue and shareholders' equity based on an interest rate sensitivity analysis of the Company is as follows:

Company

Change in basis points	Sensitivity of revenue	
	2012	2011
+25 basis points	(109,375)	(148,866)
-25 basis points	111,724	150,360

Change in basis points	Sensitivity of equity	
	31 December 2012	31 December 2011
+25 basis points	(41,152)	(78,106)
-25 basis points	41,614	79,033

(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 for approximately 13% 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 assets 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, etc.

(iv) *Price risk*

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

As at 31 December 2012, the Group's equity investment in financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for approximately 8% of the total assets; and the equity investment measured at fair value in available-for-sale financial assets accounted for approximately 8% of the total assets. During the year ended 31 December 2012, the fair value gain on financial instruments held for trading and financial instruments designated as at fair value through profit or loss amounted to approximately RMB1,425 million. The cumulative loss recognised in other comprehensive income in respect of available-for-sale financial assets amounted to approximately RMB133 million. The Group has recognised cumulative impairment allowances of available-for-sale financial assets amounting to RMB100 million.

47. EVENTS AFTER THE REPORTING PERIOD

1. *General authorisation for the proposed issuances of Onshore and Offshore Corporate Debt Financing Instruments*

On 21 January 2013, the Ninth Meeting of the Fifth Session of the Board of Directors of the Company proposed to convene the first extraordinary general meeting of the Company of 2013 to consider and approve the general authorisation for the issuances of Onshore and Offshore Corporate Debt Financing Instruments. According to the proposal above, the sizes of the issuances of the Onshore and Offshore Corporate Debt Financing Instruments will be no more than RMB40 billion in aggregate (including RMB40 billion, calculated based on the aggregate balance outstanding on the instruments issued and, in the case of an instrument denominated in a foreign currency, based on the median price for the exchange rate announced by the People's Bank of China on the date of each issuance), and shall be in compliance with the requirements prescribed in the relevant laws and regulations on the maximum amount of the debt financing instruments to be issued. The Board of Directors proposed to the general meeting of the Company for authorising the Board and agreeing the Board in turn to authorise its working committee comprising the chairman, the general manager and the head of financial department of the Company to determine at its sole discretion, the details of the issuances of Onshore and Offshore Corporate Debt Financing Instruments.

On 13 March 2013, the first extraordinary general meeting of the Company of 2013 considered and approved the proposed issuances of Onshore and Offshore Corporate Debt Financing Instruments, as well as the related issues.

2. *Partial acquisition of the remaining equity interest in CITIC Wantong Securities Co., Ltd.*

The Company acquired 3% equity interest of CITIC Wantong Securities Co., Ltd. from Shandong Hi-speed Company Limited with a consideration of RMB143.23 million in February 2013. As at the disclosure date of reporting period, the Company's shareholding percentage in CITIC Wantong has increased from 96% to 99%. Acquisition of the remaining 1% equity interest in CITIC Wantong is still in progress.

3. *Issue of commercial papers*

From January to March 2013, in accordance with the Notice of People's Bank of China on the Issuance of Commercial Papers by CITIC Securities Company Limited (Yin Fa [2012] No.197), the resolution passed by the 2011 General Meeting of Shareholders, and the resolution passed by the 1st Meeting of the 5th Session of the Board and related authorization, the Company completed the issuance of the first tranche, the second tranche and the third tranche of commercial papers in 2013, with a size of RMB5 billion, a term of 91 days for each, and with coupon rates of 4.09%, 3.65% and 3.80% respectively. For details, please refer to the announcement disclosed by the Company on 16 January, 21 February, and 13 March 2013.

4. *Establishment of wholly-owned subsidiaries with property, plant and equipment*

On 27 March 2013, the resolution of the 11th Meeting of the 5th Session of the Board approved the Company to establish a wholly-owned subsidiary with capital contribution not more than RMB100,000 and to make a capital injection in form of the property of Floor 2-22 of Beijing CITIC Securities Tower located at No.4 Building, No.48 Liangmaqiao Road, Chaoyang District, Beijing together with corresponding land use right ("Beijing CITICS Tower"). The price of Beijing CITICS Tower is determined based on the assessment made on 31 December 2012 as the base date (expected valuation not less than RMB3.5 billion). Also, the resolution approved the Company to establish a wholly-owned subsidiary with capital contribution not more than RMB100,000 and make a capital injection using the property of Floor 4-22 of Shenzhen CITIC Securities Tower located at No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province together with corresponding land use right ("Shenzhen CITICS Tower"). The price of Shenzhen CITICS Tower is determined based on the assessment made on 31 December 2012 as the base date (expected valuation not less than RMB1.5 billion). The names of the above two wholly-owned subsidiaries are subject to the names finally registered with the Administration for Industry and Commerce, and the business scope is possession and operation of the respective CITICS Towers (subject to the final approval by the Administration for Industry and Commerce). Meanwhile management of the Company is authorised to determine and execute all necessary steps related to the above-mentioned investments and contribution at its sole discretion within the specified scope of the resolution.

5. *Proposed profit distribution after the reporting period*

In the Board of Directors' meeting of the Company held on 27 March 2013, 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 RMB313,065 thousand; (ii) 10% of its audited after-tax profit for the year to the general risk reserve with an amount of RMB313,065 thousand; (iii) 10% of its audited after-tax profit for the year to the transaction risk reserve with an amount of RMB313,065 thousand; and (iv) cash dividends for the year of RMB3.00 yuan for every 10 shares (pre-tax), amounting to approximately RMB3,305,073 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.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2013.

11. Documents Available for Inspection

Financial statements with the signatures and seals of the Company's responsible person, financial officer and financial department manager.

The original copy of the audit report with signatures and seals of the accounting firm and CPAs.

The original copies of the documents and announcements of the Company published during the reporting period in the media designated by the CSRC for information disclosures.

Annual reports posted on other stock exchanges.

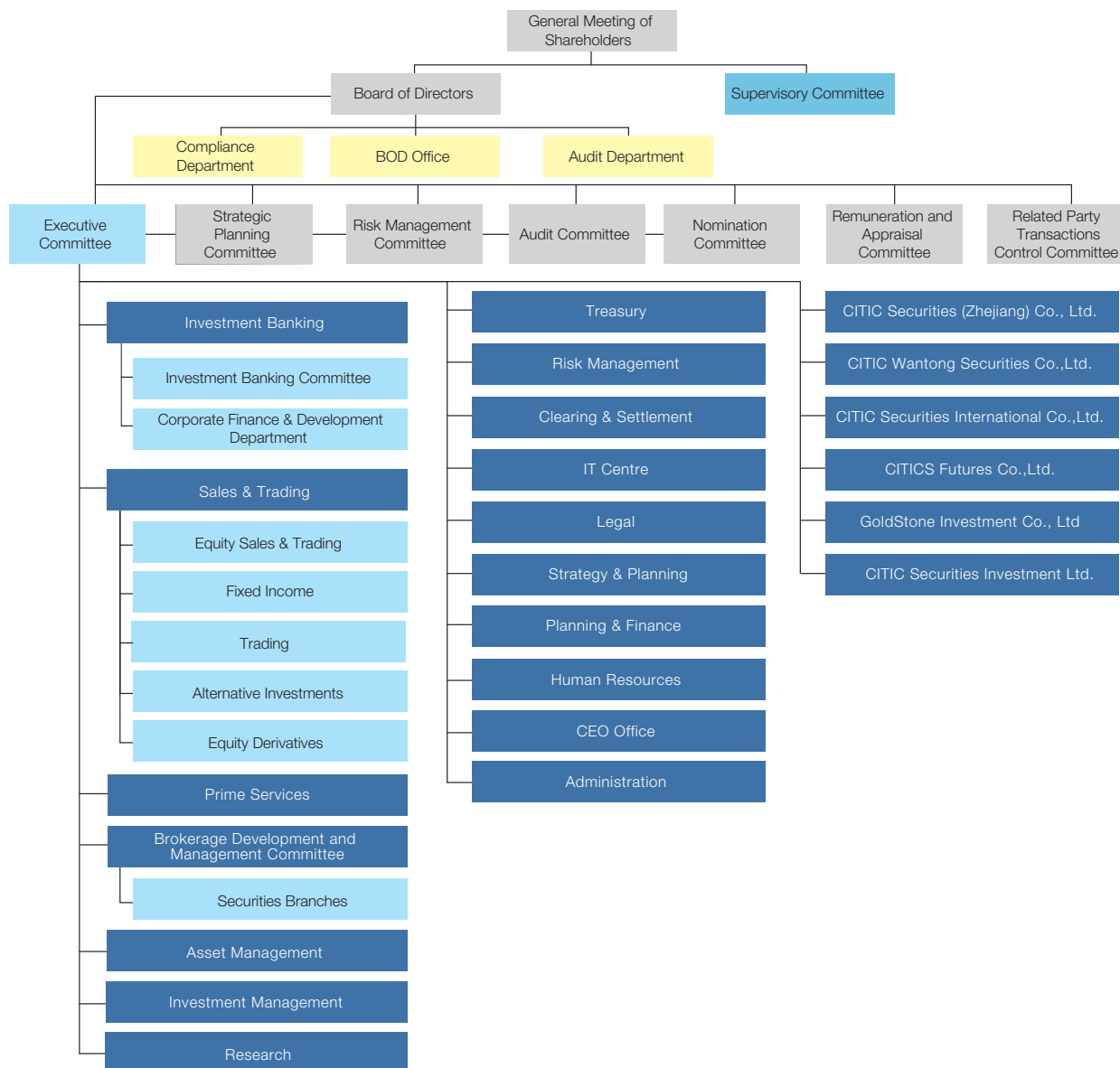
The Articles of Associations.

By order of the Board
CITIC Securities Company Limited
WANG Dongming
Chairman

Beijing, the PRC
27 March 2013

As at the date of this announcement, the executive Directors are Mr. WANG Dongming, Mr. CHENG Boming and Mr. YIN Ke; the non-executive Directors are Mr. JU Weimin and Mr. FANG Jun; and the independent non-executive Directors are Mr. WU Xiaoqiu, Mr. LEE Kongwai, Conway, Mr. RAO Geping and Mr. WEI Benhua.

Appendix 1: Organization Chart



Note 1: The Investment Banking Committee comprised various business teams and business lines, the International Business Team, the Market Development Team, the Industry and Strategy Research Team, the Human Resources Pool, the Merger & Acquisition Division, the Equity Capital Market Department, the Debt Capital Market Department, the Hong Kong Investment Banking Division and the Operation Department. The Brokerage Development and Management Committee comprised the Marketing Management Department, the Financial Products Development Department, the Customer Service Department, the Operation Department, the Corporate Finance Service Department as well as Beijing Branch, Shanghai Branch, Guangdong Branch, Hubei Branch and Jiangsu Branch.

Note 2: During the reporting period, with the approval of the Board, the Company established the Alternative Investments Department, and the Risk Control Department was renamed as the Risk Management Department.

Note 3: On 28 February 2013, the Board reviewed and approved the establishment of the Equity Derivatives Department and the rename of the Trading & Derivatives Department as the Trading Department.

Appendix 2: Index of information disclosure

Information disclosures made by the Company on China Securities Journal, Shanghai Securities Journal and Securities Times and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) during the reporting period are set out as follows:

No.	Date of publication	Subject Matter
1	2012-1-5	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2011
2	2012-1-12	Announcement on the Financial Data for December 2011
3	2012-1-14	Preliminary Financial Data for the Year 2011
4	2012-1-18	Detailed Report of Equity Movements
5	2012-2-2	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2012
6	2012-2-7	Announcement on the Financial Data for January 2012
7	2012-3-2	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2012
8	2012-3-6	Announcement on the Approval of Changes to Important Clauses in the Articles of Association
9	2012-3-7	Announcement on the Financial Data for February 2012
10	2012-3-16	Announcement of Resolutions Passed at the 37th Meeting of the 4th Session of the Board
11	2012-3-20	H Share Announcement — Notification of Board Meeting
12	2012-3-24	H Share Announcement — List of Directors and their Role and Function
13	2012-3-30	2011 Annual Report and its Summary, Announcement of Resolutions Passed at the 38th Meeting of the 4th Session of the Board, Announcement of Resolutions Passed at the 14th Meeting of the 4th Session of the Supervisory Committee, Projected Continuing Connected Transactions in 2012, 2011 Duty Performance Report of the Independent Directors, Report of Performance of Duties by Independent Directors for 2011, The 2011 Annual Internal Control Self-evaluation Report, the Audit Report on the Internal Control for 2011, 2011 Annual Report On Social Responsibilities, the Special Statement Regarding the Occupation of Funds by Its Largest Shareholder and Other Related Parties
14	2012-4-6	Announcement on the Establishment of “CITIC Securities Investment Limited” (the Company’s Wholly Owned Subsidiary), H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2012
15	2012-4-7	Announcement on the Financial Data for March 2013
16	2012-4-18	H Share Announcement — Notification of Board Meeting
17	2012-4-25	Announcement — Wholly-owned Subsidiary GoldStone Investment Co., Ltd. Obtained Approval to Set Up CITIC GoldStone Investment Fund
18	2012-4-28	2012 First Quarterly Report, Notice of 2011 AGM, Meeting Documents of the 2011 AGM
19	2012-5-3	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2012
20	2012-5-8	Announcement on the Financial Data for April 2012
21	2012-5-9	Announcement — Approval of Qualifications for Margin Trading Business of CITIC Securities (Zhejiang) and CITIC Wantong Securities
22	2012-5-30	Announcement of Resolutions Passed at the 40th Meeting of the 4th Session of the Board, Supplemental Notice of 2011 Annual General Meeting, Meeting Documents of the 2011 AGM
23	2012-6-2	Second Notice of 2011 Annual General Meeting, H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2012
24	2012-6-7	Announcement — Changes to the Articles of Association and Replacement of New Business License, Announcement on the Financial Data for May 2012, Articles of Association (revised in 2012)
25	2012-6-20	Announcement — GoldStone Investment Co., Ltd. Obtained Approval to Set Up CITIC Buyout Fund
26	2012-6-21	Announcement of Resolutions Passed at the 2011 AGM, Announcement of Resolutions Passed at the 1st Meeting of the 5th Session of the Board, Announcement of Resolutions Passed at the 1st Meeting of the 5th Session of the Supervisory Committee, Legal Opinion in relation to the 2011 Annual General Meeting
27	2012-7-4	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2012
28	2012-7-10	Announcement on the Financial Data for June 2012
29	2012-7-20	Preliminary Financial Data for the First Half Year of 2012
30	2012-7-21	Announcement of Resolutions Passed at the 2nd Meeting of the 5th Session of the Board, Announcement — Acquisition of a 19.9% Equity Interest in CLSA by our Wholly-owned Subsidiary CSI and the Grant of Put Option in relation to the Acquisition of the Remaining 80.1% Equity Interest in CLSA

No.	Date of publication	Subject Matter
31	2012-7-27	Announcement — Distribution of the 2011 Final Dividend for A Shares
32	2012-8-3	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2012
33	2012-8-4	Announcement — Development of the Acquisition of Equity Interest in CLSA
34	2012-8-7	Announcement on the Financial Data for July 2012
35	2012-8-11	Announcement — The Obtaining of a Notification of Registration from the People's Bank of China in respect of the Issue of Short-term Commercial Paper
36	2012-8-15	Clarification Announcement
37	2012-8-21	H Share Announcement — Notification of Board Meeting
38	2012-8-24	Results of Issuance of Tranche 1 of Short-term Commercial Paper in 2012
39	2012-8-31	2012 Interim Report and its Summary, Announcement of Resolutions Passed at the 3rd Meeting of the 5th Session of the Board, Explanatory Report on the Company's Shareholders' Return Plan of 2012–2014
40	2012-9-4	Announcement of Resolutions Passed at the 4th Meeting of the 5th Session of the Board, H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2012
41	2012-9-7	Announcement on the Financial Data for August 2012
42	2012-9-11	Notice of the 2012 First Extraordinary General Meeting, Meeting Documents of the 2012 First EGM
43	2012-9-20	Results of Issuance of Tranche 2 of Short-term Commercial Paper in 2012
44	2012-10-9	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2012
45	2012-10-10	Second Notice of 2012 First Extraordinary General Meeting
46	2012-10-13	Announcement on the Financial Data for September 2012
47	2012-10-18	Results of Issuance of Tranche 3 of Short-term Commercial Paper in 2012
48	2012-10-19	H Share Announcement — Notification of Board Meeting
49	2012-10-26	Announcement — Development of the Acquisition of Equity Interest in CLSA
50	2012-10-27	Announcement Regarding the Approval for a Change of Shareholder Holding more than 5% Equity Interest
51	2012-10-30	Announcement — Poll Results of the 2012 First Extraordinary General Meeting, Legal Opinion in relation to the 2012 First Extraordinary General Meeting
52	2012-10-31	2012 Third Quarterly Report
53	2012-11-2	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2012
54	2012-11-6	Announcement of Resolutions Passed at the 6th Meeting of the 5th Session of the Board, Announcement — Provision of Guarantee in favour of a Wholly-owned Subsidiary CSI
55	2012-11-7	Announcement — Outstanding and Publicly Announced Commitment of Shareholders, Related Parties and the Company, Announcement on the Financial Data for October 2012
56	2012-11-22	Results of Issuance of Tranche 4 of Short-term Commercial Paper in 2012
57	2012-12-1	Approval on Obtaining the Qualification for Distribution of Financial Products
58	2012-12-4	H Share Announcement — Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2012
59	2012-12-6	Announcement — Changes to the Articles of Association and Replacement of New Business License, Articles of Association (revised in 2012)
60	2012-12-7	Announcement on the Financial Data for November 2012
61	2012-12-14	Results of Issuance of Tranche 5 of Short-term Commercial Paper in 2012
62	2012-12-18	Announcement on the Approval of Amendments to the Articles of Association
63	2012-12-20	Announcement of Resolutions Passed at the 8th Meeting of the 5th Session of the Board
64	2012-12-28	Announcement on the Amendments to the Articles of Association, Articles of Association (revised in 2012)

Note: The dates set out in the above table under the column entitled "Date of publication" are dates on which the relevant announcements were published in China Securities Journal, Shanghai Securities Journal and Securities Times and the website of Shanghai Stock Exchange. Each of these announcements were published at the Hong Kong Stock Exchange in the morning on its respective "date of publication" or in the evening on the immediately preceding date.

Information disclosures made by the Company on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) during the reporting period are set out as follows:

No.	Date of publication	Subject Matter
1	2012-1-4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2011
2	2012-1-11	Announcement on the Financial Data for December 2011
3	2012-1-13	Preliminary Financial Data for the Year 2011
4	2012-1-17	Overseas Regulatory Announcement — Detailed Report of Equity Movements
5	2012-2-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2012
6	2012-2-6	Announcement on the Financial Data for January 2012
7	2012-3-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2012
8	2012-3-5	Announcement on the Approval of Changes to Important Clauses in the Articles of Association
9	2012-3-6	Announcement on the Financial Data for February 2012
10	2012-3-15	Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 37th Meeting of the 4th Session of the Board
11	2012-3-19	Notification of Board Meeting
12	2012-3-23	List of Directors and their Role and Function
13	2012-3-29	2011 Annual Results Announcement
14	2012-3-30	Proposed Appointments of Members of the Fifth Session of the Board, Proposed Appointments of Members of the Fifth Session of the Supervisory Committee and Proposed Amendments to the Articles of Association; Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 38th Meeting of the 4th Session of the Board, Announcement of Resolutions Passed at the 14th Meeting of the 4th Session of the Supervisory Committee, Projected Continuing Connected Transactions in 2012, 2011 Duty Performance Report of the Independent Directors, Report of Performance of Duties by Independent Directors for 2011, The 2011 Annual Internal Control Self-evaluation Report, the Audit Report on the Internal Control for 2011, 2011 Annual Report On Social Responsibilities, the Special Statement Regarding the Occupation of Funds by Its Largest Shareholder and Other Related Parties
15	2012-4-5	Announcement on the Establishment of “CITIC Securities Investment Limited” (the Company’s Wholly Owned Subsidiary), Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2012
16	2012-4-9	Announcement on the Financial Data for March 2012
17	2012-4-17	Notification of Board Meeting
18	2012-4-24	Announcement — Wholly-owned Subsidiary GoldStone Investment Co., Ltd. Obtained Approval to Set Up CITIC GoldStone Investment Fund
19	2012-4-27	2011 Annual Report, 2012 First Quarterly Report, Notice of 2011 AGM
20	2012-5-2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2012
21	2012-5-7	Announcement on the Financial Data for April 2012
22	2012-5-8	Announcement — Approval of Qualifications for Margin Trading Business of CITIC Securities (Zhejiang) and CITIC Wantong Securities
23	2012-5-29	Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 40th Meeting of the 4th Session of the Board, Supplemental Notice of 2011 Annual General Meeting
24	2012-6-1	Second Notice of 2011 Annual General Meeting, Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2012
25	2012-6-6	Announcement — Changes to the Articles of Association and Replacement of New Business License, Announcement on the Financial Data for May 2012, Articles of Association of the Company
26	2012-6-19	Announcement — GoldStone Investment Co., Ltd. Obtained Approval to Set Up CITIC Buyout Fund
27	2012-6-20	Announcement — Poll Results of the 2011 AGM; Distribution of the 2011 Final Dividend; Appointments of Chairman, Vice-Chairman and Members of Special Committees of the Board, Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 1st Meeting of the 5th Session of the Board, Announcement of Resolutions Passed at the 1st Meeting of the 5th Session of the Supervisory Committee, List of Directors and their Role and Function
28	2012-7-3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2012
29	2012-7-9	Announcement on the Financial Data for June 2012
30	2012-7-19	Preliminary Financial Data for the First Half Year of 2012
31	2012-7-20	Announcement — Discloseable Transaction — Acquisition of a 19.9% Equity Interest In CLSA by a Wholly-Owned Subsidiary Of CITIC Securities Company Limited and a Put Option in relation to the Acquisition of the Remaining 80.1% Equity Interest In CLSA, Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 2nd Meeting of the 5th Session of the Board
32	2012-7-26	Announcement — Distribution of the 2011 Final Dividend, Overseas Regulatory Announcement — Announcement — Distribution of the 2011 Final Dividend for A Shares
33	2012-8-2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2012

No.	Date of publication	Subject Matter
34	2012-8-3	Amendments to the Terms of the Put Option in relation to the Acquisition of the Remaining 80.1% Equity Interest in CLSA and Additional Information on CLSA
35	2012-8-6	Announcement on the Financial Data for July 2012
36	2012-8-10	Overseas Regulatory Announcement — Announcement — The Obtaining of a Notification of Registration from the People's Bank of China in respect of the Issue of Short-term Commercial Paper
37	2012-8-14	Clarification Announcement
38	2012-8-20	Notification of Board Meeting
39	2012-8-23	Overseas Regulatory Announcement — Results of Issuance of Tranche 1 of Short-term Commercial Paper in 2012
40	2012-8-30	2012 Interim Results Announcement, Proposed Appointment of Independent Non-executive Director; and Proposed Amendments to the Articles of Association, Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 3rd Meeting of the 5th Session of the Board, Explanatory Report on the Company's Shareholders' Return Plan of 2012–2014
41	2012-9-3	Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 4th Meeting of the 5th Session of the Board, Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2012
42	2012-9-6	Announcement on the Financial Data for August 2012
43	2012-9-10	Notice of the 2012 First Extraordinary General Meeting
44	2012-9-19	2012 Interim Report, Overseas Regulatory Announcement — Results of Issuance of Tranche 2 of Short-term Commercial Paper in 2012
45	2012-10-8	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2012
46	2012-10-9	Second Notice of 2012 First Extraordinary General Meeting
47	2012-10-12	Announcement on the Financial Data for September 2012
48	2012-10-17	Overseas Regulatory Announcement — Results of Issuance of Tranche 3 of Short-term Commercial Paper in 2012
49	2012-10-18	Notification of Board Meeting
50	2012-10-25	Announcement — CSI's Receipt of the Exercise Letter for the Put Option from CASA BV
51	2012-10-26	Approval of the CSRC for the Change of the Company's Largest Shareholder
52	2012-10-29	Poll Results of the 2012 First Extraordinary General Meeting, List of Directors and their Role and Function
53	2012-10-30	2012 Third Quarterly Report
54	2012-11-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2012
55	2012-11-5	Execution of the 80.1% Share Sale and Purchase Agreement for Acquisition of the Remaining 80.1% Equity Interest in CLSA, Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 6th Meeting of the 5th Session of the Board, Announcement — Provision of Guarantee in favour of a Wholly-owned Subsidiary CITIC Securities International Company Limited, List of Directors and their Role and Function
56	2012-11-6	Announcement on the Financial Data for October 2012, Overseas Regulatory Announcement — Announcement — Outstanding and Publicly Announced Commitment of Shareholders, Related Parties and the Company
57	2012-11-21	Overseas Regulatory Announcement — Results of Issuance of Tranche 4 of Short-term Commercial Paper in 2012
58	2012-11-30	Approval on Obtaining the Qualification for Distribution of Financial Products
59	2012-12-3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2012
60	2012-12-5	Amendment to the Articles of Association and Renewal of the Business Licence, Articles of Association
61	2012-12-6	Announcement on the Financial Data for November 2012
62	2012-12-13	Overseas Regulatory Announcement — Results of Issuance of Tranche 5 of Short-term Commercial Paper in 2012
63	2012-12-17	Overseas Regulatory Announcement — Announcement on the Approval of Amendments to the Articles of Association
64	2012-12-19	Overseas Regulatory Announcement — Announcement of Resolutions Passed at the 8th Meeting of the 5th Session of the Board
65	2012-12-27	Overseas Regulatory Announcement — Announcement on the Amendments to the Articles of Association, Articles of Association

Appendix 3: Administrative consents and approvals obtained during the reporting period

No.	Date of approval	Title and number of approval
1	2012-1-11	Approval for Qualification of SU Hong as the Head of a Securities Company's Branch (Guang Dong Zheng Jian Xu Ke [2012] No. 2)
2	2012-1-19	Approval for Change in Business Premises of the Shanghai Pudong Avenue Securities Branch of CITIC Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2012] No. 16)
3	2012-2-17	Letter of Opinion on the Pre-opening Inspection and Acceptance of the Foshan Jihua Fifth Road Securities Branch of CITIC Securities Company Limited (Guang Dong Zheng Jian Han [2012] No. 99)
4	2012-2-22	Approval of Change in Business Premises of the Shanghai Huaihai Middle Road Securities Branch of CITIC Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2012] No. 56)
5	2012-2-29	Approval of Amendment of Material Clauses in the Articles of Association of CITIC Securities Company Limited (Shen Zheng Ju Fa [2012] No. 49)
6	2012-3-1	No Comment Letter on the Provision of Intermediary Business Referrals to Futures Companies by the Xiangyang Jiefang Road Branch of CITIC Securities Company Limited (E Zheng Jian Ji Gou Zi [2012] No.8)
7	2012-3-23	Reply for Amendment of Immaterial Clauses in the Articles of Association of CITIC Securities Company Limited (Shen Zheng Ju Ji Gou Zi [2012] No. 41)
8	2012-3-27	Approval for Qualification of XIAO Qin as the Head of CITIC Securities Co., Ltd.'s Branch (Hu Zheng Jian Ji Gou Zi [2012] No. 122)
9	2012-4-5	Approval for Qualification of CHEN Shan as the Head of a Securities Company's Branch (Guang Dong Zheng Jian Xu Ke [2012] No. 43)
10	2012-4-16	Reply for Investment in Other Equity Funds by GoldStone Investment Co., Ltd of CITIC Securities Co., Ltd.(Ji Gou Bu Bu Han [2012] No. 186)
11	2012-4-19	Letter of Regulatory Opinion on the Application for the Issue of Commercial Papers by CITIC Securities Company Limited (Ji Gou Bu Bu Han [2012] No. 194)
12	2012-4-23	No Comment Letter on the Establishment of CITIC GoldStone Investment Fund by GoldStone Investment Co., Ltd (Ji Gou Bu Bu Han [2012] No. 200)
13	2012-5-2	Approval for Qualification of ZHENG Yulin as the Head of a Securities Company's Branch (Hu Zheng Jian Ji Gou Zi [2012] No. 175)
14	2012-5-4	Approval of the Relocation of the Shanghai Branch of CITIC Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2012] No. 182)
15	2012-5-9	Approval of the Relocation of the Shanghai Julu Road Securities Branch of CITIC Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2012] No. 186)
16	2012-5-18	Letter of Confirmation on the Qualification of XU Xin as the Head of a Securities Company's Branch (Liao Zheng Jian Han [2012] No. 46)
17	2012-6-4	Approval for Qualification of ZHU Bingyu as the Head of CITIC Securities Co., Ltd.'s Branch (Hu Zheng Jian Ji Gou Zi [2012] No. 215)
18	2012-6-14	Approval for Qualification of XUE Qun as the Head of CITIC Securities Co., Ltd.'s Branch (Hu Zheng Jian Ji Gou Zi [2012] No. 254)
19	2012-6-15	No Comment Letter on the Establishment of CITIC Buyout Fund by CITIC Securities GoldStone Investment Co., Ltd (Ji Gou Bu Bu Han [2012] No. 329)
20	2012-6-15	Approval for Qualification of WU Xiaoqiu as the Independent Director of a Securities Company (Shen Zheng Ju Fa [2012] No. 140)
21	2012-6-20	Approval for Qualification of CHAI Yan as the Head of Securities Company's Branch (Wan Zheng Jian Xian Zi [2012] No. 146)
22	2012-6-24	Approval for the Launch of Cash Management Product Pilot by CITIC Securities Company Limited and the Establishment of CITIC Securities Cash Value-added Collective Asset Management Scheme (Zheng Jian Xu Ke [2012] No. 873)
23	2012-7-3	Approval for Qualification of LI Hui as the Head of Securities Company's Branch (E Zheng Jian Ji Gou Zi [2012] No. 50)
24	2012-7-17	Approval for Qualification of TAO Lin as the Head of Securities Company's Branch (Jing Zheng Jian Ji Gou Zi [2012] No. 66)
25	2012-10-22	Approval for a Change of Shareholder Holding more than 5% Equity Interest of CITIC Securities Company Limited (Zheng Jian Xu Ke [2012] No. 1387)
26	2012-11-2	Approval for Qualification of CHEN Xiao as the Head of Securities Company's Branch (Ji Zheng Jian Fa [2012] No. 117)
27	2012-11-27	Approval for Qualification of HAN Gang as the Head of Securities Company's Branch (Jing Zheng Jian Xu Ke [2012] No. 53)
28	2012-11-29	Approval for the Qualification for Distributing Financial Products of CITIC Securities Company Limited (Shen Zheng Ju Fa [2012] No. 260)
29	2012-12-14	Approval of Amendment of Material Clauses in the Articles of Association of CITIC Securities Company Limited (Shen Zheng Ju Fa [2012] No. 278)

Appendix 4: List of Domestic and Overseas Branches

Area	Company Names	Branch Names	Address	Telephone	Facsimile
Beijing (12 branches)	CITIC Securities	Beijing Branch	4/F, 5 Jianguomen North Avenue, Dongcheng District, Beijing	0086-10-65648601	0086-10-65648666
	CITIC Securities	Beijing Jianguomen Branch	4/F, 5 Jianguomen North Avenue, Dongcheng District, Beijing	0086-10-65648977	0086-10-65648855
	CITIC Securities	Beijing Zhangzizhong Road Outlet	7 Zhangzizhong Road, Dongcheng District, Beijing	0086-10-64031728	0086-10-84046799
	CITIC Securities	Beijing Fuwai Avenue Outlet	3/F, Baiyun Tower, 1 Baiyun Road, Xicheng District, Beijing	0086-10-63441159	0086-10-63445727
	CITIC Securities	Beijing North Third Ring Middle Road Outlet	43-3 North Third Ring Middle Road, Haidian District, Beijing	0086-10-82070509	0086-10-62063545
	CITIC Securities	Beijing Zizhuyuan Road Outlet	9/F China Arsenal Tower, 69 Zizhuyuan Road, Haidian District, Beijing	0086-10-68966702	0086-10-68966702
	CITIC Securities	Beijing Anwai Avenue Outlet	1 Andingmenwai Avenue, Chaoyang District, Beijing	0086-10-84122033	0086-10-84121391
	CITIC Securities	Beijing Hujialou Branch	Building 1, Compound 28, Xiangjunbeili, Chaoyang District, Beijing	0086-10-57602565	0086-10-57602570
	CITIC Securities	Beijing Fengguanlu Branch	Room A to F, 2/F, Building 11, 16 Fengguan Road, Fengtai District, Beijing	0086-10-52277221	0086-10-52217221
	CITIC Securities	Beijing South Third Ring East Road Outlet	2-3, commercial area, Second section, Quartet Garden, Fengtai District, Beijing	0086-10-87645752	0086-10-87645765
	CITIC Securities	Beijing Tiantongyuan Outlet	Room 102, Building A4, First section, North Tiantongyuan, Changping District, Beijing	0086-10-80141028	0086-10-80127328
	CITIC Futures	Beijing Jianguomenwaidajie Branch	Suite 801, Block A, Building 8, Jianguomenwai Avenue, Chaoyang District, Beijing	0086-10-57762881	0086-10-57762999
Tianjin (2branches)	CITIC Securities	Tianjin Dagang Outlet	1/F, Trade Tower, Oil Field Court 3, Dagang District, Tianjin City	0086-22-25920550	0086-22-25910549
	CITIC Securities	Tianjin Youyi Road Outlet	42 Youyi Road, Hexi District, Tianjin City	0086-22-28138825	0086-22-28358942
Hebei Province (2 branches)	CITIC Securities	Shijiazhuang Northern Jianshe Street Outlet	26-5 Northern Jianshe street, Qiaodong District, Shijiazhuang City, Hebei Province	0086-311-66772000	0086-311-66772070
	CITIC Securities	Tangshan Jianshe North Road Outlet	B-2, 92 Jianshe North Road, Lubei District, Tangshan City, Hebei Province	0086-315-5266356	0086-315-5266357
Shanxi Province (1 branch)	CITIC Securities	TaiYuan Yingze West Street Outlet	4/F, International Energy Center, 100 Yingze West Street, Wanbolin District, Taiyuan City, Shanxi Province	0086-351-6192108	0086-351-6191978
Liaoning Province (4 branches)	CITIC Securities	Shengyang Fuda Road Outlet	335 Fengtian Street, Shenhe District, Shenyang City, Liaoning Province	0086-24-88598898	0086-24-88598852
	CITIC Securities	Dalian Xinghaiguangchang Branch	Room 1-1-4, Building I3, No. 6 of Section B2, DaLian Xinghai Square, Shahekou District, Dalian City, Liaoning Province	0086-411-82553277	0086-411-82809103
	CITIC Futures	Shenyang Branch	Zhonghan Building, 124 Huigong Street, Shenhe District, Shenyang City, Liaoning Province	0086-24-62651187	0086-24-62651180
	CITIC Futures	Dalian Branch	Room 2508 & 2509, Futures Square, Building A, Dalian International Finance Conference Center, 129 Huizhan Road, Shahekou District, Dalian City, Liaoning Province	0086-411-84806372	0086-411-84806772

Area	Company Names	Branch Names	Address	Telephone	Facsimile
Jilin Province (1 branch)	CITIC Futures	Jilin Branch	4/F, 111-8 Middle Jiefang Road, Chuanying District, Jilin City, Jilin Province	0086-432-62882001	0086-432-62882088
Shanghai (15 branches)	CITIC Securities	Shanghai Branch	10/F, 1568 Century Avenue, Pudong New District, Shanghai	0086-21-61768699	0086-21-61768696
	CITIC Securities	Shanghai Dongfang Road Outlet	Unit 1110 & 1505, block C, 5/F, 710 Dongfang Road, Pudong New District, Shanghai	0086-21-68758300	0086-21-68758200
	CITIC Securities	Shanghai Pudong Avenue Outlet	2/F, 1085 Pudong Avenue, Pudong New District, Shanghai	0086-21-68498012	0086-21-68498059
	CITIC Securities	Shanghai Shijidadao Branch	10/F, 1568 Century Avenue, Pudong New District, Shanghai	0086-21-61768721	0086-21-61768736
	CITIC Securities	Shanghai Liyang Road Outlet	2/F, 1088 Liyang Road, Hongkou District, Shanghai	0086-21-61673530	0086-21-61673530
	CITIC Securities	Shanghai Huaihai Middle Road Outlet	98 Huaihai Middle Road, LuWan District, Shanghai	0086-21-53858202	0086-21-53858290
	CITIC Securities	Shanghai Humin Road Outlet	2 Sub-lane 111, Lane 7580, Humin Road, Shanghai	0086-21-54080136	0086-21-54807234
	CITIC Securities	Shanghai Caoxi North Road Outlet	17/F, 375 North Caoxi Road, Xuhui District, Shanghai	0086-21-33973593	0086-21-33973587
	CITIC Securities	Shanghai Hengfeng Road Outlet	Room 101, 2/F & 8/F, 1 Hengfeng Road, Zhabei District, Shanghai	0086-21-63813581	0086-21-63813608
	CITIC Securities	Shanghai Gubei Road Outlet	Room 301, 1078 Gubei Road, Changning District, Shanghai	0086-21-62092178	0086-21-62091283
	CITIC Securities	Shanghai Anting Outlet	2/F, 29 Moyu Road, Anting Town, Jiading District, Shanghai	0086-21-59579234	0086-21-59579234
	CITIC Securities	Shanghai Shihua Outlet	1-3/F, 290 Shihua Long'an Road, Jinshan District, Shanghai	0086-21-57955812	0086-21-57955812
	CITIC Securities	Shanghai Changshou Road Outlet	Lane 818, Changshou Road, Putuo District, Shanghai	0086-21-62322321	0086-21-62323663
	CITIC Futures	Shanghai Pudianlu Branch	Rooms 3102-3104, 300 Songlin Road, Pudong New District, Shanghai	0086-21-68751268	0086-21-68751278
	CITIC Futures	Shanghai Shijidadao Branch	9/F, East Hope Tower, 1777 Century Avenue, Pudong New District, Shanghai	0086-21-61017300	0086-21-61019873
Jiangsu Province (10 branches)	CITIC Securities	Jiangsu Branch	5 Gaoloumen, Xuanwu District, Nanjing City, Jiangsu Province	0086-25-83600560	0086-25-83282416
	CITIC Securities	Nanjing Gaoloumen Outlet	5 Gaoloumen, Xuanwu District, Nanjing City, Jiangsu Province	0086-25-83282420	0086-25-83601540
	CITIC Securities	Suzhou Zhongxin Road Outlet	58 Zhongxin Road, Industrial Park, Suzhou City, Jiangsu Province	0086-512-67620461	0086-512-67611812
	CITIC Securities	Wuxi Zhenghedadao Branch	187 Zhenghe Avenue, Huishan District, Wuxi City, Jiangsu Province	0086-510-83580068	0086-510-83580068
	CITIC Securities	Changzhou Huanfu Road Outlet	10 Huanfu Road, Hutang Town, Wujin District, Changzhou City, Jiangsu Province	0086-519-86565278	0086-519-86565278
	CITIC Securities	Zhenjiang Dianlilu Branch	18 Dianli Road, Runzhou District, Zhenjiang City, Jiangsu Province	0086-511-81983985	0086-511-81983986
	CITIC Securities	Xuzhou Jiefang South Rd. Outlet	2/F & 3/F, annex building, Diwang Mansion, 303 Jiefang South Road, Yunlong District, Xuzhou City, Jiangsu Province	0086-516-83720932	0086-516-83720932
	CITIC Securities	Haimen Renmin West Rd. Outlet	226 Renmin west Road, Haimen Town, Haimen City, Jiangsu Province	0086-513-82210827	0086-513-82210827
	CITIC Securities	Qidong Renmin Middle Road Outlet	683 Renmin Middle Road, Huilong Town, Qidong City, Jiangsu Province	0086-513-83350651	0086-513-83350651
	CITIC Securities	Rugao Jiankang South Road Outlet	9 jiankang South Road, Rucheng Town, Rugao City, Jiangsu Province	0086-513-87653804	0086-513-87655715

Area	Company Names	Branch Names	Address	Telephone	Facsimile
Zhejiang Province (54 branches)	CITIC Securities (Zhejiang)	Hangzhou Qingchunlu Branch	3/F and 5/F, Huadu Tower, 137 Qingchun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0086-571-87240406	0086-571-87240397
	CITIC Securities (Zhejiang)	Hangzhou Dinganlu Branch	4/F, Yintai Department Store West Lake Branch, 1 Anding Road, Shangcheng District, Hangzhou City, Zhejiang Province	0086-571-87036105	0086-571-87036105
	CITIC Securities (Zhejiang)	Hangzhou Yan'anlu Branch	515 Yan'an Road, Xiacheng District, Hangzhou City, Zhejiang Province	0086-571-85069366	0086-571-85159101
	CITIC Securities (Zhejiang)	Hangzhou Fengqilu Branch	102-1 Fengqi Road, Xiacheng District, Hangzhou City, Zhejiang Province	0086-571-85783588	0086-571-85783676
	CITIC Securities (Zhejiang)	Hangzhou Dongxin Rd. Outlet	2/F, 977 Dongxin Road, Xiacheng District, Hangzhou City, Zhejiang Province	0086-571-88130313	0086-571-88135623
	CITIC Securities (Zhejiang)	Hangzhou Zhaohuilu Branch	2/F, Taihe Guoji Mansion, 168-7 Zhaohui Road, Zhaohuilu Street, Xiacheng District, Hangzhou City, Zhejiang Province	0086-571-85771666	0086-571-85771577
	CITIC Securities (Zhejiang)	Hangzhou Wensanlu Branch	Laiyinda Tower, 535 Wensan Road, Xihu District, Hangzhou City, Zhejiang Province	0086-571-87991953	0086-571-87966303
	CITIC Securities (Zhejiang)	Hangzhou Shuguanglu Branch	Dragon Square, 150-1 Shuguang Road, Xihu District, Hangzhou City, Zhejiang Province	0086-571-87903558	0086-571-87903544
	CITIC Securities (Zhejiang)	Hangzhou Xinnanlu Branch	Building C, New Century Plaza, 133 Xinnan Road, Xiaoshan District, Hangzhou City, Zhejiang Province	0571-82620841	0086-571-82635797
	CITIC Securities (Zhejiang)	Hangzhou Shishan Rd. Outlet	177 Shishan Road, Yuhang Subdistrict, Yuhang District, Hangzhou City, Zhejiang Province	0086-571-88671260	0086-571-88628170
	CITIC Securities (Zhejiang)	Hangzhou Nandajie Branch	5/F, Building 2, Bafangjiezuo Tower, 263 South Avenue, Nanyuan Subdistrict, Yuhang District, Hangzhou City, Zhejiang Province	0086-571-86238778	0086-571-86245646
	CITIC Securities (Zhejiang)	Hangzhou Sijilu Branch	Room 401, Dikai International Center, 76-6 Siji Road, Qianjiang New City, Hangzhou City, Zhejiang Province	0086-571-86519009	0086-571-28937353
	CITIC Securities (Zhejiang)	Lin'an Qianwangjie Branch	431 Qianwang Street, Jincheng Town, Lin'an City, Zhejiang Province	0086-571-63720468	0086-571-63732536
	CITIC Securities (Zhejiang)	Tonglu Chunjianglu Branch	7/F, International Trade Building, 719 Chunjiang Road, Tongling County, Zhejiang Province	0086-571-64625071	0086-571-64620952
	CITIC Securities (Zhejiang)	Fuyang Yingbinlu Branch	12-8 Yingbin Road, Fuyang City, Zhejiang Province	0086-571-61717888	0086-571-61716033
	CITIC Securities (Zhejiang)	Ningbo Branch	7/F, block B, Hebang Building, 939 North Tiantong Road, Jinzhou District, Ningbo City, Zhejiang Province	0086-574-88127219	0086-574-83029614
	CITIC Securities (Zhejiang)	Ningbo Beilunxindalu Branch	548 Xinda Road, Beilun District, Ningbo City, Zhejiang Province	0086-574-86965931	0086-574-86850129
	CITIC Securities (Zhejiang)	Ningbo ZhongShandonglu Branch	21/F, China Eastern Tower, 796 East Zhongshan Road, Jiangdong District, Ningbo City, Zhejiang Province	0086-574-87719580	0086-574-87719929
	CITIC Securities (Zhejiang)	Ningbo Tiantongbeilu Branch	Building B, Hebang Tower, 939 North Tiantong Road, Yinzhou District, Ningbo City, Zhejiang Province	0086-574-88355536	0086-574-88355146
	CITIC Securities (Zhejiang)	Yuyao Nanleilu Branch	10-68 Nanlei Road, Yuyao City, Zhejiang Province	0086-574-62729400	0086-574-62729411
	CITIC Securities (Zhejiang)	Fenghua Qiaodongan Rd. outlet	3/F, 78 Qiaodongan Road, Yuelin Street, Zhejiang Province	0086-574-88873175	0086-574-88854056
	CITIC Securities (Zhejiang)	Wenzhou branch (Founded in January 2013)	Room 301, Sidley Building, Station Avenue, Wenzhou City, Zhejiang Province	0086-577-88107058	0086-577-88102755

Area	Company Names	Branch Names	Address	Telephone	Facsimile
	CITIC Securities (Zhejiang)	Cangnan Longgangdadao Branch	3/F, Building 20, Deya Garden, Longgang Avenue, Longgang Town, Cangnan County, Wenzhou City, Zhejiang Province	0086-577-68625111	0086-577-68625152
	CITIC Securities (Zhejiang)	Wenzhou Chezhandadao Branch	1/F and 3/F, Shengde Tower, Chezhan Avenue, Wenzhou City, Zhejiang Province	0086-577-88107027	0086-577-88107190
	CITIC Securities (Zhejiang)	Leqing Mingyanglu Branch	138 Mingyang Road, Lecheng Town, Leqing City, Zhejiang Province	0086-577-62596598	0086-577-61600030
	CITIC Securities (Zhejiang)	Shaoxing Yuewangcheng Outlet	Block A, Cultural Industry Building, 117 Pianmen Zhi Street, Yuecheng District, Shaoxing City, Zhejiang Province	0086-575-88096598	0086-575-88589005
	CITIC Securities (Zhejiang)	Shaoxing Wanshanglu Branch	1076 Wanshang Road, Keqiao District, Shaoxing County, Shaoxing City, Zhejiang Province	0086-575-84136718	0086-575-84136728
	CITIC Securities (Zhejiang)	Shengzhou Shidaishangwuguangchang Branch	2 Yijing Road, Shengzhou City, Zhejiang Province	0086-575-83000777	0086-575-83000779
	CITIC Securities (Zhejiang)	Shangyu Wangchonglu Branch	536 Wangchong Road, Shangyu City, Zhejiang Province	0086-575-82596598	0086-575-81286822
	CITIC Securities (Zhejiang)	Zhuji Yongxinglu Branch	22 Yongxin Road, Zhuji City, Zhejiang Province	0086-575-87222907	0086-575-87222203
	CITIC Securities (Zhejiang)	Taizhou Shifudadao Branch	1 to 3/F, First Time Life Square, 535 Shifu Avenue, Taizhou City, Zhejiang Province	0086-576-88896598	0086-576-88612357
	CITIC Securities (Zhejiang)	Tiantai Xianhouxiang Branch	11 Xianhou Lane, Chicheng Sub-district, Tiantai County, Taizhou City, Zhejiang Province (right in front of the Xinhua Bookstore)	0086-576-83796598	0086-576-83922987
	CITIC Securities (Zhejiang)	Wenling Donghuibeilu Branch	152 North Donghui Road, Taiping Town, Wenling City, Zhejiang Province	0086-576-86207119	0086-576-86207160
	CITIC Securities (Zhejiang)	Jiaxing Jiyanglu Branch	155 Jiyang Road, Jiaxing City, Zhejiang Province	0086-573-82069341	0086-573-82069190
	CITIC Securities (Zhejiang)	Jiashan Jinyangxilu Branch	3/F, Huizhong Tower, 51 West Jinyang Road, Jianshan County, Zhejiang Province	0086-573-84233977	0086-573-84236053
	CITIC Securities (Zhejiang)	Haiyan Hebinxilu Branch	Yinyan Tower, 126 West Hebin Road, Wuyuan Town, Haiyan City, Zhejiang Province	0086-573-86033570	0086-573-86033570
	CITIC Securities (Zhejiang)	Haining Xiaxilu Branch	287 Xiayi Road, Haining City, Zhejiang Province (the former location of the Haining Leather Council)	0086-573-87047777	0086-573-87033181
	CITIC Securities (Zhejiang)	Pinghu Renmingdonglu Branch	19 East Renmin Road, Danghu Sub-district, Pinghu City, Zhejiang Province	0086-573-85120528	0086-573-85014315
	CITIC Securities (Zhejiang)	Tongxiang North Fuxing Rd. Outlet	1/F & 3/F, Jinchang Building, 518 North Fuxing Road, Tongxiang Sub-district, Tongxiang City, Zhejiang Province	0086-573-88138111	0086-573-88138106
	CITIC Securities (Zhejiang)	Jinhua Zhongshanlu Branch	Ocean Tower, 331 Middle Zhongshan Road, Jinhua City, Zhejiang Province	0086-579-82337102	0086-579-82312327
	CITIC Securities (Zhejiang)	Pujiang Hongchangcaifuguangchang Branch	West Wing, Fortune Square, 33 East Renmin Road, Pujiang County, Zhejiang Province	0086-579-84113222	0086-579-84111672
	CITIC Securities (Zhejiang)	Yiwu Chengzhongzhonglu Branch	88 Middle Chengzhong Road, Yiwu City, Zhejiang Province	0086-579-85561808	0086-579-85561877
	CITIC Securities (Zhejiang)	Yongkang Jinchenglu Branch	3/F, Ganghai Tower, 29 Jincheng Road, Yongkang City, Zhejiang Province	0086-579-87196598	0086-579-87210782
	CITIC Securities (Zhejiang)	Dongyang Zhongshanlu Branch	82 Zhongshan Road, Wuning Town, Dongyang City, Zhejiang Province	0086-579-86650188	0086-579-86650156

Area	Company Names	Branch Names	Address	Telephone	Facsimile
	CITIC Securities (Zhejiang)	Huzhou Huanchengxilu Branch	288 West Huangcheng Road, Huzhou City, Zhejiang Province	0086-572-2212008	0086-572-2023021
	CITIC Securities (Zhejiang)	Changxing Jinlingzhonglu Branch	Hunainongken Building, 268 Jinling Middle Road, Changxing County, Huzhou City, Zhejiang Province	0086-572-6025769	0086-572-6043309
	CITIC Securities (Zhejiang)	Lishui Shouerfulu Branch	445 Shouerfu Road, Liandu District, Lishui City, Zhejiang Province	0086-578-2225602	0086-578-2225650
	CITIC Securities (Zhejiang)	Quzhou Xinqiaojie Branch	2 Xinqiao Street, Quzhou City, Zhejiang Province	0086-570-8596598	0086-570-8287822
	CITIC Futures	Hangzhou Branch	Room 1117, Guo Xin Building, 515 Yan'an Road, Hang Zhou City, ZheJiang Province	0086-571-85060800	0086-571-85069980
	CITIC Futures	Hangzhou Fengqilu Branch	Main Building, Guoxin Property Mansion, 102-108 Fengqi Road, Xiacheng District, Hangzhou City, Zhejiang Province	0086-571-85783937	0086-571-85096756
	CITIC Futures	Ningbo Yinzhou Branch	6/F, Building B, 939 North Tiantong Road, Ningbo City, Zhejiang Province	0086-574-82809855	0086-574-82809852
	CITIC Futures	Shaoxing Branch	Room 401-402, Building B, Morden Tower, No. 288, Zhongxing Road, Shaoxing City, Zhejiang Province	0086-575-85099709	0086-575-85220226
	CITIC Futures	Wenling Branch	2/F Wanchang Tower, No. 152 DonghuiBei Road, Wenling City, Zhejiang Province	0086-576-86209625	0086-576-86209617
	CITIC Futures	Yiwu Branch	6/F, 333-343 North Jiangbin Road, Yiwu City, Zhejiang Province	0086-579-81560977	0086-579-85167000
Anhui Provinces (3 branches)	CITIC Securities	Hefei Suixi Road Outlet	1/F, block A, Jinding Plaza, 287 Suixi Road, Luyang District, Hefei City, Anhui Province	0086-551-5662888	0086-551-5662898
	CITIC Securities	Wuhu Xinshidaishangyejie Branch	No 155, Building 15, New Era Commercial Street, Wuhu City, Anhui Province	0086-553-5955955	0086-553-5955959
	CITIC Futures	Ma'anshan Branch	2/F, Building 4-C, Zhongyan Garden, Yishou Road, Huashan District, Ma'anshan City, Anhui Province	0086-555-3509809	0086-555-3509806
Fujian Province (6 branches)	CITIC Securities (Zhejiang)	Fujian Branch	Suite 803, Sino Plaza, 137 Wusi Road, Gulou District, Fuzhou City, Fujian Province	0086-591-87905701	0086-591-87905702
	CITIC Securities (Zhejiang)	Fuzhou North Lianjiang Rd. Outlet	2/F, Dongfangyinzuo, Yuefengyuan, 112 North Lianjiang Road, Jin'an District, Fuzhou City, Fujian Province	0086-591-83796598	0086-591-88302078
	CITIC Securities (Zhejiang)	Xiamen Canglin Rd. Outlet	3/F, Hongsheng Building, 119 Canglin Road, Haicang District, Xiamen City, Fujian Province	0086-592-2196598	0086-592-5695273
	CITIC Securities (Zhejiang)	Quanzhou Anjilu Branch	1/F and 5/F, Traffic Administration Building, 28 Anji Road, Luojiang District, Quanzhou City, Fujian Province	0086-595-28996598	0086-595-28291838
	CITIC Securities (Zhejiang)	Anxi Minzhu Rd. Outlet	Shop B301-1, Commercial Podium, Block B & C, Golden Dragon Plaza, 536 Minzhu Road, Anxi County, Quanzhou City, Fujian Province	0086-595-23396598	0086-595-26169503
	CITIC Securities (Zhejiang)	Sanming Xinshi Road Central Outlet	2/F, Xuming Hotel, 127 Xinshi Road Central, Sanyuan district, Sanming City, Fujian Province	0086-598-5180616	0086-598-5180617

Area	Company Names	Branch Names	Address	Telephone	Facsimile
Jiangxi Province (7 branches)	CITIC Securities (Zhejiang)	Jiangxi branch (Founded in March 2013)	Room 04, 05, 06, 26/F, Liangfa Plaza, Honggu District, 129 Lvyin Road, Nanchang city, Jiangxi Province	0086-791-86396222	—
	CITIC Securities (Zhejiang)	Nanchang Shimaolu Branch	158 Shimaolu Road, Honggutan New Area, Nanchang City, Jiangxi Province	0086-791-88696598	0086-791-88532901
	CITIC Securities (Zhejiang)	Nanchang Xianshiyilu Branch	39 Xianshi No. 1 Road, Nanchang City, Jiangxi Province	0086-791-86396122	0086-791-86396149
	CITIC Securities (Zhejiang)	Ganzhou Changzhengdadao Branch	2/F, West Building, Zhongting Square, 17 Changzheng Avenue, Ganzhou City, Jiangxi Province	0086-797-8456588	0086-797-8456577
	CITIC Securities (Zhejiang)	Jingdezhen Changnan Ave. Outlet	1/F, Chengshi Mingdu, 28 Changnan Avenue, Jingdezhen City, Jiangxi Province	0086-798-2182098	0086-798-2182096
	CITIC Securities (Zhejiang)	Shangrao County Qiliu Road Branch	12 Qiliu Road, Shangrao County, Jiangxi Province	0086-793-6091168	0086-793-6091051
	CITIC Securities (Zhejiang)	Yichun Gaoshilu Branch	2/F, Yintai Tower, 91 Gaoshi Road, Yichun City, Jiangxi Province	0086-795-2178888	0086-795-2178002
Shandong Province (44 branches)	CITIC Wantong Securities	Jinan Shandalu Branch	144 Shanda Road, Licheng District, Jinan City, Shandong Province	0086-531-88199737	0086-531-88199777
	CITIC Wantong Securities	Jinan Daxuelu Branch	1/F, Changtai Building, South of Changqing Avenue, Changqing District, Jinan City, Shandong Province	0086-531-87209157	0086-531-87209169
	CITIC Wantong Securities	Qingdao Biaoshanlu Branch	36 Biaoshan Road, Shibei District, Qingdao City, Shandong Province	0086-532-83632100	0086-532-83651271
	CITIC Wantong Securities	Qingdao Shandonglu Branch	1/F, 111 Shandong Road, Shibei District, Qingdao City, Shandong Province	0086-532-80829686	0086-532-80829689
	CITIC Wantong Securities	Qingdao Dagulu Branch	15 Dagu Road, Shibei District, Qingdao City, Shandong Province	0086-532-82849908	0086-532-82849909
	CITIC Wantong Securities	Qingdao Donghaixilu Branch	28 West Donghai Road, Shinan District, Qingdao City, Shandong Province	0086-532-86682390	0086-532-85025063
	CITIC Wantong Securities	Qingdao Nanjinglu Branch	United Mansion, 9 Nanjing Road, Shinan District, Qingdao City, Shandong Province	0086-532-85753228	0086-532-85753201
	CITIC Wantong Securities	Qingdao Xianggangzhonglu Branch	Room 622, Block B, 6 Middle Xianggang Road, Shinan District, Qingdao City, Shandong Province	0086-532-82020188	0086-532-82020577
	CITIC Wantong Securities	Qingdao Jiadinglu Branch	7 Jiading Road, Sifang District, Qingdao City, Shandong Province	0086-532-83711205	0086-532-83714299
	CITIC Wantong Securities	Qingdao Chengyang Chunchenglu Branch	502, 502-1 Chuncheng Road, Chengyang District, Qingdao City, Shandong Province	0086-532-80960088	0086-532-80960085
	CITIC Wantong Securities	Qingdao Shenzhenlu Branch	19/F, Block A, Qingdao International Financial Plaza, 222 Shenzhen Road, Laoshan District, Qingdao City, Shandong Province	0086-532-88960556	0086-532-88960556
	CITIC Wantong Securities	Qingdao Jingjijishukaifaqujinggangshanlu Branch	638 Jinggangshan Road, Economic and Technological Development Zone, Qingdao City, Shandong Province	0086-532-86882166	0086-532-86887033
	CITIC Wantong Securities	Qingdao Jimo Lan'ao Branch	10/F, Dexin Building, 788 Lan'ao Road, Jimo City, Qingdao City, Shandong Province	0086-532-88516809	0086-532-88516809
	CITIC Wantong Securities	Qingdao Jiaozhou Huzhoulu Branch	252 Huzhou Road, Jiaozhou City, Qingdao City, Shandong Province	0086-532-87206881	0086-532-87206889
	CITIC Wantong Securities	Qingdao Jiaonan Shiqiaolu Branch	Zhuhai Subdistrict Office, 16 Shiqiao Road, Zhuhai Road, Jiaonan City, Qingdao City, Shandong Province	0086-532-86170981	0086-532-86170983
	CITIC Wantong Securities	Qingdao Laixi Qingdaolu Branch	118-7 Qingdao City Road, Shuiji Subdistrict Office, Laixi City, Qingdao City, Shandong Province	0086-532-83488877	0086-532-83433777

Area	Company Names	Branch Names	Address	Telephone	Facsimile
	CITIC Wantong Securities	Qingdao Pingdu Renminlu Branch	137 Renming Road, Pingdu City, Qingdao City, Shandong Province	0086-532-87360999	0086-532-88311177
	CITIC Wantong Securities	Yantai Laizhou Wenhudonglu Branch	Wenhua East Road, Laizhou City, Yantai City, Shandong Province	0086-535-2288980	0086-535-2275310
	CITIC Wantong Securities	Yantai Longkou Shiyuanlu Branch	189 Shiyuan Road, Longkou City, Yantai City, Shandong Province	0086-535-8578555	0086-535-8577993
	CITIC Wantong Securities	Yantai Nandajie Branch	118 South Avenue, Zhifu District, Yantai City, Shandong Province	0086-535-6697522	0086-535-6683819
	CITIC Wantong Securities	Weifang Anqiu Xiangyanglu Branch	285 Xiangyang Road West, Anqiu City, Weifang City, Shandong Province	0086-536-4296686	0086-536-4296698
	CITIC Wantong Securities	Weifang Changyi Beihailu Branch	169 Beihai Road, Changyi City, Weifang City, Shandong Province	0086-536-7125157	0086-536-7196119
	CITIC Wantong Securities	Weifang Sipinglu Branch	33A Siping Road, Kuiwen District, Weifang City, Shandong Province	0086-536-8210818	0086-536-8222257
	CITIC Wantong Securities	Zibo Liuquanlu Branch	4/F, Building No.2, No.3, 45A Liuquan Road, Zhangdian District, Zibo City, Shandong Province	0086-533-2185551	0086-533-2185301
	CITIC Wantong Securities	Zibo Meishijie Branch	13 Meishi Street, Zhangdian District, Zibo City, Shandong Province	0086-533-2180268	0086-533-2178600
	CITIC Wantong Securities	Jining Guanghelu Branch	(Junction of Guanghe Road and Guhuai Road) 126 Guanghe Road, Jining City, Shandong Province	0086-537-2281777	0086-537-2221555
	CITIC Wantong Securities	Jining Zoucheng Taipingdonglu Branch	51 Taiping East Road, Zoucheng City, Jining City, Shandong Province	0086-537-5307567	0086-537-5308107
	CITIC Wantong Securities	Linyi Jinqieshanlu Branch	10/F, Block A, Kaiyuanshangcheng International, 10 Jinqieshan Road, Lanshan District, Linyi City, Shandong Province	0086-539-8323379	0086-539-8321805
	CITIC Wantong Securities	Dongying Jinanlu Branch	21 Jinan Road East, Dongying City, Shandong Province	0086-546-8271667	0086-546-8276167
	CITIC Wantong Securities	Tai'an Changchenglu Branch	Tian Long International Building, 96 Changcheng Road, Daiyue District, Tai'an City, Shandong Province	0086-538-8970977	0086-538-8288801
	CITIC Wantong Securities	Weihai Qingdaobeilu Branch	5/F, CITIC Building, 2 North Qingdao Road, Huancui District, Weihai City, Shandong Province	0086-631-5190619	0086-631-5190615
	CITIC Wantong Securities	Weihai Rongcheng Chengshandadao Branch	Building 88, Chengshan Avenue (Middle Section), Rongcheng City, Weihai City, Shandong Province	0086-631-7697117	0086-631-7697118
	CITIC Wantong Securities	Dezhou Hubinzhongdadao Branch	909 Middle Hubinzhong Avenue, Decheng District, Dezhou City, Shandong Province	0086-534-2651277	0086-534-2651298
	CITIC Wantong Securities	Binzhou Huangheerlu Branch	694 Huanghe No. 2 Road, Binzhou City, Shandong Province	0086-543-3329808	0086-543-3318128
	CITIC Wantong Securities	Binzhou Huanghewulu Branch	537 Huanghe No. 5 Road, Binzhou City, Shandong Province	0086-543-3313057	0086-543-3324417
	CITIC Wantong Securities	Binzhou Zouping Branch	437 Daixi No. 3 Road, Zouping County, Binzhou City, Shandong Province	0086-543-4337868	0086-543-4337868
	CITIC Wantong Securities	Liaocheng Dongchangdonglu Branch	40-3 East Dongchang Road, Liaocheng City, Shandong Province	0086-635-8203360	0086-635-8203301
	CITIC Wantong Securities	Heze Zhonghualu Branch	5/F, Hengtai Commercial Building, 688 Zhonghua Road, Mudan District, Heze City, Shandong Province	0086-530-5025858	0086-530-5696577
	CITIC Wantong Securities	Zaozhuang Wenhua Zhonglu Branch	41 Wenhua Middle Road, Shizhong District, Zaozhuang City, Shandong Province	0086-632-8999800	0086-632-8999900
	CITIC Wantong Securities	Rizhao Beijinglu Branch	218 Beijing Road, Rizhao City, Shandong Province	0086-633-8775587	0086-633-8775567
	CITIC Wantong Securities	Laiwu Wenhua Beilu Branch	10 North Wenhua Road, Laiwu City, Shandong Province	0086-634-8196566	0086-634-8196599

Area	Company Names	Branch Names	Address	Telephone	Facsimile
Henan Province (5 branches)	CITIC Futures	Jinan Branch	5/F, Block A, CITIC Plaza, 150 Luoyuan Avenue, Lixia District, Jinan City, Shandong Province	0086-531-55705056	0086-531-55705033
	CITIC Futures	Qingdao Branch	Room 105, Building B, Qingdao World Trade Center, 6 Middle Xianggang Road, Shinan District, Qingdao City, Shandong Province	0086-532-85917806	0086-532-85917780
	CITIC Futures	Zibo Branch	5/F, No. A1, 12 West Renmin Road, Zhangdian District, Zibo City, Shandong Province	0086-533-2312219	0086-533-2306117
	CITIC Wantong Securities	Zhengzhou Shangwunehuanlu Branch	16/F, 1 Shangwu Inner Ring Road, Zhengdong New Area, Zhengzhou City, Henan Province	0086-371-55623199	0086-371-55623175
	CITIC Wantong Securities	Luoyang Jiududonglu Branch	Building 2, 313 East Jiudu Road, Laocheng District, Luoyang City, Henan Province	0086-379-63535688	0086-379-63535699
Hubei Province (4 branches)	CITIC Wantong Securities	Nanyang Renminbeilu Branch	2/F, Nanyang Sansege Trading Co., Ltd., 188 North Renmin Road, Nanyang City, Henan Province	0086-377-61561666	0086-377-63280288
	CITIC Futures	Zhengzhou Weilailu Branch	Room 810, Weilai Building, 69 Weilai Avenue, Zhengzhou City, Henan Province	0086-371-65613157	0086-371-65613076
	CITIC Futures	Zhengzhou Branch	18/F, 14 Shangwu Outer Ring Road, Zhengdong New Area, Zhengzhou City, Henan Province	0086-371-69102139	0086-371-65613348
	CITIC Securities	Hubei Branch	16/F, CITIC Building, 747 Jianshe Avenue, Jiangnan District, Wuhan City, Hubei Province	0086-27-85355366	0086-27-85355210
	CITIC Securities	Wuhan Jianshe Blvd. Outlet	CITIC Tower, 747 Jianshe Blvd, Wuhan City, Hubei Province	0086-27-85355310	0086-27-85355323
Hunan Province (1 branch)	CITIC Securities	Wuhan Xudongdajie Branch	7/F, Guodian Building, 113 Xudong Road, Hongshan District, Wuhan City, Hubei Province	0086-27-88108300	0086-27-88108300
	CITIC Securities	Xiangyang Jiefang Road Outlet	Kaifang Plaza, Special 1, Paopu Street, Jiefang Road, Fancheng District, Xiangyang City, Hubei Province	0086-710-3442123	0086-710-3447123
	CITIC Securities	Changsha Furong Road Outlet	2/F Dingwang Mansion, Section 2, 388 Furong Middle Road, Changsha City, Hunan Province	0086-731-85175358	0086-731-85361538
	CITIC Securities	Guangdong Branch	Poly Center, 5 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	0086-20-66609909	0086-20-66609961
	CITIC Securities	Guangzhou Linjiangdadao Branch	11/F, Poly Center, 5 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	0086-20-38983511	0086-20-38983502
Guangdong Province (13 branches)	CITIC Securities	Guangzhou Panyu Guanghuananlu Branch	Dong Han Yuan, 71 Guanghua South Road, Shiji Town, Panyu District, Guangzhou City, Guangdong Province	0086-20-23882021	0086-20-23882010
	CITIC Securities	Shenzhen Shennan Blvd Outlet	19F Hailun Complex, 6021 Shennan Blvd, Futian District, Shenzhen City, Guangdong Province	0086-755-83478806	0086-755-83459951
	CITIC Securities	Shenzhen Shennan Road Central CITIC Tower Outlet	9/F CITIC Tower, 1093 Shennan Road Central, Futian District, Shenzhen City, Guangdong Province	0086-755-25986277	0086-755-25986563
	CITIC Securities	Shenzhen Fuhua 1st Road Outlet	24/F, Duty-free Commercial Building, Fuhua 1st Road, Futian District, Shenzhen City, Guangdong Province	0086-755-83738300	0086-755-83733989

Area	Company Names	Branch Names	Address	Telephone	Facsimile
	CITIC Securities	Zhongshan City Zhongshan 4th Road Outlet	4/F, Block 2, Dixing Building, 82 Zhongshan 4th Road, Dong District, Zhongshan City, Guangdong Province	0086-760-88889703	0086-760-88889705
	CITIC Securities	Dongguan Hongfu Road Outlet	12/F Central Fortune Plaza, 92 Hongfu Road, Nancheng District, Dongguan City, Guangdong Province	0086-769-23010697	0086-769-22361610
	CITIC Securities	Foshan Jihua Fifth Rd. Outlet	3/F, Jihua Plaza, No.21 Jihua Fifth Road, Foshan City, Guangdong Province	0086-757-83283909	0086-757-83283930
	CITIC Securities	Huizhou Maidi East Road Outlet	1-2/F, Building A1, A2, Lvhu Xincun, 8 Maidi East Road, Huizhou City, Guangdong Province	0086-752-2889636	0086-752-2889637
	CITIC Securities	Shantou Haibinlu Branch	West of Room 304, 3/F of Haianmingzhujuntong, 28 Haibin Road, Jinping District, Shantou City, Guangdong Province	0086-754-88953899	0086-754-88951618
	CITIC Futures	Guangzhou Branch (Opened in January 2013)	3/F, 344 Changdi Avenue, Yuexiu District, Guangzhou City, Guangdong Province	0086-20-81860157	0086-20-81862376
	CITIC Futures	Shenzhen Branch	Rooms 15C-15D, Tianmian City Tower, Futian District, Shenzhen City, Guangdong Province	0086-755-83217470	0086-755-83210814
Guangxi Zhuang Autonomous Region (2 branches)	CITIC Securities	Nanning Keyuandadao Branch	52-1 Keyuan Avenue, High and New-tech Zone, Nanning City, Guangxi Zhuang Autonomous Region	0086-771-2539003	0086-771-2539039
	CITIC Futures	Yulin Branch	21/F, Building B, Dongmen Commerce Square, No. 6 Intersection of Middle Renmin Road, Yulin City, Guangxi Zhuang Autonomous Region	0086-775-2330857	0086-775-2330872
Hainan Province (1 branch)	CITIC Securities	Haikou Guoxingdadao Branch	Building B, East Section, Shengdajingdu, 61 Guoxing Avenue, Haikou City, Hainan Province	0086-898-65308692	0086-898-65308692
Sichuan Province (1 branch)	CITIC Securities	Chengdu Yulin North Street Outlet	3 Yulin North Street, Chengdu City, Sichuan Province	0086-28-85568181- 806	0086-28-85560026
Yunnan Province (1 branch)	CITIC Securities	Kunming Dianchilu Branch	1 to 2/F, Unit 1, Building 3, Nanyaxingchenyuan, Nanyafengqingdiyicheng, Dianchi Road, Xishan District, Kunming City, Yunnan Province	0086-871-8318852	0086-871-8318852
Shaanxi Province (2 branches)	CITIC Securities	Xi'an Keji Road Outlet	Room 11301, Block 1, E-yang International Building, 27 Keji Road, Xi'an City, Shanxi Province	0086-29-88222554	0086-29-88258582
	CITIC Futures	Xi'an Outlet (opened in January 2013)	Room 4D, Podium, Telecom Plaza, 56 Gaoxin Road, High and New-Tech Development Zone, Xi'an City, Shaanxi Province	0086-29-88993251	0086-29-88993256
Ningxia Hui Autonomous Region (1 branch)	CITIC Futures	Yinchuan Branch	8/F, Building B, Yinchuan World Trade Center, 106 West Wenhua Street, Xingqing District, Yinchuan City, Ningxia Autonomous Region	0086-951-5198139	0086-951-5198130

Area	Company Names	Branch Names	Address	Telephone	Facsimile
Hong Kong SAR (5 branches)	CSI	CITIC Securities Brokerage (HK) Limited Central Branch	4/F, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong	00852-22378998	00852-21406093
	CSI	CITIC Securities Futures (HK) Limited Central Branch			
	CSI	CITIC Securities Brokerage (HK) Limited Mongkok Branch	16/F Hang Seng Mongkok Building, 677 Nathan Road, Mong Kok, Kowloon	00852-22379309	00852-22168388
	CSI	CITIC Securities Futures (HK) Limited Mongkok Branch			
	CSI	CITIC Securities Brokerage (HK) Limited Kwun Tong Branch	25th Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon	00852-29957888	00852-23978857
	CSI	CITIC Securities Futures (HK) Limited Kwun Tong Branch			
	CSI	CITIC Securities Brokerage (HK) Limited North Point Branch	8/F, Olympia Plaza, 255 King's Road, North Point, Hong Kong	00852-22168383	00852-28778630
	CSI	CITIC Securities Futures (HK) Limited North Point Branch			
	CSI	CITIC Securities Brokerage (HK) Limited Yuen Long Branch	10/F, Hang Seng Yuen Long Building, 91-93 Yuen Long Castle Peak Road, New Territories	00852-35511888	00852-24753318
	CSI	CITIC Securities Futures (HK) Limited Yuen Long Branch			