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中信证券股份有限公司
CITIC Securities Company Limited

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

(Stock Code: 6030)

2017 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 2017. This announcement, containing the full text of the 2017 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 announcement of annual results. The 2017 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 HKExnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.cs.ecitic.com> on or before 30 April 2018.

IMPORTANT NOTICE

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

This results announcement was considered and approved at the 22th meeting of the Sixth Session of the Board. All Directors attended this meeting of the Board. No Director raised any objection to this announcement.

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

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

The Company's 2017 profit distribution plan as considered and approved by the Board is to distribute a cash dividend of RMB4.00 (tax inclusive) for every 10 shares. This proposal is subject to the approval of the general meeting of the Company.

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

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

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

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

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DEFINITIONS

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

“A Shareholder(s)”	holder(s) of A Shares
“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 600030)
“Board”	the board of directors of the Company
“China AMC”	China Asset Management Company Limited (華夏基金管理有限公司)
“China CITIC Bank”	China CITIC Bank Corporation Limited (中信銀行股份有限公司)
“CITIC Buyout Fund”	CITIC Buyout Fund Management Co., Ltd. (中信併購基金管理有限公司)
“CLSA”	the brand name of the offshore business of the Company
“CITIC Corporation Limited”	CITIC Corporation Limited (中國中信有限公司)
“CITIC Futures”	CITIC Futures Company Limited (中信期貨有限公司)
“CITIC Global Trade”	CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿(上海)有限公司)
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“CITIC Holdings”	CITIC Holdings Limited (中信控股有限責任公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司)
“CITIC PE Fund”	CITIC Private Equity Funds Management Company Limited (中信產業投資基金管理有限公司)
“CITIC Real Estate”	CITIC Real Estate Co., Ltd (中信房地產股份有限公司)
“CITIC Securities (Shandong)”	CITIC Securities (Shandong) Co., Ltd. (中信證券(山東)有限責任公司)
“CITIC Securities Finance 2013”	CITIC Securities Finance 2013 Co., Ltd. (中信證券財務2013有限公司)
“CITIC Securities Finance MTN”	CITIC Securities Finance MTN Co., Ltd.
“CITIC Securities Investment”	CITIC Securities Investment Limited (中信證券投資有限公司)
“CITIC Trust”	CITIC Trust Co., Ltd. (中信信託有限責任公司)
“CLSA B.V.”	Crédit Agricole Securities Asia B.V., a private limited company incorporated under the laws of the Netherlands and becoming a wholly-owned subsidiary of CSI on 31 July 2013
“Company” or “CITIC Securities”	CITIC Securities Company Limited (中信證券股份有限公司)
“Company Law”	the Company Law of the People’s Republic of China
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
“CSDCC”	China Securities Depository and Clearing Corporation Limited

“CSI”	CITIC Securities International Co., Ltd. (中信証券國際有限公司)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“GoldStone Fund”	CITIC GoldStone Fund Management Company Limited (中信金石基金管理有限公司)
“GoldStone Investment”	GoldStone Investment Co., Ltd. (金石投資有限公司)
“GoldStone Zexin”	GoldStone Zexin Investment Management Co., Ltd. (金石澤信投資管理有限公司)
“Group”	CITIC Securities Company Limited and its subsidiaries
“H Shareholder(s)”	holder(s) of H Shares
“H Share(s)”	the overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange of Hong Kong Limited (stock code: 6030)
“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
“Jiantou Zhongxin”	Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司)
“Jindingxin Microfinance”	Qingdao Jindingxin Microfinance Company Limited (青島金鼎信小額貸款股份有限公司)
“Kington Securities”	Kington Securities Limited Liability Company (金通證券有限責任公司)
“Ministry of Finance”	the Ministry of Finance of the People’s Republic of China
“NSSF”	National Council for Social Security Fund of the People’s Republic of China
“PwC”	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers
“PwC Hong Kong”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“related party transaction(s)”	for the purpose of Section 6 “Significant Events” and Section 9 “Corporate Governance Report” only, has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time, unless otherwise stated
“Reporting Period”	the twelve months ended 31 December 2017
“SAC”	Securities Association of China
“SAIC”	the State Administration for Industry & Commerce of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Senior Management”	the senior management of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Clearing House”	Interbank Market Clearing House Co., Ltd.

“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the domestic share(s) or the overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively
“Shenzhen Bureau of the CSRC”	the Shenzhen Securities Regulatory Bureau of the CSRC
“SME”	small and medium-sized enterprise
“SOE”	state-owned enterprise
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Tianjin Jingzheng”	Tianjin Jingzheng Property Services Limited (天津京證物業服務有限公司)
“Tianjin Shenzhen”	Tianjin Shenzhen Property Services Limited (天津深證物業服務有限公司)
“Wind Info”	Wind Information Co., Ltd.
“Xiamen Cross-strait Equity Exchange”	Xiamen Cross-strait Equity Exchange Co, Ltd.

MATERIAL RISK FACTORS

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

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

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

1. COMPANY INFORMATION

1.1 Profile

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

Registered Capital and Net Capital

In RMB Yuan

	As at the end of the Reporting Period (31 December 2017)	As at the end of last year (31 December 2016)
Registered Capital	12,116,908,400.00	12,116,908,400.00
Net Capital (Parent Company)	86,708,268,168.49	93,504,021,274.87

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

Business Qualifications for Individual Business of the Company

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

In addition, the Company possesses the following business qualifications:

1. Business qualifications approved or certified by the CSRC: online trading; entrusted wealth management; operation of overseas securities investment management business by qualified domestic institutional investors (QDII); direct investment; inter-bank market interest rate swap; stock index futures trading in proprietary business and asset management business; stock repo business; pilot business of stock return swap; treasury bonds futures trading in proprietary business and securities asset management business; pilot business of agency services for gold and other precious metal spot contracts and proprietary trading for spot gold contracts; custodian business for securities investment funds; and credit risk mitigation instruments selling business.
2. Business qualifications approved by the stock exchange: market maker of stock exchange fixed income platform; warrants trading; pledge-style repo business; Southbound Trading Link business; financing business with respect to exercising rights under share incentive schemes of listed companies; stock options brokerage; proprietary trading for stock options; and principal market maker in SSE 50 ETF options contracts.
3. Business qualifications approved by SAC: quoted transfer; underwriting private placement of bonds by small and medium-sized companies; OTC business; engaging in recommending businesses and brokerage business through stock transfer systems; OTC options business; and Internet-based securities business.
4. Business qualifications approved by the People's Bank of China: member of the national inter-bank lending market; commercial paper underwriting; market maker in inter-bank bond market; and primary dealer of open market.
5. Other business qualifications: member of book-entry government bond underwriting syndicates; Class A clearing participant of CSDCC; license for operating foreign exchange in securities business (foreign-currency negotiable securities brokerage, foreign-currency negotiable securities underwriting and entrusted foreign-exchange asset management); qualified enterprise annuity fund management institution; qualified member of underwriting syndicate of policy bank; qualified manager of converted shares of the NSSF; qualified NSSF domestic investment manager; entrusted management of insurance funds; pilot refinancing business; sideline insurance agency business; market-maker of the New OTC market; and the qualifications for consultancy services relating to secrecy-involved business of the military industry.

1.2 Contact Person and Methods

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

1.3 Basic Information

Registered Address	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Postal Code of Registered Address	518048
Office Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Postal Code of Office Address	518048, 100026
Business Address 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	0086-755-2383 5888, 0086-10-6083 8888
Facsimile	0086-755-2383 5861, 0086-10-6083 6029
Customer Service Hotline for Brokerage and Asset Management Business	95548, 4008895548
Investor Relations Hotline	0086-755-2383 5383, 0086-10-6083 6030
United Social Credibility Code	914403001017814402

1.4 Information Disclosure and Availability Places

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

1.5 Brief Information of the Shares of the Company

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

1.6 Other Information of the Company

1.6.1 History of the Company

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

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

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

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

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

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

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

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

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

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

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

On 23 June 2015, upon the listing and trading on the Hong Kong Stock Exchange of the 1,100,000,000 H Shares issued by the Company to 10 investors, including Kuwait Investment Authority, by private placement at the price of HK\$24.60 per Share, the total number of issued Shares of the Company increased from 11,016,908,400 to 12,116,908,400, of which 9,838,580,700 Shares were A Shares and 2,278,327,700 Shares were H Shares. Following completion of the issuance, the direct shareholding of CITIC Corporation Limited in the total issued Shares of the Company decreased to 15.59%.

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

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

Changes in registration status during the Reporting Period:

On 14 November 2017, the Company completed the filing of changes in Directors and the Articles of Association of the Company at the Market Supervision Administration of Shenzhen Municipality.

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: 10178144-0

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

1.6.2 Changes in the businesses

The Company was established against the background of increasing development and maturity of the securities market in China. Since its establishment, the Company has actively operated its businesses following the principle of “standardized operation and stable and healthy development”. At the end of 1996, the Company became one of the first ten securities houses whose stock underwriting qualification was re-approved by CSRC; in October 1999, the Company became one of the first batch of comprehensive securities companies approved by CSRC and one of the first batch of securities houses whose qualification as a lead underwriter for equity product was re-approved by CSRC. The Company is one of the supervisor members of SAC, one of the first 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 qualifications to engage in entrusted investment management and fund sales agency services. In 2006, the Company became the first (the only) securities company to obtain the qualification as a lead underwriter of commercial papers. In 2007, the Company obtained the qualifications for the trial business of direct investment and overseas securities investment management as a qualified domestic institutional investor (QDII). In 2008, the Company became a Class-A clearing participant of CSDCC, and obtained the qualification for the provision of brokerage services to futures companies. In 2009, the Company obtained the qualification to manage the transfer of converted shares to NSSF. In 2010, the Company obtained the qualifications for margin financing and securities lending business, stock index futures trading in proprietary business and assets management business. In the same year, it became a domestic investment manager for the NSSF. In 2011, the Company became one of the first companies to obtain the stock repo trading qualification. In 2012, the Company obtained the qualifications for underwriting of private placement of SME bonds, entrusted management of insurance funds, distribution of financial products, pilot businesses of total return swap and refinancing, and consultancy services relating to secrecy-involved military industry. In 2013, the Company obtained the qualifications for sideline insurance agency business, and treasury futures trading in proprietary business and the securities assets management business. It was among the first batch of companies to obtain the qualifications for membership of Shanghai Clearing House on RMB interest rate swaps to conduct the clearing agency business and one of the first batch of companies to become a general clearing member in 2014. In 2014, the Company obtained the qualifications for agency services business for gold and other precious metal spot contracts and proprietary business for spot gold contracts, OTC option business, Internet-based securities business, New OTC Market market making business, securities investment fund custody business, Southbound Trading Link business, credit risk mitigation instruments selling business and financing business with respect to exercising options under share incentive schemes of listed companies, and was qualified as an primary dealer of open market. In 2015, the Company obtained the qualification of the stock options market making business, and was approved to commence SSE 50 ETF options market making business; the Company was admitted as a stock options trading participant on the SSE and obtained the trading permission to commence the stock options brokerage and proprietary trading business. In 2016, the Company was accepted as a non-bank member on the Shanghai Bill Exchange Co., Ltd., and obtained the trading permission to commence the rediscount, pledged repurchase, outright repurchase and other transactions of bills.

1.6.3 Changes of principal Shareholders

Since the establishment of the Company, CITIC Group or its subsidiaries has/have been the largest Shareholder of the Company. Please refer to “1.6.1 History of the Company” under this section for details.

1.6.4 Results of the regulator’s classification of the Company

In the 2017 Classification and Evaluation of Securities Companies, the Company, together with CITIC Securities (Shandong) and Kington Securities, securities subsidiaries in which the Company has a controlling interest, were rated AA in the category A of the Chinese securities industry.

1.6.5 The organization status of the Company

The Company currently has four principal wholly-owned subsidiaries, namely CITIC Securities (Shandong), CSI, GoldStone Investment and CITIC Securities Investment, and two principal non wholly-owned subsidiaries, namely CITIC Futures and China AMC. Please refer to “4.3.5 Analysis of the operation and results of principal subsidiaries and non-controlling companies” of this results announcement for details.

1.6.6 Number and network of securities outlets of the Company

As at the end of the Reporting Period, the Company, CITIC Securities (Shandong), CITIC Futures and Kington Securities have 51 branches, 303 outlets in Mainland China (including 278 outlets for securities operations and 25 outlets for futures operations). In addition, CSI holds four branches in Hong Kong through its subsidiary.

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

Province, city or district	Number of securities outlets/ branches	Province, city or district	Number of securities outlets/ branches	Province, city or district	Number of securities outlets/ branches
Zhejiang	68	Hubei	8	Shaanxi	3
Shandong	59	Jiangxi	7	Shanxi	2
Guangdong	26	Liaoning	6	Anhui	2
Shanghai	23	Henan	6	Chongqing	1
Jiangsu	21	Sichuan	5	Jilin	1
Beijing	21	Hebei	5	Hunan	1
Fujian	8	Tianjin	4	Inner Mongolia	1

1.7 Other Relevant Information

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

1.8 Awards in 2017

1.8.1 The Company

Issued by: IFR Asia

Asian Bank of the Year 2017

Issued by: Euromoney

China's Best Investment Bank 2017

Issued by: FinanceAsia

Best Chinese Equity Financing House

Issued by: Asiamoney

Best Investment Bank in China 2017

Issued by: Global Finance

Best Investment Bank in Asia Pacific

Best Equity Bank in Asia Pacific

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

2016 Outstanding Underwriter Award

2017 Outstanding Underwriter Award in Constituent Bond of ChinaBond Green Bond Index

2017 Outstanding Underwriter Award (non-bank institutions)

Issued by: SSE

2017 Excellent Underwriter of Local Government Bonds on the SSE

2017 Excellent Underwriter of Corporate Bonds on the SSE

2017 Excellent Participant in Green Corporate Bonds on the SSE

2017 Excellent Participant in Product Innovation

2017 Investor Education and Protection Series Campaign Contest: I am the Shareholder Organization Award (Silver)

Issued by: SSE, SZSE

2017 Outstanding Member in International Market Exploration

Issued by: Hong Kong Exchanges and Clearing Limited

Top Shanghai Connect Trading Award — Chinese Broker

Issued by: National Interbank Funding Centre

Core Dealer

Excellent Dealer in the Bond Market

Excellent Dealer in the Derivatives Market

Outstanding Contribution in Opening Up

Issued by: New Fortune

Best Local Investment Bank

Best Overseas Investment Bank

Best Investment Bank in Equity Underwriting

No. 1 in Best Asset-backed Securitization (Credit)-China Merchants Bank 2016 Hecui Non-performing ABS Project

No. 2 in Best Asset-backed Securitization (Enterprises)-CITIC Wan Xin Yue Jia Phase One ABS Plan

No. 2 in Best Asset-backed Securitization (Credit)-Driver China Automobile Pledged Loans Securitization Fifth Tranche

Issued by: Securities Times

2017 Jun Ding Award for Full-Service Investment Bank in China

2017 Jun Ding Award for Bond Investment Bank in China

2017 Jun Ding Award for Merger Investment Bank in China and Project Award

2017 Jun Ding Award for Wealth Management Brand in China

2017 Jun Ding Award for Quantitative Investment Team of Chinese Broker

Issued by: People's Daily • International Financial News

2017 International Pioneer Investment Bank
2017 IPO Pioneer Investment Bank
2017 Healthcare IPO Pioneer Investment Bank
2017 Merger and Reorganization Pioneer Investment Bank
2017 Refinancing Pioneer Investment Bank

Issued by: International Financial News

2017 Bond Underwriting Pioneer Investment Bank

Issued by: League of American Communications Professionals

2016 Vision Awards Annual Report Competition: 2016 Annual Report Gold Award, Top 80 Annual Reports in Asia-Pacific Region (#39), Top 40 Chinese Annual Reports

Issued by: easymoney.com

Eastmoney Billboard: 2016 Best Broker, 2016 Best Asset Management Broker
Financial Industry Billboard for the Year "A Night in Changan-2017 Eastmoney Billboard" Election: Best Broker of 2017, Best Asset Management Broker of 2017

Issued by: Shanghai Clearing House

2016 Award for Excellent Performance in Proprietary Clearing of Commodities

1.8.2 CLSA

Issued by: Asiamoney

Asiamoney Brokers Poll 2017:

Awards in Asia (excluding Japan and Australia):

Research awards: No.1 Overall Combined Research and Sales for Asia, No.1 Most Independent Research Brokerage in the Region, No.1 Most Independent Research Brokerage in Indonesia, Malaysia, Singapore, Thailand and the Philippines, No.1 Best Overall Country Research in Indonesia, Thailand and the Philippines, No. 1 Best Regional Team for Strategy, No. 1 Best Regional Team for Quantitative/Technical Analyst and No. 1 Best Regional Team for Automobiles & Components

Sales & Trading/Execution Awards:

No.1 Best Overall Sales Services in the Region
No. 1 Best Team for Regional Sales
No. 1 Best Overall Sales Services in India, Indonesia, Thailand and the Philippines
No. 1 Best Sales Trading in India, Indonesia, Thailand and the Philippines
Best Regional Brokerage for Execution
Best Execution in India, Indonesia, Thailand and the Philippines

Events and Roadshows Awards (Corporate Access):

No. 1 Best Events and Conferences in India, Thailand and the Philippines and No. 1 Best Roadshows and Company Visits for Indonesia, Thailand and the Philippines

Awards in Japan:

Research: No. 1 Overall Combined Research and Sales, No. 1 Best Independent Research Brokerage and No. 1 Best Overall Country Research
Sales & Trading/Execution Awards: No. 1 Best Overall Sales Services, No. 1 Best in Sales Trading and No. 1 Best Execution
Events and Roadshows: No. 1 Best Events and/or Conferences and No. 1 Best Roadshows and Company Visits

Awards in Australia:

Research: No. 1 Overall Combined Research and Sales, No. 1 Best Independent Research Brokerage and No. 1 Best Overall Country Research
Sales & Trading/Execution Awards: No. 1 Best Overall Sales Services and No. 1 Best in Sales Trading
Events and Roadshows: No. 1 Best Roadshows and Company Visits

Issued by: Institutional Investor

Ranking of the Institutional Investor's 2017 All-Asia Trading Team
No. 1 High Touch Trading for Developing Trading Market — Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam
No. 1 High Touch Trading for Frontier Trading Markets — Bangladesh, Brunei, Cambodia, Laos, Myanmar, Pakistan, and Sri Lanka

Issued by: The Asset

The Asset Triple A Regional Awards 2017: Best Bank Capital (China)

The Asset Triple A Country Awards 2017: Best Bank Capital (China), Best Domestic M&A (China), Best Bond (Sri Lanka)

Issued by: GlobalCapital

GlobalCapital Asia Regional Capital Markets Awards 2017: Best Financial Bond

1.8.3 CITIC Securities (Shandong)**Issued by: SSE**

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

Issued by: Qingdao Municipal Government

Top 50 Enterprise Taxpayers

1.8.4 GoldStone Investment**Issued by: ChinaVenture**

Top 10 Best Direct Investment Securities Houses in China for 2016

Top 20 Best Chinese Private Equity Investment Institutions in China for 2016

Top 30 Best Private Equity Investment Institutions in China for 2016

Issued by: Zero2IPO Group

2017 Top 5 Best Private Equity Investment Institutions in China

2017 Top 10 Best Direct Investment Securities Houses in China

Issued by: China Securities Journal

2017 China Equity Investment “Golden Bull Award”

1.8.5 CITIC Futures**Issued by: China Financial Futures Exchange**

2016: Treasury Bonds and Futures Market Cultivation Award, Product Innovation Award

Issued by: Shanghai Futures Exchange

2016: Top 30 Outstanding Member, Industry Service Prize (bronze, aluminium, zinc, lead, nickel, tin, gold, platinum, steel, natural rubber, fuel oil and asphalt), Outstanding Team Award, Industry Team Award (non-ferrous metal, energy and chemical industry)

Issued by: Futures Daily, Securities Times

Best Service Award for Financial Futures, Best Asset Management Business Award, Best Futures Private Equity Incubation Award, Best Risk Management Subsidiary Service Award, Most Popular Public Account for Futures Institution, Best Investor Education of the Year Award, China Golden Futures Research Institute, Best Futures Outlets in China (Shanghai Century Avenue Outlet)

Issued by: Zhengzhou Commodity Exchange

Excellent Member in Market Development

Excellent Member in Industrial Service

Excellent Member in Industrial Service for Varieties (PTA, Rapeseed Meal, White Sugar, Methanol, Cotton, Glass, Thermal Coal, Rapeseed Oil, Ferroalloy, Wheat)

Issued by: Dalian Commodity Exchange

2016: Outstanding Member (Gold Award), Best Industry Service Award, Best Industry Exploration Award, Best Institutional Service Award, Best Institutional Expansion Award, Best Agricultural Product Service Award, Best Industrial Service Award, Best Technical Support Award

2017 Dalian Commodity Exchange Soybean Meal Options Investor Education Product (Second Prize)

1.8.6 China AMC

Issued by: Asia Asset Management

Best China Fund House

Issued by: Chinafund

Best Product Innovation in China's Fund Industry in 20 Years — Top 10 Fund Companies in Product Innovation

Issued by: Securities Daily

Most All-rounded Fund Award

Issued by: Shanghai Securities News

CAM Yong Fu Pension and Wealth Management Mixed Fund — Three-year Absolute Return Fund Award

CAM Return No. 2 — Five-year Absolute Return Fund Award

Issued by: China Securities Journal

2016 Golden Bull Award for Passive Investment Fund Managers

ChinaAMC CSI 300 Index ETF — Golden Bull Award for 2016 Open-ended Index Fund

1.8.7 KVB Kunlun

Issued by: Questex Asia

Best Cloud Backup Solutions and Disaster Recovery Project

Issued by: iFENG

Best Native Marketing Award

2. FINANCIAL SUMMARY

2.1 Key Financial Data

2.1.1 Key accounting data

In RMB million

Items	2017	2016	Variance in comparison with last year (%)	2015
Total revenue and other income	56,960	50,067	13.77	72,924
Operating profit	15,570	13,913	11.91	26,642
Profit before income tax	16,174	14,263	13.40	27,287
Net profit attributable to owners of the parent	11,433	10,365	10.30	19,800
Net cash inflow/(outflow) from operating activities	-66,703	-35,715	N/A	39,533

Items	31 December 2017	31 December 2016	Variance in comparison with last year (%)	31 December 2015
Total assets	625,575	597,439	4.71	616,108
Total liabilities	472,432	451,650	4.60	474,371
Equity attributable to owners of the parent	149,799	142,696	4.98	139,138
Issued share capital	12,117	12,117	—	12,117

2.1.2 Key financial indicators

Items	2017	2016	Variance in comparison with last year (%)	2015
Basic earnings per share (RMB yuan/share)	0.94	0.86	9.30	1.71
Diluted earnings per share (RMB yuan/share)	0.94	0.86	9.30	1.71
Return on weighted average equity (%)	7.82	7.36	Increased by 0.46 percentage point	16.63

Items	31 December 2017	31 December 2016	Variance in comparison with last year (%)	31 December 2015
Net assets per share attributable to owners of the parent (RMB yuan/share)	12.36	11.78	4.92	11.48
Gearing ratio (%) ^{Note}	70.87	68.51	Increased by 2.36 percentage points	69.56

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

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

Items	31 December 2017	31 December 2016
Net capital (RMB million)	86,708	93,504
Net assets (RMB million)	123,217	118,870
Total risk capital reserves (RMB million)	52,136	54,746
Risk coverage ratio (%)	166.31	170.79
Capital leverage ratio (%)	16.67	21.62
Liquidity coverage ratio (%)	290.32	166.77
Net stable funding ratio (%)	122.03	143.29
Net capital/net assets (%)	70.37	78.66
Net capital/liabilities (%)	29.49	37.02
Net assets/liabilities (%)	41.91	47.06
Value of proprietary equity securities and derivatives held/net capital (%)	33.23	35.01
Value of proprietary non-equity securities and derivatives held/net capital (%)	124.35	143.30

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

2.2 Financial Data for the Last 5 Years

2.2.1 Operating results

In RMB million

Items	2017	2016	2015	2014	2013
Total revenue and other income	56,960	50,067	72,924	39,525	20,279
Operating expenses	41,390	36,154	46,282	24,732	13,644
Share of profits and losses of associates and joint ventures	604	350	645	629	211
Profit before income tax	16,174	14,263	27,287	15,422	6,846
Net profit attributable to owners of the parent	11,433	10,365	19,800	11,337	5,244

2.2.2 Financial position

In RMB million

Items	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Issued share capital	12,117	12,117	12,117	11,017	11,017
Total equity	153,143	145,789	141,737	101,131	89,402
Equity attributable to owners of the parent	149,799	142,696	139,138	99,099	87,688
Total liabilities	472,432	451,650	474,371	378,495	181,952
Customer brokerage deposits <i>Note 1</i>	99,855	134,398	150,457	101,846	45,196
Total assets	625,575	597,439	616,108	479,626	271,354

2.2.3 Key financial indicators

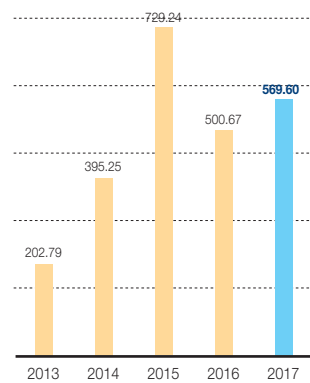
Items	2017	2016	2015	2014	2013
Dividends per share (RMB yuan/share)	0.40	0.35	0.50	0.28	0.15
Basic earnings per share (RMB yuan/share)	0.94	0.86	1.71	1.03	0.48
Diluted earnings per share (RMB yuan/share)	0.94	0.86	1.71	1.03	0.48
Return on weighted average equity (%)	7.82	7.36	16.63	12.18	6.02
Gearing ratio (%) ^{Note 2}	70.87	68.51	69.56	73.23	60.47

Note :

- 1: Customer brokerage deposits above represent the amount received from and repayable to clients arising from the normal courses of the Group's securities brokerage business. The fund is restricted and governed by the relevant third-party deposit institutions.
- 2: Gearing ratio = (total liabilities - customer brokerage deposits) / (total assets - customer brokerage deposits)

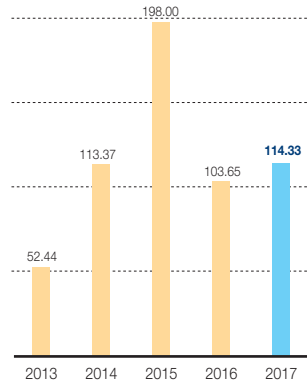
Total revenue and other income

In RMB100 million



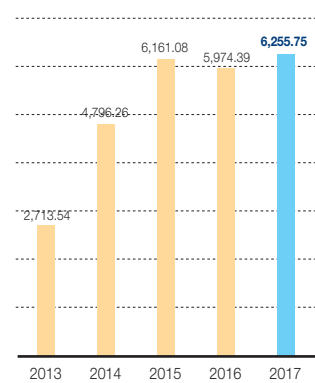
Net profit attributable to owners of the parent

In RMB100 million



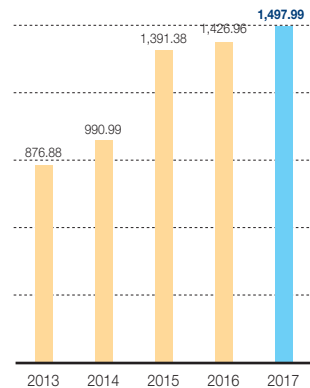
Total assets

In RMB100 million

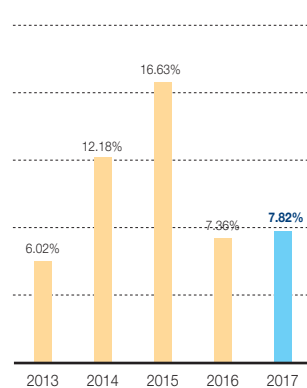


Equity attributable to owners of the parent

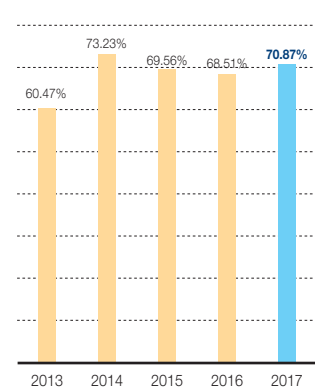
In RMB100 million



Return on weighted average equity



Gearing ratio



3. CHAIRMAN’S STATEMENT

Dear Shareholders,

The year 2018 kicks off the implementation of the spirit of the 19th CPC National Congress and the 40th anniversary of the reform and opening up. It is a crucial year for China to develop into a moderately prosperous society, paving way for the implementation of the 13th Five-year Plan.

Entry into the new era brings new opportunities for China’s securities industry. The 19th CPC National Congress called for “increasing the proportion of direct financing and promoting the healthy development of the multilevel capital market”, which would indicate the direction for the securities industry to follow the national strategy and serve the real economy. The supply-side structural reform, increase in the proportion of direct financing, high-quality economic development and more in-depth reform and opening up, all together, will create new opportunities for the development of the securities industry. The Company will continue to adhere to the business objective, which is to follow the national strategy and serve the real economy, and actively support various national strategies, including the Belt and Road Initiative, and facilitate economic transformation and upgrade.

Traditional businesses in the securities industry are undergoing a transformation. The stricter reviewing process of IPO imposes higher standards on internal control and project quality of the investment banking business. For the brokerage business, it is shifting towards wealth management. New regulations on assets management will lead to greater efforts of the assets management business being put into developing active management. The flow-based business is competing on quality rather than on scale, putting more emphasis on product design and risk management capability. As to the fixed income business, the business model and profit model are in dire need of changes. The Company will proactively adapt to the new trend and further enhance its overall competitiveness through transformation.

Walking down the memory lane, in the past 23 years of development, we have evolved from a small and medium-sized securities firm to a major comprehensive investment bank with the strong support of our shareholders, clients and the public. We will pursue the development vision and objective of becoming a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world. To this end, we will optimize and enhance business plans, management structure, operation mechanism, appraisal system and other areas on all fronts, thereby achieving business diversification, broader customer base and more participation in the competition in overseas market.

The Company will bear in mind its initial goal as well as its mission, and adhere to the Seven Commitments, namely, the commitment to the party’s leadership that provides sound political protection for corporate development; the commitment to the business objective of following the national strategy and serving the real economy; the commitment to the client-oriented business approach which allows us to achieve mutual development with clients; the commitment to complaint operations and stringent risk management; the commitment to innovation and entrepreneurship with a persistent ambition; the commitment to the talent nurture strategy which is under people-focused and market-oriented management; and the commitment to uphold and promote the excellent corporate culture and tradition of the Company.

Looking forward, the Company will continue to thoroughly study the spirit of the 19th CPC National Congress, the Central Economic Work Conference and the National Finance Working Meeting. Guided by President Xi Jinping’s thought on socialism with Chinese characteristics for the new era, we will actively implement the national strategy and adhere to serve the real economy, which allow each client to achieve better development through our services, each investor to gain more fruitful returns through our business performance and each employee to accomplish growth through our efforts.

ZHANG Youjun

Chairman

22 March 2018

4. MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Corporate Strategy and Long-term Operation Model

4.1.1 Landscape and trend of the industry

In 2017, the external environment of China's securities industry underwent profound changes. Firstly, the financial sector will face more stringent regulation. The National Finance Working Meeting requires financial enterprises to "serve the real economy, control financial risks and advance the financial reform". It calls for strengthening financial supervision and financial institutions to undertake more responsibilities in risk control. "Supervision Enhancement, Deleveraging and Risk Control" will remain the main theme of financial supervision and the change in regulatory policy will provide a more favorable environment for the development of comprehensive securities companies that have sound and compliant operations. Secondly, the securities industry will face more intense competition. Given that commercial banks, trust companies, private equity funds and other financial institutions further intensify and expand their participation in the securities business, the competition is no longer limited to that among securities companies. Meanwhile, industrial capital and internet companies enter the competition as well. For the investment banking business and investment business, which are the traditional businesses of securities companies, the competition is even more intense and the profitability is declining. The cap on foreign ownership percentage in securities companies was raised to 51%, which led to the increase in joint-venture securities companies. There are nine securities companies with net assets exceeding RMB50.0 billion. The listing of mid-and-small sized securities companies has become a phenomenon and there are more than 30 A-share listed brokers. Thus, the competition for business, clients and talents has escalated for securities companies.

The securities industry sees exciting opportunities for development. The report of the 19th CPC National Congress put forward the "increase in proportion of direct financing and promotion of the healthy development of the multilevel capital market", which not only laid down clear direction for the development of China to become a country with strong capital market, but also provided new opportunities for securities companies to follow the national strategy and serve the real economy. Firstly, in supporting Made in China 2025, the partnership between the military and civilian sectors and the mixed ownership reform of state-owned enterprises, securities companies may facilitate market-oriented mergers and acquisitions with a focus on integration in the industry, and support state-owned enterprises to introduce strategic investors and optimize corporate governance. Secondly, in pursuing the PRC's innovation-driven development strategy, they can vigorously develop private equity funds so that the New OTC Market and ChiNext can offer more support and services to the new economy and new business models. Thirdly, in terms of the supply-side structural reform, securities companies may encourage liquidity allocation to traditional sectors with the highest demand for transformation and upgrade, through innovative businesses such as debt-to-equity swaps, innovation and entrepreneurship bonds, green bonds, infrastructure ABS and REITS. Fourthly, as to serve the national poverty alleviation strategy, securities companies may assist in the IPO, New OTC Market listing and bond issue of businesses in impoverished areas, thereby promoting poverty reduction through industry development. Fifthly, under the Belt and Road Initiative, they may provide comprehensive financial assistance to infrastructure construction, energy and resources development and industry investment in participating countries. Sixthly, securities companies may leverage their professional capabilities in product design innovation and investment research to boost the income of clients, so as to meet their diverse needs for wealth management.

4.1.2 Development strategy of the Company

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

4.1.3 Business plan for 2018

In 2018, the Company will thoroughly study the spirit of the 19th CPC National Congress and push forward the party construction works. It will integrate client resources, expand customer base and upgrade the overall service capabilities. Great efforts will be put to promote the wealth management business so as to offer professional services in preserving and enhancing assets value for clients. Meanwhile, the Company will continue to strengthen the assets management business and develop it into core competitiveness as soon as possible. It will improve transaction and investment capabilities for higher efficiency of capital utilization. Furthermore, the research business will play a larger role as a think tank and an entry point of the business. The Company will aim to overcome its weaknesses and pursue innovation to further boost business competitiveness. It will support the country's Belt and Road initiative and push forward the internationalization process. It will increase the investments in and applications of fintech so that the Company will advance its level of data technology and intelligent technology. The Company will also optimize the appraisal system so that employees will be more enthusiastic and creative.

Please refer to "Analysis of Principal Businesses" of this results announcement.

4.1.4 Capital requirement

In 2017, the Company conducted all businesses in an orderly manner. The businesses including bond market-making, margin financing and securities lending business, stock repo business and share-pledge financing business are all capital intensive and have high capital requirements. During the Reporting Period, the Company issued corporate bonds of RMB30.3 billion, subordinated bonds of RMB10.0 billion and 1,169 tranches of beneficiary certificates to support business development. The capital-intensive businesses of the Company are expected to maintain steady development in 2018, hence the Company should utilize financing instruments in a reasonable manner and manage its debt and liquidity appropriately.

4.1.5 Possible risk exposure

The PRC economy shows an upward trend with stable growth in general. The Central Economic Work Conference determined the overall tone of steady progress. It will continue to implement active fiscal policy and maintain sound and neutral monetary policy. Meanwhile, the country's economy still faces a few difficulties and challenges. The lack of internal drivers for economic growth, the outstanding structural problem of overcapacity and demand, aggravated financial risks and anticipated rising inflation and potential interest hikes will bring corresponding risks to the Company.

Please refer to "Material Risk Factors" in this results announcement.

4.2 Business Overview

Analysis of Principal Businesses

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

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

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

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

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

The Group provides services such as custody and research.

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

4.2.1 Investment banking

(1) Domestic equity financing

Market conditions

In 2017, the issuance of IPOs maintained a stable pace. However, under the impact of the tightening policy, the refinancing size experienced a relatively large decline. The A-share equity financing size amounted to RMB1,797,811 million (including private placements for asset transactions) for the year, representing a year-on-year decrease of 14.96%. Among which, IPO proceeds amounted to RMB218,918 million, representing a year-on-year increase of 33.36%. The equity refinancing size amounted to RMB1,578,893 million, representing a year-on-year decrease of 19.03%.

In 2017, the market share of the top ten securities companies in A-share equity underwriting amounted to 64.40%, representing a moderate increase when compared to the market share of the top ten securities companies in 2016 (with a market share of 58.65%).

Actions and achievements

In 2017, the Company strengthened the coverage of leading enterprises in key industries. On top of consolidating the customer base in traditional industries, it focused on seizing opportunities in the new round of reform of state-owned enterprises as customers. It also thoroughly developed the emerging sectors and reached out to corporate clients representing the new direction of economic development, so as to actively establish the project pipelines. On the other hand, the Company continued to implement the business strategy of “full-product coverage”, and endeavored to enhance its overall competitive edge.

In 2017, the Company completed a total of 87 A-share lead underwriting projects with an aggregate lead underwriting amount of RMB220,982 million (including private placements for asset transactions), accounting for a market share of 12.29%, ranking the first in the market in terms of both the amount and number of lead underwriting projects. Among which, 30 were IPOs, with an aggregate lead underwriting amount of RMB20,619 million; 57 were refinancing issuances projects, with a total lead underwriting amount of RMB200,363 million.

Projects	2017		2016	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
IPOs	20,619	30	11,902	19
Refinancing issuances	200,363	57	232,025	63
Total	220,982	87	243,927	82

Source: Wind Info and the Company's internal statistics

Notes: (1) When compiling the above table, the date of completion of an IPO project and public equity issuance is the date of online issuance; the date of completion of convertible bonds or exchangeable bonds projects is the value date; the date of completion of private placements projects is the announcement date of report on the issue; the date of completion of rights issue projects is the ex-entitlement date; the date of completion of preference shares issuance project is the date of the issuance results announcement.

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

Outlook for 2018

In 2018, the Company will continue to implement the client-centered “full-product coverage” business strategy, constantly enhance the coverage of leading corporate clients in key industries, major regional clients and clients engaging in strategic and emerging industries. It will understand the diverse needs of customers in depth and leverage the strengths in providing comprehensive services locally and abroad, so as to achieve business synergy and maintain competitiveness and influence in the industry.

(2) Domestic debt and structured financing

Market conditions

In 2017, the domestic economy was in stable operation as a whole. The central bank maintained a neutral and slightly tight monetary policy to “compensate the deficit with surplus”, and focused on curbing asset bubbles, guarding against financial risks and enhancing coordination of supervision. In January to May 2017, the background of “deleveraging and guarding against risks” and the expected strengthening of financial regulations led to the continuous increase in yields of the bond market. Since June 2017, the regulatory environment was slightly eased and the short-term capital supply was slightly loose, hence the yields in the bond market trended downward. In the third quarter, the yields of the bond market fluctuated as many factors interweaved in the market. For the fourth quarter, the promulgation of financial regulations after the 19th CPC National Congress, coupled with the strong financial fundamental and interest rate hike by the Federal Reserve as anticipated resulted in remarkable increase in bond yields. All in all, the annual yield of treasury bonds went up 70–120bps and the yield of AAA-rating short to medium term notes increased by 100–150bps in 2017. The growth of yield for short term investments is larger than that for long term ones.

In 2017, the financing size of the domestic bond market decreased in general. China’s bond market recorded a total issuance size of RMB20.61 trillion (excluding interbank certificates of deposit), representing a year-on-year decrease of 11.70%. The aggregate issuance size of debentures (net of treasury bonds, policy bank financial bonds and local government bonds) amounted to RMB8.96 trillion, representing a year-on-year decrease of 17.59%. Among which, the issuance size of corporate bonds on stock exchanges amounted to RMB1.10 trillion, representing a year-on-year decrease of 60.27%, which was mainly due to the significant decrease in the issuance size as a result of market adjustment and tightening approval procedures for corporate bond issue by real estate companies.

Actions and achievements

In 2017, the Company undertook a total of 726 lead underwriting projects relating to different debentures, with a lead underwriting amount of RMB511,628 million, representing 4.29% of the market share. The Company ranked the first in the industry in terms of both the underwriting amount and the number of underwriting projects. The Company had a full pipeline for projects, maintaining its leading position in the bond underwriting market. The asset-backed securities business stayed on the top in the industry and has apparent advantages in niche markets such as personal automobile pledged loans securitization, consumer credit securitization etc.

Projects	2017		2016	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
Enterprise bonds	30,247	21	15,314	10
Corporate bonds	33,405	49	128,485	92
Financial bonds	200,014	87	104,168	27
Medium-term notes	44,341	61	25,070	33
Commercial papers	9,850	12	7,850	11
Asset-backed Securities	151,579	280	90,345	142
Convertible bonds/exchangeable bonds	34,413	10	8,482	5
Local government bonds	7,778	206	—	—
Total	511,628	726	379,714	320

Source: Wind Info and the Company’s internal statistics

In 2018, the Company will continue to increase its inputs in direct debt financing business, enhance geographical coverage and internal synergy, capitalize its overall business advantages, provide comprehensive and integrated debt financing services for the clients, consolidate and enhance the competitive edge for traditional bond underwriting business, focus on exploring business opportunities with local state-owned enterprises and quality private enterprises; seize the opportunity of asset revitalization, focus on corporate asset-backed securitization business, strengthen project risk management to effectively control operational risks, credit risks and issuance risks.

Besides, with the further opening up of the domestic financial market and domestic enterprises' adoption of globalization strategies, financing opportunities including panda bonds and overseas USD-denominated bonds will gradually increase. The Company will further integrate its domestic and foreign client resources to explore cross-border business opportunities, and enhance its diversified full-product coverage for clients, both domestically and internationally.

(3) Financial advisory services

Market conditions

According to the Bloomberg statistics, the total value of global merger and acquisition transactions announced in 2017 reached USD3.4 trillion and the number of announced transactions amounted to 42,365, which remained basically unchanged as compared to those of the corresponding period in 2016. Geographically, most of the mergers and acquisitions were concentrated in North America, Asia-Pacific and Europe and the value of merger and acquisition transactions announced amounted to USD1.4 trillion, USD1 trillion and USD842.9 billion respectively and the number of announced transactions amounted to 16,283, 13,615 and 10,468, respectively. On a sector basis, the financial sector was the most active with the value of merger and acquisition transactions announced in 2017 amounted to USD871.1 billion, which accounted for 26% of the total value of merger and acquisition transactions announced; followed by non-cyclical consumer goods and communication sectors with transaction amounts of USD712.1 billion and USD359.8 billion, accounting for 21% and 11% of the amount of merger and acquisition transactions announced, respectively.

As at 31 December 2017, the value of announced merger and acquisition transactions involving Chinese enterprises amounted to USD659.0 billion, representing a year-on-year increase of 0.4% and accounting for 50.7% of the value of merger and acquisition transactions in the Asia-Pacific region. The number of transactions amounted to 5,811, representing a year-on-year increase of 41.7%. The sectors leading in the amount of merger and acquisition transactions involving Chinese enterprises were the financial, industrial and communication sectors.

Actions and achievements

In 2017, the Company effectively grasped the market hot spots. It completed certain complex merger and acquisition transactions with great market influence and innovation, and further deepened the layout of cross-border mergers and acquisitions of the listed company. Meanwhile, the Company actively developed diversified mergers and acquisitions transactions and investment opportunities outside the regular business channel, thereby further exploring new business profit model and enhancing the market influence in the merger and acquisition field.

In 2017, the size of A-share major assets restructuring transactions completed by the Company amounted to RMB139.8 billion and ranked the first in the industry with a market share of 16.21%. The Company completed the merger of Wuhan Iron and Steel Company Limited into Baoshan Iron and Steel Company Limited by way of absorption and shares swap, the injection of major assets by China Electric Power Research Institute of State Grid and NARI Group to NARI Technology, the acquisition of financial license assets of Zhejiang International Business Group by Zhejiang Oriental and transformation to financial holding platform, which were highly influential, innovative and demonstrative restructuring transactions that further enhanced the market influence of the Company. Meanwhile, the Company launched a new attempt in diversifying the mergers and acquisitions business and completed the agreed acquisition by Shenzhen Metro Group of the A shares of China Vanke Co., Ltd. held by China Resources (Holding) Co., Ltd.

In 2017, the Company ranked the second among Chinese brokers in the world in terms of the transaction amount of the announced merger and acquisition transactions involving Chinese enterprises. The Company actively supported the Belt and Road initiative and pushed forward the internationalization of domestic companies by exploring opportunities of cross-border business. It completed the cross-border transactions such as APAT Optoelectronics acquiring target assets in the US and Francisco Partners selling equity of the optical device production and sales company, thereby helping PRC companies establish a strong presence in the international market.

According to the Professional Evaluation Results of the Practice Capability of Securities Companies Acting as Financial Advisers to the Merger, Acquisition and Restructuring of Listed Companies as announced by the SAC in December 2017, the Company continued to be awarded an A rating for the financial advisory business in 2017. The Company was one of the few securities companies obtaining A-rating for five consecutive years since the commencement of the evaluation in 2013.

Outlook for 2018

In 2018, the Company will carry on the in-depth exploration of opportunities for domestic mergers and acquisitions. It will take advantages of hot spots in the industry and formulate plans in relation to the mixed ownership reform of state-owned enterprises, state-owned assets securitization, supply-side reform, market-oriented mergers and acquisitions, cross-border mergers and acquisitions and other business opportunities. It will develop a more thorough understanding of clients' needs and industry trend, and provide more targeted and innovative comprehensive transaction solutions to support the development of the real economy.

In the meanwhile, the Company will advance the overseas merger and acquisition business, focusing on cross-border industry mergers and acquisitions, the return of high-quality China Concepts Stocks and other business opportunities. Leveraging its global network and capital resources, it will foster closer cooperation between domestic and overseas entities to provide comprehensive financing services to cross-border businesses of clients.

(4) The business of New OTC Market

Market conditions

In 2017, the number of companies listed on the New OTC Market was on the rise. As at the end of the Reporting Period, the number of companies listed on the New OTC Market amounted to 11,630, with a total share capital of 675,673 million shares and a total capitalization of RMB4,940,456 million. In 2017, the total trading volume of the New OTC Market amounted to RMB227,180 million, and the total funds raised from the issuance of shares amounted to RMB133,625 million. As at the end of the Reporting Period, the NEEQ component index closed at 1,275.32, representing an increase of 2.55% compared on the year-on-year basis; the NEEQ market-making component index closed at 993.65, representing a decrease of 10.65% compared on the year-on-year basis.

On 22 December 2017, the National Equities Exchange and Quotations Co., Ltd. issued the *Measures on Hierarchical Management of Listed Companies on the National Equities Exchange and Quotations* and the *Rules on Share Transfer on the National Equities Exchange and Quotations*, marking a crucial step towards the in-depth reform of the New OTC Market.

Actions and achievements

In 2017, the New OTC Market business focused on value realization and actualization. On the one hand, it made active adjustments to the unfavorable market environment, optimized the portfolio positions for market making and enhanced the coverage of enterprises which sought for IPO listings and mergers and acquisitions. On the other hand, it placed great emphasis on quality control, scaled down the listing sponsor business and effectively controlled business risks.

As at 31 December 2017, as the sponsorship broker, the Company conducted continuous supervision over a total of 59 listed enterprises, ranking No. 1 in the evaluation of sponsorship brokers for listed companies in terms of service quality in 2017. In 2017, the Company provided market-making services for 159 listed companies, among which, 116 companies entered the innovative layer.

Outlook for 2018

In 2018, the Company will further improve the business management system and market development system with value realization and actualization as the cores to drive the development of other relevant business and provide quality integrated services in the New OTC Market. It will select quality enterprises, and deepen the exploration of enterprise value, with a view to creating good returns.

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

Market conditions

In 2017, the domestic secondary market showed signs of a structural market. For the whole year, SSE Composite Index grew by 6.56%, SSE SME Composite went up 16.73% and Chinext Index dropped by 10.67%. The overall trading declined as compared to 2016. The average daily trading turnover of stock and funds amounted to RMB470 billion, representing a decrease of 12%.

Actions and achievements

In 2017, the brokerage business implemented the client-oriented operation strategy and pushed forward the institutional business, wealth management business and individual business. It enhanced branch management and optimized customer exploration service process to expand client base. While building a brand of investment research — CITICS Investment Advisor (「信投顧」), it gradually established the largest, most comprehensive and professional mix of financial products and upgraded transaction and asset allocation service capability, with the aim of transforming towards wealth management.

In 2017, the brokerage business maintained a leading position in the industry, with a total trading volume of stock and funds amounted to RMB13.05 trillion (excluding trading volume of exchange-traded monetary funds) and a market share of 5.69%, ranking the second in the industry. Articles of CITICS Investment Advisor attracted over 100,000 views, which demonstrated the emerging brand influence of the investment research service. Distribution of financial products by the Company and CITIC Securities (Shandong) exceeded RMB701.1 billion, outperforming other industry peers in terms of product sales capability. The total number of new customers amounted to 1.05 million and the newly added customers' assets amounted to RMB1 trillion. As at the end of the Reporting Period, the number of retail customers of the brokerage business of the Group amounted to over 7.7 million and the number of general legal person clients reached 33,000 (excluding number of deregistered institutional clients). Customer asset under custody totaled RMB5 trillion, total number of clients and AUM recorded a year-on-year growth of 15% and 18% respectively. As at the end of the Reporting Period, the number of QFII and RQFII clients of the Company was 138 and 52, respectively, accounting for 45% and 23% of such investors in the market, respectively, both of which were among the highest in the market.

Outlook for 2018

In 2018, the brokerage business of the Group will consistently implement the development strategy of “adopting the trading-based approach, enhancing comprehensive service capabilities and transforming towards wealth management”. The Group's branches will serve as the regional platform for all businesses of the Company. They will focus on upgrading customer base, market position, regional competitiveness and staff quality, while devoting efforts in both investment service for trading clients and asset allocation services for wealth management clients. It will pursue asset enhancement for clients and boost overall competitiveness of the brokerage business.

4.2.3 Trading

Market conditions

In 2017, the capital market as a whole showed notable signs of a structural market and the growth was uneven. Leading enterprises performed particularly well, especially blue chip stocks represented by the SSE 50 Index. The consumption, financial and traditional cyclical sectors had remarkable performance in anticipation of economic recovery, meanwhile, the market became more concentrated for all sectors and the ChiNext saw significant decline. Under the background of “deleveraging, guarding against risks and curbing asset bubbles”, the economy achieved steady growth while keeping market risks at controllable levels. The guidance of regulatory authorities and change of investor mix drove the shift of A share investments towards a more mature capital market.

Actions and achievements

(1) Flow-based business

For the equity derivatives business, the Company provided its corporate clients with equity management services such as stock repo, stock-pledged repo and market cap management, launched OTC derivatives products such as structured products, total return swaps, OTC options quotation and equity-linked beneficiary certificates for institutional clients; overcame unfavorable market conditions and continued to develop its market-making business, including the market-making business in ETF, the SSE 50 ETF options market and white sugar options market-making business. In 2017, the scale of equity management business of the Company ranked at the forefront among peers. Its OTC derivatives business was at a leading market position. The market-making business developed multiple products in pursuit of the diversification strategy and the SSE 50 ETF options market-making continued to rank at the forefront in the market. A business model with extensive client base, a wide range of products, and relatively stable yields in general has been formed.

In respect of the fixed income business, the Company made good use of its customer resources and enhanced its integrated customer service capabilities, maintaining the No.1 position in the industry in terms of the total sales of interest rate products in 2017. Through strengthening cooperation among various business segments and enriching transaction categories, it covered various fixed income products, markets and customers. It devoted more efforts in bond and derivative market-making and was awarded Outstanding Bond Market Dealer in the interbank market. It improved market and credit research and enhanced risk management capability. Furthermore, the Company actively promoted the investment advisory services for financial institutions such as joint-stock banks and urban commercial banks to meet the wealth management demand of customers.

In respect of the commodities business, the Company continued to follow the principle of “financial institution serving the real economy”. Leveraging the in-depth development of real industry through spot trading business and the enhancement of capabilities in spot market-making and supply chain service, it provided customized services to upstream, midstream and downstream clients in the industry. In 2017, it maintained the No.1 position in terms of trading volume of OTC commodities derivatives in the Shanghai Clearing House. As to the derivatives business, the Company continued to conduct the trading business targeting onshore and offshore corporate and institutional investors, and strengthened the profitability and client coverage of commodities swap and commodities OTC option businesses. This initially formed a business model where spot trading, derivative trading, quotation and market-making businesses supported each other. Through which, the Company is expected to further offer customized and professional financial services related to commodities to a wide range of domestic and foreign industry and corporate clients.

In respect to the prime brokerage business, by adhering to the principle of prudent development, the Group steadily carried out the margin financing and securities lending business premised on ensuring measurable, controllable and tolerable risks, keeping the size basically in line with that of the margin financing and securities lending market. As at 31 December 2017, the size of the Group's margin financing and securities lending business was approximately RMB70,975 million, accounting for 6.92% of the aggregate business size in the whole market and ranking the first in the market. Among which, the size of margin financing business and the size of securities lending business was RMB70,815 million and RMB160 million, respectively.

Item	Company	31 December 2017	31 December 2016
Balance of margin financing and securities lending (RMB million)	CITIC Securities	65,046	56,661
	CITIC Securities (Shandong)	5,929	6,015
	Total	70,975	62,676

Source: Wind Info and the Company's internal statistics

(2) Proprietary trading

In 2017, the Company continued to push forward the strategic transformation of its proprietary trading business. To this end, it took risk/reward ratio as an important reference indicator for investment decision making, thoroughly optimized the investment research system and procedures, intensified industry and corporate research, and strengthened the supporting role of research on investment. As it proactively seized market opportunities and performed strict risk management, it achieved good profitability and good results.

In 2017, the traditional stock quantitative strategy was severely challenged by the changing market structure. Based on the enhanced quantitative trading capabilities, the alternative investment business strengthened the analysis and judgment of macro fundamentals and continued to enrich the trading strategy, and applied the machine learning and artificial intelligence related knowledge to the investment transactions. Facing a challenging market, the business lines, based on macro analysis and judgment, focused on quantitative trading and flexibly utilized various financial instruments and derivatives to manage risks, and overcame the adverse market impacts. Meanwhile, proactively exploring the diversified multimarket investment strategy has effectively dispersed investment risks and enriched the sources of revenue. Currently, the businesses or strategies we have commenced include: index arbitrage, domestic macroeconomic strategy, statistical arbitrage, fundamental quantification, convertible arbitrage, commodity strategy, options strategies, private placement strategy for convertible bonds, portfolio hedge fund investment and global multi-strategy funds.

Outlook for 2018

For the equity derivatives business, the Company will adhere to the vision and business position of "becoming the major equity solution suppliers in the corporate customer market, becoming the major trader (market maker) for OTC derivatives in the institutional customer market and becoming the major market maker for exchange based derivatives in the retail customer market", continue to enlarge its business size, nurture and strengthen its capabilities in providing extensive products and risk hedging and continue to optimize the three businesses of equity financing, OTC derivatives and market making transactions. The Company will speed up its business upgrade and transformation, enhance from the meeting customer standardization needs to specification needs, broaden the customer base, strengthen its capabilities in product services and refine construction of system platform to improve customer experience.

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

The prime brokerage business will provide high-quality services to transaction-oriented customers, with a focus on enhancing the technical service system and customer service system for such clients. It will continue to develop the margin financing and securities lending business by optimising capital sources and active fund management mechanism for higher profit contribution. Riding on the success of the prime brokerage business, it will concentrate on upgrading service quality and maintain its leading position through product and service innovation.

The Company will adhere to the principle of the optimum risk/reward ratio for stock proprietary business, further enhance research efforts and proactively capture market opportunities to diversify revenue sources and steadily enhance the trading returns, while proactively managing risks and prudently allocating capital.

The Company will fully roll out investment strategies for its alternative investment business, with the goal of establishing excellent hedge fund platform. It will further research and develop new trading strategies, build up a more efficient trading system and capture investment opportunities emerging in various markets at a wider scale, in order to steadily increase investment yields.

4.2.4 Asset management

Market conditions

In 2017, financial regulatory policies tightened on all fronts. The National Finance Working Meeting required the financial industry to return to its essence, optimize the structure and strengthen regulation. The People's Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission and the China Insurance Regulatory Commission promulgated a wide range of policies to lower financial leveraging, curb idle fund, halt capital pool, etc. Such policies will guide asset management enterprises as their profitability model shifts from regulatory arbitrage and interest arbitrage to asset allocation and asset pricing. With the successive implementation of regulatory policies, the overall asset management industry will gear down from rapid growth to moderate growth while homogenization will be gradually replaced by differentiation in industry competition. Asset management business of securities companies is facing great opportunities as well as challenges.

Actions and achievements

(1) Asset management of the Company

In 2017, the asset management business of the Company continued to adhere to the development path of “serving both institutional and retail clients”. It strengthened the construction of investment research, expanded the customer base and market, improved our products and services, and enhanced the management level.

As at the end of Reporting Period, the AUM of asset management business of the Company was RMB1,667,335 million with a market share of 10.10%, and the size of active management funds amounted to RMB589 billion, both of which ranking top in the market. Among these, the size of CAM, TAM (including those of corporate annuities and the National Social Security Fund) and SAM were RMB161,332 million, RMB1,504,140 million and RMB1,862 million, respectively. The Company continued to maintain the first position in the total size of AUM and market share of the asset management business.

Type	AUM (RMB million)		Management fees (RMB million)	
	31 December 2017	31 December 2016	2017	2016
CAM	161,332	181,596	547.57	500.57
TAM	1,504,140	1,736,788	1,376.19	1,576.56
SAM	1,862	2,566	23.71	23.29
Total	1,667,335	1,920,950	1,947.47	2,100.42

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

- Note: (1) The CAM excluded the pension collection products of RMB9,639 million and the SAM excluded the asset securitization products of RMB53,135 million.
- (2) The statistics of AUM were based on the statistical caliber of Asset Management Association of China, of which, data of 2016 was adjusted retrospectively; and the difference between the figure listed under “Total AUM” and the aggregation of respective figures listed under “CAM, TAM and SAM” above was due to rounding-off.

(2) China AMC

During the Reporting Period, China AMC continued to uphold the four driving forces policy of “talents, investment research, products and sales” and advanced the forward-looking strategy. It continuously refined the product lines and effectively promoted the sales of public funds so as to steadily develop institutional business and actively expanded international business. As a result, all businesses were under sound operation.

As at 31 December 2017, the AUM of China AMC was RMB869,615 million. Of which, the AUM of public funds reached RMB398,808 million, ranking second in the industry in terms of the size of non-monetary public funds, and the AUM of institutional business reached RMB470,807 million (excluding investment consultancy business, etc.), maintaining the No.1 position in the industry.

The asset management business of the Company will go with the development positioning of the assets management industry proposed by the party and the state for the new era. The business will keep up with the direction and level of the national policy, while pursuing high quality and sustainable expansion in size and building an ecosystem that aligns the interests of investors, asset management companies and the real economy. Based on the main theme of “promoting development and guarding against risks”, it will be committed to the customer concept of “serving both institutional and retail clients”. It will strive to achieve excellent investment return, optimized product layout, efficient information system and supreme service experience, in order to enhance brand value, increase customer loyalty, capitalize on the platform strengths of the Company and upgrade the comprehensive service capabilities on an on-going basis.

China AMC will further enrich and optimize investment strategies. It will enhance investment research capabilities, improve product mix and advance new strategic product development. It will also seize market opportunities to promote the sales business effectively, expand coverage of institutional clients, drive the development of geriatric business and take advantage of internationalization, with a view of maintaining the overall competitiveness in the industry.

4.2.5 Custody

Market conditions

In 2017, guarding against risks, deleveraging and channel elimination became the main trend of the domestic asset management industry. Supported by the performance of value stocks, public funds achieved steady growth in size and return. Aiming to serve the real economy, private equity funds and venture capital funds developed rapidly. Meanwhile, WFOEs were allowed to issue onshore private securities funds, which indicated that the domestic asset management industry was further opening up.

In regards to asset custody and fund services, commercial banking maintained advantages in scale in the fields of public fund, monetary fund and private equity fund custody. In the meantime, leveraging the capability of offering comprehensive financial services, securities companies consolidated the leading position in private fund custody and services.

Actions and achievements

In 2017, the Company thoroughly implemented the regulatory rules for the asset management industry and duly performed its duties in providing asset custody and fund services. Through optimization of customer service procedure, continuous upgrade of service platform and active exploration of new fund operation services, it achieved steady growth in the size of asset custody and fund services with a focus on enhancing the service experience for clients. As at the end of the Reporting Period, the Company provided asset custody service to a total of 4,061 securities investment funds and asset management schemes, and provided fund services to 4,444 private investment funds.

Outlook for 2018

It is expected that the regulation on the asset management industry will remain tight in 2018. Economies of scale will play a greater role in the asset management industry and funds service industry, while asset management institutions and funds service providers with outstanding management practices and operating scale will see favorable opportunities. The abilities in customer service innovation, upgrade of information technology system and risk control will become key factors in competitions in the asset custody and fund service industry.

4.2.6 Investment

Market conditions

In 2017, China’s private equity market saw a growth in the size of fundraising and investment. Available statistics of Zero2IPO indicated that:

In 2017, proceeds raised by China’s private equity funds amounted to RMB1,421.267 billion, representing a growth of 42.7% as compared to 2016 and showing a relatively fast growth on the fundraising end when comparing with the 15.5% CAGR over the period between 2007 and 2016. Investments made by China’s private equity funds amounted to RMB993.818 billion in total, representing an increase of 65.2% as compared to 2016 and showing a rapid growth on the investment end when comparing with the 20.4% CAGR over the period between 2007 and 2016.

Actions and achievements

By fully leveraging the Group's network and devoting efforts in project development, the Company's equity investment business focuses on the strategic investments in equities of medium to large scale enterprises in the Chinese market.

(1) CITIC Securities Investment

Pursuant to the Management Regulations on Subsidiaries for Alternative Investments of Securities Companies promulgated on 30 December 2016 by SAC, since 2017, alternative investment businesses other than proprietary trading of the Company shall be fully conducted by CITIC Securities Investment, a wholly-owned subsidiary of the Company, including direct proprietary capital investment business previously operated by GoldStone Investment. In 2017, the number of new equity investment projects of CITIC Securities Investment amounted to 28 with a total amount of approximately RMB2.3 billion. At present, CITIC Securities Investment has formed five major industry classifications including TMT, consumption upgrading, advanced manufacturing, healthcare and integrated finance, with investment projects relating to a wide range of domestic and international businesses.

(2) GoldStone Investment

Pursuant to the Management Regulations on Private Equity Subsidiaries of Securities Companies promulgated on 30 December 2016 by SAC, since 2017, GoldStone Investment, a wholly-owned subsidiary of the Company, transformed to a private equity investment fund management platform company to establish a centralized fundraising, investment, management and exit system.

In terms of fund establishment and fundraising, in 2017, GoldStone Investment formed management companies, and established China Travel Industry Fund, Anhui Transportation Goldstone M&A Fund and various special industrial funds with China National Travel Service Group Corporation and Anhui Transportation Holding Group Company Limited, respectively. The fundraising activities and investments progressed as planned. Existing funds and newly established funds under the management of GoldStone Investment exceeded RMB60.0 billion.

In regards to investment and post-investment management, GoldStone Investment completed over 20 equity investment projects in 2017. In addition, it has more than 100 post-investment projects and funds under management.

Outlook for 2018

Being an alternative investment subsidiary of the Company, CITIC Securities Investment undertakes the responsibility for the Company's proprietary equity investment. In 2018, CITIC Securities Investment will strive to maintain the leadership among peers in terms of management size, investment and research capacity, investment income and other aspects. Under the guidance of the State's macroeconomic and industrial policies, the Company will continue to focus on industry leaders with immense potential for development and investment targets with relatively significant presence and technological edge, so as to ensure effective implementation of financial services for the real economy. At the same time, combining with the requirements of internal and external regulators, the Company will constantly strengthen risk prevention and increase compliance awareness.

In 2018, on the one hand, GoldStone Investment will continue to carry out the fund-raising works, complete the fund raising works based on relevant plans and complete the business transformation to meet the regulatory requirements in all respects. On the other hand, being the most influential private funds management institution of a securities company in the market, GoldStone Investment will step up its investment and focus on opportunities of merger and acquisition investment in relation to transformation and upgrade of the industry and mixed ownership reform, based on the existing industry divisions, from the perspectives of technology, elements and model upgrade. In addition, it will strike a balance between domestic and international businesses to support the "going global" strategy and "the Belt and Road" initiative. Combining the resources strengths of CITIC Securities in terms of the extensive platform, big finance, big industry and globalization network, it will pursue return on growth investment of the enterprise, and acquire the comprehensive and multi-level equity investment capabilities. Through in-depth research and forward-looking judgement on industrial trend, it will identify the true value of corporates and offer favourable returns to fund investors.

4.2.7 Research

In 2017, based on market needs and customers' demands, the research arm recruited talents through market and campus recruitment. At present, there are a total of 34 professional research teams which cover all research areas. In 2017, the research arm issued a total of 7,021 research reports, provided 11,699 road show services for clients, covering over 120 new H-share companies. Besides, the department has also organized 30 large- and medium-sized investor forums, including the "Theme Forum of Universal Connectivity", "CITIC Securities Seminar on SOE Reform", "2017 Interim Strategy Seminar", "New Energy Vehicles Investment Strategy Conference" and "2018 Capital Market Annual Conference", serving a total of over 12,000 clients.

In addition, the Research Department actively promoted the depth and breadth of cooperation with CLSA, strengthened overseas research services to speed up the progress of research internationalization, and enhanced the branding of the Company's research business and its influence overseas. In 2017, the Company provided a total of 1,489 reports in English to overseas institutional investors and 190 road shows services, averaging 16 road shows per month. In addition to the Hong Kong market, the Company actively developed the market research services in the United States, Japan, Korea and Singapore.

In 2018, the Research Department of the Company is striving to increase its influence. The department will continue to promote synergy and cooperation with CLSA, enhance the level of overseas research service while strengthening support for and cooperation with the Company's other business lines.

4.2.8 International Business

2017 has proven to be a pivotal year for our international business as CSI has completed the integration with its subsidiaries and adopted CLSA as the only offshore business brand of our Group, thereby achieving rapid growth. Despite ample challenges that the marketplace and regulatory environment have presented, our international business quickly moved forward to grasp opportunities that our combined platform offers us. Our focus on delivering client solutions driven by intellectual value added and our strong Asia focus has seen us gain market share throughout most of our business lines. This has resulted in a better top and bottom line result for our international business as we carefully adjust to the rapidly changing marketplace for financial services globally.

The market environment in 2017 has been relatively benign with most equity indices reaching multi-year highs and the credit markets trading tighter than at any time since the 2008 Financial Crisis. This is unlikely to continue uninterrupted given the numerous geopolitical risks and market imbalances evident. As such we are forecasting higher levels of volatility in 2018 but assume that there is no major dislocation in global markets.

A 4-stage plan was developed to shift the direction of CITIC Securities' international business — Integration, Restructuring, Investment, and Diversification. The first two steps were successfully completed in 2017. In 2018 the focus will be on new investment in selected business lines such as IBD, FICC and private equity, which should lead to a better diversified earnings base.

CLSA is headquartered in Hong Kong with operations in 20 cities in Asia, Australia, Europe and the US, engaging in business covering alternative investment, asset management, corporate financing, capital and debt markets, securities as well as wealth management. It is a member of 15 exchanges in the Asian region. Its global sales platform has more than 40,000 liaison persons serving over 2,000 institutional clients.

The main revenue generator continues to be equity broking which is expected to face a very difficult environment as new regulations (MIFID II) come into place. Our number one position as an Asian Broker will afford some protection but we are forecasting an overall drop in brokerage commissions as market payments for research decline. Execution services are expected to become increasingly important (up to 70% of client wallet) and the emphasis will be in investing in technology and people to remain one of the top providers in this space. Separately, the build out of risk trading will continue and we forecast revenue uplift from these activities.

Competitor analysis has identified investment banking as one of the areas with greatest potential upside in revenues and market share. As such, it is a key focus of international business in 2018. Following significant business integration, this platform has been stabilised in 2017, and a number of senior hires have joined. In 2018 the investment in talent will continue, specifically focusing on the China opportunities in ECM & DCM, and selected areas in ASEAN, particularly those with a link into the OBOR initiative. In 2017, CLSA Limited completed the IPO of HDFC Life in India with total proceeds of USD1.34 billion, the placing of YES Bank of India to qualified institutional investors with total proceeds of USD750 million as well as the Sovereign Bonds of USD1.5 billion issued by The Democratic Socialist Republic of Sri Lanka and other iconic Belt and Road projects.

FICC has had a strong 2017, and we forecast continued growth in 2018. The emphasis will be on further cementing our position as a leading market-maker of Asian Bonds, helped by the expansion into the US. Investing in new business lines such as structured products (credit, rates & FX) will be a core focus, as well as developing repo trading, non-China high yield and GCC Sovereigns trading. Structured finance offers significant growth opportunity and the intention is to develop a syndicated loan operation to support our principal investment as well as IBD activities.

Alternative asset management business (mainly private equity & real estate) has recorded significant growth in 2017 with the launch of new credit and real estate strategies, along with successor private equity funds. The revenues are forecast to increase in 2018, and we will continue to look for opportunities to further diversify the platform.

4.3 Financial Statement Analysis

4.3.1 Financial statement summary

Profitability analysis

In 2017, with China's securities market showing characteristics of a structured market, the Group continued to rank top among domestic securities companies, retaining a leading position in the market on all fronts. In 2017, the Group recognized total revenue and other income of RMB56,960 million, representing a year-on-year increase of 13.77%. Net profit attributable to owners of the parent amounted to RMB11,433 million, representing a year-on-year increase of 10.30%. Basic earnings per share amounted to RMB0.94, representing a year-on-year increase of 9.30%. Return on weighted average equity was 7.82%, representing a year-on-year increase of 0.46 percentage point.

Assets structure and assets quality

In 2017, total assets and total liabilities increased by different margins. In 2017, the Group made corresponding provisions for impairment losses in respect of assets which had indication of impairment, enabling the Group to maintain high asset quality.

As of 31 December 2017, the Group's total assets amounted to RMB625,575 million, representing a year-on-year increase of RMB28,136 million or 4.71%. Excluding customer brokerage deposits, the Group's total assets amounted to RMB525,720 million, representing a year-on-year increase of RMB62,679 million or 13.54%. As of 31 December 2017, the Group's total liabilities amounted to RMB472,432 million, representing a year-on-year increase of RMB20,782 million or 4.60%. Excluding customer brokerage deposits, the Group's total liabilities amounted to RMB372,577 million, representing a year-on-year increase of RMB55,325 million or 17.44%. As of 31 December 2017, equity attributable to owners of the parent amounted to RMB149,799 million, representing a year-on-year increase of RMB7,103 million or 4.98%.

A stable asset and liability structure was maintained. As of 31 December 2017, excluding customer brokerage deposits, the Group's total assets amounted to RMB525,720 million, among which, investments, which mainly included investments in associates/joint ventures and investments in financial assets, accounted for 47.91% of the total assets; margin accounts and reverse repurchase agreements accounted for 35.87% of the total assets; cash and bank balances accounted for 6.52% of the total assets; fixed assets, constructions in progress, intangible assets, land-use rights and investment properties in aggregate accounted for 2.39% of the total assets.

As of 31 December 2017, excluding customer brokerage deposits, the Group's total liabilities amounted to RMB372,577 million with a major proportion of short-term liabilities, among which repurchase agreements were RMB111,620 million, accounting for 29.96% of the total liabilities; debt instruments issued and long-term loans were RMB78,727 million, accounting for 21.13% of the total liabilities; short-term loans, due to banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year were RMB77,980 million, accounting for 20.93% of the total liabilities; financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss and derivative financial liabilities were RMB59,753 million, accounting for 16.04% of the total liabilities; and other liabilities were RMB44,497 million in total, accounting for 11.94% of the total liabilities.

The gearing ratio slightly increased. As of 31 December 2017, excluding customer brokerage deposits, the gearing ratio of the Group was 70.87%, representing a year-on-year increase of 2.36 percentage points.

Cash flow status

Excluding customer brokerage deposits, the Group's net decrease in cash and cash equivalents was RMB945 million in 2017, compared with net decrease of RMB33,776 million in 2016, which was mainly due to an increase in net cash inflow from investing and financing activities.

From a structural perspective, the net cash outflow from operating activities in 2017 was RMB66,703 million, compared with an outflow of RMB35,715 million in 2016, which was mainly attributable to the increase in the net cash outflows from reverse repurchase agreements.

Net cash inflow from investing activities in 2017 was RMB28,273 million, compared with an inflow of RMB9,938 million in 2016, which was mainly attributable to the year-on-year increase in the net cash inflows from available-for-sale financial assets.

Net cash inflow from financing activities in 2017 was RMB37,485 million, compared with an outflow of RMB7,999 million in 2016, which was mainly attributable to an increase in issuance of bonds and structured notes during the Reporting Period.

Access to and ability of financing

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

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

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

Please refer to Note 41 "Short-term loans", Note 42 "Short-term financing instruments payable", Note 44 "Debt instruments issued" and Note 45 "Long-term loans" to the consolidated financial statements in this results announcement for the information on the debt financing instruments and liquidity of the Company in 2017.

4.3.2 Analysis on income statement

Financial highlights

In 2017, the Group accomplished a profit before income tax of RMB16,174 million, representing an increase of 13.40%. Major financial highlights of the Group are as follows:

In RMB million

Items	2017	2016
Fee and commission income	22,665	25,775
Interest income	12,807	11,233
Investment income	12,713	8,265
Other income	8,775	4,794
Operating expenses	41,390	36,154
Share of profits and losses of associates/joint ventures	604	350
Profit before income tax	16,174	14,263
Income tax expenses	4,196	3,281
Profit attributable to owners of the parent	11,433	10,365

Structure of the revenue

In 2017, the total revenue and other income of the Group amounted to RMB56,960 million, representing a year-on-year increase of 13.77%. Structure of the revenue was relatively stable. The following table sets out the revenue structure of the Group in the past 5 years:

Items	2017	2016	2015	2014	2013
Fee and commission income	39.79%	51.48%	46.97%	47.86%	52.76%
Interest income	22.48%	22.44%	21.42%	19.86%	20.17%
Investment income	22.32%	16.51%	26.75%	25.82%	25.93%
Other income	15.41%	9.57%	4.86%	6.46%	1.14%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Fee and commission income

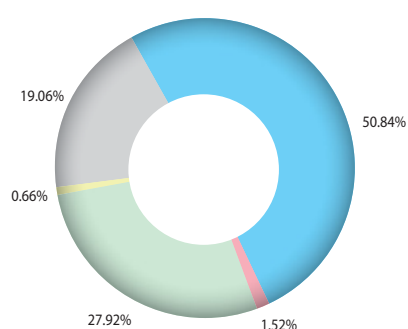
In 2017, the net fee and commission income of the Group amounted to RMB18,957 million, representing a year-on-year decrease of 15.54%, which was mainly attributable to a decrease in revenue from brokerage and investment banking business. The breakdown of fee and commission income of the Group during 2016 and 2017 is as follows:

In RMB million

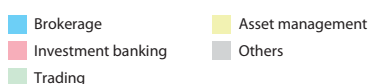
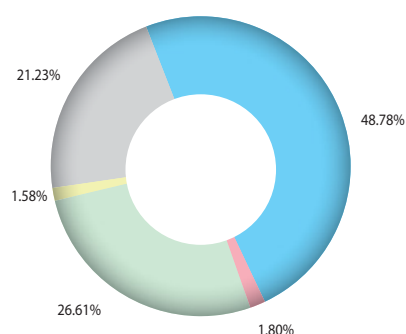
Items	2017	2016	Variance in amount	Variance in percentage
Fee and commission income				
Brokerage	11,523	12,574	-1,051	-8.36%
Investment banking	4,320	5,471	-1,151	-21.04%
Trading	150	407	-257	-63.14%
Asset management	6,327	6,860	-533	-7.77%
Others	345	463	-118	-25.49%
Fee and commission expenses	3,708	3,331	377	11.32%
Net fee and commission income	18,957	22,444	-3,487	-15.54%

The breakdown of fee and commission income during 2016 and 2017 is as follows:

Breakdown of fee and commission income for 2017



Breakdown of fee and commission income for 2016



The fee and commission income from brokerage decreased by RMB1,051 million year-on-year, representing a decline of 8.36%. In 2017, the domestic secondary market showed signs of a structured market. The overall trading declined as compared to 2016. The average daily trading turnover of stocks and fund products amounted to RMB470 billion, representing a year-on-year decrease of 12%.

The fee and commission income from investment banking decreased by RMB1,151 million, representing a year-on-year decrease of 21.04%. In 2017, the issuance of IPO maintained a stable pace. However, under the impact of the tightening policy, the refinancing size experienced a relatively large decline.

The fee and commission income from trading decreased by RMB257 million year-on-year, mainly due to a decrease in the revenue from the financial investment advisory business.

The fee and commission income from asset management decreased by RMB533 million or 7.77% year-on-year. As of 31 December 2017, the Company's total AUM amounted to RMB1,667.30 billion, representing a year-on-year decrease of RMB2,537 million or 13.21%. With the successive implementation of regulatory policies, the overall asset management industry will gear down from rapid growth to moderate growth. The Company continued to maintain the first position in the total size of AUM and market share of the asset management business.

Interest income

In 2017, the net interest income of the Group amounted to RMB2,405 million, representing a year-on-year increase of 2.43%. The table below sets out the major composition of the net interest income during the period:

In RMB million

Items	2017	2016	Variance in amount	Variance in percentage
Interest income				
— Bank interest income	3,911	3,963	-52	-1.31%
— Interest income on margin and other financing	8,833	7,198	1,635	22.71%
— Others	63	72	-9	-12.50%
Finance costs				
— Customer brokerage deposits	338	420	-82	-19.52%
— Due to banks and other financial institutions	3,659	3,690	-31	-0.84%
— Debt instruments issued and short-term financing instruments payable	5,365	3,933	1,432	36.41%
— Others	1,040	842	198	23.52%
Net interest income	2,405	2,348	57	2.43%

Bank interest income decreased by RMB52 million or 1.31% year-on-year, mainly due to a decrease in client deposits and reserves with the brokerage segment resulting from securities market conditions. Consequently, the average daily balance of the funds during the year decreased as compared to the previous year.

Interest income from margin and other financing increased by RMB1,635 million, representing a year-on-year increase of 22.71%, which was mainly attributable to the increase in the scale of the financing flow-based business as compared to the previous year.

Interest expense increased by RMB1,517 million or 17.07% year-on-year, mainly due to the increase in the scale of debt instruments issued by the Group during the Reporting Period.

Investment income

In 2017, the investment income of the Group amounted to RMB12,713 million, representing a year-on-year increase of 53.82%. The table below sets out the major composition of the investment income during the period:

In RMB million

Items	2017	2016	Variance in amount	Variance in percentage
Net income from available-for-sale financial assets	7,255	6,694	561	8.38%
Net income/(loss) from financial instruments held for trading and financial instruments designated as at fair value through profit or loss	9,268	-1,643	10,911	N/A
Others	-3,810	3,214	-7,024	N/A
Total	12,713	8,265	4,448	53.82%

Net income from available-for-sale financial assets increased by RMB561 million, representing a year-on-year increase of 8.38%, attributable to an increase of RMB819 million or 20.29% in investment income from the disposal of available-for-sale financial assets, and a decrease of RMB258 million or 9.74% in dividend income and interest income from available-for-sale financial assets held.

Net income from financial instruments held for trading and financial instruments designated as at fair value through profit or loss increased by RMB10,911 million year-on-year. In 2017, investment income arising from the holding and disposal of such instruments by the Group increased by RMB2,430 million and the gains arising from changes in the fair value increased by RMB8,481 million.

Other investment income decreased by RMB7,024 million year-on-year, which was mainly attributable to fair value changes in the derivative financial instruments.

Operating expenses

In 2017, operating expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB27,280 million, representing a year-on-year increase of RMB3,342 million or 13.96%.

The table below sets out the major composition of the operating expenses during the period:

In RMB million

Items	2017	2016	Variance in amount	Variance in percentage
Staff costs	12,141	11,507	634	5.51%
Depreciation	503	413	90	21.79%
Tax and surcharges	256	797	-541	-67.88%
Other operating expenses and costs	12,659	9,286	3,373	36.32%
Impairment losses	1,721	1,935	-214	-11.06%
Total	27,280	23,938	3,342	13.96%

In 2017, staff costs of the Group recorded an increase of RMB634 million, representing a year-on-year increase of 5.51%, mainly due to an increase in staff remuneration.

In 2017, depreciation increased by RMB90 million, representing a year-on-year increase of 21.79%, mainly due to an increase in depreciation of properties and building.

In 2017, tax and surcharges decreased by RMB541 million or 67.88% year-on-year, mainly due to the implementation of the policy of replacing business tax with value-added tax since May 2016.

In 2017, impairment losses amounted to RMB1,721 million, representing a decrease of RMB214 million or 11.06% as compared to 2016, mainly attributable to a decrease in the impairment losses occurred on available-for-sale financial assets. In 2017, the Group provided allowance for the impairment losses for assets with indications of impairment according to the Group's accounting policies.

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

In RMB million

Items	2017	2016	Variance in amount	Variance in percentage
Available-for-sale financial assets	478	1,624	-1,146	-70.57%
Reverse repurchase agreements	437	30	407	1,356.67%
Impairment losses on bad debts	265	192	73	38.02%
Others	541	89	452	507.87%
Total	1,721	1,935	-214	-11.06%

4.3.3 Analysis on financial position

As of 31 December 2017, the total assets of the Group were RMB625,575 million, representing a year-on-year increase of 4.71%. Excluding the effect of the customer brokerage deposits, the total assets of the Group amounted to RMB525,720 million as of 31 December 2017, representing a year-on-year increase of 13.54%.

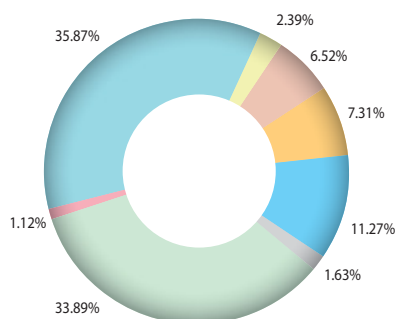
Major changes in the total assets of the Group were as follows:

In RMB million

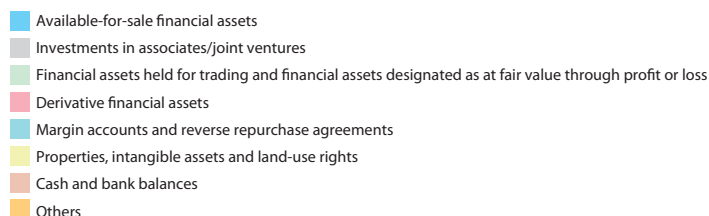
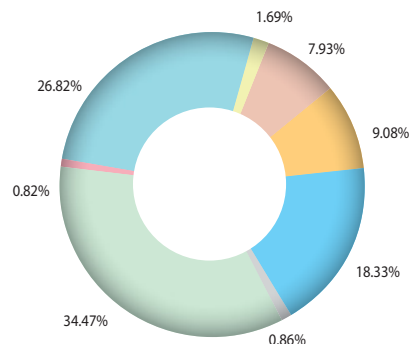
Items	31 December 2017	31 December 2016	Variance in amount	Variance in percentage
Available-for-sale financial assets	59,227	84,879	-25,652	-30.22%
Investments in associates/joint ventures	8,586	3,974	4,612	116.05%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	178,154	159,619	18,535	11.61%
Derivative financial assets	5,901	3,780	2,121	56.11%
Margin accounts and reverse repurchase agreements	188,575	124,196	64,379	51.84%
Properties, intangible assets, and land-use rights	12,583	7,811	4,772	61.09%
Cash and bank balances	34,303	36,713	-2,410	-6.56%
Others	38,391	42,069	-3,678	-8.74%
Total	525,720	463,041	62,679	13.54%

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

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



Analysis of the components of the Group's assets for 2016



Investment

The investment of the Group primarily comprises available-for-sale financial assets, investments in associates/joint ventures, financial assets held for trading and financial assets designated as at fair value through profit or loss, derivative financial assets, etc.

As of 31 December 2017, the total investments of the Group were RMB251,868 million, representing a decrease of RMB384 million, or a year-on-year decrease of 0.15%. Its total investments accounted for 47.91% of the total assets, representing a year-on-year decrease of 6.57 percentage points.

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 million

Items	31 December 2017		31 December 2016	
	Amount	Percentage to total assets	Amount	Percentage to total assets
Available-for-sale financial assets	59,227	11.27%	84,879	18.33%
Investments in associates/joint ventures	8,586	1.63%	3,974	0.86%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	178,154	33.89%	159,619	34.47%
Derivative financial assets	5,901	1.12%	3,780	0.82%
Total	251,868	47.91%	252,252	54.48%

Available-for-sale financial assets

As of 31 December 2017, available-for-sale financial assets of the Group decreased by RMB25,652 million, representing a year-on-year decrease of 30.22%, and it accounted for 11.27% of the total assets. The following table sets forth the components of the available-for-sale financial assets portfolio of the Group:

In RMB million

Items	31 December 2017		31 December 2016	
	Amount	Percentage to available-for-sale financial assets	Amount	Percentage to available-for-sale financial assets
Debt securities	14,081	23.77%	21,292	25.09%
Equity investments	20,682	34.92%	28,768	33.89%
Others	24,464	41.31%	34,819	41.02%
Total	59,227	100.00%	84,879	100.00%

Investments in associates/joint ventures

In RMB million

Items	31 December 2017	31 December 2016	Variance in amount	Variance in percentage
Investment in associates	8,581	3,975	4,606	115.87%
Investments in joint ventures	5	-1	6	N/A
Total	8,586	3,974	4,612	116.05%

As of 31 December 2017, investments in associates and joint ventures increased by RMB4,612 million or 116.05% year-on-year, mainly due to a significant increase in investments in associates.

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

As of 31 December 2017, the Group's financial assets held for trading and financial assets designated as at fair value through profit or loss increased by RMB18,535 million, representing an increase of 11.61% year-on-year, and accounted for 33.89% of the total assets of the Group, mainly due to a significant increase in equity investments held for trading.

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

In RMB million

Items	31 December 2017	31 December 2016	Variance in amount	Variance in percentage
Debt securities held for trading	88,149	97,289	-9,140	-9.39%
Equity investments held for trading	62,595	43,543	19,052	43.75%
Financial assets designated as at fair value through profit or loss	19,705	13,337	6,368	47.75%
Others	7,705	5,450	2,255	41.38%
Total	178,154	159,619	18,535	11.61%

Properties, intangible assets and land-use rights

As of 31 December 2017, properties, intangible assets and land-use rights of the Group amounted to RMB12,583 million, representing a year-on-year increase of 61.09%, mainly due to consolidating Tianjin Jingzheng and Tianjin Shenzheng into the financial statements.

The following table sets out the properties, intangible assets and land-use rights of the Group as at the dates indicated:

In RMB million

Items	31 December 2017	31 December 2016	Variance in amount	Variance in percentage
Property, plant and equipment	8,265	3,923	4,342	110.68%
Investment properties	872	68	804	1,182.35%
Land-use rights and intangible assets	3,446	3,820	-374	-9.79%
Total	12,583	7,811	4,772	61.09%

Liabilities

As of 31 December 2017, total liabilities of the Group amounted to RMB472,432 million, representing a year-on-year increase of RMB20,782 million or 4.60%. Excluding the effect of customer brokerage deposits, total liabilities of the Group would have amounted to RMB372,577 million as at the end of December 2017, representing a year-on-year increase of 17.44%.

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

In RMB million

Items	31 December 2017	31 December 2016	Variance in amount	Variance in percentage
Customer brokerage deposits	99,855	134,398	-34,543	-25.70%
Short-term loans, due to banks and other financing institutions, short-term financing instruments payable and non-current liabilities due within one year	77,980	45,183	32,797	72.59%
Financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, and derivative financial liabilities	59,753	33,795	25,958	76.81%
Repurchase agreements	111,620	121,414	-9,794	-8.07%
Debt instruments issued and long-term loans	78,727	70,866	7,861	11.09%
Others	44,497	45,994	-1,497	-3.25%
Total	472,432	451,650	20,782	4.60%

As of 31 December 2017, the customer brokerage deposits of the Group amounted to RMB99,855 million, representing a year-on-year decrease of 25.70%. It accounted for 21.14% of the total liabilities of the Group. The following table sets out the Group's customer brokerage deposits as categorized by geographical locations and types of customers as of the dates indicated:

In RMB million

Items	31 December 2017	31 December 2016	Variance in amount	Variance in percentage
Mainland China	82,669	119,119	-36,450	-30.60%
— Individual	47,326	47,477	-151	-0.32%
— Corporate	35,343	71,642	-36,299	-50.67%
Outside Mainland China	17,186	15,279	1,907	12.48%
Total	99,855	134,398	-34,543	-25.70%

As of 31 December 2017, short-term loans, due to banks and other financing institutions, short-term financing instruments payable and non-current liabilities due within one year amounted to RMB77,980 million, representing an increase of 72.59% year-on-year, mainly attributable to an increase in non-current liabilities due within one year.

As of 31 December 2017, financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, and derivative financial liabilities amounted to RMB59,753 million, representing a year-on-year growth of 76.81%, mainly attributable to the increase in investment scale and the changes in fair value.

As of 31 December 2017, amounts from repurchase agreements decreased by RMB9,794 million or 8.07% year on year, which was mainly attributable to the decrease in pledge-style repo business.

As of 31 December 2017, amounts from debt instruments issued and long-term loans increased by RMB7,861 million or 11.09% year-on-year, which was mainly attributable to a year-on-year increase of RMB7,889 million or 11.31% in debt instruments issued.

Equity

As of 31 December 2017, the total equity of the Group amounted to RMB153,143 million, representing a year-on-year increase of 5.04%, mainly attributable to dividend distribution and the increase in net profit in 2016.

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

In RMB million

Items	31 December 2017	31 December 2016
Share capital	12,117	12,117
Capital reserve	54,449	54,462
Surplus reserve	8,165	7,813
General reserve	20,827	18,797
Investment revaluation reserve	2,132	1,215
Foreign currency translation reserve	102	1,100
Retained profits	52,007	47,192
Non-controlling interests	3,344	3,093
Total	153,143	145,789

4.3.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

4.3.5 Analysis of the operation and results of principal subsidiaries and non-controlling companies

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

Name	Shareholding Held by the Company (%)	Date of Establishment	Registered Capital	Place of Business	Registered Address	Responsible Officer	Contact Number
CITIC Securities (Shandong)	100.00	1988.6.2	RMB2,500 million	2/F, East Wing, Tower 1, Longxiang Plaza, No. 28 Dong Hai Xi Road, Shinan District, Qindao 15/F, International Wealth Center, No. 156 Jingqi Road, Shizhong District, Jinan	Unit 2001, Tower 1, No. 222 Shenzhen Road, Laoshan District, Qingdao	JIANG Xiaolin	0532-85022309
CSI	100.00	1998.4.9	Paid-up Capital of HK\$6,516.05 million	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	TANG Zhenyi	00852-2600 8188
GoldStone Investment	100.00	2007.10.11	RMB3,000 million	17/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	No. 48 Liangmaqiao Road, Chaoyang District, Beijing	ZHANG Youjun	010-60837800
CITIC Securities Investment	100.00	2012.4.1	RMB14,000 million	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Unit 2001, Tower 1, International Finance Plaza, No. 222 Shenzhen Road, Laoshan District, Qingdao	GE Xiaobo	010-60838838
CITIC Futures	93.47	1993.3.30	RMB1,604,792,982	Units 1301-1305 and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	Units 1301-1305 and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	ZHANG Hao	0755-83217780
China AMC	62.20	1998.4.9	RMB238 million	Building 7, No. 1 Yuetan South Street, Xicheng District, Beijing	Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing	YANG Minghui	010-88066688
CITIC PE Fund	35.00	2008.6.6	RMB1,800 million	10/F, Jin Bao Building, No. 89 Jinbao Street, Dongcheng District, Beijing	District C, Incubator Building, Technology Education and startup Park, Technology City, Mianyang, Sichuan	TIAN Yu	010-85079062
Jiantou Zhongxin	30.00	2005.9.30	RMB1,900 million	9/F, Easyhome Tower, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	9/F, Easyhome Tower, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	ZHENG Guosheng	010-85120473

Note: For other first-level subsidiaries and non-controlling companies of the Company, please refer to Note 21 to the Consolidated Financial Statements in this results announcement.

Particulars of the principal subsidiaries and non-controlling companies of the Company are as follows:

- (1) CITIC Securities (Shandong) is a wholly-owned subsidiary of the Company with a registered capital of RMB2,500 million. As at the end of Reporting Period, the total assets and net assets of CITIC Securities (Shandong) amounted to RMB16,827.33 million and RMB5,714.48 million, respectively, and the revenue, gross profit and net profit realized in 2017 amounted to RMB1,397.24 million, RMB600.95 million and RMB459.65 million, respectively. CITIC Securities (Shandong) had 69 securities branches and 2,306 staff (brokers and dispatched staff inclusive).

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

- (2) CSI is a wholly-owned subsidiary of the Company with paid-up capital of HK\$6,516.05 million. As at the end of Reporting Period, the total assets and net assets of CSI amounted to approximately RMB101,205.58 million and approximately RMB7,460.99 million, respectively; the revenue, gross profit and net profit realized in 2017 amounted to approximately RMB5,114.45 million, approximately RMB702.09 million and approximately RMB588.10 million, respectively. CSI had 4 branches in Hong Kong and 1,881 staff (brokers inclusive).

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

- (3) GoldStone Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB3 billion. As at the end of Reporting Period, the total assets and net assets of GoldStone Investment amounted to RMB23,612.81 million and RMB10,090.06 million, respectively; the revenue, gross profit and net profit realized in 2017 amounted to RMB3,454.93 million, RMB2,138.79 million and RMB1,520.82 million, respectively; GoldStone Investment had 96 staff (dispatched staff inclusive).

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

- (4) CITIC Securities Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB14 billion. As at the end of Reporting Period, the total assets and net assets of CITIC Securities Investment amounted to RMB21,985.14 million and RMB15,638.24 million, respectively; the revenue, gross profit and net profit realized in 2017 amounted to RMB9,664.01 million, RMB1,154.17 million and RMB862.88 million, respectively. CITIC Securities Investment had 29 staff.

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

- (5) CITIC Futures is held as to 93.47% by the Company with a registered capital of RMB1,604,792,982. As at the end of Reporting Period, the total assets and net assets of CITIC Futures amounted to RMB31,709.82 million and RMB3,676.57 million, respectively; the revenue, gross profit and net profit realized in 2017 amounted to RMB1,323.16 million, RMB553.14 million and RMB410.94 million respectively; CITIC Futures had 43 regional offices and branches and 976 staff.

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

- (6) China AMC is held as to 62.20% by the Company with a registered capital of RMB238 million. As at the end of Reporting Period, the total assets and net assets of China AMC amounted to RMB9,464.24 million and RMB7,367.15 million, respectively; the revenue, gross profit and net profit realized in 2017 amounted to RMB3,913.25 million, RMB1,763.16 million and RMB1,367.35 million, respectively. China AMC had 942 staff (dispatched staff inclusive).

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

- (7) CITIC PE Fund is held as to 35% by the Company with a registered capital of RMB1.8 billion. As at the end of Reporting Period, the total assets and net assets of CITIC PE Fund amounted to RMB7,260.32 million and RMB5,090.28 million, respectively; the net profit realized in 2017 amounted to RMB533.64 million (unaudited).

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

- (8) Jiantou Zhongxin is held as to 30% by the Company with a registered capital of RMB1.9 billion. As at the end of Reporting Period, the total assets and net assets of Jiantou Zhongxin amounted to RMB2,133.15 million and RMB1,967.06 million, respectively; the net profit realized in 2017 amounted to RMB9.05 million (unaudited).

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

4.3.6 Regional securities offices of the Company

As at the end of Reporting Period, the Company established a total of 29 regional securities offices in Beijing, Shanghai, Guangdong, Hubei, Jiangsu, Shanghai Pilot Free Trade Zone, Shenzhen, Northeast, Zhejiang, Fujian, Jiangxi, Wenzhou, Ningbo, Sichuan, Shaanxi, Tianjin, Inner Mongolia, Anhui, Shanxi, Yunnan, Hebei, Hunan, Chongqing, Hainan, Gansu, Ningxia, Guangxi, Jilin, Heilongjiang, particulars of which are as follows:

No.	Regional Office	Responsible Officer	Place of Business	Contact Method
1	Beijing regional office	ZHANG Qing	4/F, 5 Jinchengjianguo, No. 5 Jianguomen Beidajie, Dongcheng District, Beijing	010-65128320
2	Shanghai regional office	Wang Lihua	Units 06, 07, 8/F (Actual Floor: 7/F), and Units 01-03A, 07, 10/F (Actual Floor: 9/F), 1568 Century Avenue, Pudong New District, Shanghai	021-61768697
3	Guangdong regional office	HU Xingyi	Rooms 01-08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong Province	020-66609960
4	Hubei regional office	SHI Xiangrong	51/F, Guangfa Bank Plaza, No. 737 Construction Road, Jiangnan District, Wuhan, Hubei Province	027-85355210
5	Jiangsu regional office	YANG Haifeng	10/F, Phase II, Sunny World, No. 168 Lushan Road, Jianye District, Nanjing, Jiangsu Province	025-83282416
6	Shanghai Pilot Free Trade Zone regional office	ZHENG Yonghan	19/F, 20/F, 1568 Century Avenue Pilot Free Trade Zone, Shanghai	021-20262006
7	Shenzhen regional office	LIANG Qi	12/F, 20/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen	0755-23911600
8	Northeast regional office	XU Xin	Level 30, No. 286 Qingnian Avenue, Heping District, Shenyang City, Liaoning Province	024-23972693
9	Zhejiang regional office	CHEN Gang	Units 2201, 2202, 2203 and 2204 of Dikai Yinzuo, Jianggan District, Hangzhou, Zhejiang Province	0571-85783714
10	Jiangxi regional office	KUANG Wenqiang	28/F, Lianfa Plaza, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi Province	0791-83970561
11	Fujian regional office	SUI Yanping	Units 1901, 1902, 1905A and 1907 of Sino Plaza, No. 137 Wusi Road, Gulou District, Fuzhou, Fujian Province	0591-87905705
12	Ningbo regional office	XU Xunjian	Block 2 (15-1), No. 235 Heji Street, Jiangdong District, Ningbo, Zhejiang Province	0574-87033718
13	Wenzhou regional office	YANG Qiaowu	Rooms 701, 702 and 703, 7/F, Fortune Center, No. 577 Station Avenue, Wenzhou, Zhejiang Province	0577-88107230
14	Sichuan regional office	HONG Wei	1/F, La Defense, No. 1480, north Section of Tianfu Avenue, High-tech Industrial, Development Zone, Chengdu, Sichuan Province	028-65728888
15	Shaanxi regional office	SHI Lei	Room 11301, Building 1, E-Yang International Building, No. 27 Keji Road, Hi-tech Zone, Xi'an City, Shaanxi Province	029-88222554
16	Tianjin regional office	LIU Jinkun	Level 7, Tianjin Technology Building, No. 23 Youyi Road, Hexi District, Tianjin	022-28138825
17	Inner Mongolia regional office	HAN Rui	3/F, Block D, CITIC Building, No. 42 Ruyihe Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region	0471-5982233
18	Anhui regional office	WU Jianfeng	Rooms 1-Shang 101 and 1-701 708, 1-Shang, Jinding International Square A, 287 Suixi Road, Luyang District, Hefei City, Anhui Province	0551-65662889
19	Shanxi regional office	ZHENG Wenhui	4/F, International Energy Center, 100 Yingzexi Avenue, Wanbailin District, Taiyuan City, Shanxi Province	0351-6191968
20	Yunnan regional office	ZHANG Rui	11/F, Block 2, Huahai Xinjingjie Commercial Building, Milesi New Village, Huancheng Road West, Xishan District, Kunming, Yunnan Province	0871-68353618
21	Hunan regional office	CHEN Keke	2/F, New Century Building, No. 198 Second Section Furong Zhonglu, Tianxin District, Changsha, Hunan Province	0731-85363199
22	Hebei regional office	ZHANG Xinyu	Rooms 3501-3504, 35/F, Tower B, Letai Center, No. 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei Province	0311-66188908
23	Chongqing regional office	HAN Han	208, Tower E, Wealth Building, No. 11 East Honghu Road, Yubei District, Chongqing	023-63025786
24	Hainan regional office	YAN Changsheng	1-2/F, Block B, Eastern Section, Shengda Jingdu, No. 65 Guoxing Avenue, Meilan District, Haikou, Hainan Province	0898-65369740

No.	Regional Office	Responsible Officer	Place of Business	Contact Method
25	Guangxi regional office	CHEN Xiao	Rooms 1802 & 1805, 18/F, Tower C, China Resources Building, No. 136-5 Minzu Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	0771-2539031
26	Gansu regional office	TIAN Chuanjin	2/F, Jiangong Shidai Building, No. 575 East Xijin Road, Qilihe District, Lanzhou, Gansu Province	0931-2146699
27	Ningxia regional office	REN Gaopeng	Room 503, Block C, Yinchuan International Trade Centre, West Wenhua Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region	0951-5102568
28	Jilin regional office	LI Zhe	C101 on 1-2/F, C301-302 on 3/F, Tower C, Pearl Plaza, No. 8988 Renmin Main Street, Nanguan District, Changchun, Jilin Province	0431-81970899
29	Heilongjiang regional office	LIU Rong	Room 01, 3/F, Block 1 of Business Service Unit, No. 236 Hongqi Main Street, Nangang District, Harbin, Heilongjiang Province	0451-51980707

4.3.7 Structured vehicles controlled by the Company

Please refer to Note 21 to the Consolidated Financial Statements in this results announcement for details of structured vehicles controlled by the Company.

4.3.8 Explanation of change in scope of statement consolidation

During the Reporting Period, the Company added two first-level subsidiaries, including Tianjin Jingzheng Property Co., Ltd. and Tianjin Shenzheng Property Co., Ltd. The number of structured entities which were included in the consolidation of the company financial statements reached to 6. The number of first-level units included in the consolidation of the Company's financial statements changed to 23.

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

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

4.3.10 Contingent liabilities

The Company made a provision of RMB436 million in 2015 with reference to the trading accounts being inspected during the investigation into the Company initiated by the CSRC in that year. In May of 2017, the Company received the Prior Notification Letter of Administrative Penalty issued by the CSRC. The CSRC proposes to confiscate the illegal gains of RMB61.6558 million of the Company and impose a penalty of RMB308 million, totalling RMB370 million. As at the date of publication of this Announcement, the Company has not yet received the formal administrative penalty decision from the CSRC. As a result, no adjustment was made to the amount of accrued liabilities during the Reporting Period.

4.3.11 Analysis on the Reason and Influence of Changes in Accounting Policies

(1) IFRS 9: Financial Instruments

"IFRS 9 Financial Instruments" introduces new rules for the classification, measurement and derecognition of financial assets and financial liabilities; the main impact for the Group includes the classification, measurement for financial assets and financial liabilities also the impairment for financial assets. According to the provisions for the transition from IAS 39, companies should retrospectively adjust the retained earnings or other comprehensive income from 2018 in which the standard is adopted without restating the comparative figures of the prior periods for the effect of the changes to classification and measurement and impairment of financial assets.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss, fair value through other comprehensive income (FVOCI) or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

The adoption of IFRS 9 is not expected to have a significant impact on the net assets of the Group as at 1 January, 2018.

(2) *IFRS 15 : Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group anticipates that the adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

4.4 Core Competitiveness Analysis

In 2017, the Company had steadfastly focused on the work policy of "expanding clientele and enhancing overall service capabilities". As a result, it effectively boosted the development of the real economy and the principal business maintained its market leading position. Of which, the equity business underwriting size amounted to RMB221 billion with a market share of 12.29%, ranking the first in the industry; the bond business underwriting size amounted to RMB511.6 billion, with a market share of 4.29%, ranking the first in the industry; the transaction size of domestic merger and acquisition (the channel-type business of the CSRC) amounted to RMB139.8 billion, with a market share of 16.21%, ranking the first in the industry. The total trading volume of equity funds handled was RMB13.05 trillion (trading volume of exchange-traded monetary funds exclusive), with a market share of 5.69%, ranking the second in the industry. The size of AUM was RMB1.67 trillion, with a market share of 10.10%, and the size of active management was RMB589 billion, both ranking the first in the industry. The balance of margin financing and securities amounted to RMB71 billion, with a market share of 6.92%, ranking the first in the industry. The total sales of interest-rate products remained the first in the industry. The OTC options business grew relatively fast and ranked at the forefront of the industry.

4.5 Risk Management

4.5.1 Overview

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

In 2017, the Company continued to push forward and enhance construction of comprehensive risk management system, putting in practice requirements of the "Regulations for the Overall Risk Management of Securities Companies" (《證券公司全面風險管理規範》) of the Securities Association of China in many respects ranging from refining its risk management policies and structures, improving its risk management organizational framework, strengthening construction of risk management IT systems, optimizing the indicator system of risk control, stepping up efforts on the building of professional teams, reinforcing risk response mechanisms and intensifying vertical risk management of domestic and foreign subsidiaries to protect the Company's business for steady and sustainable development.

4.5.2 Structure of risk management

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

Level 1: The Board

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

Level 2: Operation Management

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

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and reviews on capital commitment of the underwriting business within the authority delegated by the Board and the Operation Management of the Company. All corporate finance business involving application of capital of the Company 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 of the Company.

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

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

The Company has established the Product Committee. The Company has renewed the relevant system for the Product Committee in 2017, making it clear that the Product Committee is responsible for guiding and implementing investor appropriateness management work to meet the demands of business management. Under the authority of the Board and the Operation Management, the Product Committee is the decision making organ of the Company for appropriateness management, planning, coordinating and making decisions on the Company's products and services as well as reviewing the Company's issuance and sales of products and the provision of related services. In addition to the Risk Evaluation Group, the Product Committee has newly set up an Appropriateness Management Group. The Risk Evaluation Group is responsible for reviewing the qualification of the principal which entrusted the Company to sell products, formulating risk rating standards and approaches for the Company's products and services, conducting risk evaluation and risk rating of specified products and services, managing internal filing of products, supervising duration management and the like. Extensive and in-depth analysis of proposed products is conducted through the convening of product evaluation meetings, providing a comprehensive and appropriated evaluation. The Appropriateness Management Group is responsible for formulating the criteria for investor classification and principles and procedures for appropriate matching of investors, supervising departments to implement investor appropriateness management work, organizing and commencing appropriateness training and appropriateness self-examination and rectification at the company level, and supervising the establishment and improvement of investor appropriateness evaluation database and other work related to appropriateness management.

Level 3: Division/Business lines

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

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

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

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

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance policy of the Company, provides compliance advice and enquiries 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, revise and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on 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. In accordance with the Company's relevant system of anti-money laundering, the Company organized and conducted the controlling money laundering risk work, etc.

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

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

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

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

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

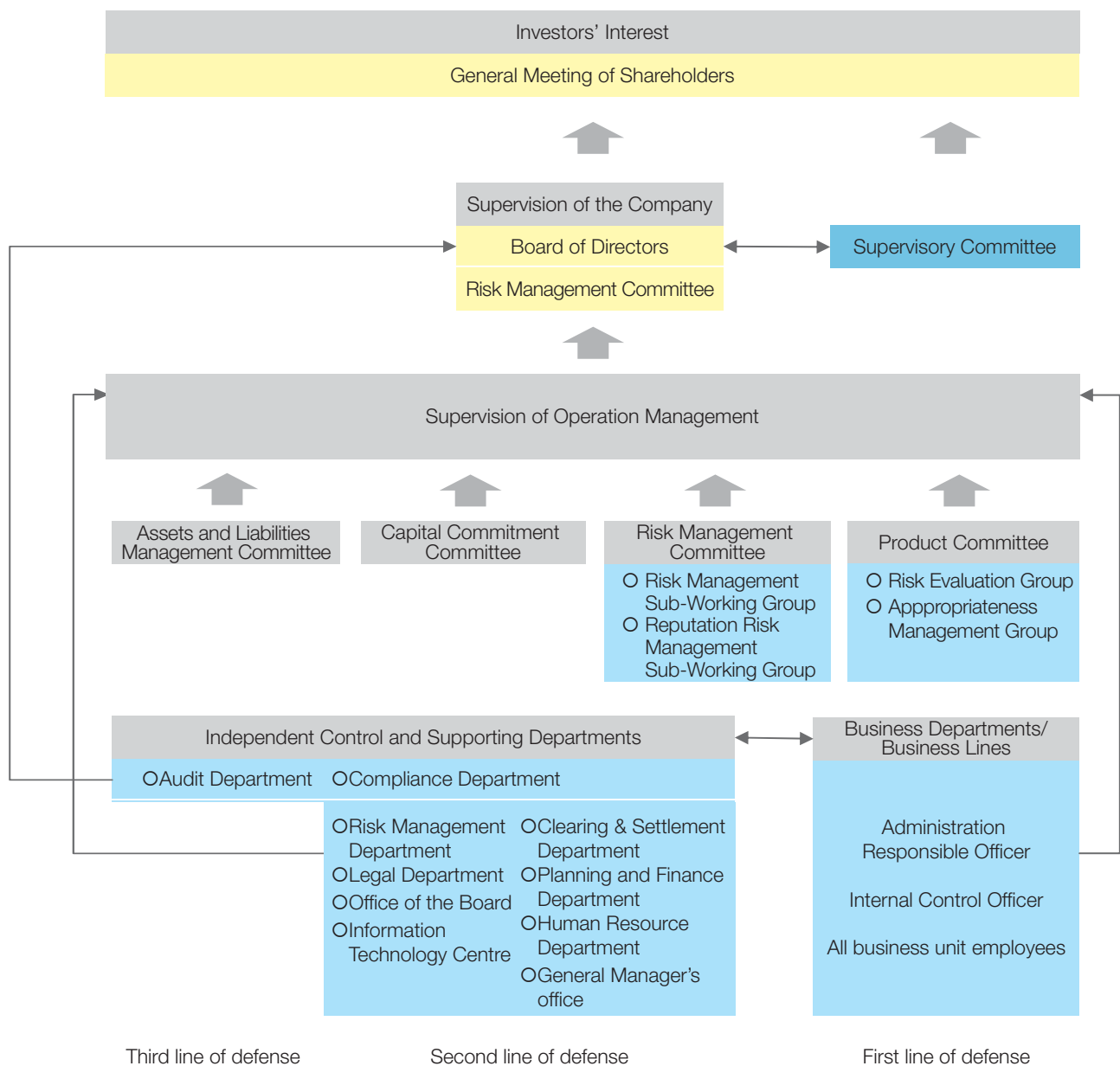


Chart: Structure of the Risk Management

4.5.3 Market risk

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

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

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

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

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

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company with full position upon 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 more on the possible losses to the Company, analyze 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. In view of the market condition and risk characteristics in 2017, the Company strengthened research and improvement of stress tests, in particular, incorporated the considerations of credit defaults on bond inventory and capabilities in liquidity realization and enriched stress test scenario and calculation method to better evaluate and manage the possible material loss of the Company under extreme circumstances.

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

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

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

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

Please refer to Note 55 to the Consolidated Financial Statements in this results announcement for details of the market risk of the Group.

4.5.4 Credit risk

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

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

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

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

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

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

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

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

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

In RMB ten thousand

Investment Rating	31 December 2017	31 December 2016
China's Sovereign Credit Rating	1,348,987	1,337,878
AAA	839,799	2,867,195
AA	257,874	1,393,647
A	—	9,779
A-1	208,498	452,310
Others	809,407	1,586,578
Total exposure	3,464,565	7,647,387

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

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

In RMB ten thousand

Investment Rating	31 December 2017	31 December 2016
A	-9,599	4,032
B	198,896	305,542
C	1,116,996	949,073
D	75,645	36,144
NR	205,840	390,280
Total exposure	1,587,778	1,685,071

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

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

As at the end of the Reporting Period, the Group maintained a minimum margin ratio of 300% for the Group's margin financing and securities lending clients with outstanding liabilities; an average ratio of 216% for the Group's stock repo clients with outstanding liabilities; a guarantee ratio was 246% for the Group's stock-pledged repo clients with outstanding liabilities; and a ratio of 233% for the Group's stock returns swap clients with outstanding liabilities.

4.5.5 Liquidity risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a time manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to an overall liquidity operation and set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system.

The responsibilities for centralized management of fund allocation lie within the Treasury Department^{Note}. Currently, in respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases. At the same time, the Company has replenished its long-term working capital through public and private offering of corporate bonds, subordinated bonds, income vouchers and the like. This enables the Company to maintain its overall liquidity at a relatively secured level.

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

In 2017, in view of a market condition characterized by neutral yet slightly tight liquidity and reliance on the capital injection by central banks, the Group strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards. On the other hand, the Group evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

4.5.6 Operational risk

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

During the Reporting Period, management process such as well-established mechanisms in respect of the investigating and reporting of risk events and tracking of rectification measures, evaluation of new business process, streamlining of business process and review on rules and regulations were on continuous effective operation. Both the frequency of risk events and the amount of losses incurred declined as compared with the past, which was the result of a constantly enhanced operational risk management system, an increasingly refined monitoring process and the gradually improving risk awareness among employees. The Company also gradually set key risk indicators (KRIs) for core business processes and control points of frequent risk events. Through a daily quantitative monitoring system, the Company conducted a timely early warning system of operational risks to achieve a forward-looking management model.

For system development, combining with the latest regulatory requirements and corporate management practices, the Company has revised three internal regulations and procedures, namely the "New Business Evaluation Procedure" (《新業務評估流程》), the "Procedure on the Reporting of Operational Risk Events" (《操作風險事件報告流程》) and the "Rules of Procedure for Operational Risk Management Group" (《操作風險管理小組議事規程》). In addition, in accordance with the requirements of the "Regulations for the Overall Risk Management of Securities Companies" (《證券公司全面風險管理規範》), the Company has formulated the Guidelines for the Management of Operational Risk of Subsidiaries (Trial), gradually advancing the implementation of various management procedures among first-tier subsidiaries.

In 2017, phase I of the operational risk management system was launched online. The main functional modules include: reporting of internal risk events, statistics on external risk events, tracking of rectification measures, management of process optimization issues, maintenance of risk and controls database, analysis of various summary statistics and trends and management of user rights. The efficiency of operational risk management and reporting process has been enhanced through system automation aids.

5. REPORT OF THE BOARD

5.1 Review of Business

5.1.1 Business review

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

In 2017, the domestic securities market showed characteristics of a structured market with SSE Composite Index increasing by 6.56%, SME Board Index increasing by 16.73% and SZSE Chinext Price Index declining by 10.67% through the year.

In 2017, the PRC securities industry recorded total revenue of RMB311.3 billion, representing a year-on-year decrease of 5.09%, net profit of RMB113.0 billion, representing a year-on-year decrease of 8.47%, and return on equity of 6.45%, representing a year-on-year decrease of 1.68 percentage points. As at the end of 2017, the industry had total assets of RMB6.14 trillion, representing a year-on-year increase of 6.04%, net assets of RMB1.85 trillion, representing a year-on-year increase of 12.50%, and financial leverage ratio of 2.75 times, representing a year-on-year increase of 0.1 time. As at the end of 2017, the securities companies in the PRC had a total net capital of RMB1.58 trillion, representing a year-on-year increase of 7.48%. The securities companies in the PRC achieved a steady increase in the overall asset size and sustained enhancement in capital strength with 120 out of 131 securities companies recorded profits.

Please refer to “4.1 Corporate Strategy and Long-term Operation Model” of this results announcement for the industrial landscape and development strategies of the Group.

In 2017, the Company recognized total revenue and other income of RMB56,960 million and net profit attributable to owners of the parent of RMB11,433 million, and continued to rank the first among the domestic securities companies and all of its businesses stayed ahead of the market. On the basis of consolidating and improving the organizational and management framework of the existing businesses, our investment banking business maintained a leading market share by fully implementing a strategy of regional market development, continuing to strengthen the coverage of key industrial and regional customers and customers in strategic emerging industries and completing a number of projects with relatively large market influence in equity, bonds and merger and acquisition sectors. The brokerage business vigorously developed individual business, wealth management and institutional business, optimized the customer development and service system, and built the “CITICS Investment Adviser” service brand of research and investment to strengthen the sales of financial products and expand the size of customers and assets. For sectors related to flow-based business, the Company continued to diversify the product portfolio and trading models to maintain the leading position in the industry. For asset management business, the Company continued to adhere to the development path of “serving both institutional and retail clients” and continued to rank the first in the industry in terms of AUM, and the active management scale was also improved. Meanwhile, the full integration of overseas platforms was completed and an international platform covering major stock markets in the world led by institutional business was formed.

During the Reporting Period, the business and operating conditions of the Group were set out in “4.2 Business Overview” of this annual results announcement.

5.1.2 Principal risks and uncertainties

Principal risks to which the Company is exposed include market risk, credit risk, liquidity risk and operational risk. For the objectives and policies of risk management of the Company, please refer to paragraphs 4.5.1 and 4.5.2 of this annual results announcement for description about risk management of the Company. For major risks and uncertainties to which the Company is exposed in 2017, please refer to “4.1.5 Possible risk exposure” and paragraphs 4.5.2 to 4.5.6 in this results announcement.

5.1.3 Relevant laws and regulations with significant impact

Adhering to the philosophy of operating in compliance with laws and regulations for a long time, the Company complies with the national laws, administrative regulations and various rules and normative documents promulgated by regulatory authorities. In 2017, in accordance with regulatory provisions and business management requirements of the Company, the Company formulated and revised a series of internal management systems to enhance its internal control and management level and improve compliance management systems; formulated and improved business management systems and processes to timely implement all the requirements of regulatory authorities and self-regulatory organizations in all of its business lines; continuously strengthened the publicity and training of laws and compliance culture to enhance the awareness of active prevention from compliance risks in the course of business operations among business lines. The compliance and risk management mechanism of the Company runs well and no material systematic compliance risks have been detected.

5.1.4 Environmental policies and performance

Through its important achievements in promoting the green development of the real economy through financial services, the Company has achieved significant economic, social and environmental effects, benefitting the national interest and people's livelihood. In 2017, through its domestically leading investment banking team, the Company assisted and served China Three Gorges Corporation to issue green corporate bonds in the exchange market and inter-bank green medium-term notes. The Company played an active role in supporting projects related to green industries, providing assistance to Bank of Beijing and other financial institutions for the issuance of 18 green financial bonds in total. The Company actively invested in and provided support to 14 bonds for local construction of public rental and affordable housing. The Company made investments in a total of four special poverty alleviation bonds and ABS for poverty alleviation small loans. It invested in 14 affordable housing construction bonds.

For other information relating to environmental policies and performance, please refer to "10. Environmental, Social and Governance Report" in this results announcement.

5.1.5 Future development/forward-looking

Please refer to "4.1.2 Development strategy of the Company" and "4.1.3 Business plan for 2018" of this results announcement on prospects of the Company's future development.

5.2 Profit Distribution and Proposed Dividend

5.2.1 Formulation, implementation or adjustment of cash dividend policy

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

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

On 19 June 2017, the 2016 profit distribution plan was considered and approved at the 2016 Annual General Meeting of the Company to distribute a cash dividend of RMB3.50 (tax inclusive) for every 10 Shares. The implementation of the plan was completed on 18 August 2017. The aforesaid cash dividend paid by the Company, representing 40.92% of the net profit attributable to the owners of the parent for 2016, was in compliance with the related provisions in Guidelines on Distribution of Cash Dividends by Listed Companies of SSE and the Articles of Association of the Company. The Company's independent non-executive Directors have issued independent opinions in respect of the 2016 profit distribution plan which stated that the plan is beneficial for the long-term development of the Company as well as the long-term interests of the Shareholders as a whole.

5.2.2 Profit distribution plans/proposals for the past three years

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

The Company has distributed cash dividends every year since its incorporation. In each year of 2015 to 2017, the amount of cash dividends distributed/declared by the Company represented over 30% of the net profit attributable to owners of the parent company, which are in compliance with regulatory requirements and the profit distribution policy of the Company, details of which are as follows:

In RMB Yuan

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax inclusive)	Capitalization issue of bonus shares for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to owners of the parent as stated in the consolidated financial statements of the year of distribution	Percentage of net profit attributable to owners of the parent as stated in the consolidated financial statements (%)
2017	—	4.0000	—	4,846,763,360.00	11,433,264,545.60	42.39
2016	—	3.5000	—	4,240,917,940.00	10,365,168,588.41	40.92
2015	—	5.0000	—	6,058,454,200.00	19,799,793,374.33	30.60

Proposed profit distribution plan for 2017:

The profits available for distribution for the year of 2017 of the Company amounted to RMB32,067,525,323.62, which was calculated based on the retained profits of the Company at the beginning of 2017, which amounted to RMB27,684,658,214.72, plus the net profit of RMB8,623,785,048.90 realized by the Company in 2017, and after deduction of the cash dividends of RMB4,240,917,940.00 distributed in 2017.

Pursuant to the Company Law, Securities Law, Financial Rules for Financial Enterprises, Interim Measures on Supervision and Administration of the Provisions of Risk of Public Offering of Securities Investment Funds and the Articles of Association of the Company, the net profits of the Company for 2017 are proposed to be appropriated in the following sequences:

1. no relevant provision to be made this year as the Company's accumulated amount of the statutory reserve has reached 50% of its registered capital;
2. to appropriate RMB862,378,504.89 to the general provisions of risk calculated on the basis of 10% of the net profit realized by the parent company for 2017;
3. to appropriate RMB862,378,504.89 to the provisions of risk for transactions calculated on the basis of 10% of the net profit realized by the parent company for 2017; and
4. to appropriate RMB278,756.25 to the provisions of risk calculated on the basis of 2.5% of the revenue of trustee fee of mutual funds in 2017.

The above withdrawals amount to RMB1,725,035,766.03 in total.

Net of the above withdrawals the profits of the parent company available for distribution to the investors for the year of 2017 amount to RMB30,342,489,557.59.

In consideration of composite factors such as the future development of the Company and the interests of the Shareholders, the Company proposed the profit distribution plan of 2017 as follows:

1. The Company will adopt cash dividend payment method for its 2017 profit distribution (i.e. 100% cash dividend) and proposes, based on the total Shares of the Company as at 31 December 2017, to distribute to the holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date for the 2017 cash dividend distribution, a cash dividend of RMB4.00 (tax inclusive) for every 10 shares, with a total amount of cash dividend of RMB4,846,763,360.00 (tax inclusive), representing 42.39% of the net profit attributable to the owners of the parent company for the year of 2017 under the consolidated financial statements. The outstanding balance of the retained distributable profits of the Company in 2017 amounted to RMB25,495,726,197.59 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 HKD to the H Shareholders. The actual amounts to be paid in HKD will be calculated based on the average benchmark exchange rate for Renminbi to HKD as announced by the People's Bank of China for the five business days before the date of the 2017 Annual General Meeting of the Company.

After the 2017 profit distribution proposal of the Company is considered and approved at the 2017 Annual General Meeting, the Company will distribute 2017 cash dividend before 30 August 2018. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to H Shareholders, as well as the record date and the date for the payment of the dividends to A Shareholders.

5.3 Tax Relief

Holders of A Shares

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

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

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

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

Holders of H Shares

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

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

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) and Notice on Taxation Policy concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制時點有關稅收政策的通知（財稅[2016]127號）》), for dividends derived by Mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For dividends derived by Mainland securities investment funds from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. For dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the company of such H shares will not withhold the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. For dividends derived by Mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon will be exempt according to the laws and regulations.

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

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

5.4 Use of Proceeds

The net proceeds raised by the Company from the placing of H Shares in 2015 totalled an aggregate amount of RMB21.122 billion. As of 31 December 2017, all proceeds had been used: HK\$13.0 billion (equivalent to RMB10.414 billion) was settled and transferred to the Mainland for use in developing flow-based businesses, an equivalent amount of RMB10.708 billion was used for developing overseas business. The above utilization of proceeds was in line with the disclosures in relevant announcement and circular.

During the Reporting Period, the Company made two tranches of public issuance of corporate bonds amounting to RMB16.8 billion, and three tranches of non-public issuance of corporate bonds amounting to RMB13.5 billion, all of which were used to replenish the working capital of the Company; issued subordinated bonds of RMB10 billion, all of which were used to replenish the working capital of the Company; and issued 1,169 tranches of beneficiary certificates to replenish the liquidity of the Company.

5.5 Purchase, Sale or Redemption of the Company's Securities

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

5.6 Biographical Details of the Directors, Supervisors and Senior Management

Biographical details of the Directors, Supervisors and Senior Management are set out in "8.1.4 Major working experience of the current Directors, Supervisors and Senior Management" of this results announcement.

5.7 Directors' and Supervisors' Service Contracts

An Appointment Letter was entered into by the Company with each of the six existing Directors (in office since 19 January 2016) of the Sixth Session of the Board. The term of appointment of the Directors commenced from the date of election by the the general meeting of the Company and the obtaining of the relevant qualifications for the appointment until the expiry date of the term of office of the Sixth Session of the Board. (The Appointment Letter sets out agreements on things including the Directors' responsibilities, termination of the appointment, undertakings and the directors' fee during the term of office).

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

5.8 Permitted Indemnity Provisions

In 2017, no permitted indemnity provision (whether made by the Company or otherwise) was ever or is currently in force for the benefit of the Directors or any directors of the associated companies of the Company (if made by the Company).

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

5.9 Management Contracts

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

5.10 Remuneration Policies

The details of remuneration policies and share incentive scheme in respect of the Directors, Supervisors and Senior Management are set out in “8.4.3 Remuneration of Directors, Supervisors and Senior Management for the Year” and “8.4.4 Share Incentives to Directors, Supervisors and Senior Management” of this results announcement.

Details of the Company’s employee remuneration policies and employee remuneration are set out in “8.5.2 Remuneration Policy” and Note 10 to the Consolidated Financial Statements of this results announcement.

5.11 Directors’ and Supervisors’ Interests in Material Contracts

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

5.12 Directors’ Interests in Businesses Competing with the Company

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

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

As at 31 December 2017, the following persons had interests or short positions in the Shares, underlying Shares and debentures of the Company or 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 (hereinafter referred to as “**Model Code**”) set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

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

Pursuant to the Securities and Futures Ordinance, the chief executive who was required to disclose his interests to the Hong Kong Stock Exchange was the President and did not include other Senior Management. For details of the shareholdings of other Senior Management, please refer to “8.1.1 Changes in the Shares held and information on remuneration” of this results announcement. In addition, as at 31 December 2017, no other Directors, Supervisors or Chief Executive or their respective spouses or children under 18 years of age had been granted equity securities or warrants of the Company.

5.14 Pre-emptive Rights

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

5.15 Reserves and Distributable Reserves

Please refer to the Consolidated Statement of Changes in Equity of Shareholders and Note 48 to the Consolidated Financial Statements in this results announcement for details of changes in the reserves and the reserves of distributable profits of the Company.

5.16 Fixed Assets

Please refer to Note 18 to the Consolidated Financial Statements in this results announcement for details of the Group's fixed assets as at 31 December 2017.

5.17 Major Clients and Suppliers

The Company serves institutional and individual clients in various sectors. The Company's clients range from multinational corporations and SMEs to high-net-worth clients and retail customers. The clients are primarily located in China. The Company expects to serve more overseas clients as the Company taps into overseas market in the future. In 2017, the revenue from rendering services attributable to the Group's five largest clients accounted for less than 30% of the total revenue of the Group.

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

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

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

Employees' remuneration of the Company consists of base annual salary, performance-based annual salary, special rewards, insurance benefits. The Company continues to promote and implement staff training programs with comprehensive planning, implementation by levels and clear purposes. For details about the remuneration and training plans for employees of the Company, please refer to "8.5.2 Remuneration Policy" and "8.5.3 Training Program" of this results announcement. As at 31 December 2017, the Company and CITIC Securities (Shandong) had 521 securities brokers, of which 420 were brokers of the Company. For information on relationship between the Company and its securities brokers, please refer to "8.5.4 Information on brokers". For information on relationship between the Company and major clients and suppliers, please refer to "5.17 Major Clients and Suppliers" of this results announcement.

5.19 Sufficient Public Float

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

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

5.20 Donations

During the Reporting Period, the Group's charitable and other donations amounted to approximately RMB12.69 million in total.

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

By Order of the Board
ZHANG Youjun
Chairman

Shenzhen, 22 March 2018

6. SIGNIFICANT EVENTS

6.1 Performance of Undertakings

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

6.1.1 Undertakings of Shareholders and related/connected parties and their performance

(1) Undertaking in respect of the share reform

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

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

(2) Undertaking in respect of non-competition

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

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

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

6.2 Analysis and Explanation of the Board on the Reasons and Influences of Changes in the Accounting Policy, Accounting Estimates and Accounting Methods

6.3 Appointment or Termination of Service of Accounting Firms

In RMB ten thousand

Current appointment	
Name of the PRC accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for the PRC accounting firm	150.24
Duration of service of the PRC accounting firm	3 years
Name of the overseas accounting firm	PricewaterhouseCoopers Hong Kong
Remuneration for the overseas accounting firm	28.89
Duration of service of the overseas accounting firm	3 years

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

Name		Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	34.66

Explanation on Appointment or Termination of Service of Accounting Firms

As agreed at the 2016 Annual General Meeting of the Company, PwC Zhong Tian LLP and PwC Hong Kong were reappointed as the external auditors of the Company for 2017 to be responsible for the provision of the relevant annual audit and interim review services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; and PwC Zhong Tian LLP was reappointed as the auditor for audit of internal control of the Company for 2017.

6.4 Material Litigation and Arbitration

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

During the Reporting Period, the progress of litigation or arbitration of the Group with an involved amount of over RMB10 million is as follows:

1. Dispute Between the Company and China City Construction on Transaction of Bonds

Background information of this case was set out in the Company's 2017 Interim Report.

(1) Dispute on Transaction of "11 China City Construction MTN1 Bonds"

The Company filed a lawsuit with the First Intermediate People's Court of Beijing Municipality (hereinafter referred to as "**First Intermediate Court**") on 28 February 2017, requesting China City Construction Holding Group Co., Ltd. (hereinafter referred to as "**China City Construction**") to repay the principal of RMB100 million and corresponding interests of RMB5.68 million due to the Company, and requesting China City Construction to pay for the liquidated damages in relation to the default as well as other expenses incurred for realizing the claim. The First Intermediate Court accepted this case on the day when the Company filed the lawsuit and made the ruling of property preservation on 25 April 2017. Thereafter China City Construction made an objection on jurisdiction. On 29 June 2017, the Company received the ruling on jurisdiction from the First Intermediate Court, pursuant to which the case was transferred to the Second Intermediate People's Court of Beijing Municipality (hereinafter referred to as "**Second Intermediate Court**"). The Second Intermediate Court heard the case on 6 November 2017 and gave its first instance verdict on 24 November 2017. All the major claims of the Company (principal, interests, liquidated damages, case acceptance fee and application fee) were supported. In early December 2017, China City Construction made an appeal to the Higher People's Court of Beijing Municipality (hereinafter referred to as "**Beijing Higher Court**") and Beijing Higher Court heard the case on 6 March 2018. Currently, no ruling has been made.

(2) Dispute on Transaction of "12 China City Construction MTN1 Bonds"

The Company filed a lawsuit with the First Intermediate Court on 26 May 2017, requesting China City Construction to repay the bond principal of RMB120 million and corresponding interests of RMB3,266,137 ahead of due, and to pay for other expenses incurred for realizing the claim. The First Intermediate Court accepted this case on 27 May 2017 and made the ruling of property preservation on 12 June 2017. As China City Construction made an objection on jurisdiction, the Company received the ruling on jurisdiction from the First Intermediate Court on 29 June 2017, pursuant to which the case was transferred to the Second Intermediate Court. The Second Intermediate Court heard the case on 14 March 2018. Currently, no ruling has been made.

(3) Dispute on Transaction of "12 China City Construction MTN2 Bonds"

The Company filed a lawsuit with the People's Court of Haidian District of Beijing (hereinafter referred to as "**Haidian Court**") on 28 February 2017, requesting China City Construction to repay the interests of RMB11.1 million due to the Company on 19 December 2016, and requesting China City Construction to pay for the liquidated damages in relation to such interests as well as other expenses incurred for realizing the claim. This case was accepted by the Haidian Court on the day when the Company filed the lawsuit and made the ruling of property preservation on 23 June 2017. Thereafter China City Construction made an objection on jurisdiction but the objection on jurisdiction was rejected by the Haidian Court on 20 October 2017. On 27 October 2017, China City Construction made an appeal to the First Intermediate Court. On 1 February 2018, the First Intermediate Court rejected the objection of China City Construction on jurisdiction. Haidian Court heard the case on 9 March 2018. Currently, no ruling has been made yet.

At the same time, the Company filed a lawsuit with the First Intermediate Court on 26 May 2017, requesting China City Construction to repay the bond principal or RMB200 million and corresponding interests of RMB4,865,753 ahead of due, and to pay for other expenses incurred for realizing the claim. The First Intermediate Court accepted this case on 27 May 2017 and made the ruling of property preservation on 12 June 2017. As China City Construction made an objection on jurisdiction, the Company received the ruling on jurisdiction from the First Intermediate Court on 29 June 2017, pursuant to which the case was transferred to the Second Intermediate Court. The Beijing Second Intermediate Court heard the case on 14 March 2018. Currently, no ruling has been made.

The Company has made provision for impairment for the disputes on transactions of bonds listed in (1)–(3) above as required.

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

CHENG Yu filed a lawsuit with the People’s Court of Futian District of Shenzhen (hereinafter referred to as “**Futian Court**”) against the Company in respect of the failure of completion of the block trading of sale of his ChiNext shares, requesting for compensation by the Company of his damage of RMB11,906,695 and the corresponding interests as well as the payment of litigation fees (the relevant background is contained in the Company’s 2017 Interim Report). On 22 June 2017, the Company received the summons from the Futian Court. Thereafter the Company made an objection on jurisdiction and received the ruling on jurisdiction from the Futian Court on 31 July 2017, pursuant to which the case was transferred to the People’s Court of Chaoyang District of Beijing (hereinafter referred to as “**Chaoyang Court**”). The trial of first instance was held at the Chaoyang Court on 21 November 2017. At the hearing, cross-examination of the evidence provided by Cheng Yu was completed and the time of the next trial has yet to be notified.

3. Dispute Between the Company and YANG Hui on Labor Contract

On 12 June 2017, YANG Hui, a former employee of the Company, submitted an application for labor arbitration to the Labor Human Resources Disputes Arbitration Commission of Chaoyang District of Beijing (hereinafter referred to as “**Chaoyang Labor Arbitration Commission**”) requesting for payment by the Company of salary, bonus and compensation for illegal termination of labor contract with a total amount of RMB14,572,600 (the relevant background is contained in the Company’s 2017 Interim Report). The Chaoyang Labor Arbitration Commission accepted the case on 19 June 2017 and the first trial was scheduled on 5 September 2017. YANG Hui increased the amount to be claimed from RMB14,572,600 to RMB15,172,600. The second trial was held at the Chaoyang Labor Arbitration Commission on 19 September 2017. The Chaoyang Labor Arbitration Commission gave its arbitration ruling against all claims made by YANG Hui on 13 November 2017. The Company won the arbitration case.

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

On 29 April 2015, the Company initiated an arbitration at the China International Economic and Trade Arbitration Commission (hereinafter referred to as “**CIETAC**”) against Suqian Zhifu Leather Industry Co., Ltd. (hereinafter referred to as “**Zhifu Leather**”) in relation to the default on private bonds, requesting Zhifu Leather to settle the principal and unpaid interests of the bonds of RMB46,090,000 together with the interests subsequently incurred, the damages in relation to the default and the expenses incurred for realizing the claim (Relevant background information of this case was set out in the Company’s 2015 Annual Report).

On 3 August 2015, the Company filed a lawsuit to the Third Intermediate People’s Court of Beijing (hereinafter referred to as “**Third Intermediate Court**”) against Sino-Capital Guaranty Trust Company Limited (hereinafter referred to as “**Sino-Capital**”), the guarantor, and ZHOU Likang, the de facto controller of Zhifu Leather, for failure to fulfill the guarantee obligations, requesting the guarantor Sino-Capital and ZHOU Likang to assume their joint and several guarantee liability to settle the principal and interests of the bonds totalling RMB46,090,000 as well as the interests subsequently incurred, the liquidated damages and the expenses incurred for realizing the claim. The Third Intermediate Court gave its first instance verdict in favor of the Company on 29 November 2017.

5. Dispute Between the Company and Shuaijia Investment on Stock-pledged Repo Transaction

In December 2016 and March 2017, the Company and Hunan Shuaijia Investment Company Limited (hereinafter referred to as “**Shuaijia Investment**”) signed a Business Agreement on Stock-pledge Repo Transactions (hereinafter referred to as “**Business Agreement**”) and two transaction agreements, pursuant to which Shuaijia Investment would pledge certain tradeable (not subject to selling restrictions) shares (securities code: 300267) of Hunan Er-Kang Pharmaceutical Company Limited (hereinafter referred to as “**Er-Kang Pharmaceutical**”) to the Company to conduct the stock-pledged repo transactions with the Company. In August 2017, Er-Kang Pharmaceutical received an Investigation Notice from the CSRC stating that it has decided to initiate an investigation on Er-Kang Pharmaceutical for the suspected non-compliance with laws and regulations in information disclosure. To secure the recovery of funds, the Company and Shuaijia Investment signed a Supplementary Agreement for provision of additional security. On 23 November 2017, shares of Er-Kang Pharmaceutical resumed trading and then experienced a continuous decline in price. In early December 2017, the share price dropped below the close position as stipulated in the agreement and Shuaijia

Investment failed to timely fulfill the security measures, which constituted a material breach. The Company made a timely notice of repurchase to Shuaijia Investment, requesting it to pay the principal, interests, liquidated damages and other funds due to the Company within specified period, but Shuaijia Investment failed to pay all the funds as scheduled. Given that both the Business Agreement and the transaction agreements signed between the Company and Shuaijia Investment have been notarized and thus have been given the compulsory enforcement effect, the Company applied to the notary office for the issuance of a certificate of enforcement and applied to the Higher People's Court of Hunan Province for compulsory enforcement in early January 2018, requesting Shuaijia Investment to pay the outstanding principal of RMB647,680,000 and corresponding interests, liquidated damages, expenses incurred for realizing the claim and other fees. The Higher People's Court of Hunan Province accepted the case on 8 January 2018. The Company has made provision for impairment for this cases as required.

6. Dispute Between the Company and MENG Kai over Default on a Private Asset Management Plan Managed by the Company

In May 2015, the Company applied to Futian Court for the realization of the security interests created by the pledge of 181,560,000 shares of *ST Cloud Live Technology Group held by MENG Kai for the breach of contract by MENG Kai (Relevant background information was set out in the Company's 2015 Interim Report). On 7 December 2017, Futian Court made a notice of enforcement stating that the 181,560,000 shares of *ST Cloud Live Technology Group under the name of MENG Kai, the person subject to enforcement, will be sold by public auction on an online judicial auction platform of the Futian Court on Taobao. MENG Kai made an objection on enforcement to Futian Court regarding the auction after receiving the above notice. On 8 January 2018, Futian Court ruled to reject the objection of MENG Kai.

7. Dispute between Jindingxin Microfinance and Qingxinda

On 11 January 2016, Jindingxin Microfinance, a subsidiary of CITIC Securities (Shandong) in which it has a controlling interest, filed a lawsuit against the borrower, Qingdao Qingxinda Trading Company Limited (hereinafter referred to as "**Qingxinda**"), as well as the joint liability guarantors (Shandong Boxing Changhong Steel Plat. Co., Ltd., WANG Yongqing, WANG Wei, WANG Qiang and WANG Zhong) in relation to the default on a loan agreement for recovery of approximately RMB14,160,200 from Qingxinda. The People's Court of Shinan District of Qingdao (hereinafter referred to as "**Shinan Court**") accepted the case on the same day (Relevant background information was set out in the Company's 2016 Annual Report). The trial was held on 21 February 2017 and Shinan Court gave its ruling on 2 June 2017. Jindingxin Microfinance won the case. Jindingxin Microfinance applied to Shinan Court for compulsory enforcement on 11 October 2017 and submitted an auction application letter to Shinan Court on 21 November 2017.

8. Litigation brought by ZHANG Zhengchao against CITIC Futures for disputes on futures brokerage contract

ZHANG Zhengchao filed a lawsuit in the Intermediate People's Court of Qingdao for a dispute over a futures brokerage agreement, alleging that CITIC Futures and its Qingdao Outlet be liable for payment of all damages, and claiming compensation of RMB11,485,320.00 (Relevant background information was set out in the Company's 2016 Annual Report). On 12 September 2016, CITIC Futures received the judgement of the first trial from the Intermediate People's Court of Qingdao, which ruled against all claims made by ZHANG Zhengchao. ZHANG Zhengchao appealed to the Higher People's Court of Shandong Province. The Higher People's Court of Shandong Province rendered its judgement of the second trial on 20 March 2017 to reject the appeal and uphold the judgement of the trial court. Thereafter ZHANG Zhengchao applied to the Supreme People's Court for a retrial. On 23 October 2017, CITIC Futures received the judgement of the Supreme People's Court in relation to the rejection of the retrial application made by ZHANG Zhengchao.

9. Disputes of China AMC with Stdawee and NBO on Breach of Contract

The background of the disputes of China AMC with Stdawee and NBO was set out in previous periodic reports published by the Company.

(1) Dispute between China AMC and Stdawee

On 30 June 2014, given failure of Xiamen Stdawee Fashion Co., Ltd. (hereinafter referred to as "**Stdawee**") to pay interests for "13 Sda 01" bonds on schedule, China AMC filed a lawsuit against Sino-Capital, the guarantor, requesting Sino-Capital to assume its joint and several guarantee liability to settle the claim for damages of approximately RMB30,400,000 (including the principal of bonds and interest payments for two instalments). On 22 September 2017, China AMC received the first instance verdict from Chaoyang Court, which supported the claims made by China AMC requesting Sino-Capital, the guarantor of Stdawee's bonds, to assume the guarantee liability. At present, the case has entered into the stage of enforcement.

(2) Dispute between China AMC and NBO

On 28 April 2015, given failure of the issuers of private bonds “12 NBO 01” and “12 NBO 02” (three enterprises under Anhui NBO Machinery Group) to fulfill their obligations to repay the principal and interests, China AMC initiated an arbitration at the South China International Economic and Trade Arbitration Commission for against the issuers, the guarantors (Sino-Capital, Lu Qingtang, the de facto controller of Anhui NBO Machinery Group, and Anhui NBO Machinery Group Engineering Vehicle Co., Ltd.) and the underwriter (Capital Securities Co., Ltd.), requesting all responsible parties to fulfill the payment and compensation obligations to pay damages of approximately RMB58,048,100. On 30 August 2016, China AMC applied to the Intermediate People’s Court of Huainan in Anhui Province for compulsory enforcement. On 1 March 2017, the court terminated the enforcement proceedings on the ground that there was no property available for enforcement.

10. Labor Dispute between CSI and WEI Li

WEI Li joined the Company in January 2013 and was seconded to CSI in May 2013. In January 2015, she became an official staff of CSI. Given her unsatisfactory performance and internal restructuring, CSI officially dismissed WEI Li on 24 July 2016 and settled all payables to her in accordance with the Hong Kong labor laws and the contract provisions. WEI Li filed a lawsuit with the Hong Kong Labour Tribunal (hereinafter referred to as “**Labour Tribunal**”), claiming for a sum of HK\$42,782,192.99 from CSI for reasons including improper termination of the employment contract, unreasonable deduction of wages as well as unpaid medical expenses, bonuses and pension contributions. The first trial was held on 27 April 2017. Given that WEI Li also filed a complaint with Hong Kong’s Equal Opportunities Commission (hereinafter referred to as “**EOC**”) against CSI for disability discrimination, the Labour Tribunal has postponed the case indefinitely until the end of the EOC investigation. In July 2017, EOC ended the investigation and decided that no action would be taken. Thereafter, WEI Li applied to the Labour Tribunal for continuation of trial. On 24 January 2018, the Labour Tribunal gave an order that, given WEI Li’s complaint relates to the allegation of disability discrimination, it is beyond the jurisdiction of the Labour Tribunal and will be transferred to the District Court for trial. The date of the trial has yet to be confirmed.

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

6.5.1 The Company and several securities outlets being imposed administrative supervision and management measures by the regulatory authorities during the Reporting Period

On 17 January 2017, due to unsound internal controls, operational and management chaos, due diligence failures of the former person-in-charge LUO Haiyan and other issues of the Taizhou Fuzhong Road Outlet of the Company, the CSRC Zhejiang Branch issued the “Decision on Ordering Taizhou Fuzhong Road Outlet for Corrective Measures” (CSRC Zhejiang Branch’s Administrative Supervision Measures [2017] No. 6) to the Taizhou Fuzhong Road Outlet. Upon receipt of the above regulatory letter, branches of the Company carried out rectification work in terms of significant events reporting, management of outlets’ equipment, seal management, management of staff securities investment activities and other aspects to ensure standardized operation among outlets.

On 8 February 2017, due to violation of relevant external regulatory provisions by the Beijing Haoyun Street Outlet of the Company arising from the release of “Promotional Materials of 2016 November 11th Festival” on the Company’s website and the official WeChat account “Brokers China” without the Company’s consent and that some of the promotional materials put one-sided emphasis on revenue, the CSRC Shenzhen Branch issued the “Decision of CSRC Shenzhen Branch on Ordering CITIC Securities Company Limited for Measures to Increase the Number of Internal Compliance Inspections” (CSRC Shenzhen Branch’s Administrative Supervision Measures [2017] No. 2) to the Company. Upon receipt of the above regulatory letter, the Company attached great importance to the matter and submitted its detailed plans to increase the number of internal compliance inspections to the CSRC Shenzhen Branch. As of the end of 2017, the Company completed onsite compliance inspection at its outlets according to the rectification scheme. The outlets was in good operation and no significant violation of the laws and administrations had been found among outlets.

On 22 September 2017, due to the following issues of the Beijing Anwai Main Street Outlet of the Company: (1) violation of regulations by opening an account for institutional clients by mail; (2) customer account information with missing seals and altered dates; (3) use of illegal means to overprint a seal for customer account opening application forms and other issues, the CSRC Beijing Branch considered that internal control in the outlet was incomplete and issued the “Decision on Ordering of the Beijing Anwai Main Street Outlet of CITIC Securities Company Limited for Corrective Measures” ([2017] No. 118). Upon receipt of the above regulatory letter, the Company attached great importance to the matter and carried out self-investigation of outlets on the implementation of the internal control policy and the situation with account opening, proactively identifying problems and making corrections. In October 2017, compliance staff were hired by the outlet to enhance risk prevention and control

capabilities; loopholes in customer file management identified in the outlet were sorted out and measures were taken to strengthen the management of customer files; in response to the specific problems raised by the regulator, the outlet immediately contacted customers to re-sign their files and documents and hold the relevant personnel accountable for their responsibilities. As of the end of October 2017, the outlet completed the rectification and submitted a rectification report to the CSRC Beijing Branch.

6.5.2 Investigation proceedings by the CSRC

In 2015, the Company had announced that it received an investigation notice (Ji Cha Zong Dui Diao Cha Tong Zi No. 153121) from the CSRC. The scope of the investigation is in relation to the Company's suspected breach of Article 84 of the Regulations on the Supervision and Administration of Securities Companies, in the conduct of its margin financing and securities lending business by failing to execute business contracts with its customers in accordance with the relevant provisions (the details are contained in the Company's announcements published on 26 November 2015 and 29 November 2015). On 24 May 2017, the Company received the Prior Notification Letter of Administrative Punishment (Chu Fa Zi [2017] No. 57) from the CSRC in respect of the above investigation (the details are contained in the Company's announcement published on 24 May 2017). As at the date of publication of this results announcement, the Company had not received any other letters or notifications in respect of the matter.

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

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

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

6.7 Material Related Party Transactions/Non-exempt Connected Transactions

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

1. Progress of matters which had been disclosed in interim announcements

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

I Background

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

The day-to-day related party/continuing connected transactions of the Group are mainly entered into with CITIC Group, its subsidiaries and associates. As CITIC Group indirectly holds 16.50% equity interests in the Company, CITIC Group, its subsidiaries and associates are related party/

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

According to the relevant requirements, and based on the analysis of the types and contents and different nature of existing and possible ongoing related party/connected transactions between the Group and CITIC Group and its subsidiaries and associates, the Group classified such transactions into three major categories, namely securities and financial products transactions and services, property leasing and miscellaneous services. At the time when the Company's H Shares were listed, the Company and CITIC Group entered into the Securities and Financial Products Transactions and Services Framework Agreement upon the approval by the 2011 Third Extraordinary General Meeting of the Company; entered into the Miscellaneous Services Framework Agreement and the Property Leasing Framework Agreement upon the approval of the Board, pursuant to which the parties agreed on the contents of the day-to-day related party/continuing connected transactions thereunder from 2011 to 2013 and set the respective annual caps for the transaction amounts. On 31 December 2013, the Company and CITIC Group renewed the Securities and Financial Products Transactions and Services Framework Agreement upon the approval by the 2013 Third Extraordinary General Meeting of the Company; and renewed the Miscellaneous Services Framework Agreement and entered into the Supplemental Agreement I to the Property Leasing Framework Agreement with CITIC Group upon the approval by the Board, pursuant to which the parties agreed on the contents of the day-to-day related party/continuing connected transactions thereunder from 2014 to 2016 and set respective annual caps for the transaction amounts. On 14 February 2017, the Company further renewed the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group upon the approval by the 2017 First Extraordinary General Meeting of the Company (which was convened on 19 January 2017); and further renewed the Miscellaneous Services Framework Agreement and entered into Supplemental Agreement II to the Property Leasing Framework Agreement with CITIT Group upon the approval by the Board, pursuant to which the parties agreed on the contents of the related party transactions in relation to day-to-day operation/continuing connected transactions thereunder from 2017 to 2019 and set respective annual caps for the transaction amount.

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

II Securities and Financial Products Transactions and Services Framework Agreement

Pursuant to the agreement as renewed in 2017, the Group and CITIC Group and its subsidiaries and associates conduct various securities and financial products transactions and provide mutual securities and financial services during the ordinary course of business. Both the Company and CITIC Group agreed that: ① securities and financial products transactions: for transactions of securities and financial products through exchanges, such transactions shall be conducted at the prevailing market prices or market rates applicable to such type of securities and financial products; for transactions over the counter and other transactions of securities and financial products, such transactions shall be conducted at the prevailing market prices or market rates applicable to such type of securities and financial products or shall be conducted by mutual agreement; in the absence of prevailing market price or market rate applicable to such type of securities and financial products, the price or rate of such transaction shall be determined by the mutual agreement pursuant to the principle of fair market trade. Interest rates of interbank loans and repurchase agreements shall be conducted at the prevailing market interest rates and prices

applicable to independent counterparties of such type of transactions or determined by mutual agreement. ② securities and financial services: interest rates on deposits shall not be lower than the interest rates on deposits published by the People's Bank of China for the commercial banks for the corresponding period and shall not be lower than the interest rates on deposits of those banks offered to other clients by CITIC Group and its subsidiaries for the same type of deposits as well. Commissions or service fees charged by CITIC Group: shall be determined by mutual agreement with reference to the prevailing market rates and in accordance with the requirements of the applicable and relevant laws and regulations, provided that they do not exceed the standard commission or service fee charged by CITIC Group for the same type of service provided to an independent third party. Brokerage fees, commissions or service fees charged by the Company shall be determined by mutual agreement with reference to the prevailing market rates and in accordance with the requirements of the applicable and relevant laws and regulations, provided that they do not exceed the standard commission or service fee charged by the Company for the same type of service provided to an independent third party. The agreement is for a term of three years, commencing from 1 January 2017 and ending on 31 December 2019, subject to renewal.

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

For the year of 2017, with respect to ① the actual amount for the year for day-to-day related party/continuing connected transactions of the securities and financial products transactions; (2) maximum daily balances of repurchase agreements and loans to inter-financial institutions and reverse repurchase agreements; and (3) the annual caps and actual transaction amount for the day-to-day related party/continuing connected transactions of the securities and financial services, between the Group and the CITIC Group and its subsidiaries and associates, are as follows:

In RMB ten thousand

	Annual cap for 2017	Actual transaction amount for 2017	Percentage of the total amount of similar transactions (%)
1. Securities and financial products transactions			
Net cash inflow derived from securities and financial products transactions (net of the amount of inter-financial institutions borrowings and repurchase agreements)	12,000,000	2,527,714	—
Net cash outflow incurred for securities and financial products transactions (net of the amount of reverse repurchase agreements)	9,500,000	2,025,639	—
2. Amount of inter-financial institutions borrowings	Not applicable ^{Note}	5,400,000	—
	Maximum daily balance for 2017	Actual highest balance in a single day in 2017	Percentage of the total amount of similar transactions
3. Repurchases and loans			
Maximum daily balance (including interests) of repurchase agreements	2,000,000	146,000	—
Maximum daily balance (including interests) of loans to inter-financial institutions and reverse repurchase agreements	500,000	—	—
	Annual cap for 2017	Actual transaction amount for 2017	Percentage of the total amount of similar transactions (%)
4. Transactions of securities and financial services			
Income derived from securities and financial services	220,000	72,540	2.05
Expenses incurred for securities and financial services	40,000	16,124	1.14

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

III Miscellaneous Services Framework Agreement

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

For the year of 2017, the annual caps and actual transaction amounts of the day-to-day related party/continuing connected transactions under the Miscellaneous Services Framework Agreement between the Group and CITIC Group and its subsidiaries and associates are as follows:

In RMB ten thousand

Miscellaneous services	Annual cap for 2017	Actual transaction amount for 2017	Percentage of the total amount of similar transactions (%)
Income derived from miscellaneous services	600	263	0.03
Expenses incurred for miscellaneous services	38,000	12,100	0.50

IV. Property Leasing Framework Agreement and supplemental agreement

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

For the year of 2017, the annual rental caps and the actual rental amount in relation to the Property Leasing Framework Agreement between the Group and CITIC Group and its subsidiaries and associates are as follows:

In RMB ten thousand

Property leasing	Annual cap for 2017	Actual transaction amount for 2017	Percentage of the total amount of similar transactions (%)
Income derived from property leasing	5,500	1,990	6.75
Expenses incurred for property leasing	7,000	4,876	5.14

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

- nothing has come to its attention that may cause it to believe that such disclosed related party transactions in relation to day-to-day operation/continuing connected transactions have not been approved by the Board;
- if the transactions involve the provision of goods or services by the Group, nothing has come to its attention that may cause it to believe that these transactions were not, in all material respects, in accordance with the pricing policy of the Group;

- nothing has come to its attention that may cause it to believe that these transactions were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and
- with respect to the total amounts for each of such continuing connected transactions specified in the appendix of the day-to-day related party/continuing connected transactions letter, nothing has come to its attention that may cause it to believe such disclosed day-to-day related party/continuing connected transactions have exceeded the annual transaction caps set by the Company.

(2) *Related party transactions under the SSE Listing Rules in relation to day-to-day operation*

According to the SSE Listing Rules, in addition to CITIC Group and its subsidiaries and associates, related parties of the Company also include the companies in which the Directors, Supervisors or members of the Senior Management hold positions as directors or the senior management, but they do not constitute connected persons under the Hong Kong Listing Rules. Related party transactions between the Company and such parties are conducted in compliance with the relevant requirements under the SSE Listing Rules, and will not constitute connected transactions under the Hong Kong Listing Rules. During the Reporting Period, these related party transactions have been implemented according to the Resolution Relating to the Estimate on day-to-day Related Party/Connected Transactions of the Company in 2017, which was considered and approved at the 2016 Annual General Meeting of the Company.

In RMB ten thousand

Related party	Subject matter	Estimated transaction amount for 2017	Actual transaction amount for 2017	Percentage of total amount of similar transaction (%)	Impact on profit of the Company
Hui Xian Asset Management Limited	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
China Life Investment Holding Company Limited ^{Note 1}	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
Sino-Ocean Land Holdings Limited ^{Note 1}	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
Bohai Industrial Investment Fund Management Co., Ltd. ^{Note 1}	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
Qingdao Blue Ocean Equity Exchange ^{Note 1}	Fee income	70	—	—	—
	Fee expense	700	—	—	—
E-Capital Transfer Co., Ltd.	Fee expense	460	223.45	0.02	-223.45
The People's Insurance Company (Group) of China Limited ^{Note 1}	Fee income	372	—	—	—
	Fee expense	5	1.47	less than 0.01	-1.47
	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
CITIC Private Equity Funds Management Co., Ltd. ^{Note 1}	Fee income	25	—	—	—
	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
CITIC Capital Holdings Limited ^{Note 1}	Fee income	2,000	—	—	—
	Securities and financial products transactions	in actual amount ^{Note 2}	—	—	—
Hunan Valin Iron & Steel Group Co., Ltd. ^{Note 1}	Fee income	140	—	—	—
	Securities and financial products transactions	in actual amount ^{Note 2}	Inflow: 23,548.22	0.02	475.23

Note 1: The Company's related party relationships with Qingdao Blue Ocean Equity Exchange and CITIC Private Equity Funds Management Co., Ltd. were terminated on 18 January 2017. The Company's related party relationship with Hunan Valin Iron & Steel Group Co., Ltd. was terminated on 3 July 2017. The Company's related party relationship with The People's Insurance Company (Group) of China Limited was terminated on 4 August 2017. The Company's related party relationship with China Life Investment Holding Company Limited, Sino-Ocean Land Holdings Limited and Hui Xian Asset Management Limited were terminated on 13 November 2017. The Company's related party relationship with CITIC Capital Holdings Limited was terminated on 7 December 2017.

Note 2: Due to unpredictable stock market conditions, it is difficult to estimate the transaction volume. Upon approval by the general shareholders' meeting of the Company, the transaction volume of the above relevant securities and financial products is calculated based on the actual number of occurrences.

(3) *Related party/connected transactions with companies holding more than 10% equity interest in significant subsidiaries of the company*

During the Reporting Period, these related party/connected transactions were carried out pursuant to the Resolution Relating to the Estimate on day-to-day Related Party/Connected Transactions of the Company in 2017, which was considered and approved at the 2016 Annual General Meeting of the Company, and the specific resolution of the independent non-executive Directors of the Company on the related party/connected transactions made on 30 October 2017 (approval on the adjustment of the annual budget for the handling fee income arising from the provision of securities brokerage and other services to Power Corporation of Canada (hereinafter referred to as “PCC”) in 2017 from RMB2 million to RMB5 million, which was filed with the SSE for record on the same day.)

Related party	Subject matter	Estimated transaction amount for 2017	Actual transaction amount for 2017	Percentage of total amount of similar transaction (%)	Impact on profit of the Company
Power Corporation of Canada	Fee expense	500	304.67	Less than 0.01	304.67

(4) *Other related party/connected transactions*

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

Pursuant to the Bareboat Charter Contract entered into between CITIC Global Trade, a wholly-owned subsidiary of CITIC Securities Investment, and Shanghai CITIC Shipping Corporation Limited, the rental income of the Company for 2017 amounted to RMB12,307,700. For details of the approval of the above related party/connected transactions, please see the 2014 Annual Report of the Company.

2. *Matters which had not been disclosed in interim announcements*

Additional capital contribution to a private equity fund

CSI committed to an additional capital contribution of US\$24 million (equivalent to approximately RMB156.82 million) to a private equity fund jointly established by CSI and CNCB (Hong Kong) Investment Limited (hereinafter referred to as “CNCB Investment”). CNCB Investment is a company in which CITIC Bank, a subsidiary of CITIC Corporation Limited, has a controlling interest. Hence, CNCB Investment is a related party/connected person of the Company. The above matter was approved by all independent non-executive Directors of the Company on 6 November 2017 and was filed with the SSE on the date of resolution.

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

6.7.2 Related party in relation to purchase and sale of assets or equity interests

1. *Purchase of a used company car from CITIC Group*

The Beijing Guomao Outlet of the Company purchased a used company car from CITIC Group at the price of RMB139,300 (as appraised by Zhonghe Appraisal Company) due to operational needs. The above matter was considered and approved by all independent non-executive Directors on 9 August 2017 and was filed with the SSE on the date of resolution.

2. *Exercise of the right of first refusal to acquire 6.53% equity interest in CITIC Futures Co., Ltd.*

On 27 September 2017, CITIC Industrial Investment Group Corp., Ltd. (hereinafter referred to as “CITIC Industrial”) openly solicited intended transferees for the transfer of its 6.53% equity interest (hereinafter referred to as “Equity Interest”) in CITIC Futures through listing on Beijing Equity Exchange. The reserve price of the Equity Interest for listing-for-sale was RMB451 million. CITIC Industrial is a wholly-owned subsidiary of CITIC Corporation Limited, which is the largest Shareholder of the Company, and hence, it is a related party/connected person of the Company.

According to the approval and the issue of independent opinions by the independent non-executive Directors of the Company and upon the consideration and approval at the eighteenth meeting of the Sixth Session of the Board on 31 October 2017, the Company was approved to exercise the right of first refusal to purchase the Equity Interest for not more than (and inclusive of) RMB471 million, and the management of the Company was authorized to deal with all the related matters in relation to the aforementioned equity transfer.

The acquisition of 6.53% equity interest in CITIC Futures is expected to provide favourable financial support to the future development of CITIC Futures, thereby forming new sources of profit growth of the Group and becoming an important part of the Group's layout in integrated finance.

On 6 November 2017, the Company and CITIC Industrial signed the Equity Transfer Agreement to acquire 6.53% equity interest in CITIC Futures held by CITIC Industrial at a price of RMB451 million (Details were set out in the relevant announcement published by the Company on 6 November 2017). As at the end of the Reporting Period, the formalities of such equity transfer were still in process.

6.7.3 Related party credit and debt transactions

In RMB

Related party	Related party relationship	Provision of funds to the related party			Provision of funds by the related party		
		Opening balance	Amount incurred	Ending balance	Opening balance	Amount incurred	Ending balance
Subsidiaries of CITIC Group Corporation	Shareholder's subsidiary	1,668,188.08	578,297,485.52	579,965,673.60	7,054,689.02	1,920,402.28	8,975,091.30
Total		<u>1,668,188.08</u>	<u>578,297,485.52</u>	<u>579,965,673.60</u>	<u>7,054,689.02</u>	<u>1,920,402.28</u>	<u>8,975,091.30</u>
Reasons for the formation of the related party credits and debts	Mainly referring to other receivables and payables occurring with above-mentioned related parties						
Impact of the related party credits and debts on the Company	No adverse effect						

Capital movement between the Company and the related parties

In accordance with the Notice of the CSRC on the Regulation of Several Issues Concerning the Capital Movement Between Listed Companies and their Related Parties and the External Guarantees Provided by Listed Companies (Zheng Jian Fa [2003] No. 56) and the Notice on Strengthening Information Disclosure Concerning Appropriation of Funds and Unlawful Provision of Guarantees by Listed Companies of Shenzhen Securities Regulatory Bureau (Shen Zheng Ju Fa Zi [2004] No. 338), PricewaterhouseCoopers Zhong Tian LLP issued the Special Statement Regarding the Appropriation of Funds of CITIC Securities Company Limited by Its Largest Shareholder and Other Related Parties (Pricewaterhouse Coopers Zhong Tian Te Shen Zi (2018) No. 0797), stating that there was no appropriation of funds by the largest Shareholder or other related parties of the Company in 2017.

6.7.4 Guarantees provided by related/connected parties to the Company

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

6.7.5 Opinions of independent Directors

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

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

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

- on normal commercial terms, or if there is no comparable transaction to determine whether the terms of the transaction are on normal commercial terms, on terms no less favorable to the Group than those available from or to (as the case may be) independent third parties;
- conducted according to the terms set out in relevant agreement, which were fair and reasonable and in the interests of the Shareholders as a whole.

During the Reporting Period, there were no other related party/connected transactions relating to the disposal or acquisition of the Group's assets, nor any other related party/connected transaction related to joint external investment. Save as disclosed above, there is no related party transaction or continuing related party transaction set out in Note 53 to the Consolidated Financial Statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transaction and continuing connected transactions of the Company.

6.8 Guarantees

During the Reporting Period, the total amount provided for guarantees to subsidiaries by the Company and its subsidiaries was RMB21,892 million. As at the end of the Reporting Period, the total balance of guarantees provided to subsidiaries by the Company and its subsidiaries was RMB48,523 million. The balance of guarantees provided by the Company (including guarantees provided to its subsidiaries) was RMB54,417 million, accounting for 36.39% of the audited net asset of the Company as shown in the audited accounts of the Company for 2017.

6.8.1 Guarantees provided by the Company

In 2013, according to the resolution of the 12th meeting of the Fifth Session of the Board, the Company agreed to provide a counter guarantee in favour of Bank of China Limited in relation to the standby letter of credit issued by Bank of China Macau Branch in respect of the first tranche of offshore bonds issued by the Company's subsidiary, CITIC Securities Finance 2013, for an amount of the counter guarantee of USD902 million (equivalent to approximately RMB5,894 million), covering the principal, interest and related fees of the bonds. The guarantee is a joint liability guarantee, which will expire at the end of six months from the expiration date of the standby letter of credit.

In 2014, according to the resolution of the 2013 Annual General Meeting, the duly authorized small group approved the provision of an unconditional and irrevocable guarantee on a joint and several basis for repayment obligations under each batch of notes to be issued pursuant to an overseas medium-term notes program set up by CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company. The scope of the guarantee includes the principal, interest and other contingent payables. On 30 October 2014, CITIC Securities Finance MTN made its first drawdown and issuance of this medium-term notes program in the amount of USD650 million which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. In 2015, CITIC Securities Finance MTN made eight drawdowns under the medium-term notes program with an issue size amounting to USD439.68 million in aggregate, which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. On 11 April 2017, CITIC Securities Finance MTN made a drawdown under the medium-term notes program with an issue size of US\$800 million, including US\$300 million of three-year notes and US\$500 million of five-year notes.

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

6.8.2 Guarantees provided by subsidiaries

During the Reporting Period, among all the subsidiaries of the Company, CSI and its wholly-owned subsidiary CLSA B.V. had provided guarantees. All those guarantees were provided in favour of their relevant subsidiaries for their business operations, which mainly included loan guarantees, guarantees for medium term notes and guarantees for transactions involving the execution of framework agreements for International Swaps and Derivatives Association (the “**ISDA Agreements**”) and Global Master Securities Lending Agreements (the “**GMSL Agreements**”) with counterparties. CITIC Global Trade, a subsidiary of CITIC Securities Investment, provides its subsidiaries with financing guarantee, the aggregate amount of which was approximately RMB31,176 million as at 31 December 2017.

In accordance with the relevant provisions and requirements of the Notice concerning Several Issues on Regulating Funds Transactions between Listed Companies and Related Parties and the Provision of Guarantee by Listed Companies to External Parties (Zheng Jian Fa [2003] No.56), the independent non-executive Directors of the Company, through studying and investigating the Company's situation, issued a special explanation and an independent opinion in respect of the Company's accumulated and current guarantees during the Reporting Period based on information provided by the Company.

6.9 Other Significant Events and Subsequent Events

6.9.1 Changes to securities business outlets

The Company

During the Reporting Period, the Company transformed seven securities outlets into branch offices by changing Chongqing East Honghu Road Securities outlet into Chongqing Branch office, Haikou Guoxing Avenue Securities outlet into Hainan Branch office, Lanzhou Xijin Road Securities outlet into Gansu Branch office, Yinchuan East Wenhua Street Securities outlet into Ningxia Branch office, Nanning Minzu Avenue Securities outlet into Guangxi Branch office, Harbin Hongqi Main Street Securities outlet into Heilongjiang Branch office, Changchun Renmin Main Street Securities outlet into Jilin Branch office and completed same city relocation of 1 branch office and 16 securities outlets.

As at the end of the Reporting Period, the Company has 29 branch offices and 211 securities outlets.

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

No.	Original Name of Branches	Current Name of Branches	Address After Relocation
1	Guangzhou Panyu Guanghua South Road Securities Outlet	Guangzhou Panyu Wanda Plaza Securities Outlet	No. 81, 83, 85, 87 & 89 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou, Guangdong Province
2	Sanming Central Xinshi Road Securities Outlet	Sanming North Xinshi Road Securities Outlet	3/F, Block 12, Mizubo Technology Building, Huming Xincun, North Xinshi Road, Meilei District, Sanming, Fujian Province
3	Xiamen South Hubin Road Securities Outlet	Xiamen Lian Yue Road Securities Outlet	Unit 02, 03, 05 & 08, 16/F, Commercial Building of Panji Center, No. 1 Lian Yue Road, Siming District, Xiamen, Fujian Province
4	Hangzhou Binsheng Road Securities Outlet	Hangzhou Binsheng Road Securities Outlet	Room 104 on 1/F & Room 203 on 2/F, Hailiang Building, No. 1508 Binsheng Road, Binjiang District, Hangzhou, Zhejiang Province
5	Hangzhou Dongxin Road Securities Outlet	Hangzhou Xintiandi Securities Outlet	(Shop) No. 2 on 1/F and Unit 201, 202, 203 & 205 on 2/F, Hangzhou New World Business Center, Xiacheng District, Hangzhou, Zhejiang Province
6	Zhenjiang Dianli Road Securities Outlet	Zhenjiang Zhengdong Road Securities Outlet	No. 39 Zhengdong Road, Jingkou District, Zhenjiang, Jiangsu Province
7	Deyang South Emeishan Road Securities Outlet	Deyang South Lushan Road Securities Outlet	No. 88, Section One, South Lushan Road, Jingyang District, Deyang, Sichuan Province
8	Jingde Town Changnan Avenue Securities Outlet	Jingde Town South Guangchang Road Securities Outlet	1/F & 3/F, Jinding Commercial Plaza, No. 106 South Guangchang Road, Zhushan District, Jingde Town, Jiangxi Province
9	Hangzhou Jiangnan Avenue Securities Outlet	Hangzhou Huoju Avenue Securities Outlet	Room 114, 115 & 701, 1/F, Block C, Sunwave Building, No. 581 Huoju Avenue, Binjiang District, Hangzhou, Zhejiang Province
10	Hangzhou East Jiefang Road Securities Outlet	Hangzhou Lijing Road Securities Outlet	Room A-103-2, A-513, A-515 & A-517, No. 18 Lijing Road, Zhuantang Community, Xihu District, Hangzhou, Zhejiang Province
11	Nanjing Gaoloumen Securities Outlet	Nanjing North Hongwu Road Securities Outlet	No. 16 North Hongwu Road, Yuanwu District, Nanjing, Jiangsu Province
12	Nanjing Baota Road Securities Outlet	Nanjing Pukou Avenue Securities Outlet	Room 214, Block B, New City Headquarters, No. 13 Pukou Avenue, Pukou District, Nanjing, Jiangsu Province
13	Shengzhou Times Commercial Plaza Securities Outlet	Shengzhou Xingsheng Street Securities Outlet	3/F, 870-201, Xingsheng Street, Shanzhiang Community, Shengzhou, Shaoxing, Zhejiang Province
14	Hangzhou Shishan Road Securities Outlet	Hangzhou West Wenyi Road Securities Outlet	No. 989 Liangmu Road (Wanli Building) and Room 217, 707 & 708, Wanli Building, No. 1198 West Wenyi Road, Wuchang Community, Yuhang District, Hangzhou, Zhejiang Province

No.	Original Name of Branches	Current Name of Branches	Address After Relocation
15	Dongyang Zhongshan Road Securities Outlet	Dongyang West Wuning Road Securities Outlet	No. 14-17, No. 20 West Wuning Road, Wuning Community, Dongyang, Zhejiang Province
16	Beijing Jianguo Road Securities Outlet	Beijing South Shouti Road Securities Outlet	101, Level 1-2, 4/F, No. 9 South Shouti Road, Haidian District, Beijing
17	Hubei branch office	Hubei branch office	51/F, Guangfa Bank Plaza, No. 737 Construction Road, Jiangnan District, Wuhan, Hubei Province

CITIC Securities (Shandong)

During the Reporting Period, CITIC Securities (Shandong) established 4 new securities outlets, i.e. Jinan Shungeng Securities outlet, Shouguang Bohai Road Securities outlet, Jinan Jingqi Road Securities outlet and Yantai Yingchun Main Street Securities outlet, withdrew 3 securities outlets, i.e. Qingdao Jiading Road Securities outlet, Qingdao Yanerdao Road Securities outlet and Huangdao Xiangzhu Road Securities outlet, renamed Yantai Development Area Securities outlet to Yantai Changjiang Road Securities outlet and completed same city relocation of 4 securities outlets.

As at the end of the Reporting Period, CITIC Securities (Shandong) 4 branch offices and 65 securities outlets.

Details of new securities branches are as follows:

No.	Name of New Securities Outlets	Address of Securities Outlets
1	Shouguang Bohai Road Securities Outlet	No. 104-105, Jindun Building, No. 3798 Bohai Road, Shengcheng Community, Shouguang, Shandong Province
2	Jinan Shungeng Road Securities Outlet	Shop 1-2, 4-101, Block No. 1, Weidong Xindu District II, Shizhong District, Jinan, Shandong Province
3	Jinan Jingqi Road Securities Outlet	15-16/F, International Wealth Center, No. 156 Jingqi Road, Shizhong District, Jinan, Shandong Province
4	Yantai Yingchun Main Street Securities Outlet	No. 108, Runhua Building, 177 Yingchun Main Street, Laishan District, Yantai, Shandong Province

Details of relocation of securities outlets are as follows:

No.	Name Before Relocation	Name After Relocation	Address Before Relocation	Address After Relocation
1	Chengyang Chunheng Road Securities Outlet	Chengyang Zhengyang Road Securities Outlet	No. 502 & 502-1, Chunheng Road, Chengyang District, Qingdao, Shandong Province	Shop 187-9 & 203, Block No. 22, Shuiyue City Project, No. 177 Central Zhengyang Road, Chengyang District, Qingdao, Shandong Province
2	Zhengzhou Shangwu Neihuan Road Securities Outlet	Zhengzhou East Nongye Road Securities Outlet	16/F, No. 1 Shangwu Neihuan Road, Zhengdong New District, Zhengzhou, Henan Province	No. 1, 1-2/F, Block No. 6, No. 35 East Nongye Road, Zhengdong New District, Zhengzhou, Henan Province
3	Licang Shuyuan Road Securities Outlet	Qingdao Yanchuan Road Securities Outlet	No. 123-1, Licang Shuyuan Road, Qingdao, Shandong Province	No. 2-2, 3 & 4 Yanchuan Road, Licang District, Qingdao, Shandong Province
4	Heze Zhongshan Road Securities Outlet	Heze Heping Road Securities Outlet	Room 01008-02008, Block 3#, Mingrenju Sub-district, Zhongshan Road, Mudan District, Heze, Shandong Province	1-3/F, No. 02 Heping Road, Section E of 15#-18# Liangguan Anzhi Sub-district, Heping Road, Kaifa District, Heze, Shandong Province

CITIC Futures

During the Reporting Period, CITIC Futures has no new securities outlet, completed same city relocation of 2 branch offices and 4 sales outlets and transformed 11 sales outlets into branch offices by changing Guangzhou Outlet into Guangdong Branch office, Haikou Outlet into Hainan Branch office, Qingdao Outlet into Qingdao Branch office, Yinchuan Outlet into Ningxia Branch office, Lanzhou Outlet into Gansu Branch office, Shijiazhuang Outlet into Hebei Branch office, Harbin Outlet into Heilongjiang Branch office, Taiyuan Outlet into Shanxi Branch office, Shenyang Outlet into Northeast Branch office, Kunming Outlet into Yunnan Branch office and Tianjin Outlet into Tianjin Branch office,

As at the end of the Reporting Period, CITIC Futures has 18 branch offices and 25 futures outlets.

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

No.	Name of branch office/securities outlets	Address before Relocation	Address After Relocation
1	Heilongjiang Branch office	No. 407, 4/F, Block B, No. 7 Shanghai Street, Daoli District, Harbin	No. 1009, 1010 & 1011, 10/F, Unit 2, Block 3, Wealth Center, Intersection of Qunli Avenue and Xingjiang Road, Daoli District, Harbin
2	Hebei Branch office	Room 843, 845, 847, 849, 851 & 853, 8/F, Fubon Building, No. 5 North Jianshe Main Street, Shijiazhuang	Room 843, 845, 847, 849, 851, 853 & 857, 8/F, Fubon Building, No. 5 North Jianshe Main Street, Shijiazhuang
3	Shenyang Outlet	(1-4-1) No. 146 Beizhan Road, Shenhe District, Shenyang	Room 0801, No. 11 Wenyi Road, Heping District, Shenyang
4	Xiamen Outlet	Unit 06, 5/F Erqing Building, No. 334 South Hubin Road, Siming District, Xiamen	Unit DE, 21/F Xiamen International Plaza, No. 8 Lujiang Road, Siming District, Xiamen
5	Wenzhou Outlet	Room 201, Block 8, Yindu Garden, Tangjiaqiao Road, Lucheng District, Wenzhou, Zhejiang Province	Room 906, Wealth Center, No. 577 Chenzhen Avenue, Lucheng District, Wenzhou, Zhejiang Province
6	Tianjin Outlet	Room 05, 7/F, Furun Center Office Building, Southwestern Side of the Intersection of Jiangxi Road and Hefei Road, Hexi District, Tianjin	2702, Block No. 3, Guojin Plaza, Intersection of North Dagu Road and Chengde Road, Xiaobailou Street Heping District, Tianjin

CSI

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

6.9.2 Subsequent progress of matters previously published

1. Transfer of 11.11% equity interest in Xiamen Cross-strait Equity Exchange

To optimize resources, strength investment management, and adjust asset allocation, on 1 August 2016, the fifth meeting of the Sixth Session of the Board considered and approved the Proposal in Relation to the Equity Transfer of Xiamen Cross-strait Equity Exchange Co., Ltd. to transfer 11.11% equity interest held by the Company in Xiamen Cross-strait Equity Exchange through public bidding process (hereinafter referred to as the “**Transfer**”). Such equity interest was listed on Beijing Equity Exchange and the transfer was completed at the price of RMB10.10 million in November 2016. Xiamen Cross-strait Equity Exchange completed the registration of change of capital contributors on 12 February 2018. Upon completion of the Transfer, the Company no longer holds any equity interest in Xiamen Cross-strait Equity Exchange.

2. *Capital reduction in Goldstone Investment*

In accordance with the Proposal in Relation to the Capital Reduction in Goldstone Investment Limited as approved by the seventeenth meeting of the Sixth Session of the Board on 29 September 2017, the Company completed the reduction of capital of RMB4.2 billion in Goldstone Investment on 27 October 2017 and the registered capital of Goldstone Investment has decreased to RMB3 billion. The Company completed formalities for the change of business registration on 8 January 2018.

3. *Authorization for adjustment to the registered capital of CITIC Securities Investment*

In accordance with the Proposal on Adjusting the Registered Capital of CITIC Securities Investment Company Limited as approved by the fourteenth meeting of the Sixth Session of the Board on 15 June 2017, the management was authorized to flexibly make adjustment to the registered capital of CITIC Securities Investment according to the operating conditions and debt payment needs of CITIC Securities Investment and that the registered capital after adjustment shall not be more than (and inclusive of) RMB24 billion. As at the end of the Reporting Period, the Company had not made any adjustment to the registered capital of CITIC Securities Investment.

4. *Acquisition of equity interests in CITIC Futures*

Details of the Company's acquisition of equity interest in CITIC Futures are contained in "6.7.2-2 Exercise of the right of first refusal in 6.53% equity interest in CITIC Futures Co., Ltd." of this results announcement.

7. CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

7.1 The share capital structure of the Company as at 31 December 2017 was as follows:

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

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

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

7.3 Issue and Listing of Securities

Unit: hundred million

Unit: RMB

Type of shares and derivative securities	Date of issue	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Closing date of trading
Convertible corporate bonds, warrant bonds, corporate bonds						
Corporate bonds	2017.2.16	4.20%	100	2017.2.27	100	2020.2.17
Corporate bonds	2017.2.16	4.40%	20	2017.2.27	20	2022.2.17
Subordinated bonds	2017.5.24	5.10%	20	2017.6.9	20	2020.5.25
Subordinated bonds	2017.5.24	5.30%	23	2017.6.9	23	2022.5.25
Corporate bonds	2017.8.10	4.60%	45	2017.8.22	45	2018.8.11
Corporate bonds	2017.9.11	4.84%	60	2017.9.22	60	2018.9.12
Corporate bonds	2017.9.11	4.97%	20	2017.9.22	20	2019.9.12
Subordinated bonds	2017.10.25	5.05%	8	2017.11.7	8	2020.10.26
Subordinated bonds	2017.10.25	5.25%	49	2017.11.7	49	2022.10.26
Corporate bonds	2017.11.27	5.25%	24	2017.12.11	24	2019.11.28
Corporate bonds	2017.11.27	5.33%	24	2017.12.11	24	2020.11.28
Corporate bonds	2017.12.14	5.50%	10	2017.12.22	10	2019.12.15
Offshore USD bonds						
Offshore USD bonds	2017.4.20	2.75%	USD300 million	2017.4.21	USD300 million	2020.4.20
Offshore USD bonds	2017.4.20	3.25%	USD500 million	2017.4.21	USD500 million	2022.4.20

Description of issue of securities during the Reporting Period:

The Company issued a public corporate bond on 16 February 2017, which was listed on the SSE on 27 February 2017 and consists of two types of products, among which, the 3-year type has a size of RMB10 billion and a nominal interest rate of 4.20% and the 5-year type has a size of RMB2 billion and a nominal interest rate of 4.40%.

The Company issued a subordinated bond on 24 May 2017, which was listed on the SSE on 9 June 2017 and consists of two types of products, among which, the 3-year type has a size of RMB2 billion and a nominal interest rate of 5.10% and the 5-year type has a size of RMB2.3 billion and a nominal interest rate of 5.30%.

The Company issued a private corporate bond on 10 August 2017, which was listed on the SSE on 22 August 2017, with a size of RMB4.5 billion, a nominal interest rate of 4.60% and a term of 1 year.

The Company issued a private corporate bond on 11 September 2017, which was listed on the SSE on 22 September 2017 and consists of two types of products, among which, the 1-year type has a size of RMB6 billion and a nominal interest rate of 4.84% and the 2-year type has a size of RMB2 billion and a nominal interest rate of 4.97%.

The Company issued a subordinated bond on 25 October 2017, which was listed on the SSE on 7 November 2017 and consists of two types of products, among which, the 3-year type has a size of RMB800 million and a nominal interest rate of 5.05% and the 5-year type has a size of RMB4.9 billion and a nominal interest rate of 5.25%.

The Company issued a public corporate bond on 27 November 2017, which was listed on the SSE on 11 December 2017 and consists of two types of products, among which, the 2-year type has a size of RMB2.4 billion and a nominal interest rate of 5.25% and the 3-year type has a size of RMB2.4 billion and a nominal interest rate of 5.33%.

The Company issued a private corporate bond on 14 December 2017, which was listed on the SSE on 22 December 2017, with a size of RMB1 billion and a nominal interest rate of 5.50% for a period of 2 years.

CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company, is the issuing entity of the USD bonds. The bonds are divided into two types, among which, the 3-year type has a size of USD300 million and a nominal interest rate of 2.75% and the 5-year type has a size of USD500 million and a nominal interest rate of 3.25%. The bonds was listed on the Hong Kong Stock Exchange on 21 April 2017.

7.4 Information on Shareholders

Total number of Shareholders as at 31 December 2017: 511,369 Shareholders, including 511,207 A Shareholders and 162 registered H Shareholders.

Total number of Shareholders as at the end of the previous month (28 February 2018) before the date of this results announcement: 584,387 Shareholders, including 584,231 A Shareholders and 156 registered H Shareholders.

7.4.1 Shareholdings of the top 10 Shareholders as at 31 December 2017

Unit: Shares

Shareholdings of the top 10 Shareholders							
Full name of Shareholder	Change during the Reporting Period	Number of Shares held as at the end of the period	Percentage (%)	Number of Shares held subject to trading moratorium	Shares pledged or frozen Status	Number	Nature of the Shareholder
HKSCC Nominees Limited ^{Note 1}	164,109	2,277,320,317	18.79	—	Unknown	—	Foreign legal persons
CITIC Corporation Limited ^{Note 2}	—	1,999,695,746	16.50	—	Nil	—	State-owned legal persons
China Securities Finance Corporation Limited	248,687,945	593,726,634	4.90	—	Nil	—	Unknown
China Life Insurance Company Limited – Tradition – General Insurance Products – 005L – CT001 Hu	—	310,054,938	2.56	—	Nil	—	Domestic non-stateowned legal person
Central Huijin Investment Company Limited	—	198,709,100	1.64	—	Nil	—	State-owned legal person
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
GF Fund – Agricultural Bank –GF China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
Yinhua Fund – Agricultural Bank –Yinhua China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program	35,213,300	140,163,800	1.16	—	Nil	—	Unknown

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

Note 2: The shareholding listed here is extracted from the register of members of the Company as at 31 December 2017.

Note 3: Nature of A Shareholders represents the nature of account held by A Shareholders with the Shanghai branch of CSDCC.

Note 4: As the Shares could be used as underlying securities for margin financing and securities lending, the shareholdings of the Shareholders are the aggregate of all the Shares and interests held in ordinary securities accounts and credit securities accounts.

7.4.2 Shareholdings of the top 10 holders of tradable Shares not subject to trading moratorium as at 31 December 2017

Name of Shareholder	Number of tradable Shares held not subject to trading moratorium	Class
HKSCC Nominees Limited	2,277,320,317	Overseas-listed foreign shares
CITIC Corporation Limited	1,999,695,746	RMB ordinary shares
China Securities Finance Corporation Limited	593,726,634	RMB ordinary shares
China Life Insurance Company Limited – Traditional – General Insurance Products – 005L – CT001 Hu	310,054,938	RMB ordinary shares
Central Huijin Investment Company Limited	198,709,100	RMB ordinary shares
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program	140,163,800	RMB ordinary shares
Details of the related party relationship with the above Shareholders or concerted action	The Company is unaware of whether there is any related party/connected relationship between the above Shareholders, or they are parties acting in concert..	

7.4.3 Shareholdings of the holders of tradable Shares subject to trading moratorium as at 31 December 2017

Unit: Shares

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

7.4.4 Information on substantial Shareholders of the Company

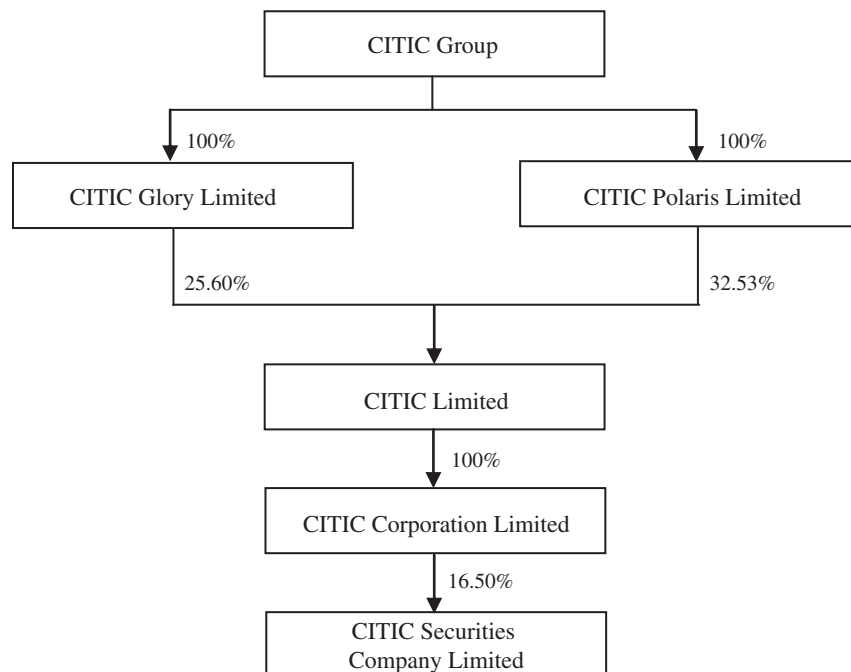
Largest Shareholder

The largest Shareholder of the Company is CITIC Corporation Limited. As at 31 December 2017, it directly held 16.50% Shares in the Company. In addition, there was no Shareholder who held more than 10% Shares. Details of CITIC Corporation Limited are as follows:

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

CITIC Group, the de facto controller of CITIC Corporation Limited, was founded in 1979, the existing legal representative is Mr. CHANG Zhenming and the general manager is Mr. WANG Jiong. Its registered capital is RMB205,311,476,359.03 and the united social credibility code is 9110000010168558XU. Its principal businesses are as follows: the information service business under the second category of value-added telecom services (only internet information services), which exclude news, publishing, education, healthcare, medicine and medical equipment and include electronic bulletin services, and are valid until 9 January 2019; external deployment of staff required to implement overseas projects suitable for its capabilities, scale and results performance; investment and management of domestic and foreign banks, securities, insurance, trust, asset management, futures, leasing, funds, credit card financial enterprises and related industries, energy, transport infrastructure, mining, exploration of timber resources and raw material industry, machinery manufacturing, real estate development, information system infrastructure, basic telecommunication and value-added telecommunication business, environmental protection, medicine, bio-engineering as well as new materials, aviation, transportation, warehousing, hotel, tourism, international trade and domestic trade, commerce, education, publishing, media, culture and sports, overseas and domestic engineering design, construction, contracting and sub-contracting, industry investment; project tendering, surveying, design, construction, supervision, contracting and subcontracting, consultant service industry; asset management; capital operation; import and export business. (The enterprise may independently choose projects to operate and conduct business activities according to law. As for projects which require approval in accordance with the law, prior approvals of the competent authorities shall be obtained before operational activities are conducted.)

As at the end of the Reporting Period, the Shareholder structure of the Company is as follows:



As at 31 December 2017, information of other major listed companies controlled or invested, directly or indirectly by CITIC Limited or CITIC Corporation Limited is as follows:

No.	Name of Listed Companies	Stock Code	Shareholding Percentage	Name of Shareholder
1	China CITIC Bank Corporation Limited	601998.SH 998.HK	65.97%	CITIC Corporation Limited (65.37%) Extra Yield International Ltd. (0.02%) Metal Link Limited (0.58%)
2	CITIC Heavy Industries Co., Ltd.	601608.SH	67.27%	CITIC Corporation Limited (60.49%) CITIC Investment Holdings Limited (4.52%) CITIC Automobiles Limited (2.26%)
3	CITIC Offshore Helicopter Co., Ltd.	000099.SZ	38.63%	CITIC Offshore Helicopter Limited Liabilities Company
4	CITIC Resources Holdings Limited	1205.HK	59.50%	Keentech Group Ltd (49.57%) CITIC Australia Pty Limited (9.55%) Extra Yield International Ltd. (0.38%)
5	Asia Satellite Telecommunications Holdings Limited	1135.HK	74.43%	Bowenvale Ltd
6	CITIC Dameng Holdings Limited	1091.HK	43.46%	Highkeen Resources Limited (34.39%) Apexhill Investments Limited (9.07%)
7	CITIC Telecom International Holdings Limited	1883.HK	60.08%	Richtone Enterprises Inc. (3.80%) Ease Action Investments Corp. (35.03%) Silver Log Holdings Ltd (17.25%) Perfect New Holdings Limited (4.00%)
8	Dah Chong Hong Holdings Limited	1828.HK	56.35%	Certain subsidiaries of CITIC Pacific Limited
9	Daye Special Steel Co., Ltd.	000708.SZ	58.13%	CITIC Pacific (China) Investment Limited (28.18%) Hubei Xinye Steel Limited (29.95%)
10	CITIC Envirotech Ltd	U19.SG	62.91%	CKM (Cayman) Company Limited
11	Yuan Long Ping High-Tech Agriculture Co., Ltd.	000998.SZ	18.79%	CITICS Industrial Investment Group Corp. (8.71%) CITIC Construction Co., Ltd. (6.72%) Shenzhen Xinnong Investment Center LP (3.36%)
12	China Overseas Land & Investment LTD.	688.HK	10%	Complete Noble Investments Limited

In addition to those set out in the above table, as at 31 December 2017, major listed companies controlled or invested by CITIC Group are as follows:

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

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

As at 31 December 2017, there was no other Shareholder directly holding more than 5% Shares in the Company. The Shares held by HKSCC Nominees Limited are for the non-registered holders of H Shares.

7.4.5 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 as at 31 December 2017. 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 2017.

Name of Shareholder	Capacity	Class of shares	Number of Shares (Shares)/ Type of Shares Held	Percentage of the Number of A Shares/H Shares as at 31 December 2017 (%) ^{Note 5}	Percentage of Total Shares of the Company as at 31 December 2017 (%)
CITIC Group Corporation	Interest of controlled corporations of the major shareholder ^{Note 1}	A Shares	1,999,695,746/Long position	20.33	16.50
National Council for Social Security Fund	Beneficial owner	H Shares	690,359,200 ^{Note 2} /Long position	30.30	5.70
The Bank of New York Mellon Corporation	Interest of your controlled corporation ^{Note 3}	H Shares	284,095,840/Long position 280,373,840/ Shares available for lending	12.47 12.31	2.34 2.31
GIC Private Limited	Investment manager	H Shares	138,342,500/Long position	6.07	1.14
BlackRock, Inc.	Interest of your controlled corporation ^{Note 4}	H Shares	122,780,134/Long position 7,526,500/Short position	5.39 0.33	1.01 0.06

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

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

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

Note 4: BlackRock, Inc. held relevant interests and short positions through a series of its controlled corporations.

Note 5: The percentages are calculated based on 2,278,327,700 H Shares or 9,838,580,700 A Shares issued by the Company as at 31 December 2017.

Note 6: According to the notices of disclosure of interests on the HKEXnews website, Lazard Asset Management LLC, Barco BTG Pactual S.A. and Capital Research and Management Company were shown as substantial Shareholders holding 5% or more of the total issued H Shares of the Company. Upon completion of the non-public issuance of H Shares by the Company in June 2015, the interests held by these three Shareholders should have been reduced to less than 5% of the total issued H Shares and they are accordingly not shown as substantial Shareholders in the table above.

8. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

8.1 Basic Information of Directors, Supervisors and Senior Management

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

Unit: Shares

Name	Position ^(Note)	Gender	Age	Term of office commencing from	Term of office ending on	Shares held at the beginning of the year (Shares)	Shares held at the end of the year (Shares)	Change (increase/decrease) in shareholding during the year	Reasons for change (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period and (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
ZHANG Youjun	Executive Director, Chairman and Member of the Executive Committee	Male	52	2016-01-19	2019-01-18	374	374	—	—	553.18	No
YANG Minghui	Executive Director, President and Member of the Executive Committee	Male	53	2016-01-19	2019-01-18	—	—	—	—	690.60	No
CHEN Zhong	Non-executive Director	Male	45	2016-11-14	2019-01-18	—	—	—	—	—	No
LIU Ke	Independent non-executive Director	Male	59	2016-01-19	2019-01-18	—	—	—	—	16.20	No
HE Jia	Independent non-executive Director	Male	63	2016-03-23	2019-01-18	—	—	—	—	16.20	No
CHAN, Charles Sheung Wai	Independent non-executive Director	Male	64	2016-05-09	2019-01-18	—	—	—	—	15.90	No
LEI Yong	Employee representative Supervisor and Convenor of the Supervisory Committee ^{Note 7}	Male	50	2002-05-30	2019-01-18	483,285	483,285	—	—	349.52	No
GUO Zhao	Supervisor	Male	61	1999-09-26	2019-01-18	—	—	—	—	10	Yes
RAO Geping	Supervisor	Male	70	2016-03-23	2019-01-18	—	—	—	—	10	No
YANG Zhenyu	Employee representative Supervisor	Male	47	2005-12-16	2019-01-18	81,000	81,000	—	—	183.87	No
Ge Xiaobo	Person-in-charge of Accounting Affairs and Member of the Executive Committee	Male	47	2017-03-03	2019-01-18	870,000	870,000	—	—	412.53	No
TANG Zhenyi	Member of the Executive Committee	Male	44	2018-2-27	2019-1-18	—	—	—	—	—	—
MA Yao	Member of the Executive Committee	Male	46	2017-11-28	2019-01-18	20,000	20,000	—	—	27.54	No
XUE Jirui	Member of the Executive Committee	Male	44	2017-10-24	2019-01-18	—	—	—	—	41.50	No
YANG Bing	Member of the Executive Committee	Male	45	2017-10-24	2019-01-18	—	—	—	—	41.50	No
LI Chunbo	Member of the Executive Committee	Male	42	2017-11-17	2019-01-18	—	—	—	—	27.54	No

Name	Position ^(Note)	Gender	Age	Term of office commencing from	Term of office ending on	Shares held at the beginning of the year (Shares)	Shares held at the end of the year (Shares)	Change (increase/decrease) in shareholding during the year	Reasons for change (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period and term of office (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
Zou Yingguang	Member of the Operation Management	Male	47	2017-09-07	2019-01-18					55.34	No
LI Yongjin	Member of the Executive Committee	Male	47	2017-09-07	2019-01-18					34.13	No
LI Jiong	Treasurer	Male	48	2017-10-24	2019-01-18					41.50	No
SONG Qunli	Chief Engineer	Male	51	2017-09-07	2019-01-18					46.87	No
ZHANG Hao	Chief Marketing Officer	Male	48	2017-10-31	2019-01-18					40.72	No
ZHANG Guoming	Compliance Officer	Male	53	2013-09-10	2019-01-18	—	—	—	—	337.17	No
CAI Jian	Chief Risk Management Officer	Male	59	2016-01-19	2019-01-18					303.77	No
ZHENG Jing	Secretary to the Board, Company Secretary	Female	45	2011-04-21	2019-01-18	—	—	—	—	300.39	No
YIN Ke	Former Executive Director	Male	54	2009-06-30	2017-03-22					HK\$883,500 (equivalent to RMB738,500)	No
LI Fang	Former Supervisor and Chairman of the Supervisory Committee	Male	60	2016-01-19	2018-02-09	—	—	—	—	494.28	No
Total	—	—	—	—	—	1,454,659	1,454,659	—	—	Approximately 4,124.10	—

Note 1: Where a person has more than one position under the “Position” column, the “term of office” will only show the term of office of the first position held by that person in that column; the “term of office” of a re-elected Director or Supervisor begins from the date of his/her first appointment as a Director or Supervisor of the Company; the “term of office” of a re-elected member of the Senior Management begins from the date of his/her first appointment as a member of the Senior Management by the Board.

Note 2: 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, an allowance of RMB150,000 per year (tax inclusive) to each of the independent non-executive Directors, and a subsidy of RMB3,000 per person to each Director who attends a meeting of the Board's special committee on-site. Mr. CHEN Zhong, the non-executive Director, has not received any remuneration or allowance from the Company. The remuneration received by each of independent non-executive Directors, Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai and each of Supervisors, Mr. RAO Geping and Mr. GUO Zhao, was the Director's/Supervisor's allowance received by each of them from the Company in 2017.

Note 3: Mr. YIN Ke, the former executive Director, only received his remuneration from CSI, a wholly-owned subsidiary of the Company, instead of the Company. The remuneration of Mr. YIN Ke was the executive Director's allowance received by him from the Company between January and March 2017.

Note 4: Shares held by Directors, Supervisors and Senior Management are all A Shares, which include incentive shares initially granted upon the implementation of the share incentive scheme, the placing shares and the capitalization issue of bonus shares.

Note 5: The total remuneration before tax for Directors, Supervisors and Senior Management of the Company listed as above includes basic annual salary, effective annual salary (including spot and deferred bonuses distributed in 2017), special rewards and insurance benefits.

Note 6: In 2017, Mr. YANG Minghui, Executive Director and President of the Company, received remuneration in the amount of RMB4,351.9 thousand from the Company and remuneration in the amount of RMB2,554.1 thousand from China AMC, a subsidiary of the Company.

Note 7: On reaching his statutory retirement age, Mr. LI Fang, former chairman of the Supervisory Committee of the Company, submitted a Resignation Report to the Supervisory Committee on 9 February 2018 for resignation from his positions, including non-employee representative Supervisor of the Sixth Session of the Supervisory Committee and chairman of the Supervisory Committee. Mr. LI Fang's resignation took effect on the day when the Resignation Report was sent to the Supervisory Committee (9 February 2018). Upon consideration and approval at the 10th meeting of the Sixth Session of the Supervisory Committee of the Company, Mr. LEI Yong, staff Supervisor, was elected as the convenor of the Sixth Session of the Supervisory Committee of the Company until the day when a new chairman of the Supervisory Committee is elected or the day when the re-election of the current session of the Supervisory Committee is completed.

Note 8: Mr. TANG Zhenyi was officially appointed as a member of the Executive Committee of the Company on 27 February 2018 and his remuneration will be disclosed from 2018 onwards.

Note 9: As considered and approved by the 21st meeting of the Sixth Session of the Board, it is proposed to appoint Mr. YE Xinjiang, Mr. JIN Jianhua, Mr. SUN Yi and Mr. GAO Yuxiang as members of the senior management of the Company, subject to obtaining relevant qualifications.

8.1.2 Current positions held by Directors or Supervisors in Shareholders

Name	Name of Shareholder	Position held in Shareholders	Term of office commencing from	Term of office until
ZHANG Youjun	CITIC Corporation Limited	Assistant to the General Manager	2015.11.12	Until expiry of term
Description on the positions held in Shareholders	Mr. ZHANG Youjun is also an assistant to the general manager of CITIC Group and an assistant to the general manager of CITIC Limited.			

8.1.3 Current positions held by Directors or Supervisors in other entities

Name	Names of other entities	Positions held in the entities	Terms of office commencing from	Terms of office until
YANG Minghui	China AMC	Chairman	November 2013	Until expiry of term
CHEN Zhong	China Life Insurance Investment Holding Company Limited	Vice President	November 2017	Until expiry of term
LIU Ke	Business School of Beijing Language and Culture University	Professor	June 2001	Until expiry of term
HE Jia	Southern University of Science and Technology	Leading Professor	May 2014	Until expiry of term
RAO Geping	Peking University	Professor of the Law School, Ph.D. Candidate Supervisor	August 1994	Until expiry of term

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

Executive Directors (2 individuals)

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

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

Non-executive Director (1 individual)

Mr. CHEN Zhong, serves as a non-executive Director of the Company. Mr. CHEN joined the Company in 2016 and was appointed as a Director on 28 June 2016. He formally took office on 14 November 2016 (upon approval by the regulatory authority on the qualification for serving as director). Mr. CHEN also acts as Vice President of China Life Investment Holding Company Limited. Mr. CHEN had previously acted as the General Manager of the Investment Management Department in China Life Insurance (Group) Company from January 2016 to November 2017, worked in Industrial and Commercial Bank of China from 1997 to 2016, and since 2009 had served as assistant to President and as Vice President of Chongqing Branch, Deputy General Manager of Credit and Investment Management Department and Deputy General Manager of Credit Approval Department of the Head Office. In 2002, Mr. CHEN obtained a Ph.D. degree in Economics from the Institute of Industrial Economics of the Academy of Finance and Economics of the Chinese Academy of Social Sciences.

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

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

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

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

Supervisors (4 individuals)

Mr. LEI Yong, serves as a staff Supervisor, convenor of the Supervisory Committee and the general manager of Beijing Headquarter Securities outlet. Mr. LEI joined the Company 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, the general manager of the Beijing Beisanhuan Zhonglu Branch and the managing director of the brokerage business development and management committee of the Company, person-in-charge of Wealth Management Department and managing director of compliance department. He obtained a college diploma in industrial enterprise management in 1994 from Tianjin Management Institute.

Mr. GUO Zhao, serves as a Supervisor of the Company. Mr. GUO joined the Company in 1999 and was appointed as a Supervisor on 26 September 1999. Mr. GUO previously worked as the deputy chief accountant of Nanjing International Container Handling Co., Ltd. from 1988 to 1992; as the secretary to the board of directors of Nanjing Xingang High-Tech Co., Ltd. from 1992 to 2002; and as director of Nanjing Chengong Pharmaceuticals Co., Ltd from January 2001 to January 2013; and vice president of Nanjing Gaoke Co., Ltd. from June 2003 to December 2016; and director and general manager of Nanjing Chengong Pharmaceuticals Co., Ltd. from January 2001 to January 2017. 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.

Mr. RAO Geping, serves as a Supervisor of the Company. Mr. RAO was appointed as a Supervisor on 19 January 2016 and formally took office on 23 March 2016. 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; chairman of the Institute of Hong Kong and Macao Affairs of the Development Research Center of the State Council; member of the Law Specialty Committee on National Self-taught Higher Education Examinations; and independent supervisor of China TravelSky Holding Company. Mr. RAO previously served as an independent non-executive director in this Company and an independent non-executive director of Yangguang Xinye Real Estate Co., Ltd. Mr. RAO obtained a Master's degree in law in 1982 from Peking University and was a visiting scholar at the University of Washington, New York University, and Max Planck Institute of International Law.

Mr. YANG Zhenyu, serves as a staff Supervisor and the deputy general manager of Beijing Branch office. Mr. YANG joined the Company 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, as senior vice president of the treasury operation department of the Company and as person-in-charge of the comprehensive management department. He obtained a Bachelor's degree in law in 1993 from People's Public Security University of China.

Other Senior Management (18 individuals, including those to be appointed)

Mr. GE Xiaobo, serves as a member of the Communist Party Committee of the Company as well as member of the Executive Committee and Chief Financial Officer of the Company. Mr. GE joined the Company 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, head of the trading and derivatives department, planning and finance department, risk management department, and international business and fixed income department, a member of the Executive Committee and the Person-in-charge of Accounting Affairs of the Company and the person in charge of the Shanghai Pilot Free Trade Zone Branch of the Company. Mr. GE is concurrently the director of CSI, CLSA B.V., GoldStone Investment, China AMC and CITIC Securities Investment, and the executive director of CITIC Global Trade. Mr. GE was awarded a National Finance May Day Labor Medal in 2007. He obtained a Bachelor's degree in engineering (majoring in fluid machinery and fluid engineering) in 1994 and a Master's degree in business administration (majoring in management engineering) in 1997 from Tsinghua University.

Mr. TANG Zhenyi, serves as a member of the Communist Party Committee of the Company, a member of the Executive Committee of the Company and the chairman of CLSA. Mr. TANG joined the Company in December 2016 and previously worked as a principal staff of the International Department of the Ministry of Finance, deputy director of the International Economic Relations Division I of the International Department of the Ministry of Finance, officer with deputy director-general level of the General Office of the Ministry of Finance, deputy director and director of the Office of the Board of Directors of CITIC Group. Mr. TANG concurrently serves as director of CLSA B.V., CLSA Americas Holdings, Inc., Beijing Sinobo Guoan Football Club Co., Ltd. and other companies. Mr. TANG obtained a Bachelor's degree in international economic cooperation from Dongbei University of Finance and Economics in 1995 and a MBA degree from the University of Maryland of the US in 2004.

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

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

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

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

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

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

Mr. LI Jiong, serves as the treasurer and administrative person in charge of the Treasury Department of the Company. Mr. LI joined the Company in 1996 and previously worked as the manager of International Cooperation Office of the Information Center of China International Trust Investment Corporation (the predecessor of CITIC Group), manager of the Development Department of CITIC International Cooperation Company as well as manager of the Bonds Department and deputy general manager of the Treasury Department of the Company. Mr. LI concurrently serves as the director of CITIC Securities Overseas Investment Co., Ltd. and CITIC Securities International USA, LLC. Mr. LI obtained a Bachelor's degree in international finance from the University of International Business and Economics in 1992 and a MBA degree from Tsinghua University in 2000.

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

Mr. ZHANG Hao, serves as the chief marketing officer of the Company and secretary to the Communist Party Committee and chairman of CITIC Futures Co., Ltd. Mr. ZHANG joined the Company in 1997 and previously served as a teaching assistant of Shanghai Urban Construction Vocational College, head of the B-share Business Department of Shanghai Trust Investment Corporation of China Construction Bank as well as deputy general manager of the Shanghai B-share Business Department, general manager of the Shanghai Central Fuxing Middle

Road Securities Outlet and concurrently deputy general manager of the Shanghai management headquarters, general manager of the Shanghai Huaihai Middle Road Securities Outlet, deputy general manager of the Shanghai management headquarters and general manager of Shanghai Branch of CITIC Securities. Mr. Zhang concurrently serves the director of CITIC Wings Asset Management Company Limited and the director of CITIC Futures International Company Limited. Mr. ZHANG was awarded the title of “Skilled Young Worker of SOEs” in 2001. Mr. ZHANG obtained dual Bachelor’s degrees in industrial management engineering and engineering mechanics from Shanghai Jiao Tong University in 1991 and a MBA degree from the Antai College of Shanghai Jiao Tong University in 2001.

Mr. ZHANG Guoming, serves as compliance officer, administrative head of the compliance department, legal department and supervision department of the Company. Before joining in the Company in 2010, Mr. ZHANG worked as deputy chief judge, chief judge and a member of the Judge Committee of the High People’s Court of Henan Province, and judge of the Supreme People’s Court. Mr. ZHANG obtained his master’s degree in law and doctor’s degree in law from the Renmin University of China in 1994 and 2008, respectively.

Mr. CAI Jian, serves as Chief Risk Officer of the Company and administrator head of the risk management department of the Company. Mr. CAI joined the Company in 2013. He served as a teacher in Engineering Mechanics Department of Tsinghua University; a senior technical expert of Xerox Corporation; the venture capital corporate finance project manager in Xerox; the vice president of JP Morgan Chase, and the executive general manager of UBS Investment Bank. Mr. CAI obtained a master’s degree in mechanical engineering from Tsinghua University in 1984, a master degree in chemical engineering from the University of Minnesota, US in 1994, and an MBA in finance from the University of Rochester, US in 2000. He is also a Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM).

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

Mr. YE Xinjiang, a member of the senior management (candidate, qualifications for being a senior management of a securities company are still to be obtained), member of the Investment Banking Management Committee (IBMC) and head of the quality control group, under the IBMC of the Company. Mr. YE joined the Company in December 2005. He was formerly the person-in-charge of the medical and health industry group of the IBMC of the Company, head of the regional IBS group and head of the New OTC Market Business Department of the Company. Mr. YE obtained a Bachelor’s degree in agricultural economics in July 1985 and a Master’s degree in management in July 1990 from Zhejiang University (formerly Zhejiang Agricultural University).

Mr. JIN Jianhua, a member of the senior management (candidate, qualifications for being a senior management of a securities company are still to be obtained), member of the IBMC and concurrently person-in-charge of the equipment manufacturing industry group, person-in-charge of the M&A business line of the Company. Mr. JIN joined the Company in May 1997. He once served as the deputy general manager of the Investment Banking Department (Beijing) and the person-in-charge of the financial industry group of the Investment Banking Committee. Mr. JIN obtained a Bachelor’s degree in industrial foreign trade in July 1993 and a Master’s degree in technical economy in July 1996 from Xi’an Jiaotong University.

Mr. SUN Yi, a member of the senior management (candidate, qualifications for being a senior management of a securities company are still to be obtained), IBMC member and head of the financial industry group under the IBMC of the Company. Mr. SUN joined the Company in April 1998. He once served as the deputy general manager of the Investment Banking Department (Shenzhen) of the Company, managing director of CSI, head of the Operations Department, head of ECM team under the IBMC of the Company, as well as deputy general manager of China AMC and concurrently general manager of China AMC Capital. Mr. SUN obtained a Bachelor’s degree in business management in July 1993 from Jiangxi University of Finance and Economics and a Master’s degree in corporate management in June 1996 from Xiamen University.

Mr. GAO Yuxiang, a member of the senior management (candidate, qualifications for being a senior management of a securities company are still to be obtained), IBMC member and head of the infrastructure and real estate industry group under the IBMC of the Company. Mr. GAO joined the Company in November 2004. He once served as the deputy of the real estate and construction materials industry team, the transport industry team and the infrastructure and real estate industry team under the IBMC of the Company. Mr. GAO obtained a college degree in financial accounting from Qingdao Radio and Television University in July 1990 and a diploma in national economic management from Peking University in July 1995. He obtained a diploma under the IBMC of the Company in corporate management in July 2001 from Capital University of Economics and Business and a Doctor’s degree in industrial economics in July 2004 from Beijing Jiaotong University.

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

Name	Position	Change	Reason of change
ZHANG Youjun	Member of the Executive Committee	Appointment	Appointed by the Board
YANG Minghui	Member of the Executive Committee	Appointment	Appointed by the Board
GE Xiaobo	Member of the Executive Committee	Appointment	Appointed by the Board
TANG Zhenyi	Member of the Executive Committee	Appointment	Appointed by the Board
MA Yao	Member of the Executive Committee	Appointment	Appointed by the Board
XUE Jirui	Member of the Executive Committee	Appointment	Appointed by the Board
YANG Bing	Member of the Executive Committee	Appointment	Appointed by the Board
LI Chunbo	Member of the Executive Committee	Appointment	Appointed by the Board
ZOU Yingguang	Member of the Executive Committee	Appointment	Appointed by the Board
LI Yongjin	Member of the Executive Committee	Appointment	Appointed by the Board
LI Jiong	Treasurer	Appointment	Appointed by the Board
SONG Qunli	Chief Engineer	Appointment	Appointed by the Board
ZHANG Hao	Chief Marketing Officer	Appointment	Appointed by the Board
LEI Yong	Convenor of the Supervisory Committee	election	Elected by the Supervisory Committee
YIN Ke	Former Executive Director	Resignation	Resigned due to other work arrangement
LI Fang	Former Supervisor and Chairman of the Supervisory Committee	Resignation	Resigned due to reaching the statutory retirement age

8.3 Relationships between Directors, Supervisors and Senior Management

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

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 strictly complied with the laws, administrative rules and Articles of Association and diligently and faithfully performed their responsibilities and obligations.

The Directors of the Company attended the Board meetings and meetings of relevant specialized committees in accordance with the rules. During the meetings, the Directors prudently considered the resolutions proposed and explicitly put forward their views and suggestions. When the Board was not in meeting, the Directors kept themselves abreast of the operation and management of the Company by reading 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 visits and inspections, presentations and communications, and made decisions in a scientific manner, thereby demonstrating a strong sense of responsibilities. Through site visits and seminars, the Independent Non-executive Directors were in close contact with the Company,

earnestly participated in the meetings of the Board and relevant specialized committees, and persistently expressed independent and objective views, thereby actively protecting the interests of minority Shareholders, and benefiting the Company with their professional skills and opinions for development.

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

Details of the attendance and performance of Directors and Supervisors have been set forth in “9.4.4 Performance of Duties by Directors” and “9.10 Supervisors and the Supervisory Committee” of this results announcement.

8.4.2 Performance and appraisal of Senior Management

During the Reporting Period, the Company provided clear targets for the Senior Management within the scope of their duties and evaluated their performances by year end. In addition to evaluation of financial performances, market influences and completion of specified tasks, their appraisals were closely linked with the performance of the Company.

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 guidance of the Board, the Senior Management grasped the development opportunities, expedited innovations, optimized the operation structures, enhanced cooperation and deepened the Company’s strategic implementations and achieved relatively good operating results.

8.4.3 Remuneration of Directors, Supervisors and Senior Management for the year

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

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

Please refer to “8.1.1 Changes in the Shares held and information on remuneration” of this results announcement for further details of the remuneration of the current Directors, Supervisors and Senior Management for the year. Allowances for the independent Directors and Supervisors are calculated on a yearly basis, provided for on a monthly basis, and paid twice a year.

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

8.4.4 Share incentives of Directors, Supervisors and Senior Management

Implementation of share incentive scheme of the Company

The Company did not implement any new share incentive scheme during the Reporting Period. The current share incentive scheme implemented by the Company was adopted upon the approval at the 5th meeting of the Third Session of the Board on 6 September 2006 (Please refer to the Announcement of the Resolution Passed at the Fifth Meeting of the Third 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 traded on 6 September 2011. Please refer to “8.1.1 Changes in the Shares held and information on remuneration” of the announcement 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.

8.5 Staff Information

8.5.1 Number and composition of staff

As at 31 December 2017, the Group had a total of 16,161 staff (including brokers and dispatched staff), of which 9,658 (including brokers and dispatched staff) were staff of the Company, and their compositions are set out below:

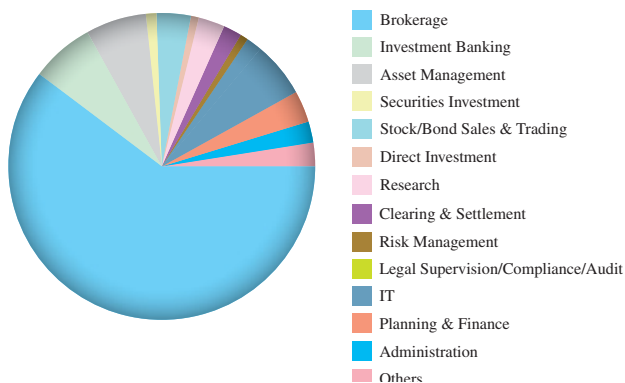
Unit: persons

Number of in-service staff of the Parent (including brokers and dispatched staff)	9,658
Number of in-service staff of principal subsidiaries (including brokers and dispatched staff)	6,503
Total number of in-service staff	16,161
Total number of retired staff for which the Parent and principal subsidiaries are responsible for their expenses	201

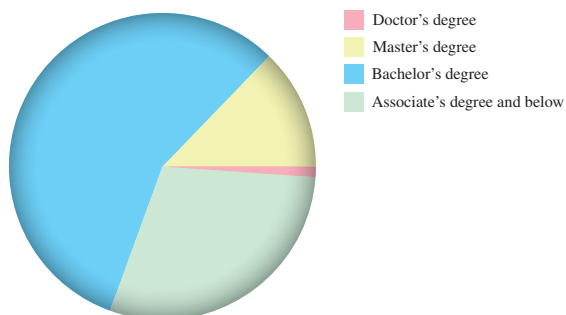
Composition by profession	
Types by profession	Number of staff
Brokerage	9,743
Investment Banking	1,091
Asset Management	1,031
Securities Investment	183
Stock/Bond Sales & Trading	584
Direct Investment	162
Research	419
Clearing & Settlement	313
Risk Management	131
Legal Supervision/Compliance/Audit	265
IT	945
Planning & Finance	549
Administration	343
Others	402
Total	16,161

Education Level	
Type of Education	Number of staff
Doctor's degree	210
Master's degree	4,766
Bachelor's degree	9,151
Associate's degree and below	2,034
Total	16,161

Composition by profession



Education Level



8.5.2 Remuneration policy

At CITIC Securities, employees' remuneration consists of base annual salary, performance-based annual salary, special rewards, insurance 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 factors such as the position's duties, responsibilities, importance, scale of operation, and industry practice. In order to strike a balance between business risks and financial goals, the Company adopts a performance based incentive remuneration system. Conditional and upon ascertaining that a business department is profitable, performance based incentive remuneration will be distributed "in favour of the business department, the profitable business sections and business with major innovation" while also recognizing the role and value of other support departments. The performance-based annual remuneration 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.

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

The Company and its employees take part in various social insurance, enterprise annuity and housing fund programs following 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 sets up and maintains commercial complementary medical insurance and accident insurance, in addition of basic medical insurance, at its own expense for the employees.

The Company has no any share option program for now.

Please refer to the Note 10 to the Consolidated Financial Statements of this results announcement for compensations received by employees from the Company during the Reporting Period.

8.5.3 Training program

The Company continues to develop and implement a training program with comprehensive planning, implementation by levels and outstanding focus.

1. To strengthen the training on leadership and managerial skills for senior-level employees, to broaden their international perspective and improve their management ability for change and transformation, strategy analysis, operation, business collaboration and risk management as well as their comprehensive corporate cultural competence.
2. To strengthen the training on execution and professional skills for middle-level employees, to improve their theoretical knowledge and ability in execution, organization development, and business innovation.
3. To popularize training on vocational and general skills for 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.
4. To attach great importance to campus recruitment and provide graduates with a systematic trainee training system and mentor training mechanisms.

8.5.4 Information on brokers

As at 31 December 2017, the Company and CITIC Securities (Shandong) had a total of 521 brokers, of which 420 are engaged by the Company. The Company has established a comprehensive system for management of brokers and a confirmed organization system, practicing conditions, scope of authorities and standards of behavior as well as an established filing and inquiry systems for the brokers. Each broker of the Company has obtained a securities broker certificate before becoming a practitioner and would engage in activities such as customer solicitation and customer services by relying on or through the marketing channels provided by the Company's Securities Business Department. When engaging in practice, the broker would, in accordance with the requirements, present his securities broker certificate to the customer to indicate his agency relationship with the Company, and shall carry out his work within the scope of agency authorities, agency period, practicing geographical location and scopes as specified in the agency contract. The Company has incorporated management of brokers into the front desk management system of its Securities Business Department, and carries out daily supervision over the occupational behaviors of the brokers. The Company has established a comprehensive customer feedback system by regularly collecting feedbacks by telephone or other means from customers solicited and served by the brokers, and making complete records thereof. In addition, the Company has special regulations for brokers on issues such as compliance management and trainings.

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

9. CORPORATE GOVERNANCE REPORT

9.1 Overview of Corporate Governance

The Company is committed to excellence and strives to become global customers' most trustworthy PRC investment bank with leading position in the PRC and high ranking in the world. For details of the Company's corporate strategy and long-term operational model, please refer to "4. Management Discussion and Analysis" of this results announcement.

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

During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as "**Code**") as set out in Appendix 14 of the Hong Kong Listing Rules, and observed all the code provisions and satisfied the requirements of most recommended best practices in the Code. The Company applied the principles set out in the Corporate Governance Code to its corporate governance structure and practices in the manner as described in this results announcement.

9.2 Dealing in Securities by Directors, Supervisors and Relevant Employees

According to the domestic regulatory requirements, the 23rd Meeting of the Third Session of the Board considered and approved the Measures on 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 (hereinafter referred to as "**Management Measures**") on 13 March 2008, to regulate the behaviour of 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. Having made enquires, all Directors, Supervisors and Senior Management had confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period. For details about the shareholdings of the Directors, Supervisors and Senior Management in the Company, please refer to "8.1.1 Changes in the Shares held and information on remuneration" in this results announcement.

9.3 Shareholders and General Meetings

General meeting is the highest 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 of the Company, the Company operates in an orderly manner and maintains healthy and stable development, thus effectively protecting the interests of the Company and the Shareholders.

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

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

The Company attaches great importance to the management of investor relations, and pursuant to the Management System for Information Disclosures and the Management System for Investor Relations of the Company, the Secretary to the Board is designated to handle information disclosure matters and to receive visits and enquiries from the Shareholders, thereby having established a relatively completed and effective channel for communication with the Shareholders. In addition to the information disclosure channels prescribed in the laws and regulations, the Company mainly communicates with its investors through telephone, emails, online platforms, receiving visits and attending 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. Company Information” of this results announcement).

The Company fully respects and protects the lawful interests of the Shareholders and other creditors, employees, clients and other stakeholders, and involves them in a joint effort to promote the 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 of the Company, and neither directly or indirectly intervened in the decisions and operations of the Company beyond the scope of general meeting nor appropriated any fund of the Company or requested the Company to provide guarantees for it or other parties.

During the Reporting Period, the Company held two general meetings in total, details of which are as follows:

1. The Company held the 2017 First Extraordinary General Meeting on 19 January 2017 at Four Seasons Hotel, Beijing, through a combination of on-site voting and online voting. One ordinary resolution was considered and approved at the 2017 First Extraordinary General Meeting (please refer to the relevant announcement). This general meeting was chaired by Mr. ZHANG Youjun, the Chairman of the Company, and Directors, chairmen of each specialized committees under the Board, Supervisors and part of the Senior Management attended the meeting.
2. The Company held the 2016 Annual General Meeting on 19 June 2017 at Four Seasons Hotel, Beijing, through a combination of on-site voting and online voting. Three special resolutions and ten ordinary resolutions (please refer to the relevant announcement) were considered and approved at the meeting. The general meeting was chaired by Mr. ZHANG Youjun, Chairman of the Company, and Directors, chairmen of each specialized committees under the Board, Supervisions, and all the Senior Management attended the meeting.

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

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

Name of Director	Position	Scheduled attendance at general meetings held during the year	Actual attendance	Of which: attendance in person	Of which: attendance by tele-communication	Attendance rate
ZHANG Youjun	Executive Director, Chairman of the Board	2	2	2	—	100%
YANG Minghui	Executive Director, President	2	2	2	—	100%
CHEN Zhong	Non-executive Director	2	2	2	—	100%
LIU Ke	Independent Non-executive Director	2	2	2	—	100%

Name of Director	Position	Scheduled attendance at general meetings held during the year	Actual attendance	Of which: attendance in person	Of which: attendance by tele-communication	Attendance rate
HE Jia	Independent Non-executive Director	2	2	2	—	100%
CHAN, Charles Sheung Wai	Independent Non-executive Director	2	2	2	—	100%
YIN Ke	Former Executive Director	1	1	—	1	100%

Note: During the term of office of Mr. YIN in 2017, the Company held one general meeting.

9.4 The Board and the Operation Management

9.4.1 Composition of the Board

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

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

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

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

9.4.2 Duties and responsibilities of the Board

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

The Board shall exercise the following major functions and powers in accordance with the Articles of Association of the Company: to convene general meeting, report its work to the general meeting and implement the resolutions of the general meeting; to decide on the business plans and investment plans of the Company (except those that require the approval of the general meeting in accordance with the Articles of Association of the Company); to formulate the profit distribution plan and loss recovering plan; to formulate proposals for the increase or reduction of the registered capital, the issuance of bonds or other securities and the listing plan of the Company; to prepare plans for material acquisitions,

purchase of the Company's Shares, or merger, separation, dissolution or change of the corporate form of the Company; to decide on the external investment, acquisition and disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and related party/connected transactions of the Company within the scope of the authorization of the general meeting; to decide on the establishment of the internal management structure of the Company; to appoint or dismiss the President, members of the Executive Committee, Person-in-charge of Accounting Affairs, Compliance Officer, Chief Risk Officer, Secretary to the Board and other Senior Management and determine their remuneration, rewards and punishments; to appoint or dismiss Senior Management pursuant to the nominations by the Chairman or the President and determine their remuneration, rewards and punishments; to formulate the basic management system of the Company; to formulate proposals for the amendment to the Articles of Association of the Company; to manage information disclosures of the Company; to propose to the general meeting on the engagement or replacement of the accounting firms of the Company who conduct audit for the Company; and to formulate the basic compliance management system and other risk control systems.

9.4.3 Responsibilities of the Operation Management

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

In 2017, the Executive Committee of the Company, being the top management authority, played an active role in carrying through and putting into practice the directions and guidelines set by the Board and promoting the implementation of the Company's development strategies approved by the Board. It completed the full integration of businesses and personnel between CSI and CLSA, centralizing systems, operations and business processes and determining a unified platform for the international development of CITIC Securities. It improved the system of integrated asset-liability management, incorporating overseas subsidiaries into unified treasury management. It continuously and fully monitored the Company's asset positions, reducing invalid and inefficient assets and allocating incremental funds to relatively higher-yield businesses. It utilized public bonds, gold financing and other low-cost financing instruments and issued beneficiary certificates on a rolling basis, which effectively controlled the Company's financing costs and enhanced efficiency of the use of funds in a rising interest rate environment. To meet the business development and competitive landscape requirements, the Company adjusted and optimized organizational structures and management functions, improving the layout of "headquarters + regional" investment banks and provincial branches for strengthening vertical management of branches.

9.4.4 Performance of duties by Directors

9.4.4.1 Board meeting and attendance of Directors

During the Reporting Period, the Board held twelve meetings:

- (1) During the eighth meeting of the Sixth Session of the Board held on 17 February 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on Capital Increase in CITIC Securities Investment Limited, the Resolution on Waiving the Right of First Refusal on 27.27% Equity Interest in Xinjiang Equity Exchange Limited, the Resolution on the Transfer of 12.7399% Equity Interest in Qianhai Equity Exchange (Shenzhen) Company Limited and the Resolution on the Transfer of 4.5657% Equity Interest in E-Capital Transfer Co., Ltd. Held by the Company and Its Subsidiaries.
- (2) During the ninth meeting of the Sixth Session of the Board held on 3 March 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on the Appointment of Person-in-charge of Accounting Affairs of the Company.
- (3) During the tenth meeting of the Sixth Session of the Board held on 14 March 2017 by means of teleconference, the Board considered and approved unanimously the Work Plan for the Implementation of Comprehensive Risk Management Requirements.
- (4) During the eleventh meeting of the Sixth Session of the Board held on 22 March 2017 at CITIC Securities Tower in Beijing, the Board considered and approved unanimously the 2016 Work Report of

the Board, the Proposal on Considering the 2016 Annual Report of the Company, the Duty Performance Report of Independent Non-executive Directors for 2016, the Proposal on Considering the 2016 Profit Distribution Plan of the Company, the Proposal on the Re-appointment of Accounting Firms, the Proposal on the Estimated Investment Limit for Proprietary Business of the Company for 2017, the Proposal on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, the Proposal on the Review of Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, the Proposal on the Increasing Authorized Quota for the Financing Credit Asset Securitization Business, the Proposal on Submission to General Meeting for Granting General Mandate to the Board for to issue Additional A Shares and/or H Shares of the Company, the Proposal on Considering the Total Remuneration of Directors of the Company for 2016, the Proposal on the Related Party/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2017, the Resolution on Considering the 2016 Corporate Governance Report of the Company, the Resolution on Considering the 2016 Self-assessment Report on the Internal Control of the Company, the Resolution on Considering the Auditing Report on the Internal Control of the Company, the Resolution on Considering the 2016 Compliance Report of the Company, the Resolution on Considering the 2016 Audit Work Report of the Company, the Resolution on Considering the 2016 Social Responsibility Report of the Company, the Resolution on the Adjustment of the Audit and Review Expenses of the Company for 2016, the Resolution on Considering the Total Remuneration of the Senior Management of the Company for 2016, the Resolution on the Appointment of the Authorized Representatives of the Company and the Resolution on the Authorization of Convening the 2016 Annual General Meeting.

- (5) During the twelfth meeting of the Sixth Session of the Board held on 28 April 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on the Review of 2017 First Quarterly Report of the Company, the Proposal on Amendment of the Articles of Association of the Company and the Resolution on Amendment of the “Comprehensive Risk Management System” of the Company.
- (6) During the thirteenth meeting of the Sixth Session of the Board held on 6 May 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on the Acquisition of 100% Equity Interest in Tianjin Jingzheng and Tianjin Shenzheng.
- (7) During the fourteenth meeting of the Sixth Session of the Board held on 15 June 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on Adjustment of the Registered Capital of CITIC Securities Investment Limited.
- (8) During the fifteenth meeting of the Sixth Session of the Board held on 25 August 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on Considering the 2017 Interim Report of the Company, the Resolution on Considering the 2017 Interim Compliance Report of the Company and the Resolution on the Revision of the “Anti-money Laundering Administrative Measures” of the Company.
- (9) During the sixteenth meeting of the Sixth Session of the Board held on 7 September 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on the Appointment of Members of the Executive Committee and Other Senior Management of the Company.
- (10) During the seventeenth meeting of the Sixth Session of the Board held on 29 September 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on the Reduction of Capital in Goldstone Investment Co., Ltd. and the Resolution on the Revision of the “Compliance Management Regulation” of the Company.
- (11) During the eighteenth meeting of the Sixth Session of the Board held on 13 October 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on Exercising the Right of First Refusal to Acquire 6.53% Equity Interest in CITIC Futures Co., Ltd.
- (12) During the nineteenth meeting of the Sixth Session of the Board held on 30 October 2017 by means of teleconference, the Board considered and approved unanimously the Resolution on the Review of the 2017 Third Quarterly Report of the Company.

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

Name of Director	Position	Scheduled attendance at Board meetings held during the year	Actual attendance	Attendance by proxy	Absence	Attendance rate
ZHANG Youjun	Executive Director, Chairman	12	12	—	—	100%
YANG Minghui	Executive Director, President	12	12	—	—	100%
YIN Ke	Former Executive Director	3	3	—	—	100%
CHEN Zhong	Non-executive Director	12	12	—	—	100%
LIU Ke	Independent Non-executive Director	12	12	—	—	100%
HE Jia	Independent Non-executive Director	12	12	—	—	100%
CHAN, Charles Sheung Wai	Independent Non-executive Director	12	12	—	—	100%
Board meetings held during the year: 12						
Among which, number of meetings on-site: 1						
Number of meetings held via tele-communications: 11						
Number of meetings held by means of on-site combined with tele-communications: —						

Note: During the term of office of Mr. Yin Ke in 2017, the Company convened three Board meetings.

9.4.4.2 Implementation of resolutions approved at the general meetings by the Board

- On January 19, 2017, the Resolution on Updating the Non-exempted Continuing Connected Transactions of the Company adopted through discussion at the 2017 First Extraordinary General Meeting of the company. According to the resolution, the Company renewed the Securities and Financial Product Transaction and Services Framework Agreement with CITIC Group on February 14, 2017.
- On 18 June 2014, the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2013 Annual General Meeting of the Company. On 19 June 2015, the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2014 Annual General Meeting of the Company. On 19 June 2017, the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2016 Annual General Meeting of the Company. During the Reporting Period, the status of implementation of such resolutions is as follows:

Date of Issue	Issuing Entity	Type of Debt Financing Instrument	Issue Size
Use of the Authorization by the 2013 Annual General Meeting			
24 May 2017	CITIC Securities Co., Ltd.	RMB subordinated bonds	RMB4.3 billion
25 October 2017	CITIC Securities Co., Ltd.	RMB subordinated bonds	RMB5.7 billion
Use of the Authorization by the 2014 Annual General Meeting			
20 April 2017	CITIC Securities Finance MTN Co., Ltd.	USD medium-term notes	USD800 million (equivalent to RMB5.227 billion)
16 February 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB12 billion
10 August 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB4.5 billion
11 September 2017	CITIC Securities Co., Ltd.	RMB bonds	RMB8 billion
March 2016 – December 2017	CITIC Securities Co., Ltd.	Beneficiary certificates	RMB26.401 billion

Date of Issue	Issuing Entity	Type of Debt Financing Instrument	Issue Size
Use of the Authorization by the 2016 Annual General Meeting			
27 November 2017	CITIC Securities Co., Ltd.	RMB bond	RMB4.8 billion
14 December 2017	CITIC Securities Co., Ltd.	RMB bond	RMB1 billion
2017 – 2018	CITIC Securities Co., Ltd.	RMB subordinated bonds	up to RMB30 billion subordinated bonds issuance approved
2017 – 2018	CITIC Securities Co., Ltd.	RMB bonds	up to RMB29 billion private bonds issuance approved
2017 – 2019	CITIC Securities Co., Ltd.	RMB bonds	up to RMB1.7 billion public bonds issuance approved
December 2017	CITIC Securities Co., Ltd.	Beneficiary certificates	RMB2 billion

- (3) On 19 June 2017, the 2016 Profit Distribution Plan of the Company was considered and approved at the 2016 Annual General Meeting of the Company. The cash dividend was denominated and declared in RMB and payable in RMB to the A Shareholders and in HKD to the H Shareholders. All cash dividends have been fully paid on 18 August 2017.
- (4) On 19 June 2017, the Resolution on Re-appointment of External Auditors was considered and approved at the 2016 Annual General Meeting of the Company. Pursuant to the resolution, the Company appointed PwC Zhong Tian and PwC Hong Kong as the external auditors of the Company for 2017 and PwC Zhong Tian as the audit firm for the internal control of the Company in 2017. On 22 March 2018, PwC Zhong Tian issued unqualified audit reports and the Audit Report on the Internal Control for the Company.
- (5) On 19 June 2017, the Resolution on Increasing Authorized Quota for the Financing Credit Asset Securitization Business was considered and approved at the 2016 Annual General Meeting of the Company. Pursuant to the resolution, the Company obtained the Letter of No Objection on the Listing and Transfer of CITIC Securities-Bosera Funds No.1 Credit Asset-backed Securities (Shang Zheng Han [2017] No.1338) from the SSE during the Reporting Period. In 2018, the Company will identify an opportunity to offer its first tranche of financing credit asset securitization project.
- (6) On 19 June 2017, the Resolution on the Amendments to the Articles of Association of the Company was considered and approved at the 2016 Annual General Meeting of the Company. It was agreed that the Company, in accordance with the regulatory requirements and taking into account its situation, will make corresponding amendments to certain clauses in the Company's Articles of Association and the Appendix, amending articles in relation to the number of the members of the Board, the effective date of the appointment of new Directors and Supervisors and adding Chief Risk Officer into the Articles of Association. Formalities for the change of the Articles of Association of the Company as mentioned above have been completed on 14 November 2017.

9.4.4.3 Training of Directors

On-going training of Directors is a continuous program. The Company will arrange induction training for all new Directors according to their respective experiences and backgrounds. 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 generally include brief introduction about the structure, business and corporate governance of the Group, as well as an introduction on the securities industry and investment banking business in China.

In addition, every Director will receive a guideline on code of conduct and other documents when joining the Board. During the Reporting Period, the Directors were periodically or occasionally provided with reporting information about the business operations of the Group, as well as introduction on changes and latest development of the relevant legislative and regulatory environment. Besides, the Company also encourages all Directors to participate in relevant training courses at the cost of the Company. All Directors have provided regular training records to the Company.

During the Reporting Period, the Directors attached great importance to updating their professional knowledge and skills to cater for the needs for the Company's development, the methods and the details are as follows:

Name	Position	Methods and Details of the Training
ZHANG Youjun	Executive Director, Chairman	In May 2017, Mr. ZHANG participated in the 2017 Third Seminar for Chairmen and General Managers of Public Companies organized by China Association for Public Companies and was granted a certificate. In October 2017, he completed follow-up training for securities practitioners.
YANG Minghui	Executive Director, President	In February-March 2017, Mr. YANG participated in the (second) special seminar on "13th Five-Year" development planning and the (first) seminar on the management and control of listed companies organized by CITIC Group. In the end of September 2017, he participated in the 2017 Sixth Seminar for Chairmen and General Managers of Public Companies and was granted a certificate. In October 2017, he completed follow-up training for securities practitioners and successfully obtained the training certificate.
CHEN Zhong	Non-executive Director	In April 2017, Mr. CHEN participated in the seminar of "Macroeconomic Situation Analysis" organized by CSC. In May 2017, he participated in the lecture "Managing Risks under China's Second Generation of Solvency Regulation and Allocating Investments in an Era of Low Interest Rates" organized by China Life Insurance (Group) Company. In September 2017, he participated in the "Training for Young and Middle-aged Leaders in Central Financial Enterprises and Central Enterprises" of the Organization Department of the Central Committee of the Communist Party of China, the theme of which was "Studying and Implementing the Spirit of a Series of the Important Speeches by General Secretary Xi Jinping and the New Concept and Strategy of the Government of China". In November 2017, he participated in the Seminar of the Center Group of the Party Committee on Expanding Studies organized by the Party Committee of China Life Insurance (Group) Company and the topic was "Innovation Driving Developments and Building a Strong and Modern Socialist Country: Learning and Thinking about the Report of the 19th National Congress of the Communist Party of China".
LIU Ke	Independent Non-executive Director	In December 2017, Mr. LIU participated in study activities organized by PWC on the updates of the 2017 accounting standards and new regulations in relation to corporate governance, business management and internal control. Through the year, he read over ten books related to finance and corporate management as well as relevant learning materials of the Hong Kong Stock Exchange.
HE Jia	Independent Non-executive Director	In April 2017, Mr. HE lectured for a postgraduate program of Tsinghua University on China's financial system. In May 2017, he participated in the seminar on advance compensation plan of Xintai Electric as a principal member of the expert group. In June 2017, he participated in the continuing training for independent directors organized by the Shanghai Stock Exchange in Wuhan. In July and August 2017, he published two research papers on China's financial system on China Finance. In August and September 2017, he delivered reports on China's financial system theory for institutions, including Ningbo Zhoushan Port Group and Guangzhou Port Group and Shenzhen Stock Exchange. In September 2017, he gave a lecture on China's financial system at Tsinghua University for JD Finance and Bank of Communications. In December 2017, he published a research report on the competitiveness of Chinese banks.
CHAN, Charles Sheung Wai	Independent Non-executive Director	In April 2017, Mr. CHAN participated in the 50th Independent Directors' Qualification Training of the Shanghai Stock Exchange. In May 2017, he participated in the training organized by SRE Group on the updates of Hong Kong listing rules. In December 2017, he participated in study groups organized by PWC on the updates of the 2017 accounting standards and new regulations in relation to corporate governance, business management and internal control.
YIN Ke	Former Executive Director	In February 2017, Mr. YIN participated in the training seminar on the core functions and executive system of the CSRC organized by Herbert Smith Freehills LLP and the training seminar on the prevention and treatment of harassment organized by Bird & Bird LLP.

9.5 Chairman

Mr. ZHANG Youjun serves as the Chairman of the Company. The Chairman is the Company's legal representative, whose responsibilities are to take charge of the operation of the Board and to ensure that the Board acts in the best interest of the Company, that the Board operates effectively, fulfills its duties and considers all important and appropriate issues, and that the Directors can receive information in an accurate, timely and clear manner.

9.6 President

Mr. YANG Minghui serves as the President of the Company. The President is responsible to preside over the Company's daily work, which mainly includes, to organize to carry out the Board's resolutions, to organize the implementation of the Company's annual business plan and investment plan, to formulate the Company's basic management system, to formulate the specific rules and regulations of the Company, to draft plans for the establishment of the Company's internal management structure, to propose the appointment or dismissal of Senior Management other than President, Compliance Officer and Secretary to the Board, to decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board; to execute the risk control system of the Company to ensure that the Company meets the requirements of the risk control indicators set by CSRC, to exercise other powers granted by the Articles of Association of the Company and the Board of the Company. The President shall be accountable to the Board and report his work to the Board.

9.7 Non-executive Directors

The Company currently has four non-executive Directors, of which three are independent non-executive Directors. For details about their terms of office, please refer to the section on "8. Directors, Supervisors, Senior Management and Employees" of this results announcement.

9.8 Specialized Committees under the Board

The Sixth Session of the Board has established the Strategic Planning Committee, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee and the Related Party Transactions Control Committee, which are responsible to assist the Board to perform its duties from various aspects. As of the end of this Reporting Period, composition of the committees is as follows:

No.	Names of Specialized Committees under the Board	Name of Committee Member
1	Strategic Planning Committee	ZHANG Youjun, YANG Minghui, CHEN Zhong, LIU Ke
2	Audit Committee	CHAN, Charles Sheung Wai, LIU Ke, HE Jia
3	Remuneration and Appraisal Committee	LIU Ke, HE Jia, CHAN, Charles Sheung Wai
4	Nomination Committee	LIU Ke, ZHANG Youjun, CHEN Zhong, HE Jia, CHAN, Charles Sheung Wai
5	Risk Management Committee	YANG Minghui, CHEN Zhong, HE Jia, CHAN, Charles Sheung Wai
6	Related Party Transactions Control Committee	HE Jia, LIU Ke, CHAN, Charles Sheung Wai

During the Reporting Period, the specialized committees of the Board cordially performed their duties, actively discussed the changes in internal and external trends, participated in the collective decision-making of material matters of the Company, and provided a number of constructive and professional opinions and recommendations on the rapid and healthy development of the Company. In response to the global economic and financial situation, the macroeconomic policies of the PRC and the regulatory requirements on the securities industry, specialized committees of the Board affirmed the Company's strategic goals and made recommendations to the Board in respect of deeply advancing the internationalization process, improving internal control, preventing business risks, exploring more efficient management structures, establishing incentive policies matching with the industry positioning of the Company and other aspects. During the Reporting Period, none of the committee members raised objection to the matters being considered.

During the Reporting Period, meetings were held by the specialized committees of the Board as follows:

9.8.1 Strategic Planning Committee

The primary responsibilities of the Strategic Planning Committee of the Board are: to understand and master the overall operations of the Company; to understand, analyze and master the current conditions of the international and domestic industries ; to understand and master relevant policies of the State; to research on the short-term, mid-term and long-term development strategies of the Company and other related issues; to advise on the long-term development strategies, major investments, reforms and other major decisions of the Company; to review and approve the special research reports on development strategies; and to issue routine research reports on a regular or irregular basis.

The Strategic Planning Committee of the Company currently comprises four members, namely, Mr. ZHANG Youjun, the executive Director, Mr. YANG Minghui, the executive Director, Mr. CHEN Zhong, the non-executive Director, and Mr. LIU Ke, independent non-executive Director. The chairman of the Strategic Planning Committee is assumed by Mr. YANG Minghui, the executive Director.

During the Reporting Period, the Strategic Planning Committee held two meetings in total, details of which are as follows:

Date of Meeting	Resolutions Passed
11 February 2017	Proposal on Considering Capital Increase in CITIC Securities Investment Limited
10 June 2017	Proposal on Adjustment of the Registered Capital of CITIC Securities Investment Limited

All members of the Strategic Planning Committee attended the above meetings.

9.8.2 Audit Committee

The Audit Committee of the Company currently comprises three members, namely, Mr. CHAN, Charles Sheung Wai, Mr. LIU Ke and Mr. HE Jia, the independent non-executive Directors. The chairman of the Audit Committee is assumed by Mr. CHAN, Charles Sheung Wai, the independent non-executive Director.

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

The Audit Committee convened its meetings, considered relevant matters and made decisions in accordance with the Rules of Procedure of the Audit Committee of the Board of the Company, and made efforts to enhance the efficiency of its work and the soundness of its decision-making. The Audit Committee diligently performed its duties, and actively participated in the compilation, audit and disclosure of annual financial reports according to the Working Procedures of the Audit Committee of the Board for Annual Reports. It ensured the independence of audit, enhanced the audit quality, and protected the overall interests of the Company and the Shareholders.

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

The Audit Committee prudently reviewed the financial status of the Company and examined the financial statements prepared by the Company. It considered that the Company's financial system is under stable operation and the financial status is good. Besides, the Board, through the Audit Committee, also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes for employees and relevant budget of the Company's accounting and financial reporting functions.

Major accomplishments of the Audit Committee in 2017 included:

- reviewing periodic 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 responses of the management to the proposals on such audits
- reviewing the effectiveness of the internal control system and adequacy of accounting and financial reporting functions
- reviewing the statutory scope of review of the external auditors in 2017
- considering the remuneration for and appointment of the external auditors in 2017
- reviewing and monitoring the independence of the external auditors and the non-audit services they provided

Meetings of the Audit Committee during the Reporting Period and up to the date of disclosure of the Company's 2017 results announcement are as follows:

Date of Meeting	Resolutions Passed
6 March 2017	Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers Hong Kong Regarding the Company's Preliminary Audit Result of 2016, Proposal on the Adjustment of 2016 Audit and Review Expenses, Proposal on the Re-appointment of Accounting Firms, 2016 Audit Work Report of the Company and 2017 Audit Work Plan of the Company
20 March 2017	Proposal on Review of the Summary Report of PwC, Proposal on Review of the 2016 Annual Report of the Company, Proposal on Review of the 2016 Assessment Report on Internal Control of the Company, Proposal on Review of the Audit Report on the Internal Control of the Company and Proposal on Review of the Performance Report of the Audit Committee of the Board of the Company for 2016
24 April 2017	Proposal on Review of the 2017 First Quarterly Report of the Company
9 August 2017	Proposal on Review of the 2017 Interim Work Review of CITIC Securities Company Limited
21 August 2017	Proposal on Review of the 2017 Interim Report of the Company
25 October 2017	Proposal on Review of the 2017 Third Quarterly Report of the Company
13 December 2017	Proposal on Review of the 2017 Audit Plan of CITIC Securities Company Limited
12 March 2018	Report of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers on the Company's Preliminary Audit Results for 2017, Proposal on the Adjustment of Audit and Review Expenses of the Company for 2017, Proposal on the Re-appointment of Accounting Firms, Proposal on Changes in the Major Accounting Policies of the Company; Audit Work Report of the Company for 2017, Audit Work Plan of the Company for 2018
20 March 2018	Proposal on Review of Audit Work Summary of PwC, Proposal on Review of 2017 Annual Report of the Company, Proposal on Review of 2017 Self-assessment Report of Internal Control of the Company, Proposal on Review of Audit Report on the Internal Control of the Company, Proposal on Review of Performance Report of the Audit Committee for 2017

Note: During the Reporting period, the Audit Committee held 7 meetings.

All members of the Audit Committee attended the above meetings. They carefully reviewed the meeting documents beforehand, making full preparation for performing their duties. During the process of deliberation of the issues of the meetings, all of them put forward pertinent suggestions capitalizing on their own expertise background and experience, and actively guided the Company for relevant improvements.

Overview of Audit Work of the Company:

PwC carried out the 2017 audit work on the Company mainly by two stages, the preliminary audit and year-end audit. PwC adopted the "Integrated Audit" method to complete the audit work in combination of the audit on financial statements and the audit on internal control. At the preliminary audit stage, PwC conducted the audit on internal control and carried out internal control testing at the enterprise level and the business process level under the Chinese Certified Public Accountants Auditing Standards, the Guidelines for Audit on Enterprise Internal Control and the Opinions on the Implementation of the Guidelines for Audit on Enterprise Internal Control issued by the Chinese Institute of Certified Public Accountants. At the preliminary audit stage, the IT auditors of PwC also got to know and conducted testing on major computer systems used by the Company. At the year-end audit stage, PwC focused on significant accounting policies, critical accounting judgements and accounting estimations adopted by the Company. PwC conducted detailed testing such as external confirmations and re-calculation and substantive analysis to conduct audit on financial statements items.

In order to successfully complete the audit on the 2017 Annual Financial Report of the Company and procure PwC to issue relevant reports within the agreed period, the Audit Committee of the Sixth Session of the Board authorized the Planning and Financial Department of the Company made multiple times of supervision on PwC in relation to the planning of audit work, impairments of goodwill, valuation of financial instruments, impairments of financing business, judgement on scope of consolidation, impact of the new standards of financial instruments, audit progress, timing of initial draft and final draft of the audit report, etc. during the auditing period. The Audit Committee convened the 2017 seventh meeting of the Audit Committee of the Sixth Session of the Board of the Company on 13 December 2017 in Beijing. The members participated in the meeting considered the resolution of 2017 Audit Plan of the Company and attended the presentation of PwC on the Company's 2017 Audit Plan and made suggestions concerning the 2017 Audit Plan. On 22 March 2018, PwC issued the unqualified audit reports for the Company within the scheduled time.

In addition, the Audit Committee conducted an annual appraisal on PwC. In the appraisal, major considerations of the Audit Committee included requirements of the laws and regulations of the Mainland China and Hong Kong and relevant professional provisions on the external auditors, and the external auditors' compliance with such laws, regulations and provisions and their overall performance during the Reporting Period. The Audit Committee is also responsible for

reviewing the independence of PwC to ensure that the reports issued by it can provide truly and objective opinions. The Audit Committee has received a written confirmation from PwC of their independence and objectivity prior to the audit of the Company's 2017 financial statements. PwC shall not offer any other non-audit service unless otherwise specially approved to ensure that their judgment and independence in the audit are not undermined. The Audit Committee of the Board was of the opinion that PwC conducted its independent audit on the 2017 Financial Statements of the Company in a diligent, fair and objective manner, and successfully completed the annual audit work.

On 20 March 2018, the Audit Committee conducted a preliminary review on the 2017 Assessment Report on the Internal Control of the Company and Auditing Report on Internal Control of the Company, and was of the view that the internal control system of the Company was effective and performing well, such that the sound development of the Company is effectively secured. For details of the Board's evaluation of our internal control and relevant information, please refer to "9.16.6 Disclosure of assessment report on the internal control" of this results announcement.

9.8.3 Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company currently comprises three members, namely, Mr. CHAN, Charles Sheung Wai, Mr. LIU Ke and Mr. HE Jia, the independent non-executive Directors. The chairman of the Remuneration and Appraisal Committee is assumed by Mr. LIU Ke the independent non-executive Director.

The primary responsibilities of the Remuneration and Appraisal Committee of the Board are: to establish and implement the performance appraisal system that is adapt to the changing market, the remuneration policy that has competitive edge, and the reward and punishment and incentive measures that are linked to the operating performance of the Company, and make recommendations to the Board on the remuneration and its structure of all the Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the performance of the Directors and Senior Management, carry out annual performance appraisals over them, and review and approve performance-based remuneration; and to monitor the implementation of the remuneration system of the Company.

Major accomplishments of the Remuneration and Appraisal Committee in 2017 included:

- reviewing the performance of the Directors and Senior Management, and carrying out annual performance appraisals over them
- reviewing the remuneration level of the Directors and Senior Management and recommending to the Board in this regard
- supervising the implementation of the remuneration system of the Company

During the Reporting Period, the Remuneration and Appraisal Committee held one meeting in total on 22 March 2017, at which it considered and approved the Proposal on Reviewing the Total Remuneration of the Directors of the Company for 2016, Proposal on Reviewing the Total Remuneration of Senior Management of the Company for 2016, Resolution on Reviewing the Report of the Remuneration and Appraisal Committee of the Board of the Company on the Performance of Duties in 2016, Resolution on Reviewing the Achievement of Performance Targets in 2016 and the Implementation Plan of Annual Performance Based Remuneration Policy for Senior Management of the Company, and Resolution on Reviewing the Pre-distribution Plan of Senior Management Loyalty Award in 2016 of the Company. All members of the Remuneration and Appraisal Committee attended the meeting.

During the Reporting Period, the Remuneration and Appraisal Committee supervised the implementation of the remuneration system of the Company. It was of the opinion that the Company strictly implemented the remuneration system established by the Board, and that the information about the remuneration of the Directors, Supervisors and Senior Management disclosed in the 2017 Annual Report of the Company was true, accurate and complete, and complied with the relevant requirements of the CSRC and the Hong Kong Stock Exchange.

9.8.4 Nomination Committee

The Nomination Committee of the Company currently comprises five members, namely, Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai, independent the non-executive Directors, Mr. ZHANG Youjun, the executive Director, and Mr. CHEN Zhong, the non-executive Director. The chairman of the Nomination Committee is assumed by Mr. LIU Ke, the independent non-executive Director.

The primary responsibilities of the Nomination Committee of the Company are: to review the structure, number and composition of the Board (including skills, knowledge, experience and diversity of the Board members), make recommendations on any proposed changes to the Board, if necessary, to match up with the strategies of the Company; to study the selection criteria and procedures of the Directors and Senior Management and make recommendations to the Board, to ensure that the Board members possess skills, experience and diversified views and perspectives required and suitable for the operation and development of the Company; to conducted extensive

searches for qualified candidates for the Directors and Senior Management, review and give suggestions on the candidates and select and nominate relevant candidates of Directors or make recommendations to the Board in this regard; to assess the independence of the independent non-executive Directors; to make recommendations to the Board on relevant matters on the appointment or re-appointment of the Directors and succession plan for Directors; and to report its decisions or recommendations to the Board.

To achieve diversity of the Board members, the Rules of Procedure of the Nomination Committee of the Board expressly states that the Nomination Committee should select the Director candidates following objective standards, and relevant standards include but are not limited to:

- considering a combination of factors, such as gender, age, cultural and educational background, as well as professional experience of the Director candidates
- considering the Company's business features and future development needs, etc.

The Company provides the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may, if necessary, seek independent professional advice when performing its duties at the Company's expense.

Major accomplishments of the Nomination Committee in 2017 included:

- nominating GE Xiaobo as the Person-in-charge of Accounting Affairs of the Company
- agreeing that the composition of the Executive Committee of the Company consists of ten members, of which, ZHANG Youjun, the Chairman and YANG Minghui, the President, will definitely become members of the Executive Committee; nominating GE Xiaobo, TANG Zhenyi, MA Yao, XUE Jirui, YANG Bing, LI Chunbo, Zou Yingguang and LI Yong as candidates for the members of the Executive Committee of the Company; nominating LI Jiong as candidate for the Treasurer, SONG Qunli as candidate for the Chief Engineer and ZHANG Hao as candidate for the Chief Marketing Officer.
- reviewing and confirming the independence of the three independent non-executive Directors for the period as at the end of the Reporting Period

During the Reporting Period, the Nomination Committee held two meetings in total, details of which are as follows:

Date of Meeting	Resolutions Passed
28 February 2017	Resolution on the Appointment of Person-in-charge of Accounting Affairs of the Company
4 September 2017	Resolution on the Appointment of Members of the Executive Committee and Other Senior Management of the Company

All members of the Nomination Committee attended the above meetings.

During the Reporting Period, the Nomination Committee conducted extensive searches for qualified candidates for Senior Management, reviewed the candidates and gave advice to the Board for decision. The Nomination Committee selects and recommends Senior Management candidates based on the following criteria:

Familiar with onshore and offshore securities business, with years of experience in securities and finance; having a profound understanding of and unique insights into the Company's principal businesses and excellent achievements in one of the principal businesses; having strong capability in strategic analysis, leadership, execution and business synergy; having an international perspective; meeting relevant provisions of the Measures on Regulating the Qualifications of Directors, Supervisors and Senior Management of Securities Companies of the CSRC; having the time and effort necessary to perform the duties; meeting other conditions as stipulated in the laws, administrative regulations and the Company's Articles of Association.

The Nomination Committee agreed that the Executive Committee of the Company shall comprise ten members, and shall add new Senior Management positions, including Treasurer, Chief Engineer and Chief Marketing Officer, deeming that the above nominations will be conducive to promoting a more effective implementation of the Company's strategy, further enhancing the operational efficiency of business and strengthening the capacity of managing the Company and the region.

9.8.5 Risk Management Committee

The Risk Management Committee of the Company currently comprises four members, namely, Mr. YANG Minghui, the executive Director, Mr. CHEN Zhong, the non-executive Director, and Mr. HE Jia and Mr. CHAN, Charles Sheung Wai, the independent non-executive Directors. The chairman of the Risk Management Committee is assumed by Mr. YANG Minghui, the executive Director.

The primary responsibilities of the Risk Management Committee of the Board are: to develop the overall risk management policy for the Board's review; to prescribe strategic structures and resources used for the risk management of the Company, and making them compatible with the internal risk management policy of the Company; to formulate the threshold of major risks; and to supervise, examine and make recommendations to the Board on the relevant risk management policies.

During the Reporting Period, the Risk Management Committee held five meetings in total and considered various reports in relation to risk control, compliance management and internal control and governance, details of which are as follows:

Date of Meeting	Resolutions Passed
14 March 2017	Resolution on Reviewing the Work Plan for the Implementation of Comprehensive Risk Management Requirements of the Company
20 March 2017	2016 Assessment Report on Internal Control of CITIC Securities Company Limited; Audit Report on the Internal Control of CITIC Securities Company Limited and 2016 Compliance Report of CITIC Securities Company Limited
22 March 2017	Resolution on the Election of Chairman of the Risk Management Committee of the Sixth Session of the Board of the Company
24 April 2017	Proposal on Amendments to the Comprehensive Risk Management Systems of the Company
21 August 2017	2017 Interim Compliance Report of the Company, Proposal on the Amendment of the Anti-money Laundering Administrative Measures of the Company

All members of Risk Management Committee attended the above meetings.

9.8.6 Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Company currently comprises three members, namely, Mr. HE Jia, Mr. LIU Ke and Mr. CHAN, Charles Sheung Wai, the independent non-executive Directors. The chairman of the Related Party Transactions Control Committee is assumed by Mr. HE Jia, the independent non-executive Director.

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

During the Reporting Period, the Related Party Transactions Control Committee held three meetings, details of which are as follows:

Date of Meeting	Resolutions Passed
20 March 2017	Proposal on the Review of Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments of the Company, Proposal on the Related Party/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2017
9 August 2017	Resolution on the Review of the Related Party/Continuing Connected Transactions in the Ordinary Course of Business of the Company in the First Half of 2017
10 October 2017	Proposal on Exercising the Right of First Refusal to Acquire 6.53% Equity Interest in CITIC Futures Co., Ltd.

All members of the Related Party Transactions Control Committee attended the above meetings.

During the Reporting Period, the major measures that the Board implemented in respect of corporate governance are as follows:

- (1) Corporate governance of the Company and related recommendations: Faced with the competitive situation for domestic and overseas investment banks and the policy environment of continuously strengthening the industry supervision in 2017, the Board and the specialized committees of the Board carried out on-going understanding on the Company and the status of the market and requirements of laws and regulations to promote the Company to further streamline internal management processes, enhance internal control mechanism and build and improve the risk management system.
- (2) Development of Directors and Senior Management: The Company provided professional trainings for Directors and Senior Management to perform their duties and timely provided relevant materials in relation to securities industry and the development news of the Company to provide convenience for them to perform their duties.
- (3) Compliance management of laws and regulations: The Board revised certain articles in the Company's Articles of Association and its appendix in accordance with relevant provisions of the Guidelines on the Articles of Association of Listed Companies (Revised in 2016) and the Rules of the General Meetings of Listed Companies (Revised in 2016) of the CSRC and the Norms for Comprehensive Risk Management of Securities Companies of the Securities Association of China and taking into account the actual situation of the Company, made adjustment to clauses including the number of members of the Board in the Company's Articles of Association and adding chief risk officer in the Company's Articles of Association in accordance with the Regulatory Measures for the Qualifications of Directors, Supervisors and Senior Management of Securities Companies. The amendments to the Articles of Association of the Company was approved by the Shenzhen Securities Regulatory Bureau upon consideration and approval at the 2016 Annual General Meeting of the Company. Relevant formalities for industrial and commercial registration and filing of the change were completed on 14 November 2017.

To establish and improve a comprehensive risk management system aligning with the Company's own development strategies and to improve the risk management standards of the Company, the Board formulated the Work Plan of CITIC Securities Co., Ltd. on the Implementation of Comprehensive Risk Management Requirements (hereinafter referred to as "**Work Plan**") in accordance with the Measures for the Administration of Risk Control Indicators of Securities Companies revised and issued by the CSRC, the Norms for Comprehensive Risk Management of Securities Companies of the Securities Association of China and other self-discipline rules. Pursuant to the Work Plan, the Board revised the Comprehensive Risk Management System of the Company to ensure that the Company's basic system for comprehensive risk management remains consistent with the regulatory requirements.

In accordance with the Administrative Measures for the Reporting of Large-sum and Suspicious Transactions of Financial Institutions promulgated by the People's Bank of China, the Board revised the Anti-money Laundering Administrative Measures of the Company and defined the establishment of anti-money laundering positions, incorporating anti-money laundering risk management into the comprehensive risk management system.

In accordance with the Compliance Management Measures for Securities Companies and Securities Investment Fund Management Companies promulgated by the CSRC and the Guidelines for the Implementation of Compliance Management for Securities Companies issued by the Securities Association of China, taking into account the Company's actual situation and learning from beneficial compliance management experiences at home and abroad, the Board revised the Compliance Management Regulations of the Company, expanding the scope of compliance management of the Company to cover subsidiaries at all levels and refining the compliance management requirements.

- (4) Corporate Governance Report: The Board reviewed the Corporate Governance Report and was of the view that the Corporate Governance Report complied with the relevant requirements of the Hong Kong Listing Rules.

9.9 Performance of Duties by Independent Non-executive Directors

9.9.1 Work in relation to periodic reports

(1) *Compilation and review of 2016 Annual Report*

On 6 March 2017, during the 2017 1st meeting of the Audit Committee of the Sixth Session of the Board of the Company, the Board listened to the reports of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers on the preliminary audit results of 2016 Annual Report, conducted preliminary reviews on Proposal on the Adjustment of 2016 Audit and Review Expenses of the Company, the Proposal on the Re-appointment of Accounting Firms and the Audit Work Report of the Company for 2016 and considered and approved the 2017 Audit Work Plan of the Company. All of the three members of the Audit Committee, were the independent non-executive Directors of the Company. They reviewed and delivered their opinions on the 2016 audit plan of the Company in two different identities, i.e. as members of the Audit Committee and as the independent non-executive Directors.

On 20 March 2017, the 2nd meeting of the Audit Committee of the Sixth Session of the Board in 2017 considered and approved the Resolution on Review of Audit Working Summary of PwC, Resolution on Review of 2016 Duty Performance Report of Audit Committee of the Board, and preliminarily reviewed the Proposal on Review of 2016 Annual Report of the Company, Proposal on Review of 2016 Assessment Report of Internal Control of the Company, and Proposal on Review of Auditing Report on Internal Control of the Company. All of the three members of the Audit Committee, were the independent non-executive Directors of the Company. They pre-reviewed the 2016 Annual Report of the Company in two different identities, i.e. as members of the Audit Committee and as the independent non-executive Directors.

(2) *Compilation and review of 2017 Annual Report*

On 13 December 2017, the 7th meeting of the Audit Committee of the Sixth Session of the Board in 2017 considered and approved the 2017 Audit Plan of CITIC Securities Company Limited. All of the three members of the Audit Committee, were the independent non-executive Directors. They reviewed and delivered their opinions on the 2017 audit plan of the Company in two different identities, i.e. as members of the Audit Committee and as the independent non-executive Directors.

After considering and approving the 2017 Audit Plan of CITIC Securities Company Limited by the Audit Committee, the Company's Chief Financial Officer reported the same to the independent non-executed Directors in writing.

On 12 March 2018, the Company's independent non-executive Directors conducted on-site inspection and guidance and carefully listened to the report of Operation Management, the Chief Financial Officer and audit institutes on the operation, financial condition and audit of the Company in 2017. As members of the Audit Committee, all the independent non-executive Directors of the Company considered the Report of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong regarding the Company's Preliminary Audit Results of 2017 Annual Report and 2018 Audit Work Plan of the Company and conducted preliminary reviews on the Proposal on the Re-appointment of Accounting Firms, Proposal on Changes in the Major Accounting Policies of the Company, Audit Work Report for 2017 and Proposal on Adjustment of 2017 Audit and Review Expenses of the Company.

On 20 March 2018, all of the independent non-executive Directors of the Company, as members of the Audit Committee, considered the Audit Working Summary of PwC and Report of the Audit Committee on the Performance of Duties in 2017, and conducted preliminary reviews on the 2017 Annual Report of the Company, 2017 Assessment Report of Internal Control of the Company and Auditing Report on Internal Control of the Company.

9.9.2 Review of related party/connected transactions

- (1) On 6 March 2017, the independent non-executive Directors of the Company voted specifically on a related party/connected transaction where the handling fee income arising from the provision of securities brokerage and other services by the Company to PCC exceeded the 2016 budget for such related party/connected transactions. This transaction was confirmed and the resolution was filed with the SSE for record on the same day.
- (2) On 9 August 2017, the independent non-executive Directors of the Company voted specifically on a related party/connected transaction relating to the purchase of cars from CITIC Group by the Company for official use. This transaction was approved and the resolution was filed with the SSE for record on the same day.

- (3) On 13 October 2017, the independent non-executive Directors of the Company voted specifically on a related party/connected transaction relating to the exercise of the right of first refusal by the Company to acquire the 6.53% equity interest in CITIC Futures held by CITIC Industrial Investment Group Corp., Limited. This transaction was approved by the preliminary review of the independent non-executive Directors and the resolution was filed with the SSE for record on 19 October 2017.
- (4) On 30 October 2017, the independent non-executive Directors of the Company voted specifically on a related party/connected transaction relating to the upward adjustment of commissions income involved in securities brokerage services provided to PCC by the Company in 2017. This transaction was approved and the resolution was filed with the SSE for record on the same day.
- (5) On 6 November 2017, the independent non-executive Directors of the Company voted specifically on a related party/connected transaction relating to the additional capital contribution committed by CSI through CSI Partners Limited, a wholly-owned subsidiary of CSI, in CSOBOR FUND, L.P., a private equity investment fund. This transaction was approved and the resolution was filed with the SSE for record on the same day.
- (6) On 10 November 2017, the independent non-executive Directors of the Company voted specifically on a related party/connected transaction relating to the appointment of CITIC Heye Investment Company Limited as the representative of owners of the CITIC Financial Center Project jointly by the Company and Goldstone Zexin. This transaction was approved and the resolution was filed with the SSE for record on the same day.

9.9.3 Other performance of duties

On 28 February 2017, the independent non-executive Directors of the Company, in accordance with the relevant information provided by the Company and they have learnt, conducted review and delivered their independent opinions on the matters of candidates for Person-in-charge of Accounting Affairs of the Company.

On 21 March 2017, the independent non-executive Directors of the Company gave specific explanations and provided independent opinions on the 2016 accumulated and current guarantees of the Company and implementation of the requirements of Zheng Jian Fa [2003] No. 56. They reviewed, among others, the profit distribution proposal for 2016, re-appointment of accounting firms, the total remuneration of the Directors and Senior Management for 2016, implementation of the related party/connected transactions contemplated in the ordinary course of business in 2016 and estimation of related party/connected transactions to be contemplated in the ordinary course of business in 2017, and delivered their independent opinions.

On 6 September 2017, the independent non-executive Directors of the Company, in accordance with the relevant information provided by the Company and they have learnt, conducted review and delivered their independent opinions on the matters of appointing members of the Executive Committee and other Senior Management of the Company.

9.9.4 Establishment and improvement of working system in relation to the 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 System for Independent Directors of the Company officially came into force on 28 July 2008 after it was considered and approved at the 28th meeting of the Third Session of the Board. The contents of the system include: qualifications of independent Directors; nomination, election and replacement of independent Directors; special powers of independent Directors; independent opinions of independent Directors; necessary conditions being provided for independent Directors; and working system regarding the annual report.

During their term of office, all independent non-executive Directors complied with relevant requirements of the laws, regulations and the Articles of Association of the Company, and had devoted sufficient time and energy to performing their duties. When making an independent judgment, the independent non-executive Directors were not affected by the substantial Shareholders of the Company or any other entity or individual having an interest in the Company; and they endeavored to protect the interests of the Company and minority Shareholders.

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

9.10 Supervisors and the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company and is accountable to the general meeting. According to the Company Law and the Articles of Association of the Company, the Supervisory Committee is responsible for overseeing the financial activities and internal control of the Company, and the legality and compliance of the Board, the Operation Management and its members in the performance of their duties.

In 2017, the Supervisory Committee of the Company strictly complied with the relevant provisions of the Company Law and the Articles of Association of the Company, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site meetings of the Board and general meetings, made reports to the general meeting and submitted its working report and relevant proposals. Based on the spirit of being accountable to all Shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company's finance and the performance of duties by the Board and the Operation Management of the Company.

9.10.1 Meetings of the Supervisory Committee and attendance of Supervisors during the Reporting Period

During the Reporting Period, the Supervisory Committee of the Company convened four meetings in total. Details of which are as follows:

1. During the sixth meeting of the Sixth Session of the Supervisory Committee of the Company held on 22 March 2017 at CITIC Securities Tower, Beijing, the Supervisory Committee considered and approved unanimously the 2016 Work Report of the Supervisory Committee, Proposal on the Review of the 2016 Annual Report of the Company, 2016 Profit Distribution Plan of the Company, Proposal on the Review of the Total Remuneration of the Supervisors of the Company for 2016 and Resolution on the Review of 2016 Social Responsibility Report of the Company; and reviewed the 2016 Assessment Report on Internal Control of the Company, the 2016 Auditing Work Report of the Company and the 2016 Compliance Report of the Company.
2. During the seventh meeting of the Sixth Session of the Supervisory Committee of the Company held on 28 April 2017 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2017 First Quarterly Report of CITIC Securities Company Limited and issued written review opinions.
3. During the eighth meeting of the Sixth Session of the Supervisory Committee of the Company held on 25 August 2017 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2017 Interim Report of the Company with written review opinions issued, and reviewed the 2017 Interim Compliance Report of the Company and the 2017 Interim Comprehensive Risk Management Report of CITIC Securities Company Limited.
4. During the ninth meeting of the Sixth Session of the Supervisory Committee of the Company held on 30 October 2017 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2017 Third Quarterly Report of the Company, and issued written review opinions.

For details of the resolutions of the Supervisory Committee and the periodic reports considered and approved by the Supervisory Committee mentioned above, please refer to the announcements published on the HKExnews website of the Hong Kong Stock Exchange on the dates of the meetings, and the announcements published on the SSE website, China Securities Journal, Shanghai Securities News and Securities Times on the following day.

During the Reporting Period, the attendances of Supervisors at the meetings of the Supervisory Committee are as follows:

Name of Supervisor	Position	Scheduled attendance at supervisory meetings during the year	Actual Attendance		
			attendance	by proxy	Absence
LEI Yong	Convenor of the Supervisory Committee and Employee Supervisor	4	4	—	—
GUO Zhao	Supervisor	4	4	—	—
RAO Geping	Supervisor	4	4	—	—
YANG Zhenyu	Employee Supervisor	4	4	—	—
LI Fang	Former Chairman of the Supervisory Committee	4	4	—	—
Meetings of the Supervisory Committee held during the year: 4					
Of which, number of meetings held on-site: 1					
Number of meetings held via communications: 3					
Number of meetings held by means of on-site combined with communications: —					

9.10.2 Participating in the audit project of the Company and conducting on-site inspections

To ensure the Supervisors to perform their supervision duties, during the Reporting Period, the Company arranged for the Supervisors to participate in the on-site opinion exchange sessions of three audit projects, two activities of branch visiting, listen to the exchange of audit opinions and feedbacks and explanations from the internal audit project teams and the unit being audited, and obtain an understanding on the operational compliance and risk control of the unit being audited. The details are shown below:

Date	Name of Supervisor	On-site inspection unit
22 February 2017	LI Fang, GUO Zhao and LEI Yong	Jiangxi Branch Office
27 April 2017	LI Fang	Shanghai Branch Office
12-13 September 2017	LI Fang, GUO Zhao, RAO Geping	CITIC Securities (Shandong)'s Yanwei Branch Office
31 October 2017	LI Fang, LEI Yong and YANG Zhenyu	Custody Department of the Company
5 December 2017	LI Fang, GUO Zhao, RAO Geping	Changzhou New and High Technology Park Securities Outlet

Through on-site inspections, the ways for the Supervisors to perform their duties were further enriched, which effectively enhanced the capabilities of the Supervisory Committee of the Company to supervise the operation and management activities of the Company.

9.10.3 Independent opinion of the Supervisory Committee

During the Reporting Period, the Supervisors sit in all on-site meetings of the Board and general meetings. They supervised and inspected the operation in accordance with laws, major decisions, major business activities and the financial position of the Company. On the basis of the above, the following independent opinions were given:

- (1) The Company managed to operate in strict compliance with the Company Law, the Securities Law, the Articles of Association of the Company and the relevant rules and regulations of the State, and the decision-making procedure of the Company was legal. The Company was able to continuously improve its internal control system, and none of the Directors and Senior Management was involved in any violation of laws and disciplines or other acts that may harm the interest of the Company when performing their duties for company affairs. The Supervisory Committee of the Company had no disagreement with any supervisory matters during the Reporting Period.
- (2) The financial position of the Company was operated well. The financial report for 2017 had been audited by PwC. Both accountants had issued their respective audit reports with unqualified opinions, which gave a true and fair view of the financial position and the business performance of the Company.
- (3) During the Reporting Period, the Company issued two tranches of public corporate bonds with an issuance size of RMB16.8 billion in total and three tranches of non-public corporate bonds with an issuance size of RMB13.5 billion in total, all the proceeds of which were used in replenishing the Company's working capital. The Company issued subordinated bonds of RMB10 billion and all the proceeds were used in replenishing the Company's working capital. In addition, the Company issued 1,169 tranches of beneficiary certificates and the proceeds were used to replenish the liquidity of the Company. The use of proceeds of the above debt financing instruments was in line with the disclosure in the prospectuses.
- (4) Acquisitions or disposals of assets were made by the Company at reasonable prices. No insider dealings were found, nor was there any circumstance which may jeopardize the interests of part of the Shareholders or cause any loss to the Company's assets.
- (5) The relevant related party/connected transactions of the Company were fair and were in compliance with laws and not prejudicial to the interests of the Company.
- (6) The Secretary to the Board is designated to be responsible for information disclosure as well as receiving incoming calls, visits and enquiries and other activities from investors. The Company has designated China Securities Journal, Shanghai Securities News and Securities Times as the newspapers for information disclosure of the Company, and the website of the SSE at <http://www.sse.com.cn> and the HKExnews website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> as the websites for information disclosure of the Company. The Company had been in strict compliance with the provisions and requirements of the relevant laws and regulations and the Information Disclosure Management System to truly, accurately, timely and completely disclose relevant information and ensure that all Shareholders were given equal opportunities to be informed of the relevant information.

During the Reporting Period, Information Disclosure Management System, Registration System for Person Informed of Inside Information and other relevant systems of the Company were effectively implemented, the Company's information disclosure further regulated, the Company's information disclosure management level and quality of information disclosure were enhanced, the principle of fairness of information disclosure was maintained and the legal rights of investors were protected. Meanwhile, the Information Disclosure Management System and the Company's internal system provided clear requirements on the reporting, delivery, review and disclosure procedures for significant matters of the Company and it was implemented well.

- (7) The written review opinions on the annual report prepared by the Board were as follows:

The preparation and approval procedures of the annual report of the Company were in compliance with all the requirements under the relevant laws and regulations, the Articles of Association of the Company and the internal management systems of the Company;

Contents and format of the annual report were in compliance with the relevant requirements of the regulatory authorities, and information disclosed therein can completely and truly reflect the operational and financial conditions and other matters of the Company for the year; and

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

- (8) The Supervisory Committee of the Company reviewed the 2017 Profit Distribution Plan of the Company and considered the 2017 Profit Distribution of the Company formulated by the Board was in compliance with the requirements of the relevant laws, regulations and the regulatory documents of the Company and strictly performed the cash dividend decision-making procedure. The 2017 Profit Distribution Plan of the Company had given full consideration to the Company's internal and external factors, current status, development plan, future capital requirements and the overall and long-term interest of the Shareholders. Consent has been given to submit this plan to the general meeting of the Company for consideration.
- (9) The Supervisory Committee of the Company reviewed the 2017 Assessment Report on Internal Control of the Company, the 2017 Compliance Report of the Company, the 2017 Comprehensive Risk Management Report of the Company, and 2017 Audit Work Report of the Company, and they had no disagreement with the contents therein.

9.10.4 Description of the risks which the Supervisory Committee has discovered in the Company

The Supervisory Committee of the Company had no disagreement with any supervisory matters during the Reporting Period.

9.11 Appointment of Auditors

Please refer to "6.3 Appointment or Termination of Service of Accounting Firms" of this results announcement.

The Directors are responsible for the preparation of the accounts and the auditors are responsible for the issuance of audit opinions on the financial statements based on their audit work.

9.12 Non-audit Work

During the Reporting Period, the Company engaged PwC Zhong Tian to provide capital verification services in relation to the wealth management products launched by the Company, with the relevant fees being paid by the wealth management products; and to provide assurance services for the preparation of the 2017 Environmental, Social and Governance Report of the Company with the service charge of RMB280,000.

9.13 Responsibilities of Directors for the Financial Statements

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

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

9.14 Company Secretary

Ms. ZHENG Jing, the Secretary to the Board, serves as the Company Secretary. The Company Secretary is accountable to the Board, and ensures that various meetings of the Board are successfully convened according to the correct procedures; advises and recommends on issues related to corporate governance; and promotes the effective communication among members of the Board, and among the Directors, the Shareholders and the Operation Management of the Company.

The Company Secretary circulates the agenda on corporate governance 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 specialized committees thereunder; regularly provides Weekly Information and Monthly Management to the Board and the Supervisory Committee to keep the Board and the Supervisory Committee abreast of the latest development of the Company in a timely manner. The Company Secretary provides sufficient bases and recommendations on corporate governance, Board meeting procedures, non-executive Directors' involvement in the internal management meetings, and non-executive Directors' visits to the Company and other matters for the Board's review. The Directors are entitled to obtain the Company Secretary's opinions, recommendations and related services. During the Reporting Period, the Company Secretary duly performed her duties, ensured that the respective meetings of the Board are successfully convened and promoted the effective communication among members of the Board, and among the Directors, the Shareholders and the Operation Management of the Company.

During the Reporting Period, in order to better perform her duties and in accordance with the relevant requirements of the Hong Kong Listing Rules, Ms. ZHENG Jing received a total of 47 hours of professional training, so as to update her professional knowledge. These trainings include: 2017 Third Subsequent Training for Secretaries to the Board (A+H Shares) jointly organized by the Hong Kong Institute of Chartered Secretaries and the SSE and successfully passing the

qualification examination for secretaries to the board of directors; 2017 Seminar on the Operations of the Office of the Board of Directors of CITIC Group at which she was invited to give a lecture on “Corporate Governance for A+H Share Listed Companies”; the IFRS 9 training (No. 9 International Financial Reporting Standard) organized by PwC China; training of Aon-COFCO in relation to the legal environment of listed companies and case studies, civil liability of financial institutions, network risks and other areas; labour dispute training jointly organized by senior judges of Beijing’s courts and the Legal Department and Human Resources Department of the Company; online trainings concerning China’s new economic and financial era after the 19th National Congress of the Communist Party of China, information disclosure and related party transactions, systems of managing net capital regulatory indicators and the legal knowledge promoted during the “7th Five-Year Period”; completion of follow-up training for securities practitioners.

9.15 Investor Relations

9.15.1 Amendments to the Articles of Association

During the Reporting Period, amendments were made to the Articles of Association of the Company at the general meeting of the Company for one time.

On 19 June 2017, amendments were made to the Articles of Association of the Company and their appendix at the 2016 Annual General Meeting of the Company. The amendments to the Articles of Association of the Company was approved by the Shenzhen Securities Regulatory Bureau and relevant formalities for industrial and commercial registration and filing of the change were completed on 14 November 2017. Taking into account the actual situation of the Company, the above amendments were made in accordance with the with relevant provisions of the Guidelines on the Articles of Association of Listed Companies (Revised in 2016) and the Rules of the General Meetings of Listed Companies (Revised in 2016) of the CSRC and the Norms for Comprehensive Risk Management of Securities Companies of the Securities Association of China and taking into account the actual situation of the Company, which mainly includes: the number of the members of the Board, the effective date of the appointment of new Directors and Supervisors; adding Chief Risk Officer into the Articles of Association; and adding clauses protecting the voting rights of minority Shareholders. The amended Articles of Association of the Company were published on www.hkexnews.hk of the Hong Kong Stock Exchange and the website of the SSE on 16 October 2017 and the following day, respectively.

9.15.2 Work conducted related to investor relations during the Reporting Period

The Board and the Operation Management of the Company highly value the work of investor relations and push the hardworking and creative atmosphere into the works of corporate governance and investor relations.

In 2017, the Company upheld its principle to be open, fair and equitable with an active and open attitude to conduct management work of investor relations, and ensured the truthfulness, accuracy and completeness of the information disclosed, which achieved good communication effect.

In 2017, the Company organized various exchange activities for investors and analysts in accordance with the regulatory requirements and the needs for business development including: two general meetings were held to consider the resolution on the Securities and Financial Products Transactions and Services Framework Agreement signed with CITIC Group and important issues such as the 2016 profit distribution , with the presence of the Directors, Supervisors, Senior Management and heads of the relevant business divisions of the Company to explain matters to be discussed at the meetings, introduce the latest development of the Company to the Shareholders and answer the Shareholders’ inquiries, through which the Company was able to achieve satisfactory communication with the Shareholders. The press conference for the 2016 annual results and conference call for the publication of the 2017 interim results were held along with the publication of periodic reports; we visited investors to promote in-depth knowledge of the investors on the operations and performance of the Company; coordinating with the Company’s strategic arrangements and business development, the management of the Company actively communicated with investors, thereby effectively enhancing the investors’ understanding of the investment values of the Company, fully advertising the advantage of the Company’s business development and leading the market expectations effectively. In addition, our investor relations team maintained smooth and effective communication with investors and analysts, and timely exchanged their views on hot topics in the market as well as change in regulatory policies. The Company also ensured the answering rate of investor hotline, continuously optimized the function of the mailbox and company website, timely updated the content of SSE Interactive Platform to provide its investors with a more convenient, quick, timely and comprehensive method to know about the development of the Company.

In 2018, the Company will continue to improve its investor relations service to a higher level and continuously deepen its communication with investors to give the investors a better understanding of the Company and the industry, raise the attention and recognition of the Company among investors and further enrich the ways of investor exchanges in order to provide better the services to investors and analysts.

9.16 Internal Control

9.16.1 Statement of the Board regarding the responsibility of internal control

In accordance with the requirements of the corporate internal control normative system, it is the responsibility of the Board to establish, improve and effectively implement internal control, assess its effectiveness and truthfully disclose the assessment report on internal control. The Supervisory Committee oversees the establishment and implementation of internal control by the Board. The Operation Management is responsible for organizing and steering the daily operation of corporate internal control.

The internal control of the Company is aimed to provide reasonable assurance for the legal compliance of operation and management, safety of assets, truthfulness and completeness of financial reports and relevant information, improve operational efficiency and effectiveness so as to facilitate the realization of development strategies. Due to its inherent limitations, internal control can only provide reasonable assurance for the achievement of the above objectives. Moreover, changes in circumstances may render the internal control inappropriate, or reduce the level of compliance of policies and procedures of the internal control. Predicting effectiveness of internal control in future according to the appraisal results of internal control may involve certain risks.

The Board completed a review of the effectiveness of the Group's risk management and internal control systems in 2017 through the Audit Committee and the Risk Management Committee, covering all material controls, including financial, operational and compliance controls. There were no significant internal monitoring issues found during the relevant review and that the Board of the Company had reported to the Shareholders that it had conducted review relating to risk management and internal control systems. The Board was of the view that the existing risk management and internal control systems were effective and sufficient during the year and as of the date of this results announcement.

9.16.2 Procedures for identifying, assessing, and managing significant risks

For the Company's procedures for identifying, assessing and managing significant risks, please refer to the section "4.5 Risk Management" of this results announcement.

9.16.3 Procedures for resolving severe deficiencies in internal control

The Company conducts a self-evaluation of the risk management system during its annual internal control assessment. If any defect is found, the Company will formulate a rectification plan to diminish the defect. In the day-to-day risk management work, risk events and potential defects that arise are effectively managed according to the procedures of risk management systems. Under a comprehensive risk management system, the Company regularly updates and revises risk management systems and processes so as to adapt to the changing risk situations and management requirements. The Audit Department inspects the internal controls of each business and issues audit reports, offer advice for rectification and makes management proposals on issues found in the audit. The Compliance Department formulates defect rectification plans in accordance with laws and regulations and the regulatory requirements, and is responsible for the specific implementation of defect rectification work.

9.16.4 Basis of establishment of internal control over the financial report

During the Reporting Period, the Company further established and improved internal control over financial reports continuously in accordance with the Basic Norms of Internal Control for Enterprises and its ancillary guidance, the Guidance for the Internal Control of Securities Companies, the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange and other relevant laws, regulations and rules, combining the specific situation of the Company.

According to the criteria for determining material defects, major defects and general defects as defined in the laws and regulations mentioned above, and combining the factors including its scale, industry-specific features and risk level, the Company studied and defined the criteria suitable for the specific determination of defects in the internal control of the Company and kept it consistent with the criteria of the previous years.

"Material defect" refers to one defect or a combination of 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 with less severity and less severe economic consequences than a material defect, but may still cause the enterprise to deviate from the objectives of internal control. "General defect" refers to any defect other than a material defect or a major defect.

According to the criteria for determination outlined above, and based on the findings of routine supervision and special supervision, it is concluded that the Company had a sound internal control system and mechanism, and the Company effectively implemented its internal control system and mechanism in its work, and no material and major defects were found in internal control over the financial reports of the Company during the Reporting Period.

9.16.5 Overall view on establishment of the internal control system

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

In 2011, the Company, from the prospective of a listed company and a securities company, had conducted the pilot of norm of internal control and special governance activities on internal control, and appointed an external consulting institution for assistance, and adopted the best practice and methodology on internal control from the external consulting institution. Since 2012, with the authorization of the Board, the Compliance Department of the Company has led the establishment of the internal control self-assessment team of the Company to conduct the internal control self-assessment independently. Leveraging on the experience accumulated over years, the Company has established a relatively stable system of personnel allocation and responsibilities and cultivated a set of internal control self-assessment procedures and mechanism which are in line with the actual situations of the Company, thereby enabling the assessment results to reflect a true and accurate picture of the Company's internal control work.

As at the end of the Reporting Period, the Company had established internal control system, procedures for handling and publishing inside information and internal control measures and clearly defined the information including the frequency of internal control reviews and standards adopted by Directors in assessing the effectiveness of internal control systems.

The Company had established, improved and implemented a set of systems, including the information segregation wall, the registration system of persons informed of undisclosed information and the registration and administration system for persons informed of inside information, according to the regulatory requirements. It effectively prevented the improper use and dissemination of sensitive information.

9.16.6 Disclosure of assessment report on the internal control

As a company concurrently listed domestically and abroad, the Company has disclosed the 2017 Assessment Report on Internal Control together with this results announcement. Pursuant to the Basic Norm of Internal Control for Enterprises and its ancillary guidelines, Rule No. 21 for Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public – General Rules of Annual Report on Internal Control Evaluation and other requirements of relevant laws and regulations, the Company conducted a self-appraisal on the effectiveness of internal control design and operation as at 31 December 2017. In respect of the business and matters included in the appraisal scope, the Company has established and effectively implemented an internal control system which has achieved the objectives of the Company's internal control and without material or major defects. The Company disclosed the Audit Report of Internal Control at the same time when disclosing this 2017 results announcement.

9.16.7 Establishment and implementation of the registration and administration system for persons informed of inside information

In order to further improve management system for information disclosures, upon consideration and approval by the Board, the Registration System for Persons Informed of Inside Information of the Company officially became effective on 29 September 2009. During the Reporting Period, the Company managed to achieve the 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 managed to maintain the relevant documents for inspection by the Company itself and relevant regulatory bodies, including a true and complete list of persons informed of inside information in various processes such as reporting, circulation, preparation, audit and disclosure prior to dissemination of such inside information, and the content and time of such information being known by such persons. During the Reporting Period, the Company was not aware of any non-compliance with the Registration System for Persons Informed of Inside Information.

In addition, the Company set up the Registration System of Persons Informed of Undisclosed Information from the perspective of a securities company and established the mechanism and work flow for delivery of information of persons informed of undisclosed information for various departments/business lines of the Company, specifying

the main body's responsibilities of the Compliance Department and the management personnel of the undisclosed information of each department/business line, administrators of each department/business line and persons informed of undisclosed information pursuant to the requirements of the Notice Regarding Reinforcement of the Management of Persons Informed of Undisclosed Information by Securities Companies (Shen Zheng Ju Ji Gou Zi [2010] No. 126) issued by the Shenzhen Securities Regulatory Bureau. During the Reporting Period, in strict compliance with the Registration System of Persons Informed of Undisclosed Information, the Company conducted its registration of persons informed of undisclosed information quarterly, and, within the scope of responsibility of departments/business lines of the Company, managed and registered for record persons informed of undisclosed information in the course of business.

9.16.8 Implementation of the Company's accountability system for material errors in information disclosure in 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, and this system became effective on 29 March 2010.

During the Reporting Period, the system had been implemented satisfactorily, and there had been no material accounting error, material omission of information which needed to be supplemented, or correction of the preliminary announcement of results of the Company.

9.16.9 Other matters of report

Establishment of the compliance management system

According to the regulatory requirements, the Company has established and constantly improved a comprehensive and multi-level organizational system for compliance management. The compliance management of the Company is led by the Board, supervised by the Supervisory Committee and implemented by the Chief Compliance Officer and the Compliance Department. The Operation Management, heads of each department/business line and the compliance officer of each department/business line, perform their duties of compliance management within their own scope of authorities. The Company has established and improved the comprehensive compliance management systems with the Compliance Management Provisions as the basic system, and the Staff Compliance Code, Compliance Consulting and Review System, Compliance Inspecting and Monitoring System, Customer Complaints Reporting and Handling System, Compliance Report System, Compliance Appraisal System, Information Segregation Wall System and its ancillary measures, anti-money laundering working system, Internal Working System of the Compliance Department, compliance system for relevant departments/business lines and branches as the specific working system comprehensive compliance management system.

During the Reporting Period, in respect of the basic system of compliance management of the Company, the Company developed/revised the Compliance Management Regulations of CITIC Securities Company Limited, the Employee Compliance Code of CITIC Securities Company Limited, the Compliance Assessment Policy of CITIC Securities Company Limited, Investor Appropriateness Management System of CITIC Securities Company Limited, the Administrative Measures of CITIC Securities Company Limited for Anti-money Laundering, the Management System of Information Released on the Company Website, Weibo and Wechat CITIC Securities Company Limited and a number of basic and supporting systems. Through establishment of systems, the standardized construction of management work of compliance has been further enhanced, the system for compliance management has been further perfected and the independence of compliance management has been further guaranteed.

In terms of information system construction, the Company further formulated/revised monitoring systems and processes for information segregation wall, monitoring and analysis of suspicious transactions in anti-money laundering, monitoring of employee practices and management of customer transaction behaviours, and re-established the anti-money laundering system, customer transaction behaviours monitoring and management system as well as the blacklist monitoring system. By enriching compliance management tools and compliance monitoring means and measures, the Company enhanced its capabilities for informationization of compliance management to prevent occurrence of various risks of irregularity, information segregation, employee practices, conflicts of interest and others.

As of the end of the Reporting Period, the organizational system for compliance management operated effectively, all the compliance management systems were effectively implemented, and the compliance management system operated well.

Internal audit

During the Reporting Period, in order to keep up with the Company's business development, the Audit Department of the Company continued to carry out its work oriented by risks and mainly enhanced the audit on the headquarters, branches, domestic and overseas subsidiaries and the high-risk businesses of the Company concerned by the regulatory authorities.

During the Reporting Period, the Audit Department of the Company completed 156 projects in total of routine audits, resignation audits, special audits and compulsory resignation audits for general managers of branches, on eight departments/business lines at the headquarters, 118 branches and six subsidiaries of the Company, details of which are as follows:

Audit projects at the headquarters of the Company: including routine audits on the Research Department, the bulk commodity business line, the M&A business line, the Custody Department and the Financial Products Department; resignation audits on the former administrators of the alternative investment business line, the consumer industry group of the Investment Banking Committee and the M&A business line; and special audits on the issues identified in the internal audit for 2016 and the rectification work, and information security and comprehensive risk management.

Audit projects in branches: including compulsory resignation audits on the general managers of 18 branches and 100 securities outlets, totaling 139 projects (27 of them were outsourced).

Audit projects in subsidiaries: including routine audits on the brokerage and futures business of CITIC Zhongzheng Investment Service Co., Ltd., CITIC Securities (Shandong) Co., Ltd., CITIC CLSA Capital Markets Co., Ltd. and CSI; and resignation audits on the general managers of CITIC Goldstone Fund Management Co., Ltd. and CITIC M&A Fund Management Co., Ltd.

Through the audits mentioned above, the Audit Department of the Company evaluated the soundness and effectiveness of internal control in the audited units, revealing the existing major risks and playing a positive role in increasing awareness towards risk prevention among departments/business lines, branches and subsidiaries and improving the risk management of the Company.

The status of the establishment of monitoring and replenishment mechanism of the risk control indicators of the Company

Since its establishment, the Company has attached great importance to the construction of the risk control mechanism all the time so as to achieve standard operations and steady development while maintaining high quality of the assets. All financial and business risk supervision indicators have satisfied the relevant requirements under the Measures for the Administration of the Risk Control Indicators of Securities Companies of CSRC.

Pursuant to the requirements of the Measures for the Administration of the Risk Control Indicators of Securities Companies, the Company has established a monitoring system of dynamic risk control indicator and realized dynamic monitoring and automatic early warning of risk control indicators.

The Company has established the net capital replenishment mechanism to ensure continued compliance of risk control indicators such as net capital with the requirements of the securities regulatory authorities. As at the end of the Reporting Period, the net capital of the Company was RMB86.257 billion and all types of risk control indicators complied with the relevant regulatory requirements.

In accordance with the Notice on Submitting the Work Plan for Implementation of Comprehensive Risk Management Requirements of Shenzhen Securities Regulatory Bureau, the 10th meeting of the Sixth Session of the Board of the Company considered and approved the Work Plan for Implementation of Comprehensive Risk Management Requirements on 14 March 2017.

Account regulation of the Company

In 2017, the regulators continued to tighten supervision over accounts whereas the Company continued to strengthen its day-to-day regulation over accounts, such as self-inspection of accounts opening with real names and the usage of real names as well as verifying CSDCC accounts. As for the account innovation business newly appeared in the industry, the Company established a comprehensive system to regulate the relevant business procedures. The Company provided special trainings to each branch of the Company, in order to eliminate the occurrence of non-regulated accounts.

As at 31 December 2017, the Company's brokerage customers had 10,550,558 securities accounts, of which 9,792,176 were qualified securities accounts, representing 92.81% of the total; 757,143 were dormant securities accounts, representing 7.18% of the total; 1,239 were unqualified securities accounts, representing 0.01% of the total, and there was no securities account which was frozen by a judicial order nor risk disposition securities account. As at 31 December 2017, the Company's brokerage customers had 6,806,878 capital accounts in total, of which 6,088,593 were qualified capital accounts, representing 89.4477% of the total; 716,814 were dormant capital accounts, representing 10.53% of the total; 1,444 were unqualified capital accounts, representing 0.02% of the total; 27 were unqualified capital accounts frozen by judicial orders, representing 0.0004% of the total and there was no risk disposition capital account.

The account regulation condition above is also disclosed in the 2017 Assessment Report on Internal Control of the Company.

Self-assessment on the implementation of the Management System of Information Disclosure by the Board

During the Reporting Period, the Company managed to disclose information in a manner that is true, accurate and complete in strict compliance with the laws, regulations, the Articles of Association of the Company and the Management System of Information Disclosure and ensure the timely and fair disclosure of information.

In 2017, the Management Measures on Information Disclosure of the Company and other relevant policies were effectively implemented. The Company further regulated information disclosure, and improved the management level and quality of information disclosure of the Company. At the same time, the Management System of Information Disclosure and other internal systems of the Company clearly specify the reporting, delivery, reviewing and disclosing procedures for major events of the Company. All these systems were effectively implemented.

There are no overdue debts for the Company.

10. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Introduction

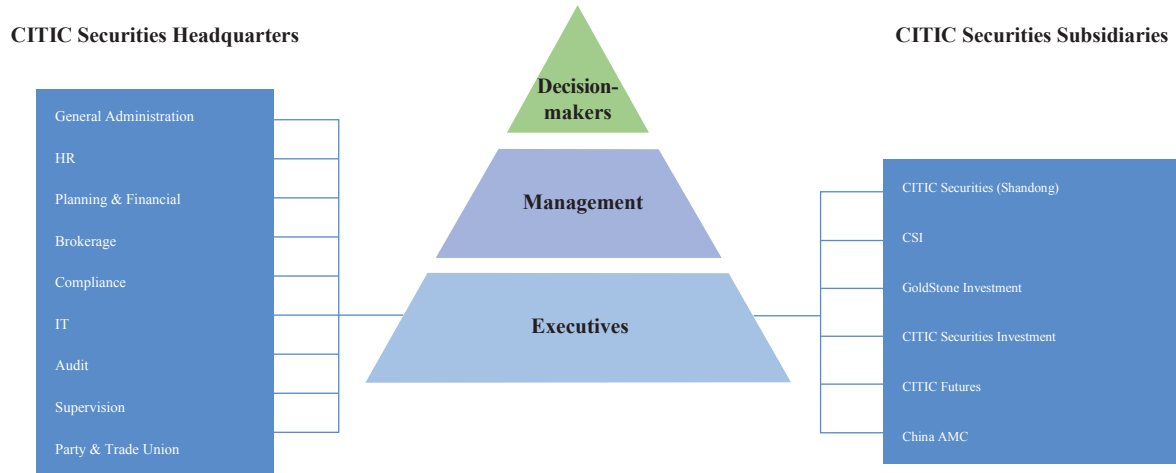
CITIC Securities Limited (“**CITIC Securities**” or the “**Company**”) has always stayed faithful to the value of sustainable growth followed by CITIC Group Corporation. The Company conducts its business in a responsible manner while creating economic value for its shareholders. The Company not only provides safe and healthy work space and self-fulfilling career opportunities to its employees, but also tries its best to minimize its negative impact on the environment and attaches great importance to the life and wellbeing of the communities where it operates.

This is the 2017 Annual ESG Report the Company has prepared in accordance with the ESG information disclosure compliance requirements of HKEx. Unless otherwise specified, the report covers CITIC Securities Company Limited, CITIC Securities (Shandong) Co., Ltd. (“**CITIC Securities (Shandong)**”), CITIC Securities International Co., Ltd. (“**CSI**”), GoldStone Investment Co., Ltd. (“**GoldStone Investment**”), CITIC Securities Investment Limited (“**CITIC Securities Investment**”), CITIC Futures Company Limited (“**CITIC Futures**”) and China Asset Management Company Limited (“**China AMC**”).

The data and cases in the report are all cited from original business records of the Company and its affiliated entities.

10.1 ESG Management System

The Company has combined its business strategies with the ESG information disclosure compliance requirements of HKEx, constantly deepened its ESG management philosophy, improved its ESG performance, fulfilled its social responsibilities and moved closer to the goal of becoming a sustainable growth benchmark in securities industry. In 2017, in order to tighten company-wide ESG management and enforce the accountability of each department, the Company put in place the ESG organization structure described below progressively, and drove organic fusion of the ESG philosophy with its company culture and business growth through establishing a three-tiered accountability structure comprising decision-makers, management and executives. The Company intends to include ESG management in performance assessment, further promotes a scientific ESG management model and builds up its environmental and social compliance risk management abilities.

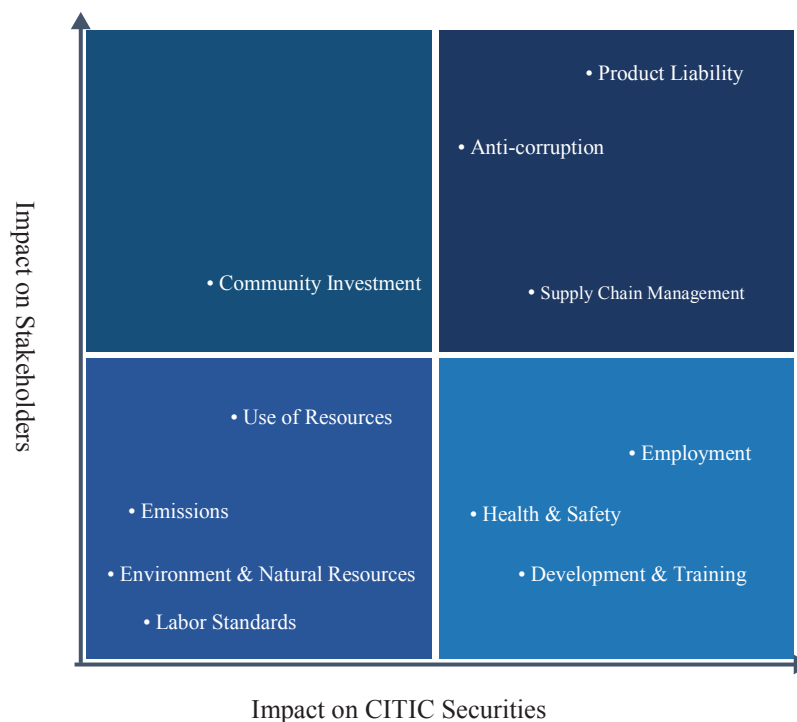


CITIC Securities ESG Management Organization Structure

While shaping its ESG management system and fulfilling ESG management responsibilities, the Company became fully aware of the necessity to maintain effective communication with its stakeholders. For this purpose, the Company clearly defined communication channels with all stakeholders, so that the expectations and desires are communicated among each other effectively. Moreover, during its conduct of business, the Company has summarized key concerns of each stakeholder with respect to ESG management. In the future, the Company will satisfy each stakeholder's requirements to the Company in a more pertinent manner.

Communication Channels and Key Concerns of Stakeholders of CITIC Securities

Stakeholder	Communication Channels	Key Concerns
Governmental and regulatory organizations	Important meetings, policy consulting, event reporting, inspection on institutions, official correspondence, information disclosure	- Compliance - Company governance - Environmental protection
Shareholders and investors	General meetings, annual reports, information disclosure, visits to and by investors, and other communicative activities	- Profitability - Business strategies - Transparency of information disclosure
Employees	Employee satisfaction survey, team-building activities, employee trainings, and internal trainings	- Salaries and benefits - Development and training opportunities - Healthy work environment
Suppliers	Field trips to suppliers, briefing sessions, open bids	- Cooperation on equal footing - Integrity and performance of contracts
Clients	Visits to clients, client satisfaction survey, client complaint hotline	- Service quality - Privacy protection
Partners	Strategic partnership negotiations, exchange of views and interactions	- Cooperation on equal footing - Integrity and performance of contracts - Mutual development
Communities and the public	Charity activities, interactions with communities, recruitment presentations and internship programs	- Corporate social responsibility - Community relations - Employment promotion - Community investment and charity activities



10.2. Focus on Services

Compliance is vital to any business entity and fundamental to their integrity management. The Company strictly abides by the *Securities Law of the People's Republic of China*, *Regulations on Administration and Supervision of Securities Companies*, *Guidelines for Internal Control of Securities Companies* and other laws and rules governing the securities industry, as well as the *Anti-Money Laundering Law of the People's Republic of China*, *Anti-Money Laundering Rules on Financial Institutions*, *Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions*, and other laws and rules related to anti-money laundering activities of financial institutions. To provide quality services to its clients in a compliant manner, the Company has consistently refined its compliance management system and formulated a set of compliance policies and rules, including *Compliance Rules of CITIC Securities Company Limited*, *Compliance Check and Monitoring Rules of CITIC Securities Company Limited*, *Compliance Consulting and Review Rules of CITIC Securities Company Limited*, *Anti-money Laundering Rules of CITIC Securities Company Limited*, and *Implementation Rules on Reporting of High-value Transactions and Suspicious Transactions of CITIC Securities Company Limited*. The Company had no material non-compliance event in 2017.

10.2.1 Service Commitment

The Company always adheres to the concept of creating value for clients and growing together with clients. Each business line collaborates closely to satisfy diversified needs of all clients with tailor-made products. To assure consistent service quality and standards, the Company has put in place a set of rules, processes and standards governing business activities, client services, outlet management and performance assessment of brokerage branches and compiled *A Collection of Business Rules and Processes for Business Units of CITIC Securities Company Limited*, inclusive of but not limited to:

- Standardized Service Rules on Outlets of Business Units of CITIC Securities Company Limited: Requirements for standardized management of business premise settings and environment, service images and etiquette standards of staffs, code of conduct and disciplines of business units are specified;
- Rules on investor education, service and protection: Propaganda policies and rules targeting public investors in the capital market, popularization of securities knowledge, advocacy of rational investment, disclosure of investment risks, improvement of investment abilities and guidance of legal rights protection on such public investors are specified;
- Rules on feedback and complaint and dispute handling: Rules on client service and complaint handling, among other things, are defined;
- Rules on basic and innovative services: The Company's processes and requirements for the provision of various types of service businesses and sales of financial products are defined.

10.2.2 Protection of Rights and Interests

The Company is not only committed to providing high-quality services, but also attaches great importance to the protection of clients' information. The Company strictly observes *the Law of the People's Republic of China on the Protection of Rights and Interests of Consumers* and other important laws and regulations, and sets out rules clearly on the protection and non-disclosure of client information in *Client Account Business Rules and Operational Guidelines of CITIC Securities Company Limited*, *Implementation Rules on Investor Suitability Management in Brokerage Business of CITIC Securities Company Limited (Trial)*, and *Implementation Rules on Video and Sound Recording in Investor Suitability Management in Brokerage Business of CITIC Securities Company Limited (Trial)*. Unless otherwise required in the laws, regulations and self-discipline rules, disclosure to any external party is prohibited and such information and data must not be divulged or misused. Moreover, the Company has specified administrative measures and rules on actual cooperations such as access control over the counter trading system and client files, in order to implement confidentiality requirements for client data and information.

In 2017, the Company formulated *Administrative Measures for Information System Security of CITIC Securities Company Limited*, which clearly defines its information security policies, "Prevention First, Classified Protection, Common Engagement and Continual Improvement". The Company has realized the dynamic closed-loop management encompassing physical security, cyber security, host/terminal security, application security and data security, applied the principle of attaching equal importance to technologies and management, and enhanced company-wide information security. Effective control at both the application system level and the terminal level is deployed to protect client information. Combined with efforts to improve security awareness, the Company has been able to protect clients' rights and interests effectively.

During its business operation, the Company needs to not only protect the information of clients, but also to defend its own legitimate rights and interests. The Company complies with *the Advertising Law of the People's Republic of China*, *the Trademark Law of the People's Republic of China* and *the Patent Law of the People's Republic of China* among other important laws and regulations, and has also formulated internal rules on trademarks, labels and copyrights and specified accountable departments and duties, ownership, exercise and protection of rights and interests. The Legal Department is asked to monitor the implementations of the actual management activities. When there is a risk of infringement of the Company's rights and interests, the The Legal Department shall defend the Company's rights and interests in accordance with national and local laws and regulations in a timely manner to resist and combat any act against consumer rights and interests, advertising, and use of labels and patents determinedly. To date, the Company has registered 21 computer software copyrights, including its automated trading platform, fixed income quantitative analysis system, ECIF client information system, market risk measurement system, PE fund manager self-service cloud platform, custody online banking system, research service system, third-party payment system, and market data service system. Some administrative measures have been specified and put into force to assure proper management and effective protection of the Company's legitimate rights and interests, including *Administrative Measures for Trademarks of CITIC Securities Company Limited (Trial)* and *Administrative Measures for Copyrights of CITIC Securities Company Limited (Trial)*.

With various service management rules put into action effectively, the Company also collects, sums up and analyzes the feedback on client complaints handling and fair service demands raised by clients in a timely manner, so as to effectively maintaining and improving the clients' satisfaction rate in the future.

10.2.3 Knowledge Spreading

When implementing the service management during the courses, the Company also wishes to make greater contributions to general social investors and fulfill its social responsibilities with better services.

In 2017, the Company launched a number of investor education campaigns. In the special publicity programme "Investor Protection•Know Rules and Identify Risks" launched by the China Securities Regulatory Commission, the branches and business units staged publicity focusing on cases and relevant knowledge online and offline at four phases, with four themes including insider trading, market manipulation, illegal information disclosure and non-compliances of market players. The Company has carried on with regular publicity efforts after the completion of these campaigns. Relevant publicity campaigns delivered excellent results, among which.

- 2,762,172 messages introducing "Investor Protection•Know Rules and Identify Risks" were sent to clients;
- 13,221 copies of Investor Protection Series on "Justice By Your Side" — Typical Cases Volume 2 were printed;
- 227 banners were made and 300 posters were posted;

- 629 on-site publicity activities were organized with a total audience of 15,896 persons;
- Articles with instructive cases were posted on the official WeChat account, for example, *You have to pay back the double of some money made!* and *Chasing rising stocks, such a big, big trap!*, with a total reading of approximately 73,175 person-times.

In the process of gradual implementation of ESG management, the Company's various business and services also receive supervision and evaluation from all sectors of the society:

- On January 10, 2017, the Company received the "Best Securities Company of the Year in Investor Survey" Award and "Best Business Unit of the Year in Investor Survey" Award (Hengfeng Road Business Unit, Shanghai) for the year of 2016 from China Securities Investor Protection Fund Corporation Limited;
- On February 13, 2017, the Company received from Shanghai Securities Exchange the "Investors' Favorite Open Lecture by Chief Economists" Award (*China's Economy in the First Year* by CITIC Securities) and "Investors' Favorite Investment Story" Award (*The Dream of Stock Market Investors* by CITIC Securities), as part of the 2016 "*Being A Sensible Investor*" series of investor education and protection events.

10.3 Care for the Staff

The company attaches great importance to maximizing the knowledge, skills, talents and dedication of all employees, and opposes discrimination due to differences in regions, cultures, and genders. It also seeks to improve common development of the Company and its employees by improving the management system, optimising the working environment, and emphasizing humane care.

With respect to employee management, the Company strictly abides by *the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Rules Against Child Labor, Regulations on Work-Related Injury Insurance and Special Provisions for Protection of Female Workers*, and has formulated *Administrative Measures for Employment Contract of CITIC Securities Company Limited, Administrative Measures for Attendance System of CITIC Securities Company Limited, Administrative Measures for Career Ladder of CITIC Securities Company Limited, Administrative Measures for Performance Assessment of CITIC Securities Company Limited* and other internal policies and implementation rules, to protect legitimate rights and interests of all employees properly.

In addition to social security contributions for the staff including pension, health insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing provident fund, the Company also provides additional benefits such as enterprise annuity, supplementary commercial health insurance and accident insurance, so as to improve the retirement and healthcare insurance.

In the recruitment process, the company strictly reviews the information of the entry personnel and resolutely eliminates the use of child labor and forced labor. The company now implements a variable of fixed working hours system based on the type of job, catering to the job characteristics and business needs of different types of jobs. In 2017, the company did not have major violations of laws and regulations on employment level.

10.3.1 Talent Structure

The company always upholds the concept of equal and diversified talents. The diversity of employees' nationality, gender, age, skills, education background, industry experience, and other qualities provides the basis for creating a diversified and inclusive corporate culture, and also enables enterprises to achieve diversity. The Company adopts a market-based recruitment mechanism and attracts talented candidates at home and abroad through campus and experience recruitment activities. The Company has established a standardized and rigorous recruitment process. The Company conducts open, fair and impartial recruitment through open recruitment information, recruiting resume selection, written examinations, interviews, etc. to ensure that the best candidates with the required knowledge, skills, experience, abilities and qualities are hired. The Company has hired a lot of diversified talented persons in recent years, who have played an important role in innovative business.

In compliance with *the Company Law of the People's Republic of China* among other important laws and regulations, the Board of Directors also gives consideration to the skills, knowledge, experience and diversity of its members when it comes to the structure, headcount and mix of the Board of Directors, to make sure the members have the skills, experience and diversified views and perspectives required by business operation of the Company and are able to contribute advice on business strategies.

Any staff member who wants to resign from the Company because of personal reasons may leave by submitting a written resignation and finishing the required procedures. When the Company voluntarily terminates or breaks off the employment relationship with any staff member, it will give prior notice and offer severance pay required by the applicable laws and regulations.

10.3.2 Salaries and Benefits

The Company's development is inseparable from a talented team. In order to attract and retain talented people, the Company maintains a set of human resources management rules, provides a competitive pay package and incentives and organizes a variety of corporate activities.

Staff remuneration consists of salary, annual bonus, special rewards, insurance and other benefits. For the sake of a balance between business risks and financial targets, the Company adopts a sharing-bonus incentive mechanism. While business units' contribution to profit making is recognized, bonus distribution "is biased towards business lines, profitable business lines and important innovative business lines"; meanwhile, the role and value of middle-office and back-office units are also recognized. Bonus is linked to business performance of the Company. The Company sets aside a sum of bonus out of its annual profit at a percentage approved by the Board of Directors.

In the meantime, the Company and employees make social security, enterprise annuity and housing provident fund contributions in accordance with relevant Chinese regulations. Social security and housing provident contributions are paid according to local rules. To provide better health coverage to the staff, the Company provides supplementary commercial health insurance and accident insurance at its own expense on the basis of basic health insurance.

Administrative Measures for Attendance System of CITIC Securities Company Limited specify holidays and leaves which the staff is entitled to, including national holidays, paid annual leave, personal leave, sick leave, work injury leave, marital leave, funeral leave, maternal leave, maternity incentive leave, paternity leave, family-planning leave and breastfeeding leave.

Regarding some common and serious health issues, the Company invites medical experts to give lectures on the prevention and treatment of common diseases and everyday healthcare to protect health and safety of the staff for the first time. The Company organizes annual physical examinations for the staff and provides flu and hepatitis B vaccination. In 2017, the ventilation system of the headquarters building was enhanced to improve air quality in the office area.

In addition, the Company cares about the quality of afterwork life of the staff. Not only does the Company have a gym in its building, but it also organizes a wealth of collective activities according to the actual situation, which not only helps to relieve work pressure, but also strengthen the communication among colleagues, therefore strengthening unity and sense of belonging.

10.3.3 Promotion and Incentive Mechanisms

The Company attaches great importance to career development of the staff. The unique Managing Director career ladder and supporting performance assessment and promotion mechanisms are present to offer equal opportunities to every staff member. Annual performance assessment and promotion provide an opportunity to best-performers and allow them to realize their career goals.

In order to build the Company's core competitiveness, encourage the innovation and collaboration among the staff, and maintain the continuous stability of the core human resources team, the Company has established the "Chairman Incentive Fund" to praise and reward staff members who have made special contributions.

10.3.4 Development Programs

HR Department maps out an annual training plan and organizes pertinent trainings regularly according to the existing training system and in view of business needs and fulfills the goal of talent development. To achieve mutual growth of the Company and the staff, the Company offers diversified and well-targeted training programs to the staff. The Company is currently carrying out a comprehensive and hierarchical training plan which is intended to:

- Lay emphasis on trainings on the leadership and management skills of senior members, broaden their international vision, enhance their abilities in change management, strategic analysis, business administration, business collaboration, risk prevention and humanistic attainments and cultivate managers of high caliber.

- Strengthen trainings on the execution and professional skills of middle-level members, and focusing on improving their theoretical accomplishments, execution, organization and development skills and business innovation abilities.
- Provide trainings on the professionalism and general skills of the firstline employees, strengthen education on their awareness of Company culture, conduct of business, workflow and rules, and improve their interpersonal skills, client service capabilities, teamwork and office skills.
- Attach importance to campus recruitment, provide systematic orientation trainings to outstanding graduates, and assign a coach to mentor each new recruit for 18 months. In 2017, more than 700 new recruits from colleges received orientation trainings at the Headquarter and in the brokerage business line.

10.3.5 Exchange of Views and Interactions

The management of the Company considers it important to exchange views and interact with firstline and young employees and new recruits. The Company has an “employee advice box” to collect suggestions and ideas from the staff and provide a platform to exchange views with them; the Company convenes meetings of the management and staff representatives regularly to listen to the staff talking about their achievements, feelings, puzzles and problems, and encourage them to contribute advice and ideas on the development of the Company. The Company thinks highly of any question and advice raised by the staff, appoints the responsible departments for problem solvings, and follows up to enforce the solutions.

10.3.6 Safety Guarantee

The staff is the most valuable asset of the Company. To protect safety and health of the staff is the most fundamental responsibility for the Company. Pursuant to the guideline of “Safety First, Prevention First and Comprehensive Governance”, the Company sticks to the people-oriented principle and places values of life above all. The safety leadership group is the supreme body responsible for safe operation of the Company. The Company has passed relevant rules and specifications, including *Safety and Security Regulations of CITIC Securities Company Limited*, *Fire Control Regulations of CITIC Securities Company Limited*, *CITIC Securities, Tower (Beijing) Comprehensive Emergency Response Plan of CITIC Securities Company Limited*, *CITIC Securities Tower (Beijing) Special Emergency Response Plan and On-site Action Plan of CITIC Securities Company Limited* and other to assure a safe work environment for the staff. In the meantime, the safety leadership group leads relevant departments to lay a solid foundation for safety, identifies and eliminates any hidden problems timely so as to do a good job in various safety guarantee works.

To assure effective safety management and universal coverage of safety responsibilities, the Company requires all new recruits to pass the safety knowledge examination and sign *Security and Fire Control Responsibility Statement of CITIC Securities Company Limited*. In 2017, the Company deployed company-wide high-rise building fire control measures, built central fire control room, central security control room and micro fire control station, organized fire control drills and emergency response trainings and strengthened various security measures. Moreover, the Company routinized security inspection, checked the fire and electricity safety of each floor, room and work station on a monthly basis, cleared away any material blocking the fire exits timely and assured safety and health of the staff.

The Company engages a qualified service provider every year to maintain more than 1,600 extinguishers, 1,500 smoke sensors, 193 hydrants, 116 manual alarm bells, 48 positive pressure air inlets, 68 air outlets and 356 cameras, to make sure all security and fire control devices are at their optimal running state. To upgrade fire control devices at key places, the Company has furnished the staff canteen with a kitchen range fire-extinguishing system with enhanced automated features. In 2017, the headquarters of the Company spent a total of more than RMB3,540,000 on security and fire control.

10.3.7 Anti-corruption

The Company always values the construction of honest practices and encourages the staff to practice integrity and self-discipline. The Company is keenly aware that integrity is an invaluable asset. To better maintain such intangible assets, the Company has specified requirements and norms in many documents and internal rules. Meanwhile, the Company recognizes and observes *Several Rules on Honest Practices of Leaders of State-owned Enterprises*, *Rules on Leaders' Reporting of Personal Matters and Opinions on Driving State-owned Enterprises to Carry out Rules on Decisions on "Important Matters, Important Leading Role Appointments and Dismissals, Important Project Arrangements and Use of Significant Fund"*, and always stays true to the requirements of the CPC Central Committee, the State Council and the CSRC for honest practices of the industries and jobholders.

In 2017, the Company continued to explore the integrity risk prevention and control system and to enforce policies and rules designed to prevent bribery, blackmail, fraud and money laundering, and punished all non-compliances and malpractices. *The Employee Handbook of CITIC Securities Company Limited*, *Compliance Rules of CITIC Securities Company Limited* and *Employee Compliance Standards of CITIC Securities Company Limited* clearly state that "Integrity, Honesty and Compliance with Laws" are the code of conduct and professional ethics the staff must respect. The Company has released the *Anti-money Laundering Risk Self-Evaluation System of CITIC Securities Company Limited* and brought all products and business lines under money-laundering risk evaluation. With respect to the brokerage business, the Company has drafted *Operational Guidelines for Anti-money Laundering Blacklist Screening System of CITIC Securities Company Limited* and revised *Anti-money Laundering Guidelines for Brokerage Business of CITIC Securities Company Limited* by taking into account the checklist of key points provided by the regulators, for all branches and business units to refer to in their anti-money laundering routines. In 2017, the Company amended *Measures for Addressing Non-compliances and Malpractices of the Staff of CITIC Securities Company Limited* to better fulfill honest practices and punish non-compliances and malpractices.

The Company held any employee committing non-compliance and malpractice liable and created an environment positive to honest and integrity practices. To tighten supervision and constraints, foster honest practices and heighten awareness of integrity, the Company has formed the Department of Supervision to take charge of relevant matters and has delivered satisfactory results. The Company uses the system to detect investment in securities and part-time jobs of the staff and addresses illegal and promise-breaking investments and part-time jobs circumstantially. The Company also had the staff at the headquarters take the compliance test via the online learning system. Moreover, the Company gave lectures on *Honest Practices and Requirements*, gave out Q&A on honest practices, organized knowledge contests themed "required knowledge and skills", and had leaders sign the *Commitment to Honest Practices*, with a view to instruct the staff to learn the laws, know the boundary, abide by rules and respect honest practices.

10.4 Care for the Environment

Sustainability has become a global topic. As a financial service provider, the Company has no material negative impact on natural resources and the environment. Emissions by the Company mainly include nitrogen oxide, sulfur dioxide and greenhouse gases from fuel consumed by vehicles, and indirect greenhouse gases emissions caused by electricity consumption in offices. Resource consumption is mainly based on domestic water. In its conduct of business, the Company knows clearly there is an inseparable correlation between business operation and natural environment. With a view to apply the ESG management philosophy to improving its environmental performance and driving sustainable growth, the Company shows the initiative to put into practice national policies and requirements of energy saving and environmental protection, reduce the consumption of resources and energy and emission of pollutants, and minimize negative impact of its activities on the environment.

To strengthen ESG management, the Company always abides by *the Environmental Protection Law of the People's Republic of China*, *the Energy Saving Law of the People's Republic of China* and *the Comprehensive Energy Saving and Emission Reduction Plan For the 13th Five-Year Plan Period* released by the State Council among other important laws and regulations and national policies and requirements, carries out and perfects green operation policies and applies a combination of measures to save energy and reduce emissions.



10.4.1 Green Office

The Company practices the green office concept in its daily management including use of water, electricity, gasoline, natural gas in canteen and office paper, makes energy-consuming equipment in buildings more environment-friendly, optimizes the arrangement of facilities to minimize unnecessary resource wastage and improves energy efficiency and resource performance systematically. It is required to save electricity consumed in illumination, ban installing or changing electric wire without permission, set air-conditioners in public space to a proper temperature, save water in toilets, forbid use of company-owned vehicles for personal purpose, and encourage paperless office. The headquarters and all subsidiaries have taken concrete actions to save energy and reduce emission, inclusive of but not limited to:

- Use energy-saving lights, increase the frequency of automatic closing of office lighting during nighttime, change the number of power-consuming equipment running at weekends such as the drinking water system and elevators operations;
- Remodel the cooling mode of the switching room to shorten running hours of air-conditioners, and implement a weekend air-conditioner application system to control use of air-conditioners at weekends;
- Sort and dispose of recyclable and non-recyclable waste separately and reuse recyclable waste such as paper, old books and magazines, boxes and accessories, and put waste that may cause pollution in enclosed containers;
- Install water-saving faucets to control water flow and install faucets to water pipes so as to turn it off anytime; meanwhile, recycle water and use water-saving irrigation methods such as spray, micro irrigation and dripping; check water supply facilities regularly, write down water meter readings, conduct special analysis via data statistics and optimize management; repair the pipeline timely if any exception is discovered;
- Increase green area, plant trees in the surroundings and increase green belts on road sides.

These environmental protection measures can make office consumption of energy and resources more efficient and meanwhile reduce emissions.

Environmental performance:

Data statistics of emissions and consumption of energy and resources in the report cover CITIC Securities, CITIC Futures, China AMC and GoldStone Investment at the headquarters level.

Table 1 Emissions¹

Indicator	Data in 2017
Total emission of greenhouse gases (category 1 and category 2) (ton) ²	24,825.78
Direct emission (category 1) (ton)	729.18
Natural gas	613.73
Gasoline	102.97
Diesel	12.48
Indirect emission (category 2) (ton)	24,096.60
Electricity	24,096.60
Hazardous waste (ton) ³	1.52
Non-hazardous waste (ton) ⁴	42.58

¹ Based on the business characteristics of CITIC Securities, main emissions are greenhouse gases produced by electricity and fuel converted from fossil fuel into.

² Greenhouse gases include carbon dioxide, methane and nitrous oxide, and are mainly produced by electricity purchased and fuel. Greenhouse gas emission is stated as carbon dioxide equivalent and measured according to *Baseline Emission Factors for Regional Power Grids in China (2015)* released by National Development and Reform Commission of the PRC and *IPCC Guidelines for National Greenhouse Gas Inventories (2006)* unveiled by the Intergovernmental Panel on Climate Change (IPCC).

³ CITIC Securities produces hazardous waste including used toner cartridges, ink cartridges and fluorescent tubes.

⁴ CITIC Securities produces non-hazardous waste including office garbage and used electronic devices. Office garbage is disposed of by the office property management company, while used electronic devices are scrapped with permission and collected by recyclers.

Table 2 Energy and Resource Consumption

Indicator	Data in 2017
Total energy consumption (MWh) ⁵	35,633.70
Energy consumption per sqm (MWh/sqm) ⁶	0.27
Direct energy emission (MWh)	3,501.65
Natural gas	3,062.34
Gasoline	391.82
Diesel	47.49
Indirect energy emission (MWh)	32,132.05
Electricity	32,132.05
Total water consumption (cubic meter)	138,268.65
Water consumption per sqm (cubic meter/sqm) ⁷	1.05
Tap water ⁸	137,992
Bottled water	276.65
Use of packaging materials (ton) ⁹	1.13

⁵ Total energy consumption is calculated using the consumption of electricity and gasoline and the conversion factor provided in General Principles for Calculation of Total Energy Consumption (GB/T 2589-2008) released by General Administration of Quality Supervision, Inspection and Quarantine of the PRC and Standardization Administration of the PRC.

⁶ Energy consumption per sqm is annual power consumption per sqm of office space.

⁷ Water consumption per sqm is annual water consumption per sqm of office space.

⁸ The tap water tariffs of both Shanghai office of the Company and GoldStone Investment's head office are included in the property management fees so they are unable to be calculated separately and not included in the item of tap water.

⁹ Use of packaging materials is the weight of paper bags used by clients of CITIC Securities.

As a financial service provider, the data center is a major energy consumer of the Company and a key place to practice the green office concept. The data center based in Beijing has combined environmental protection and energy saving factors into its design to fulfill the green office concept. The data center in Beijing was built in 2011, with gross floor area of about 4,000 sqm and electric load of 2,500 kVA. 419 cabinets can be deployed. The data center was designed and constructed to be compliant with the international Tier 4 standards and class-A laboratory

standards of *Electronic Information System Laboratory Design Specifications* (GB50174-2008). Safe running of the data center is assured by two circuit feeding and dual cooler design and operating expenses are reduced by energy-saving measures, including:

- Enclosed cold aisle is applied to make cooling more efficient and minimize the loss incurred by unnecessary cooling.
- A cooling system using chilled water is used to heighten the PUE value and allow the laboratory to run more efficiently.
- Efficient UPS units are deployed to supply power and reduce power loss.

The load factor of the laboratory has reached 70% of the designed rate and the machine has been running free of major incidents for 6 years. The PUE value is about 1.7, indicating efficient running status. Moreover, the Company has laid down rules on electronic waste produced by the data center. Old devices are recycled and stored together; scrapped equipment is auctioned; hazardous wastes such as toner cartridges and ink cartridges are recycled by factories.

10.4.2 Green Travel

The Company advocates a green travel concept in the use of company-owned vehicles and encourages the staff to use the public transit system as much as possible, to gradually reduce reliance on company-owned vehicles. In 2017, the Company followed through *the Reform Plan for the Use of Vehicles Owned by CITIC Group* and continued to practice economy and combat wastage. *Rules on the Management and Use of Vehicles Owned by CITIC Securities Company Limited* specifies the application and approval process, expense accounting and limits governing the use of company-owned vehicles. All company-owned vehicles are furnished with GPS to track everyday use of vehicles in one way, and provide traffic guidance to save gasoline consumption in the other way.

In addition, relevant departments of the Company conducts monthly statistics on fuel consumption of vehicles and forms a quarterly report. The managements analyze the trends of gasoline consumption according to the quarterly report, identify possible causes of above-average consumption in a timely manner and prevent continued resource wastage. For emission standards of vehicles, old and obsolete vehicles are retired and vehicles in use exhaust in compliance with the national requirements. By putting into effect the rules on company-owned vehicles, the Company has significantly lessened the use of company-owned vehicles, and reduced emissions by company-owned vehicles effectively.

10.4.3 Green Procurement

In remodeling and improving the office environment, the Company not only pays attention to environmental protection and health itself, but also requires environmental protection and compliance and applies green procurement in the choice of suppliers and contractors under the condition of equality, impartiality and openness. The Company sets out qualifications of suppliers or contractors at the stage of open bid. For example, bidders must provide proofs of ISO9000 and ISO14000 certified, as well as credentials, balance sheets and business results in the last three years. By reviewing the qualifications and assessing the supply capacity and market position of suppliers and contractors, the Company is able to minimize negative impact on the Company arising from potential environmental and social management risks. On the other hand, environmental protection requirements also apply to products purchased and construction environment companies, mainly reflected in:

- Selection of materials: Materials compliant with national environmental protection standards are used, environmental impact test reports are made available, and examination upon receipt and acceptance test are managed strictly;
- Selection of furniture: Products compliant with national environmental protection standards are used and environmental protection standards higher than the industrial norms apply to main materials such as sheets and wrapping cloth;
- Construction management: Construction projects giving out odors should be done outside the buildings at weekends or during holidays to minimize the impact on the office environment. All newly decorated or remodeled floors should receive air quality test certificate before the use of such buildings;
- Placement of plants: A well-thought-out service plan should be provided and subject to adjustment from time to time depending on floors and areas;

- Preparatory work before move-in: Charcoal bags and scindapsus should be placed in the office, windows should be opened to allow adequate ventilation and special devices should be used to dispel unpleasant smell before move-in.

The Company also attaches importance to the control over suppliers' environmental and social risks in IT procurement. The Company has formulated and implemented *Administrative Measures for Suppliers of the IT Center of CITIC Securities Company Limited*, which defines rules on supplier management process, admission criteria, contract management, day-to-day management, performance assessment and annual review, and supplier risk is managed properly.

The Company prefers leading IT suppliers in actual procurement. In the annual open bid for procurement framework proposal for desktops, laptops and servers, for example, the Company usually picks the top three vendors on the Gartner or IDC ranking. Even so, the Company still requires suppliers to provide quality, safety and environmental friendliness certificates affixed with official stamp, for example, EPEAT, CNAS and quality reliability test (Mean Time Between Failures, MTBF) indicators. By putting into practice these supplier management policies, the Company is able to effectively control potential negative impact on its operation arising from potential environmental and social risks.

10.5 Care for the Community

The Company is a keen supporter of the government's policies and guided by the strategy mapped out by the CPC Central Committee, the State Council and the CSRC about the role of the capital market in poverty alleviation, leverages the advantages of the industry, gives financial support to poverty alleviation, gives play to the role of state-owned enterprises and performs its social responsibilities. Internally, the Company maintains good relations and unblocked communication channels with the staff, listens to their expectations, and makes sure that they work in good mood in a comfortable, healthy and environment-friendly environment.

10.5.1 Poverty Alleviation

The Company responded to the business-to-county poverty alleviation initiative actively and concluded the *Poverty Alleviation Partnership Agreement* with Huichang County, Jiangxi Province on 5 April 2017. The Company tries to lift the disadvantaged area out of poverty by developing industries, giving help to villages in poverty and providing talents.

The Company's business group made several trips to the southern part of Jiangxi Province and Huichang, to do research and give advice on the development of industries unique to this region; the Company has also given a boost to Huichang's investment promotion and economic growth through the meeting platform of various areas. On 15 June 2017, a directly-owned subsidiary of the Company invested 9,990,000 yuan in a fluorine material company of Shilei Group based in Huichang and attracted other investors to join in the RMB108 million equity funding for this company (inclusive of investment of the Company's capital), with a view to assist the invested entity in upgrading its production lines, building up R&D capabilities, expanding production and growing bigger and more competitive.

In support of "targeted poverty alleviation", the Company dispatched some staff members go on three field trips to Xiaying Village, Huichang County, developed a poverty alleviation by solar power program, and donated 2,368,900 yuan to complete phase 1 construction of a 338.42 KW distributed solar power station, at Xiaying Village. The power station is estimated to deliver annual average profit of about 315,000 yuan and 135 disadvantaged families and the village's economy may benefit from it for at least 25 years. In addition, China AMC spent 680,000 yuan on building teachers' dorms and installing teaching devices at the Primary School of Xiaying Village.

In May 2017, the Company dispatched some experts to give lectures on topics relating to capital market to more than 300 audience and added fuel to poverty alleviation at Huichang.

The Company's trade union bought navel oranges from Xiaying villagers (poverty-stricken families) and also purchased some agricultural products from some national-level disadvantaged counties such as Xi County of Shanxi Province, Shulan County of Jilin Province and Maigaiti County of Xinjiang, to protect labor results of local fruit (melon) farmers. To help the sales of agricultural products is an effective means of poverty alleviation. In 2017, the Company purchased pears from Xi County of Linfen, Shanxi Province twice at a total cost of 1,329,400 yuan; in August 2017, the Company spent RMB260,000 on melon bought from Maigaiti County of Xinjiang; in December 2017, the Company paid RMB500,000 for nearly 90,000 kg of navel oranges bought from Huichang County, Jiangxi Province; in December 2017, the Company bought 68,376 kg rice from Shulan, Jilin Province and spent RMB300,000 through the "Quality Product Commune" platform of China Foundation for Poverty Alleviation.

Shenzha County of Naqu, Tibet is another disadvantaged county aided by the Company. In 2017, the Company donated RMB3,103,200 for two kindergartens, located at Kaxiang No. 5 Village and Taerma No. 9 Village. The kindergartens have been completed and passed acceptance check and will be put into use in the spring semester of 2018. To date, the Company has built six village-level kindergartens at Shenzha County. This brings concrete benefits to local herdsmen and their kids.

China AMC donated RMB600,000 to the poverty alleviation program at Fenxi County of Shanxi Province, and together with some other fund firms built one 10 acres “solar power farm” at each of eight villages at Fenxi County, comprising 300 KW solar power station and farm. Each solar power station is estimated to deliver annual profit of about RMB320,000 and each farm can create 20 jobs. This program has realized multiple benefits including “solar power+agriculture+employment”.

CITIC Futures submitted classified poverty alleviation supervision and rating materials to China Futures Association (CFA) and became one of the four best performers recommended by CFA to the CSRC. Poyang County of Jiangxi Province is a disadvantaged county served by CITIC Futures. In January 2017, the first RMB200,000 poverty alleviation grant was received and solved the irrigation problem of nearly 500-mu paddy field directly and provided indirect benefit to nearly 2000 acres paddy field. In November 2017, the Company spent RMB362,000 on 50-mu vegetable greenhouses at Lingcao Village, Poyang Town, Poyang County. On 29 March 2017, CITIC Futures participated in the targeted poverty alleviation program at Yanchang County, Shaanxi Province organized by CFA and signed a *Cooperation Memorandum*. One million yuan was donated to fund the local apple industry. In January 2017, CITIC Futures launched the OTC option mode in Hailun, Heilongjiang Province and invested RMB88,000 in two poverty alleviation programs, to make sure the 2,000-ton corn produced by local farmers is free from the impact of price drops. With its expertise in futures, CITIC Futures also helped disadvantaged regions control agricultural product price risk, including soy bean and rubber. In addition, CITIC Futures donated RMB200 worth of rice and edible oil and RMB200 cash to each poverty-stricken family at Hengpai Village, Fengan Town, Zijin County of Guangdong Province and spent RMB16,800 in total.

10.5.2 Support to Education

The Company gives generous support and help to education in disadvantaged counties. In 2017, the Company donated another RMB300,000 (along with a grant of RMB300,000 from the county government) to Guyuan County, Zhangjiakou, Hebei Province. As a result, each of the 300 poverty-stricken students from three grades received RMB2000 for the year, and they are able to finish high school. China AMC donated RMB200,000 in a lump sum to Yongshou, Changwu, Xunyi and Chunhua counties of Xianyang City, Shaanxi Province to fund the tuition of 100 poverty-stricken students in these “four counties” until they finish high school.

In addition, the Company donated RMB355,000 to Wanrui Dongsheng School at Simen Town, Yuyao, Ningbo City, Zhejiang Province, RMB158,800 to Shagang Shengxiong Hope Primary School at Fenglin Town, Yongjia County, Wenzhou City, Zhejiang Province, and RMB150,000 to the library of Hongchou Middle School, Tiantai County, Zhejiang Province.

Funded by CLSA Chairman Trust Fund, 24 freshmen majoring in computer science coming from poor families have the chance to continue their studies and obtain qualifications for information and communication technology related jobs. The fund is honored to support the dynamic community program in Beijing. In the fifth year, the fund supported the 1.5–5-aged immigrant children development program at four immigrant communities in Beijing and helped these children tap into their full potential; in Hong Kong, the fund provided continued support to Summerbridge, a charity organization and provided free high-quality English education and living skill trainings to poverty-stricken students through two summers’ enhanced courses, weekend and alumni courses, and contributed to improving their education background.

10.5.3 Other Community Investment Activities

The Company has voluntarily joined, with its self-owned capital, in the “Asset-backed Micro Loan Charity Program” launched by CFPA Microfinance, with a view to help the latter activate existing high-quality assets through asset-backed securities and extend micro-loans to farmers. On 25 December 2017, the Company received a Letter of Thanks from China Foundation for Poverty Alleviation and felt that the stakeholder encourages and praises the Company’s contribution to the society.

In 2017, the Company not only made efforts in support of poverty alleviation and education in the name of the Company, but also encouraged the staff to care for the society.

- The Company and its branches and subsidiaries organized four tree planting events and 200-odd persons planted more than 300 trees;

- The Company and its branches and subsidiaries visited more than 60 families and 100 senior and disabled persons, provided free meals to senior persons living alone and conveyed greetings to sanitation workers.

10.5.4 Care for the Staff

The Company appreciates the contribution and efforts made by every staff member. The trade union is the main place where employees may express their ideas and expectations. In 2017, the Company was able to respond to employees' ideas and requirements every quarter.

- In February 2017, the trade union built a "Mummy's Room" for breastfeeding workers. The nursing room is equipped with a fridge, sockets, tables and chairs and dividers and three female employees may breastfeed in it at the same time;
- In March 2017, the trade union and the Company signed the *Group Contract for Protection of Female Workers' Rights and Interests*, to effectively protect female workers' rights and interests;
- In April 2017, as the office was remodeled and redecorated, and the formaldehyde density in some areas might be harmful to the staff. The trade union put 40 highly efficient portable air purifiers in the office and acquired air quality testing device, which has won support and praise from the staff;
- In August 2017, the trade union made available 100 free umbrellas in the lobby so that the staff may use them in rainy days;
- In November 2017, as the northern regions were hit by heavy smog, the trade union bought smog-proof masks to protect physical and mental health of the staff;
- The Company organized varied cultural and physical exercise activities, such as sports meeting, parent-child picking and health lectures, etc.;
- There are 14 clubs, including basketball, football, tennis, badminton, table tennis, fitness, hiking and running. These clubs organized varied activities and compete in athletic games on behalf of the Company. Club members can not only work out but also relieve stress and be cheered up.

Independent Auditor's Report and Notes to Financial Statements

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Independent Auditor's Report

To the Shareholders of CITIC Securities Company Limited
(Incorporated in People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Securities Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 148 to 235, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Consolidation of structured entities
- Valuation of financial instruments held at fair value classified under Level 3 financial instruments
- Impairment assessment of financial assets arising from financing businesses

Goodwill impairment assessment

Refer to note 20 to the consolidated financial statements.

As at 31 December 2017, the carrying amount of goodwill was RMB10,281 million, primarily resulting from the acquisition of China Asset Management Co., Ltd (“China AMC”) (RMB7,419 million) and CITIC Securities International Company Limited’s acquisition of CLSA B.V. (“CLSA”) (RMB1,923 million). As at 31 December 2017, the Group’s accumulated impairment on goodwill was RMB359 million.

Goodwill impairment assessment is performed annually. The impairment assessment relies upon the calculation of recoverable amount for each of the cash generating units (“CGUs”). Management considers China AMC and CLSA as separate CGUs.

In assessing the impairment assessment of the goodwill attributable to China AMC, management used fair value less costs of disposal approach (“FVLCD”) based on key assumptions including the transaction prices arising from recent independent arm’s length transactions of China AMC’s shares, changes in fair value between the date of transaction and that of goodwill impairment assessment, and the cost of disposal.

Management used the value in use approach (“VIU”) to assess CLSA’s recoverable amount by applying a discounted cash flow model (“DCF”) based on key assumptions including revenue growth rate, terminal growth rate and discount rate.

Goodwill impairment assessment was a key area of audit focus due to the significant management judgement was involved in selecting the appropriate key assumptions used in the estimation of these CGU’s recoverable amount, and the amount of any goodwill impairment that may be required.

With respect to China AMC, we involved our internal valuation specialist to assess the reasonableness of the key assumptions used in the impairment assessment of the management, including the transaction prices arising from recent independent arm’s length transactions of China AMC’s shares, changes in the fair value of China AMC’s shares between the date of transaction and that of goodwill impairment assessment, and the cost of disposal.

With respect to CLSA, we compared the key assumptions used in the cash flow forecast against the historical figures, the approved budget and CLSA’s business plans. We also tested the mathematical accuracy of calculation of the cash flow forecast. We involved our internal valuation specialist to assess the reasonableness of the discount rate and terminal growth rate used in the DCF model. Our assessment was based on our knowledge of the business and industry.

Based on the results of our procedures, we found the key assumptions used in the estimation of these CGU’s recoverable amount acceptable.

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation of structured entities

Refer to note 22(g) to the consolidated financial statements.

The Group acts as asset manager for or invests in a number of structured entities.

Management makes significant judgment on whether the Group controls and therefore should consolidate these structured entities.

Management has determined that the Group has control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The controlled structured entities have been consolidated and their total assets were RMB2,927 million as at 31 December 2017.

The significant judgement exercised by management in assessing whether the Group has control of structured entities and the amount of such structured entities included in the consolidated financial statements resulted in this matter being identified as a key area of audit focus.

Valuation of financial instruments held at fair value classified under Level 3 Financial Instruments

Refer to note 54 to the consolidated financial statements.

As at 31 December 2017, the Group's financial instruments include those classified under Level 3 in the fair value hierarchy ("Level 3 Financial Instruments"), which were measured using valuation techniques that involve significant inputs that are not based on observable market data ("unobservable inputs"). Such inputs included liquidity discount and price to book ratio, etc. The amounts of Level 3 financial assets and financial liabilities were RMB9,916 million and RMB5,152 million, respectively.

Valuation of the Level 3 Financial Instruments was a key area of audit focus due to the size of their amounts and the selection of unobservable inputs used in the valuation process which involves significant judgement.

We obtained and read the contracts from the Group's asset management/investment portfolio on a sample basis to assess the extent of power the Group has over its structured entities, the Group's exposure or rights to variable returns from its involvement with its structured entities and the link between the Group's power and returns with respect to structured entities.

We checked the data used in the calculation of the Group's exposure or rights to variable returns from its involvement with the structured entities on a sample basis to the related contracts. We also re-performed management's calculations of the Group's exposure or rights to variable returns.

Based on the procedures performed above, we found management's consolidation judgment relating to these structured entities acceptable.

We evaluated the design and tested the operating effectiveness of the Group's controls over data inputs to the valuation models.

We evaluated the appropriateness of the models used by management for the valuation of Level 3 Financial Instruments by using our knowledge of those used in current industry practice.

We also evaluated on a sample basis the reasonableness and appropriateness of the unobservable and observable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data.

We performed an independent valuation of the Level 3 Financial Instruments on a sample basis.

Based on the results of our procedures performed above, we found the models used and inputs adopted acceptable.

Key Audit Matter

Impairment assessment of financial assets arising from financing businesses

Refer to note 29 and note 32 to the consolidated financial statements.

As at 31 December 2017, the Group's financial assets arising from financing businesses include margin accounts, stock repo, and stock-pledged repo, with a total amount of RMB152,677 million and a total cumulative impairment loss of RMB861 million, of which margin accounts totalled RMB74,286 million, with cumulative impairment losses of RMB304 million and, stock repo and stock-pledged repo totalled RMB78,391 million, with cumulative impairment losses of RMB557 million.

Management assessed whether objective evidence of impairment existed for financial assets arising from financing business at each reporting date. If there was objective evidence of impairment, impairment loss was recognised individually. Management included the remaining portfolios for which impairment had not yet been identified individually in groups of financial assets of similar credit risk characteristics and performed collective assessments.

Impairment assessment of financial assets arising from financing businesses was considered to be a key audit area due to the size of the balance and the significant management judgement involved in assessing impairment.

How our audit addressed the Key Audit Matter

We evaluated the design and tested the operating effectiveness of controls over management's identification of impaired financial assets arising from financing businesses including their regular monitoring of the collateral values.

For impaired financial assets arising from financing businesses, we assessed the market prices of the collateral used for determining the impairment losses.

For collective impairment assessment, we assessed the appropriateness of the model and inputs used by comparing against those used in market practice and the Group's historical loss experience. We also re-performed management's calculations.

Based on the results of our procedures performed above, we found the models used and inputs adopted acceptable.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

(In RMB thousands, unless otherwise stated)

	Notes	2017	2016
Revenue			
Fee and commission income		22,664,650	25,774,772
Interest income	7	12,806,665	11,232,779
Investment income	8	12,713,196	8,265,068
		<u>48,184,511</u>	<u>45,272,619</u>
Other income	9	8,775,208	4,793,901
Total revenue and other income		56,959,719	50,066,520
Fee and commission expenses	10	3,707,615	3,331,110
Finance costs	10	10,402,063	8,884,626
Staff costs	10	12,141,247	11,507,497
Depreciation		502,895	412,933
Tax and surcharges		256,035	796,683
Other operating expenses and costs	10	12,659,372	9,285,133
Impairment losses	13	1,720,760	1,935,390
Total operating expenses		41,389,987	36,153,372
Operating profit		15,569,732	13,913,148
Share of profits and losses of:			
Associates		602,957	349,849
Joint ventures		1,092	(438)
Profit before income tax		16,173,781	14,262,559
Income tax expense	14	4,196,311	3,281,419
Profit for the year		11,977,470	10,981,140
Attributable to:			
Owners of the Parent		11,433,265	10,365,169
Non-controlling interests		544,205	615,971
		<u>11,977,470</u>	<u>10,981,140</u>
Earnings per share attributable to Owners of the Parent (in RMB yuan)			
— Basic	17	0.94	0.86
— Diluted	17	0.94	0.86

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(In RMB thousands, unless otherwise stated)

	2017	2016
Profit for the year	11,977,470	10,981,140
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets:		
Changes in fair value	905,011	(18,628)
Income tax effect on changes in fair value	(237,376)	(265,111)
Gains transferred included in the consolidated statement of profit or loss, net	168,626	(1,635,521)
	836,261	(1,919,260)
Share of other comprehensive income of associates and joint ventures	(13,997)	2,760
Exchange differences on translation of foreign operations	(1,040,830)	1,097,164
Other	(1,900)	653
	(220,466)	(818,683)
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods	—	—
Other comprehensive income for the year, net of tax	(220,466)	(818,683)
Total comprehensive income for the year	11,757,004	10,162,457
Attributable to:		
Owners of the Parent	11,352,579	9,599,527
Non-controlling interests	404,425	562,930
	11,757,004	10,162,457

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

(In RMB thousands, unless otherwise stated)

	Notes	31 December 2017	2016
Non-current assets			
Property, plant and equipment	18	8,264,559	3,923,261
Investment properties	19	871,554	68,148
Goodwill	20	10,280,937	10,406,169
Land-use rights and intangible assets	21	3,447,332	3,819,579
Investments in associates	23	8,580,336	3,974,954
Investments in joint ventures	23	5,212	(1,103)
Available-for-sale financial assets	24	28,194,717	32,555,328
Financial assets designated as at fair value through profit or loss	25	8,503,392	6,420,607
Refundable deposits	26	972,410	1,600,050
Deferred income tax assets	27	3,384,952	2,810,853
Other non-current assets	28	3,570,271	3,721,505
Total non-current assets		76,075,672	69,299,351
Current assets			
Fee and commission receivables		1,487,197	1,373,917
Margin accounts	29	73,982,611	65,021,193
Available-for-sale financial assets	24	31,032,215	52,323,177
Financial assets held for trading	30	158,448,546	146,281,767
Financial assets designated as at fair value through profit or loss	25	11,201,565	6,916,578
Derivative financial assets	31	5,900,795	3,780,358
Reverse repurchase agreements	32	114,592,030	59,175,083
Other current assets	33	26,164,534	26,677,603
Cash held on behalf of customers	34	92,386,338	129,876,778
Cash and bank balances	35	34,303,141	36,713,034
Total current assets		549,498,972	528,139,488
Current liabilities			
Customer brokerage deposits	36	99,854,891	134,397,672
Derivative financial liabilities	31	13,301,231	2,576,591
Financial liabilities held for trading	37	8,165,114	3,978,222
Financial liabilities designated as at fair value through profit or loss	38	37,825,239	20,371,974
Repurchase agreements	39	111,619,927	121,414,243
Due to banks and other financial institutions		9,835,000	19,550,000
Taxes payable	40	1,793,376	2,432,708
Short-term loans	41	5,991,451	3,479,478
Short-term financing instruments payable	42	33,537,839	21,346,230
Other current liabilities	43	67,770,364	42,396,333
Total current liabilities		389,694,432	371,943,451
Net current assets		159,804,540	156,196,037
Total assets less current liabilities		235,880,212	225,495,388

	Notes	31 December 2017	2016
Non-current liabilities			
Debt instruments issued	44	77,641,633	69,752,175
Deferred income tax liabilities	27	2,632,211	1,565,744
Long-term loans	45	1,084,900	1,114,188
Financial liabilities designated as at fair value through profit or loss	38	461,417	6,868,128
Other non-current liabilities	46	917,492	406,483
Total non-current liabilities		82,737,653	79,706,718
Net assets		153,142,559	145,788,670
Equity			
Equity attributable to Owners of the Parent			
Share capital	47	12,116,908	12,116,908
Reserves	48	85,675,151	83,386,746
Retained earnings		52,006,987	47,192,292
		149,799,046	142,695,946
Non-controlling interests		3,343,513	3,092,724
Total equity		153,142,559	145,788,670

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

Approved and authorised for issue by the Board of Directors on 22 March 2018.

ZHANG Youjun
Chairman

YANG Minghui
Executive Director and President

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the Parent									
	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2017	12,116,908	54,462,051	7,812,711	18,796,701	1,215,190	1,100,093	47,192,292	142,695,946	3,092,724	145,788,670
Profit for the year	—	—	—	—	—	—	11,433,265	11,433,265	544,205	11,977,470
Other comprehensive income for the year	—	—	—	—	916,698	(997,384)	—	(80,686)	(139,780)	(220,466)
Total comprehensive income for the year	—	—	—	—	916,698	(997,384)	11,433,265	11,352,579	404,425	11,757,004
Dividend — 2016	—	—	—	—	—	—	(4,240,918)	(4,240,918)	—	(4,240,918)
Appropriation to surplus reserve	—	—	351,859	—	—	—	(351,859)	—	—	—
Appropriation to general reserve	—	—	—	2,030,226	—	—	(2,030,226)	—	—	—
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	—	—
— Capital contribution by equity holders	—	—	—	—	—	—	—	—	—	—
— Others	—	(12,994)	—	—	—	—	4,433	(8,561)	9,431	870
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(163,067)	(163,067)
At 31 December 2017	12,116,908	54,449,057	8,164,570	20,826,927	2,131,888	102,709	52,006,987	149,799,046	3,343,513	153,142,559

	Attributable to owners of the Parent									
	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2016	12,116,908	54,453,478	7,524,925	17,174,481	3,100,360	(19,435)	44,787,070	139,137,787	2,599,311	141,737,098
Profit for the year	—	—	—	—	—	—	10,365,169	10,365,169	615,971	10,981,140
Other comprehensive income for the year	—	—	—	—	(1,885,170)	1,119,528	—	(765,642)	(53,041)	(818,683)
Total comprehensive income for the year	—	—	—	—	(1,885,170)	1,119,528	10,365,169	9,599,527	562,930	10,162,457
Dividend — 2015	—	—	—	—	—	—	(6,058,454)	(6,058,454)	—	(6,058,454)
Appropriation to surplus reserves	—	—	287,786	—	—	—	(287,786)	—	—	—
Appropriation to general reserve	—	—	—	1,821,842	—	—	(1,821,842)	—	—	—
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	102,331	102,331
— Capital contribution by equity holders	—	—	—	—	—	—	—	—	102,331	102,331
— Others	—	8,573	—	—	—	—	8,513	17,086	(11,033)	6,053
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(160,815)	(160,815)
Others	—	—	—	(199,622)	—	—	199,622	—	—	—
At 31 December 2016	12,116,908	54,462,051	7,812,711	18,796,701	1,215,190	1,100,093	47,192,292	142,695,946	3,092,724	145,788,670

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(In RMB thousands, unless otherwise stated)

	2017	2016
Cash flows from operating activities		
Profit before income tax	16,173,781	14,262,559
Adjustments for:		
Financing interest expense	5,744,497	4,154,711
Share of profits and losses of associates and joint ventures	(604,049)	(349,411)
Dividend income and interest income from available-for-sale financial assets	(2,399,041)	(2,657,596)
Net gains on disposal of available-for-sale financial assets	(4,855,536)	(4,036,298)
Net gains on disposal of property, plant and equipment and other assets	(737)	1,575
Gains on disposal of subsidiaries	(564,034)	—
Gains on disposal of associates and joint ventures	(192,971)	(87,261)
Fair value gains on financial instruments measured at fair value through profit or loss	(842,716)	1,413,026
Depreciation	521,992	415,706
Amortisation	478,202	476,258
Impairment on available-for-sale financial assets	478,162	1,624,307
Impairment on other assets	1,242,598	311,083
	<u>15,180,148</u>	<u>15,528,659</u>
Net decrease/(increase) in operating assets		
Financial assets held for trading	(7,269,065)	(23,550,316)
Cash held on behalf of customers	37,490,441	13,677,118
Other assets	(59,043,614)	(10,015,618)
	<u>(28,822,238)</u>	<u>(19,888,816)</u>
Net increase/(decrease) in operating liabilities		
Customer brokerage deposits	(34,487,173)	(17,107,022)
Repurchase agreements	(9,794,316)	(6,374,293)
Other liabilities	(4,884,342)	(2,164,214)
	<u>(49,165,831)</u>	<u>(25,645,529)</u>
Net cash inflow/(outflow) from operating activities before tax	<u>(62,807,921)</u>	<u>(30,005,686)</u>
Income tax paid	<u>(3,894,692)</u>	<u>(5,709,486)</u>
Net cash inflow/(outflow) from operating activities	<u><u>(66,702,613)</u></u>	<u><u>(35,715,172)</u></u>

	Notes	2017	2016
Cash flows from investing activities			
Dividend income and interest income received from available-for-sale financial assets		2,431,849	2,680,213
Net cash flow from purchases, leases and sales of items of property, plant and equipment and other assets		(391,818)	(574,497)
Net cash flow from disposal of subsidiaries	22(e)	1,476,492	—
Net cash flow from business combination	22(d)	(373,657)	—
Net cash flow from investments in associates and joint ventures		(372,937)	469,467
Net cash flow from disposal or purchase of available-for-sale financial assets		25,502,793	7,363,233
Other cash flows from investing activities		—	(761)
Net cash inflow/(outflow) from investing activities		28,272,722	9,937,655
Cash flows from financing activities			
Cash inflows from financing activities		9,025	1,778,008
Cash inflows from borrowing activities		7,516,209	4,431,532
Cash inflows from issuing bonds		153,136,691	83,556,014
Payment of debts		(111,752,066)	(86,887,050)
Dividends and interest expense		(8,494,473)	(10,832,718)
Other cash outflows from financing activities		(2,930,203)	(44,324)
Net cash (outflow)/inflow from financing activities		37,485,183	(7,998,538)
Net (decrease)/increase in cash and cash equivalents		(944,708)	(33,776,055)
Cash and cash equivalents at the beginning of the year		33,230,355	65,670,756
Effect of exchange rate changes on cash and cash equivalents		(1,346,692)	1,335,654
Cash and cash equivalents at the end of the year	49	30,938,955	33,230,355
Cash and bank balances	35	34,303,141	36,713,034
Less: Restricted funds	35	3,364,186	3,482,679
Cash and cash equivalents		30,938,955	33,230,355

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(In RMB thousands, unless otherwise stated)

1. CORPORATE INFORMATION

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

According to a resolution relating to the issue and listing of H Shares in Hong Kong passed in the first extraordinary general meeting of shareholders in 2011, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities” (CSRC [2011] No.1366) issued by the CSRC, the Company conducted its initial public offering of overseas-listed foreign shares (“**H shares**”) from September to October 2011. Under this offering, the Company offered a total of 1,071,207,000 H shares (including over-allotment of 75,907,000 H shares) with a nominal value of RMB1.00 per share. As at 31 December 2011, the total share capital of the Company increased to RMB11,016,908,400.00. The capital increase has been verified by Ernst & Young Hua Ming according to the capital verification report of Ernst & Young Hua Ming Yan Zi (2011) 60469435_A09.

According to a resolution relating to the additional issuance and listing of H shares in Hong Kong passed in the first extraordinary general meeting of the shareholders in 2015, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities the Approval relating to Additional Issuance of Overseas Listed Foreign Shares of CITIC Securities Company Limited (CSRC [2015] No. 936)” issued by the CSRC, on 23 June 2015, the Company completed its additional issuance and listing of H shares in Hong Kong. Under this offering, the Company offered a total of 1,100,000,000 H shares with offering price of HKD 24.60 per share. As at 31 December 2015, the total share capital of the Company increased to RMB12,116,908,400.00. The capital increase has been verified by PricewaterhouseCoopers Zhong Tian Yan Zi (2015) No.748.

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as issued by the International Accounting Standards Board (“**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

These 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.

Standards, amendments and interpretations effective in 2017

The following amendments are relevant to the Group and have been adopted by the Group for the first time during the financial year ended 31 December 2017.

- | | | |
|-----|-----------------------|---|
| (1) | Amendments to IAS 12 | Income Taxes |
| (2) | Amendments to IAS 7 | Statement of Cash Flows |
| (3) | Amendments to IFRS 12 | Disclosure of Interests in Other Entities –included in the Annual Improvements to IFRSs 2014 – 2016 cycle |

(1) Amendments to IAS 12 – Income Taxes

The IASB has issued amendments to IAS 12 – Income Taxes. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

(2) Amendments to IAS 7 – Statement of Cash Flows

The IASB has issued an amendment to IAS 7 – introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

(3) Amendments to IFRS 12: Disclosure of Interests in Other Entities –included in the Annual Improvements to IFRSs 2014 – 2016 cycle

These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interests which are classified as held for sale or discontinued operations in accordance with IFRS 5.

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

Relevant Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2017

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

			Effective for annual periods beginning on or after
(1)	Amendments to IAS 28	Investments in Associates and Joint Ventures to IFRSs included in the Annual Improvements 2014–2016 cycle	1 January 2018
(2)	IFRS 9	Financial Instruments	1 January 2018
(3)	Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2018
(4)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(5)	IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
(6)	Amendments to IAS 40	Transfer of Investment Property	1 January 2018
(7)	Amendments to IFRSs and IASs	IASB Annual Improvements 2015–2017 cycle	1 January 2019
(8)	IFRS 16	Leases	1 January 2019
(9)	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
(10)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

(1) Amendments to IAS 28: Investments in Associates and Joint Ventures to IFRSs included in the Annual Improvements 2014 – 2016 cycle

These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment - by - investment basis, upon initial recognition. The adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(2) *IFRS 9: Financial Instruments*

“IFRS 9 Financial Instruments” introduces new rules for the classification, measurement and derecognition of financial assets and financial liabilities; the main impact for the Group includes the classification, measurement for financial assets and financial liabilities also the impairment for financial assets. According to the provisions for the transition from IAS 39, companies should retrospectively adjust the retained earnings or other comprehensive income from 2018 in which the standard is adopted without restating the comparative figures of the prior periods for the effect of the changes to classification and measurement and impairment of financial assets.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity’s business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss, fair value through other comprehensive income (FVOCI) or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

The Group has assessed the impacts from the adoption of the new standard on 1 January 2018 as follows:

The majority of the Group’s investment in debt instruments that are currently classified as available-for-sale financial assets with the contractual cash flow characteristics that are solely payments of principal and interests and held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets will be classified under FVOCI.

The Group’s equity instruments, fund investments and other investments that are currently classified under available-for-sale financial assets will be classified under financial assets at fair value through profit or loss under IFRS 9.

Financial assets currently measured at fair value through profit or loss will continue to be measured on the same basis under IFRS 9.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (“ECL”) model, as opposed to an incurred credit loss model under IAS 39. The impairment requirements apply to financial assets measured at amortized cost and debt instruments financial assets measured at FVOCI. The model has three stages: (1) on initial recognition, a loss allowance is recognized and maintained equal to 12 months of ECL excludes assets with impairment loss; (2) if credit risk increases significantly relative to initial recognition, the loss allowance is increased to cover full lifetime ECL; and (3) when a financial asset is considered credit-impaired, the loss allowance continues to reflect lifetime ECL and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Changes in the required loss allowance, including the impact of movement between 12 months and lifetime expected credit losses, will be recorded in profit or loss.

The adoption of IFRS 9 is not expected to have a significant impact on the net assets of the Group as at 1 January, 2018.

(3) *Amendments to IFRS 9: Prepayment Features with Negative Compensation*

In October 2017, the IASB amended IFRS 9 by issuing Prepayment Features with Negative Compensation, which confirmed with modifications the proposals in the 2017 Negative Compensation Exposure Draft. As a result of those amendments, particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of the contract are eligible to be measured at amortised cost or at FVOCI. The adoption of this new standard will not have a significant impact on the Group’s consolidated financial statements.

(4) *IFRS 15: Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes’ to an ‘asset-liability’ approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The Group anticipates that the adoption of this new standard will not have a significant impact on the Group’s consolidated financial statements.

(5) *IFRIC 22: Foreign Currency Transactions And Advance Consideration*

The IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration, to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

(6) *Amendments to IAS 40: Transfer of Investment Property*

On 8 December 2016, the IASB issued amendments to IAS 40 – Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred. They also clarify that the list of circumstances set out in IAS 40 is non exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(7) *Amendments to IFRSs and IASs: Annual Improvements to IFRSs 2015 – 2017 cycle*

The Annual Improvements to IFRSs 2015 — 2017 Cycle include a number of amendments to various IFRSs and IASs, including the amendments IFRS 3 — Business combinations, the amendments to IFRS 11 — Joint arrangements, the amendments to IAS 12 — Income taxes, the amendments to IAS 23 — Borrowing costs. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(8) *IFRS 16: Leases*

IFRS 16 — Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or of short lease, in the statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the consolidated income statement, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statement of cash flows.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The standard will affect primarily the accounting for the Group's operating leases when the Group is the lessee. As at 31 December 2017, for the Group's non-cancellable operating lease commitments, refer to Note 52 Commitments and Contingent Liabilities. The Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

(9) *IFRIC 23: Uncertainty Over Income Tax Treatments*

In December 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group anticipates that the adoption of this interpretation will not have a significant impact on the Group's consolidated financial statements.

(10) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries for the year ended 31 December 2017. The financial statements of the subsidiaries are prepared for the same reporting period as the Company (also referred to as the “**Parent**”), using consistent accounting policies.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group’s share of components previously recognised in other comprehensive income (OCI) to profit or loss or retained profits, 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 statement of profit or loss and within equity in the consolidated statement of financial position separately from the equity attributable to owners of the parent. An acquisition of non-controlling interests is accounted for as an equity transaction.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Cash and cash equivalents

Cash 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. The recording currency of the Company’s subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. All differences are taken to the statement of profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s overseas operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates that approximate the exchange rates of the date of the transaction. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognised in OCI and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows.

The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(3) Financial instruments

Financial instruments are contracts which become one enterprise's financial assets, at the same time become other enterprises' financial liabilities or equity 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 instrument (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised, which means to derecognise a financial asset or financial liability from the account and statement of financial position of the Group when:

- (i) the rights to receive cash flows from the assets have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and (a) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

All regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Trade date is the date that the Group commits to purchase or sell the financial instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

When the Group has made substantial modifications to a part of the contract terms of an existing financial liability, the relevant portion of the existing financial liability is derecognised, while the financial liability under modified terms is recognised as a new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) shall be recognised in profit or loss.

If the Group repurchases a part of a financial liability, the Group shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the part derecognised shall be recognised in profit or loss.

(b) Classification and measurement of financial instruments

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss, which are recognised initially at fair value.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities at fair value through profit or loss are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement of financial instruments depends on their classification as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include financial assets and financial liabilities held for trading, and financial assets and financial liabilities designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is acquired for the purpose of sale or repurchase in the near term. Derivatives are also classified as held for trading except for the derivative that is a financial guarantee contract or a designated effective hedging instrument.

Such financial instruments are subsequently measured at fair value. Gains or losses arising from the difference between fair value and previous carrying amount are recognised in profit or loss as investment income or losses. Realised gains or losses upon disposal of held-for-trading financial assets are recognised as investment income or losses. Dividends and interest accrued during the holding period from financial assets measured at fair value through profit or loss are recognised as investment income.

Financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the following criteria are satisfied:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on different bases;
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to key management personnel;
- Hybrid instruments containing one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear with little or no analysis that the embedded derivative(s) would not be separately recorded;
- Hybrid instruments containing embedded derivatives which need to be separated but cannot be separately measured on acquisition date or subsequent balance sheet date.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, quoted in active markets, with fixed or determinable payments and a fixed maturity, which the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates or coupon rates and effective interest rates, held-to-maturity investments are measured at amortised cost using the contractual interest rates or coupon rates.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates and effective interest rates, loans and receivables are measured at amortised cost using the contractual interest rates. When loans and receivables are collected, differences between the amount received and the carrying amount are recognised as profit or loss in the consolidated statement of profit or loss.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are subsequently measured at fair value. When the fair value of an equity investment classified as available-for-sale financial assets cannot be reliably measured, they are carried at cost. When available-for-sale financial assets are disposed of, the difference between the consideration received plus cumulative gains or losses previously recorded in OCI and accumulated in equity arising from changes of fair value and the carrying amount are recognised as investment income or losses.

(v) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified or designated as financial liabilities at fair value through profit or loss. Other liabilities are subsequently measured at amortised cost using the effective interest rate method.

(vi) Reclassification of financial assets

When the Group changes its intention over the held-to-maturity investments, they are reclassified as available-for-sale financial assets. If the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, it shall reclassify any remaining held-to-maturity investments as available-for-sale financial assets, and shall not classify any financial assets as held to maturity during the current and the two subsequent financial years.

(c) *Fair value of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(d) *Impairment of financial assets*

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired and impairment allowance shall be made. The objective evidence of impairment is a result of one or more events that occurred after the initial recognition of financial assets and has an impact on the estimated future cash flows of the financial assets that can be reliably measured.

(i) Financial assets carried at amortised cost

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The loss is recognised in profit or loss. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition), and the value of collaterals should be considered.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence of impairment, the impairment loss is recognised in the profit or loss. The Group performs a collective assessment for impairment for all other financial assets that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account and recognising the decrease in impairment loss in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

For impairment of financial assets arising from financing business (including margin financing and securities lending, stock repo, stock-pledged repo), refer to Note 4.

(ii) Available-for-sale financial assets

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss recognised in OCI is reclassified from OCI to profit or loss and is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Generally, a significant or prolonged decline in the fair value of an equity instrument is an indicator of impairment in such investments where a decline in the fair value of equity instrument below its initial cost by 50% or more; or fair value below cost for one year or longer, upon which circumstances impairment loss is recognised.

For the Company’s specific investment managed by China Securities Finance Corporation Limited, considering the purpose and special features of this investment, including the investment and divestment decision-making processes, and with reference to the industry practice, the decline is considered significant or prolonged when a decline in the fair value of such investment is below its initial cost by 50% or more; or fair value is below cost for 36 months or longer, upon which circumstances an impairment loss is recognized.

Impairment losses of available-for-sale equity instruments are not reversed through profit or loss. Increases of their fair value after the impairment are recognised directly in OCI.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed through profit or loss.

If there is objective evidence that an available-for-sale equity investment which is measured at cost is impaired, the difference between the carrying amount of a financial asset and the present value of the future cash flows discounted at the prevailing market rate of return for a similar financial asset, is recognised as an impairment loss through profit or loss. Such impairment losses are not reversed once recognised.

(e) *Derivative financial instruments*

The Group uses derivatives, such as foreign currency contracts, interest rate swaps, contracts of stock index and contracts for difference to hedge its foreign currency risk, interest rate risk and stock price risk, respectively. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including the discounted cash flow analysis and option pricing models, as appropriate. Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are applied to the Group’s over-the-counter derivatives to reflect the credit risk of the counterparties and the Group itself, respectively.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(4) Allowance for doubtful accounts

(a) Individual significant accounts receivable that assess allowance on an individual basis

The allowances for significant accounts receivables are assessed individually. Impairment loss is recognised in profit or loss when there is objective evidence that an account receivable is impaired.

(b) Accounts receivable that assess allowance on a collective basis

The Group categorises accounts receivable into different portfolios based on ageing as similar credit risk characteristic and collectively assesses them for impairment. Allowance for accounts receivables and other receivables is recognised based on aging analysis and historical loss experience.

(5) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin accounts at initial recognition, and recognises interest income accordingly. Securities lent are not derecognised, but still accounted for as the original financial assets, and interest income is recognised accordingly.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(6) Reverse repurchase agreements and repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. The corresponding liability is included in repurchase agreements.

Consideration paid for financial assets held under agreements to resell are recorded as reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognised through profit or loss.

(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 off balance sheet accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(8) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

(9) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

(10) Joint ventures

Joint ventures are all entities over which the Group has joint control. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition results and reserves of joint ventures is included in the consolidated statement of profit or loss and reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures.

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

The Group's investment properties are accounted for using cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment. The land use rights are accounted for using the same amortization method as those for intangible assets.

When an investment property is transferred to owner-occupied property, it is reclassified to property, plant and equipment with the carrying amount determined at the carrying amount of the investment property at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the property, plant and equipment is transferred to investment properties with the carrying amount determined at the carrying amount at the date of the transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of profit or loss.

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment comprise buildings, transportation vehicles and electronic devices that the Group expects to use for more than one year and other tangible assets that are expected to be used for more than one year and the unit costs of which are greater than RMB2,000.

(b) *Property, plant and equipment initially measured at cost*

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees. The cost of a self-constructed asset comprises all costs incurred before the asset is ready for its intended use.

Subsequent expenditure incurred for the property and equipment is included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably, while the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is calculated on the straight-line basis.

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property, plant and equipment	Estimated useful lives	Monthly depreciation rate	Estimated residual value rate
Properties and buildings	35 years	0.2262%	5%
Electronic devices	2–5 years	1.667%–4.167%	—
Transportation vehicles			
— Leased out	(i)	(i)	(i)
— Others	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	—
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

- (i) Transportation vehicles that are leased out under operating lease represent aircraft and cargo vessel. The Group determines the useful lives and depreciation method according to conditions of aircraft and cargo vessel. Among transportation vehicles, the estimated useful lives of cargo vessel is 20 years, and the estimated residual value is determined based on the expected steel scrap price upon disposal; the estimated useful lives of aircraft is 25 years with a monthly depreciation rate of 0.283%, and the estimated residual value rate is 15% of its original cost.

The years that property, plant and equipment were already in use upon purchase were excluded when determining the estimated useful lives of these types of property, plant and equipment. The estimated useful lives, the estimated residual value rate and the depreciation method of each type of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value rate.

(c) *Impairment of property, plant and equipment*

The Group assesses whether there is any indication that assets are impaired at each financial reporting date. When any such indication exists, the Group estimates the recoverable amount. When recoverable amounts of assets are lower than carrying amounts, the Group decreases the carrying amount to recoverable amount, the decreased amount recognized in the consolidated income statements.

An impairment loss recognized for property, plant and equipment is not reversed in subsequent periods.

(d) *Disposal of property, plant and equipment*

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized through profit or loss.

(e) *Construction in progress*

Costs of construction in progress are determined based on the actual expenditure incurred which include all necessary expenditure incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

(13) *Land-use rights and intangible assets*

(a) *Land-use rights*

Land-use rights acquired by the Group are amortised over the period that is confirmed by the land use permit.

(b) *Intangible assets*

Intangible assets are recognised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item shall be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognised as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortised on a straight-line basis over the useful period. The useful lives and amortisation method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Software acquired by outsourcing shall be amortised over 5 years. The self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets shall be amortised over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

The internal research and development expenses are classified as research phase expense and development phase expense. Expenditure on research phase of an internal project shall be recognised as an expense when it is incurred. Development phase expense can be capitalised only an entity can demonstrate all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) its intention to complete the intangible asset and use or sell it.
- (iii) its ability to use or sell the intangible asset.
- (iv) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The development phase expenses that do not meet above conditions shall be recognised in profit or loss when incurred.

(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 when management services are provided in accordance with the asset management contract.

Interest income from the Group's interest-earning financial assets is recognised as "Interest income" in the profit or loss by using the effective interest method. Contractual interest rates will be applied if there are no significant differences between the effective interest rates and the contractual interest rates.

Dividend income is recognised when the Group's right to receive payment has been established.

Revenues from other businesses are recognised on the basis of when the contractual obligations are fulfilled.

(15) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using balance sheet liability method according to the temporary difference between the carrying amount of an asset or liability at the end of the reporting period and its tax base, and the temporary difference between the carrying amount of an item not recognised as an asset or liability at the end of the reporting period and its tax base.

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

- (i) 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
- (ii) 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: 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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(16) *Employee compensation*

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group.

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 profit or loss as incurred.

All eligible employees outside Mainland China participate in these local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

(17) *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognised at nominal amount.

Government grants for purchasing, building or developing long-term assets in other methods regulated in government documents are recognised as government grants related to assets. Judgments should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or developing long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the remaining type of grants are related to income.

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released to profit or loss during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognised into profit or loss directly. Government grants related to assets are recognised as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded into profit or loss directly.

(18) *Leases*

Lease income from operating leases is recognised in income on a straight-line basis over the period of the lease.

(19) *Inventories*

Inventories are recognised at cost for initial recognition. The cost of inventories comprises all costs of purchase, costs of conversion and other costs.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. When net realisable value is lower than the carrying amount, the Group decreases the carrying amount to net realisable value. The decreased amount is recognised in profit or loss and corresponding allowance is made.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes.

(20) *Impairment of assets other than deferred tax assets and financial assets*

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is objective evidence that assets are impaired. Where there is objective evidence, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units to which the asset belongs will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group decreases the carrying amount to recoverable amount. The decreased amounts are recognised in profit or loss and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognises relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

(21) 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); or
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(22) Provisions and contingencies

The obligation pertinent to contingencies shall be recognised as provisions when the following conditions are satisfied concurrently:

- (i) the obligation is a present obligation of the Group;
- (ii) the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and
- (iii) the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the

book value of the provisions at the end of the reporting period. If there is substantial evidence that the amount of provisions cannot actually reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that rises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

(23) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory reserve under surplus reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit 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 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 reserve funds has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

General risk reserve and transaction risk reserve set aside by the Company are included in general reserves and used to make up for any losses arising from securities transactions. The Company's reserve funds are used to make up for any losses of the Company or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory 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 an adjustment to the carrying amounts of the assets or liabilities.

Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group is required to reclassify any remaining held-to-maturity investments as available-for-sale financial assets and cannot classify any financial assets as held to maturity during the current and two subsequent financial years.

Impairment losses of available-for-sale financial assets

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets, the Group assesses periodically whether objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, price volatility as well as operating and financing cash flows. A significant or prolonged decline in the fair value of the equity investments below its cost is also an objective evidence of impairment for available-for-sale equity investments. This requires a significant level of management judgement which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, which requires significant judgement. This involves an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The recoverable amount is the higher of the cash-generating units' fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the cash-generating units.

Impairment of financial assets arising from financing business (including margin financing and securities lending, stock repo, stock-pledged repo)

Based on the clients' credit standing, collateral securities, collateral ratio, solvency ability and willingness and other factors, the Group determines whether there is any indication of impairment of financial assets arising from financing business. Such financial assets with indications of impairment are subject to individual impairment assessment and special allowance for bad debts. The remaining of such financial assets are subject to collective impairment assessment. This requires a significant level of management judgement which would affect the amount of impairment losses.

Impairment of non-current assets other than financial assets and goodwill

The Group assesses at each financial reporting date whether there is objective evidence that non-current financial assets other than financial assets and goodwill are impaired. Impairment occurred if the carrying amount of an asset or asset group exceeds its recoverable amount as recognized from impairment testing. When estimating the value in use, management should estimate the expected future cash flows and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining provisions for income tax requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and provides for taxes accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement of the tax treatments of certain transactions and also significant estimation of the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of observable market inputs. However, where observable market inputs are not available, management needs to make estimates and use alternatives on such unobservable market inputs.

Consolidation of structured entities

The management makes significant judgment on whether the Group controls and therefore is required to consolidate its structured entities. The decision outcome impacts the financial and operational results of the Group.

When assessing control, the Group considers: 1) the level of power of the Group over the investee; 2) variable returns gained through participation of relevant activities of the investee; and 3) the ability of the Group in using its power over the investee to affect its return.

When assessing the level of power over the structured entities, the Group considers the following four aspects:

- (a) the degree of participation when establishing the structured entities;
- (b) contractual arrangements;
- (c) activities that take place only at special occasions or events;
- (d) commitments made to the investee from the Group.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and exposure to variable risks and returns from owning other benefits of the structured entities.

5. TAXATION

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

(1) *Income tax*

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

(2) *Value added tax*

Pursuant to the “Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the “VAT Pilot Programs”)” (Cai Shui [2016] No.36), the “Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs” (Cai Shui [2016] No. 46), the “Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions” (Cai Shui [2016] No.70) issued by the Ministry of Finance (the “MOF”) and the State Administration of Taxation (the “SAT”) of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No.140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No.2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018.

After the implementation of the VAT Pilot Programs, the Group’s related income is presented at value net of its respective VAT in the consolidated income statements.

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

(4) Urban maintenance and construction taxes, education surcharges and local education surcharges are levied at 7%, 3% and 2%, respectively, of the payable amount of relevant turnover taxes.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group’s operating segments represents a strategic business engaged in the following activities, which are subject to risks and returns that are different from the other operating segments.

Investment Banking — Securities placement and underwriting activities, and financial advisory services;

Brokerage — Securities and futures dealing and brokerage, as well as the sale of financial products as agent;

Trading — Equity, fixed income and derivatives trading and market-making, margin financing and securities lending and alternative investment activities;

Asset Management — Asset management services to collective assets management, directive assets management, special assets management, fund management and other investment account management; and

Others — Private equity investment, principal investment and other financial activities.

Management monitors the results of the Group’s operating segments for the purposes of resource allocation and operating decision-making. Operating segment performance is measured consistently, and on the same basis as, operating profit or loss in the Group’s consolidated financial statements.

Income taxes are managed as a whole and are not allocated to operating segments.

2017	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	4,320,427	11,523,441	150,314	6,327,008	343,460	22,664,650
Interest income	2,368	2,588,724	9,415,277	214,626	585,670	12,806,665
Investment income	—	61,403	7,539,013	1,381,822	3,730,958	12,713,196
Other income	1,465	(27,388)	93,547	91,692	8,615,892	8,775,208
Subtotal	4,324,260	14,146,180	17,198,151	8,015,148	13,275,980	56,959,719
Operating expenses	2,508,082	9,426,618	13,500,921	4,465,737	11,488,629	41,389,987
Including: Finance costs	51	397,288	9,263,518	93,774	647,432	10,402,063
Impairment losses	—	32,809	685,099	435,677	567,175	1,720,760
Operating profit	1,816,178	4,719,562	3,697,230	3,549,411	1,787,351	15,569,732
Share of profits and losses of associates and joint ventures	—	—	—	—	604,049	604,049
Profit before income tax	1,816,178	4,719,562	3,697,230	3,549,411	2,391,400	16,173,781
Income tax expenses						4,196,311
Net profit for the period						11,977,470
Other segment information:						
Depreciation and amortisation	2,990	321,337	17,434	55,246	603,187	1,000,194
Capital expenditure	45,052	291,378	20,271	41,684	44,624	443,009

2016	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	5,470,917	12,574,497	407,164	6,860,180	462,014	25,774,772
Interest income	89	2,917,642	7,755,811	157,491	401,746	11,232,779
Investment income	—	5,753	4,437,334	446,499	3,375,482	8,265,068
Other income	5,132	13,520	188,005	64,766	4,522,478	4,793,901
Subtotal	5,476,138	15,511,412	12,788,314	7,528,936	8,761,720	50,066,520
Operating expenses	3,001,319	9,808,547	11,525,534	4,171,886	7,646,086	36,153,372
Including: Finance costs	73	433,806	7,880,887	94,941	474,919	8,884,626
Impairment losses	—	11,583	1,459,829	96,868	367,110	1,935,390
Operating profit	2,474,819	5,702,865	1,262,780	3,357,050	1,115,634	13,913,148
Share of profits and losses of associates and joint ventures	—	—	—	—	349,411	349,411
Profit before income tax	2,474,819	5,702,865	1,262,780	3,357,050	1,465,045	14,262,559
Income tax expenses						3,281,419
Net profit for the period						10,981,140
Other segment information:						
Depreciation and amortisation	6,752	246,208	11,566	42,810	584,628	891,964
Capital expenditure	33,585	361,482	15,693	123,813	62,691	597,264

7. INTEREST INCOME

	2017	2016
Interest income on margin and other financing	8,832,772	7,198,189
Bank interest income	3,910,822	3,963,216
Others	63,071	71,374
Total	12,806,665	11,232,779

8. INVESTMENT INCOME

	2017	2016
Net gains /(losses) from financial assets held for trading	8,141,505	(1,544,400)
Net gains from disposal of available-for-sale financial assets	4,855,536	4,036,298
Dividend and interest income from available-for-sale financial assets	2,399,041	2,657,596
Net gains /(losses) from financial instruments designated as at fair value through profit or loss	1,047,715	(60,937)
Net gains /(losses) from financial liabilities held for trading	78,324	(37,902)
Net (losses)/gains from derivatives and others	(3,808,925)	3,214,413
Total	<u>12,713,196</u>	<u>8,265,068</u>

9. OTHER INCOME

	2017	2016
Gains on disposal of property, plant and equipment	737	1,748
Others (i)	<u>8,774,471</u>	<u>4,792,153</u>
Total	<u>8,775,208</u>	<u>4,793,901</u>

(i) For the year ended 31 December 2017, others mainly represented income from bulk commodity trading of RMB8,127 million (2016: RMB4,061 million).

10. OPERATING EXPENSES

	2017	2016
Fee and commission expenses:		
— Commission expenses	3,579,657	3,268,666
— Others	<u>127,958</u>	<u>62,444</u>
Total	<u>3,707,615</u>	<u>3,331,110</u>

	2017	2016
Finance costs:		
— Due to banks and other financial institutions	3,659,077	3,689,895
— Debt instruments issued and short-term financing instruments payable	5,364,737	3,933,326
— Customer brokerage deposits	337,664	420,486
— Others	<u>1,040,585</u>	<u>840,919</u>
Total	<u>10,402,063</u>	<u>8,884,626</u>

	2017	2016
Staff costs (including directors', supervisors' and senior executives' remuneration):		
— Salaries and bonuses	10,494,163	9,956,250
— Staff benefits	1,048,755	984,073
— Contributions to defined contribution schemes (i)	<u>598,329</u>	<u>567,174</u>
Total	<u>12,141,247</u>	<u>11,507,497</u>

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

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

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

	2017	2016
Other operating expenses and costs:		
— Leasing expenses	949,271	1,190,952
— Electronic device operating costs	572,929	564,522
— Fund distribution and administration expenses	404,826	325,155
— Amortisation of intangible assets	380,182	373,618
— Business travel expenses	330,496	296,100
— Postal and communication expenses	297,583	309,670
— Business publicity expenses	212,456	245,156
— Business entertainment expenses	191,497	174,298
— Consulting expense	155,462	174,092
— Investor protection fund	148,250	319,250
— Auditors' remuneration (i)	35,197	25,960
— Others (ii)	8,981,223	5,286,360
Total	12,659,372	9,285,133

- (i) Which include audit service fees of RMB27 million (2016: RMB20 million).
- (ii) Others mainly include cost of bulk commodity trading, amounting to RMB7,987 million for the year ended 2017 (2016: RMB4,076 million).

11. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION

Details of the directors', supervisors' and senior executives' remuneration before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance, are as follows:

Name	Position	2017				Total remuneration before tax
		Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	
Zhang Youjun	Executive Director, Chairman and Member of the Executive Committee	2,374	3,000	—	157	5,531
Yang Minghui	Executive Director, President and Member of the Executive Committee	2,133	4,287	—	486	6,906
Chen Zhong	Non-executive Director	—	—	—	—	—
Liu Ke	Independent Non-executive Director	—	—	162	—	162
He Jia	Independent Non-executive Director	—	—	162	—	162
Chan, Charles Sheung Wai	Independent Non-executive Director	—	—	159	—	159
Lei Yong	Supervisor representing Employees	1,031	2,367	—	97	3,495
Guo Zhao	Supervisor	—	—	100	—	100
Rao Geping	Supervisor	—	—	100	—	100
Yang Zhenyu	Supervisor representing Employees	851	899	—	89	1,839
Ge Xiaobo	Person-in-charge of Accounting Affairs and Member of the Executive Committee	1,276	2,750	—	99	4,125
Ma Yao	Member of the Executive Committee	255	—	—	21	276
Xue Jirui	Member of the Executive Committee	384	—	—	31	415
Yang Bing	Member of the Executive Committee	384	—	—	31	415
Li Chunbo	Member of the Executive Committee	255	—	—	21	276
Zou Yingguang	Member of the Operation Management	512	—	—	42	554
Li Yongjin	Member of the Executive Committee	308	—	—	33	341
Li Jiong	Treasurer	384	—	—	31	415
Song Qunli	Chief Engineer	431	—	—	38	469
Zhang Hao	Chief Marketing Officer	395	—	—	12	407
Zhang Guoming	Compliance Officer	1,293	1,975	—	104	3,372
Cai Jian	Chief Risk Management Officer	1,341	1,650	—	47	3,038
Zheng Jing	Secretary to the Board, Company Secretary	988	1,924	—	92	3,004
Yin Ke	Former Executive Director	671	—	—	67	738
Li Fang	Former Supervisor and Chairman of the Supervisory Committee	1,533	3,300	—	110	4,943
		<u>16,799</u>	<u>22,152</u>	<u>683</u>	<u>1,608</u>	<u>41,242</u>

During the year of 2017, the Group's Non-executive Director Mr. Chen Zhong waived his remuneration arrangements. During the year of 2017, no special emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. There were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' or supervisor's services.

During the year of 2017, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. In addition, the Group did not provide any the guarantees or securities to certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loan, quasi-loans or credit transactions.

Name	Position	2016				Total remuneration before tax
		Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	
Zhang Youjun	Executive Director, Chairman	2,068	600	—	135	2,803
Yang Minghui	Executive Director, President	2,419	4,637	—	161	7,217
Chen Zhong	Non-executive Director	—	—	—	—	—
Liu Ke	Independent Non-executive Director	—	—	165	—	165
He Jia	Independent Non-executive Director	—	—	119	—	119
Chan, Charles Sheung Wai	Independent Non-executive Director	—	—	100	—	100
Li Fang	Supervisor, Chairman of the Supervisory Committee	1,013	—	—	86	1,099
Guo Zhao	Supervisor	—	—	100	—	100
Rao Geping	Supervisor, Former Independent Non-executive Director	—	—	122	—	122
Lei Yong	Supervisor representing Employees	1,020	1,671	—	94	2,785
Yang Zhenyu	Supervisor representing Employees	844	1,354	—	86	2,284
Zhang Guoming	Compliance Officer	1,020	1,655	—	94	2,769
Cai Jian	Chief Risk Management Officer	990	1,800	—	47	2,837
Zheng Jing	Secretary to the Board, Company Secretary	799	1,817	—	83	2,699
Yin Ke	Former Executive Director	3,220	8,538	—	322	12,080
Fang Jun	Former Non-executive Director	—	—	—	—	—
Lee Kong Wai, Conway	Former Independent Non-executive Director	—	—	59	—	59
		13,393	22,072	665	1,108	37,238

During the year of 2016, the Group's Non-executive Director Mr. Chen Zhong and former Non-executive Director Mr. Fang Jun waived their remuneration arrangements. During the year of 2016, no special emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. There were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' or supervisor's services.

During the year of 2016, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. In addition, the Group did not provide any the guarantees or securities to certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loan, quasi-loans or credit transactions.

* During the Reporting Period, there was re-election of the Board and the Supervisory Committee, Mr. Wang Dongming, former executive Director and Chairman of the Board, and Ms. Ni Jun, former Chairman of the Supervisory Committee, received remuneration from the Company in the amount of RMB166 thousand and RMB83 thousand, respectively; while other former Directors and former Supervisors didn't receive remuneration from the Company (except for those listed in the above table).

12. FIVE HIGHEST PAID EMPLOYEES

The Group's five highest paid employees during the year did not include directors and supervisors (2016: none). Details of the remuneration of the five (2016: five) non-director and non-supervisor highest paid employees for the year are as follows:

	2017	2016
Salaries and allowances	101,248	15,465
Discretionary bonuses	69,541	64,692
Termination compensation	—	511
Total	<u>170,789</u>	<u>80,668</u>

The number of these individuals whose remuneration fell within the following bands is set out below:

	Number of employees	
	2017	2016
RMB14,500,001 to RMB25,000,000	1	5
RMB25,500,001 to RMB30,000,000	2	—
RMB30,000,001 to RMB40,000,000	—	—
RMB40,000,001 to RMB50,000,000	2	—
Total	<u>5</u>	<u>5</u>

During the year of 2017, the emoluments paid by the Group to these non-director and non-supervisor individuals were based on the services provided to the Group by these individuals.

13. IMPAIRMENT LOSSES

	2017	2016
Available-for-sale financial assets	478,162	1,624,307
Impairment losses of bad debts	265,416	192,152
Margin accounts	103,597	(21,128)
Reverse repurchase agreements	437,460	28,738
Investments in associates and joint ventures	434,652	110,393
Others	1,473	928
Total	<u>1,720,760</u>	<u>1,935,390</u>

14. INCOME TAX EXPENSE

(a) Income tax

	2017	2016
Current income tax expense		
Mainland China	3,469,279	3,639,257
Outside Mainland China	143,566	145,472
Deferred income tax expense	583,466	(503,310)
Total	4,196,311	3,281,419

(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:

	2017	2016
Profit before income tax	16,173,781	14,262,559
Tax at the PRC statutory income tax rate	4,043,445	3,565,640
Effects of different applicable rates of tax prevailing in various regions	(31,942)	36,372
Non-deductible expenses	125,844	264,466
Non-taxable income	(426,524)	(819,859)
Adjustments in respect of current and deferred income tax of prior years	(3,919)	(150,180)
Others	489,407	384,980
Tax expense at the Group's effective income tax rate	4,196,311	3,281,419

15. PROFIT ATTRIBUTABLE TO THE COMPANY

The consolidated profit attributable to the company for the year ended 31 December 2017 includes a profit of approximately RMB8,624 million (2016: RMB7,525 million), which has been dealt with in the financial statements of the Company (Note 56).

16. DIVIDENDS

	2017	2016
Dividends on ordinary shares proposed but not paid	4,846,763	4,240,918
Dividends on ordinary shares paid	4,240,918	6,058,454

Dividends on ordinary shares proposed for approval were RMB0.40 yuan per share for the year ended 31 December 2017 (2016: RMB0.35 yuan per share).

Dividends proposed by the directors are not deducted from equity, until they have been approved by the shareholders in the general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

17. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

	2017	2016
Earnings:		
Profit attributable to owners of the parent	<u><u>11,433,265</u></u>	<u><u>10,365,169</u></u>
Shares:		
Weighted average number of ordinary shares in issue (thousand)	<u><u>12,116,908</u></u>	<u><u>12,116,908</u></u>
Basic and diluted earnings per share (in RMB yuan)	<u><u>0.94</u></u>	<u><u>0.86</u></u>

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

There were no dilutive shares during the year ended 31 December 2017 (2016: None).

18. PROPERTY, PLANT AND EQUIPMENT

	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
31 December 2017										
Cost										
31 December 2016	964,317	73,699	286,299	2,528,080	7,054	2,364,209	92,245	6,315,903	263,791	6,579,694
Increases	5,143,192	3,574	24,081	5,400	179	258,596	207	5,435,229	138,837	5,574,066
Decreases	(3,640)	(2,946)	(17,859)	(3,438)	(878)	(258,625)	(5,561)	(292,947)	(41,036)	(333,983)
Effect of exchange rate changes	(3,872)	(2,383)	(2,195)	(137,298)	—	(56,358)	(3,553)	(205,659)	—	(205,659)
31 December 2017	6,099,997	71,944	290,326	2,392,744	6,355	2,307,822	83,338	11,252,526	361,592	11,614,118
Accumulated depreciation										
31 December 2016	294,482	52,920	237,626	146,828	3,918	1,853,915	65,999	2,655,688	—	2,655,688
Increases	487,367	10,707	30,310	88,980	683	237,098	10,528	865,673	—	865,673
Decreases	(3,587)	(2,156)	(15,736)	(2,485)	(805)	(73,924)	(4,654)	(103,347)	—	(103,347)
Effect of exchange rate changes	(3,301)	(1,855)	(2,023)	(8,342)	—	(49,499)	(3,435)	(68,455)	—	(68,455)
31 December 2017	774,961	59,616	250,177	224,981	3,796	1,967,590	68,438	3,349,559	—	3,349,559
Allowances for impairment										
31 December 2016	—	—	239	—	—	506	—	745	—	745
Increases	—	—	—	—	—	—	—	—	—	—
Decreases	—	—	(239)	—	—	(506)	—	(745)	—	(745)
Effect of exchange rate changes	—	—	—	—	—	—	—	—	—	—
31 December 2017	—	—	—	—	—	—	—	—	—	—
Net carrying amount										
31 December 2017	5,325,036	12,328	40,149	2,167,763	2,559	340,232	14,900	7,902,967	361,592	8,264,559
31 December 2016	669,835	20,779	48,434	2,381,252	3,136	509,788	26,246	3,659,470	263,791	3,923,261

	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
31 December 2016										
Cost										
31 December 2015	718,858	67,476	241,558	2,381,301	4,860	2,150,755	82,299	5,647,107	536,440	6,183,547
Increases	242,100	3,434	57,881	945	2,825	339,517	11,326	658,028	149,761	807,789
Decreases	(3,076)	(597)	(16,549)	(5,529)	(631)	(191,682)	(5,169)	(223,233)	(422,410)	(645,643)
Effect of exchange rate changes	6,435	3,386	3,409	151,363	—	65,619	3,789	234,001	—	234,001
31 December 2016	964,317	73,699	286,299	2,528,080	7,054	2,364,209	92,245	6,315,903	263,791	6,579,694
Accumulated depreciation										
31 December 2015	258,008	40,076	200,938	61,708	4,241	1,689,906	72,549	2,327,426	—	2,327,426
Increases	31,099	11,434	47,274	85,667	255	250,424	7,844	433,997	—	433,997
Decreases	(72)	(376)	(13,637)	(5,206)	(578)	(139,574)	(17,545)	(176,988)	—	(176,988)
Effect of exchange rate changes	5,447	1,786	3,051	4,659	—	53,159	3,151	71,253	—	71,253
31 December 2016	294,482	52,920	237,626	146,828	3,918	1,853,915	65,999	2,655,688	—	2,655,688
Allowances for impairment										
31 December 2015	—	—	—	—	—	—	—	—	—	—
Increases	—	—	239	—	—	506	—	745	—	745
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate changes	—	—	—	—	—	—	—	—	—	—
31 December 2016	—	—	239	—	—	506	—	745	—	745
Net carrying amount										
31 December 2016	669,835	20,779	48,434	2,381,252	3,136	509,788	26,246	3,659,470	263,791	3,923,261
31 December 2015	460,850	27,400	40,620	2,319,593	619	460,849	9,750	3,319,681	536,440	3,856,121

19. INVESTMENT PROPERTIES

31 December 2017		Properties and Buildings
Cost		
31 December 2016		115,972
Increases		902,078
Decreases		—
31 December 2017		1,018,050
Accumulated depreciation and amortisation		
31 December 2016		47,824
Increases		98,672
Decreases		—
31 December 2017		146,496
Allowances for impairment		
31 December 2016		—
Increases		—
Decreases		—
31 December 2017		—
Net carrying amount		
31 December 2017		871,554
31 December 2016		68,148

31 December 2016		Properties and Buildings
Cost		
31 December 2015		115,972
Increases		—
Decreases		—
31 December 2016		115,972
Accumulated depreciation and amortisation		
31 December 2015		45,051
Increases		2,773
Decreases		—
31 December 2016		47,824
Allowances for impairment		
31 December 2015		—
Increases		—
Decreases		—
31 December 2016		—
Net carrying amount		
31 December 2016		68,148
31 December 2015		70,921

20. GOODWILL

	31 December 2017	2016
Carrying amount at the beginning of the year:		
Cost	10,787,650	10,622,420
Accumulated impairment	381,481	357,143
Net carrying amount	10,406,169	10,265,277
Movements during the year:		
Additions and effect of exchange rate changes	(147,478)	165,230
Impairment and effect of exchange rate changes	(22,246)	24,338
Carrying amount at the end of the year:		
Cost	10,640,172	10,787,650
Accumulated impairment	359,235	381,481
Net carrying amount	10,280,937	10,406,169

	31 December 2017	2016
China Asset Management Co., Ltd.	7,418,587	7,418,587
CITIC Securities International Company Limited	2,097,112	2,222,344
CITIC Securities Overseas Investment Company Limited	434,695	434,695
CITIC Futures Co., Ltd.	193,826	193,826
CITIC Securities (Shandong) Co., Ltd.	88,675	88,675
CITIC Securities Company Limited	43,500	43,500
Xin Jiang Equity Exchange Centre Limited	4,542	4,542
Total	10,280,937	10,406,169

In assessing the impairment of the goodwill attributable to China Asset Management Co., Ltd (“China AMC”), management used fair value less costs of disposal approach (“FVLCD”). The assessment of China AMC’s recoverable amount was based on transaction prices arising from recent independent arm’s length transactions, changes in fair value between the date of transaction and that of goodwill impairment assessment and costs of disposal.

As at 31 December 2017, the net carrying amount of the goodwill arising from CITIC Securities International Company Limited’s acquisition of CLSA was RMB1,923 million. (2016: RMB2,042 million).

For the goodwill other than China AMC’s, management performed impairment assessments by using discounted cash flow model. Based on the approved 5-year budget, projections made for the cash flows over a 5-year period and weighted average cost according to the experiences and market trend analysis. If the recoverable amount was lower than the carrying amount, the related impairment was recognised.

21. LAND-USE RIGHTS AND INTANGIBLE ASSETS

	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-use Rights	Total
31 December 2017						
Cost						
31 December 2016	128,010	1,241,171	1,320,600	295,168	2,261,433	5,246,382
Increases	12	78,043	20,248	—	—	98,303
Decreases	(288)	(2,313)	—	(2)	—	(2,603)
Effect of exchange rate changes	(212)	(36,137)	(69,611)	(17,190)	—	(123,150)
31 December 2017	127,522	1,280,764	1,271,237	277,976	2,261,433	5,218,932
Accumulated amortisation						
31 December 2016	98,979	798,557	438,422	—	90,661	1,426,619
Increases	127	195,279	147,536	—	58,678	401,620
Decreases	(60)	(1,793)	—	—	—	(1,853)
Effect of exchange rate changes	(699)	(27,293)	(28,300)	—	—	(56,292)
31 December 2017	98,347	964,750	557,658	—	149,339	1,770,094
Allowance for impairment						
31 December 2016	—	184	—	—	—	184
Increases	1,473	—	—	—	—	1,473
Decreases	—	(184)	—	—	—	(184)
Effect of exchange rate changes	33	—	—	—	—	33
31 December 2017	1,506	—	—	—	—	1,506
Net carrying amount						
31 December 2017	27,669	316,014	713,579	277,976	2,112,094	3,447,332
31 December 2016	29,031	442,430	882,178	295,168	2,170,772	3,819,579

	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-use Rights	Total
31 December 2016						
Cost						
31 December 2015	123,957	1,103,489	1,224,319	275,976	2,251,043	4,978,784
Increases	3,218	102,042	21,502	387	10,390	137,539
Decreases	(2,028)	(3,430)	—	—	—	(5,458)
Effect of exchange rate change	2,863	39,070	74,779	18,805	—	135,517
31 December 2016	128,010	1,241,171	1,320,600	295,168	2,261,433	5,246,382
Accumulated amortisation						
31 December 2015	97,496	587,467	277,898	—	30,510	993,371
Increases	353	190,980	137,147	—	60,151	388,631
Decreases	(14)	(2,974)	—	—	—	(2,988)
Effect of exchange rate change	1,144	23,084	23,377	—	—	47,605
31 December 2016	98,979	798,557	438,422	—	90,661	1,426,619
Allowance for impairment						
31 December 2015	—	—	—	—	—	—
Increases	—	184	—	—	—	184
Decreases	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—
31 December 2016	—	184	—	—	—	184
Net carrying amount						
31 December 2016	29,031	442,430	882,178	295,168	2,170,772	3,819,579
31 December 2015	26,461	516,022	946,421	275,976	2,220,533	3,985,413

The Company and its wholly owned subsidiary GoldStone ZeXin Investment Management Co., Ltd. (hereinafter referred to as “**GoldStone ZeXin**”) jointly bid for a piece of land-use right in Shenzhen in January 2014. GoldStone ZeXin is engaged in, among other business activities, real estate development. The Company and GoldStone ZeXin obtained the land-use right certificate in August, 2015. GoldStone ZeXin obtained a bank loan in September 2015, which is secured over the land-use right held by the Company and GoldStone ZeXin and guaranteed by GoldStone Investment Co., Ltd. , the holding company of GoldStone ZeXin.

The portion of the land-use right attributable to GoldStone ZeXin for real estate development is classified under Other Non-Current Assets (Note 28), and the portion attributable to the Company is classified under land-use rights.

22. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2017	2016
Unlisted shares, at cost	30,630,220	24,190,078

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)	Mainland China	RMB3 billion	Direct investment, investment advisory, management	RMB1.7 billion	100%	—
Qingdao GoldStone Storm Investment Consulting Company Limited (青島金石暴風投資諮詢有限公司)	Mainland China	RMB50.1 million	Investment management, advisory services	RMB50.1 million	—	100%
Shanghai CITIC GoldStone Equity Investment Management Company Limited (上海中信金石股權投資管理有限公司)	Mainland China	RMB15 million	Equity investment, advisory services	RMB15 million	—	100%
CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司)	Mainland China	RMB100 million	Investment management, advisory services	RMB100 million	—	100%
CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (中信併購投資基金(深圳)合夥企業(有限合夥))	Mainland China	Not applicable	Investment, advisory services	RMB1.01368 billion	—	24.88% (i)
Qingdao GoldStone Runhui Investment Management Company Limited (青島金石潤匯投資管理有限公司)	Mainland China	RMB10.1 million	Investment management, advisory services, investment with self- owned capital	RMB10.1 million	—	100%
Qingdao GoldStone Haorui Investment Company Limited (青島金石灝納投資有限公司)	Mainland China	RMB805 million	Investment management, advisory services, investment with self- owned capital	RMB2,000 million	—	100%
Jinjin Investment (Tianjin) Co., Ltd. (金津投資(天津)有限公司)	Mainland China	RMB100 million	Investment	RMB500 million	—	100%
CITIC GoldStone Fund Management Company Limited (中信金石基金管理有限公司)	Mainland China	RMB100 million	Investment	RMB100 million	—	100%
GoldStone ZeXin Investment Management Co., Ltd. (金石澤信投資管理有限公司)	Mainland China	RMB1,000 million	Investment management, investment advisory, investment consultancy, fiduciary management, equity investment, fund, real estate.	RMB1,000 million	—	100%
Qingdao GoldStone Blue Ocean Investment Management Co., Ltd. (青島金石藍海投資管理有限公司)	Mainland China	RMB5 million	Investment	RMB0.3 million	—	100%
Qingdao GoldStone Xincheng Investment Management Co., Ltd. (青島金石信城投資管理有限公司)	Mainland China	RMB5 million	Investment	RMB1 million	—	100%
GoldStone Boxin Investment Management Co., Ltd. (金石博信投資管理有限公司)	Mainland China	RMB500 million	Investment	—	—	100%
Jinfeng (Shenzhen) Investment Co., Ltd. (金豐(深圳)投資有限公司)	Mainland China	RMB15 million	Investment management	RMB7.5 million	—	100%
Jinfeng (Beijing) Investment Co., Ltd. (金豐(北京)投資有限公司)	Mainland China	RMB500 million	Investment management	RMB10 million	—	100%

- (i) According to the investment contract, the Company considers it has control over this entity.

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the Company	Attributable equity interest	
					Direct	Indirect
Three Gorges GoldStone Investment Management Co., Ltd. (三峽金石投資管理有限公司)	Mainland China	RMB100 million	Investment management	RMB60 million	—	60%
GoldStone Mezzanine Capital Management Co., Ltd. (金石夾層資本管理有限公司)	Mainland China	RMB50 million	Investment management	RMB10 million	—	100%
Jinshi Fengrui Investment Management (Hangzhou) Co., Ltd (金石豐潤投資管理(杭州)有限公司)	Mainland China	RMB30 million	Investment management	—	—	100%
GoldStone Wutong (Hangzhou) Investment Management Co., Ltd (金石伍通(杭州)投資管理有限公司)	Mainland China	RMB100 million	Investment management	RMB10 million	—	100%
GoldStone Biology Entrepreneurship (Suzhou) Co., Ltd (金石生物創業投資(蘇州)有限公司)	Mainland China	RMB10 million	Investment management	RMB6 million	—	60%
Shenzhen Jinshi Rongzhi Holding Investment Co., Ltd (深圳金石戎智股權投資管理有限公司)	Mainland China	RMB10 million	Investment management	RMB6 million	—	60%
Anhui Transport Control Jinshi Fund Management Co., Ltd (安徽交控金石基金管理有限公司)	Mainland China	RMB30 million	Investment fund management	RMB10.5 million	—	70%
CITIC Securities Qingdao Training Centre (青島中信証券培訓中心)	Mainland China	RMB1 million	Business training	RMB1 million	70%	30%
CITIC Securities Investment Ltd. (中信証券投資有限公司)	Mainland China	RMB14 billion	Financial product investment, securities investment, investment advisory	RMB14 billion	100%	—
CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿(上海)有限公司)	Mainland China	RMB500 million	Trade and trade agents, storage and their own equipment leasing	RMB400 million	—	100%
Hongming (Shanghai) Investment Management Co., Ltd. (宏明(上海)投資管理有限公司)	Mainland China	RMB13 million	Investment management, investment consulting	RMB13 million	—	100%
CITIC Securities (Qingdao) Training Centre Hotel Management Co., Ltd. (中信証券(青島)培訓中心酒店管理有限公司)	Mainland China	RMB10 million	Catering; Accommodation; Convention, Exhibition	RMB2 million	—	100%
CITIC Securities Capital Management Co., Ltd (中信中證資本管理有限公司)	Mainland China	RMB500 million	Investment and asset management	RMB500 million	—	93.47%
CITIC Wings Asset Management Co., Ltd. (中信盈時資產管理有限公司)	Mainland China	RMB200 million	Asset management	RMB100 million	—	93.47%
CITIC Futures International Co., Ltd. (中信期貨國際有限公司)	Hong Kong	HK\$100 million	Futures brokerage	HK\$100 million	—	93.47%
Qingdao Jindingxin Micro Financing Co., Ltd. (青島金鼎信小額貸款股份有限公司)	Mainland China	RMB300 million	Micro financing	RMB300 million	—	100%
CITIC Securities Information and Quantitative Service (Shenzhen) Limited Liability Company (中信証券信息與量化服務(深圳)有限責任公司)	Mainland China	RMB10 million	Computer hardware and software technology development, technical consulting, technical services, system integration and sales, data processing (excluding restricted items)	RMB10 million	100%	—
Jintong Securities Co., Ltd. (金通證券有限責任公司)	Mainland China	RMB100 million	Securities brokerage	—	100%	—
CITICS Investment Services Company Limited (中信中證投資服務有限責任公司)	Mainland China	RMB100 million	Investment management; Advisory service; Finance outsourcing service	RMB100 million	100%	—
China Wealth Investment management Limited Company (上海華夏財富投資管理有限公司)	Mainland China	RMB20 million	Asset management	RMB20 million	—	62.20%

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 Overseas Investment Company Limited (中信証券海外投資有限公司)	Hong Kong	HK\$0.01 million	Holding; Investment	HK\$0.01 million	100%	—
CITIC Securities International Company Limited (中信証券國際有限公司)	Hong Kong	Not applicable	Holding, investment	HK\$6,516.05 million	100%	—
Xin Jiang Equity Exchange Limited (新疆股權交易中心有限公司)	Mainland China	RMB110 million	Finance	RMB60 million	54.545%	—
CITIC Securities International Partners, Ltd. CSIAMC Company Limited	Cayman Islands Hong Kong	Not applicable Not applicable	Holding company Investment service	US\$1 million HK\$1	— —	72% 100%
CITIC Securities Finance 2013 Co., Ltd.	The British Virgin Islands	Not applicable	Bond issuance	US\$1	—	100%
CITICS Global Absolute Return Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$122.98 million	96.07%	3.93%
CITICS Pan-Asian Multi-Strategy Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$154.93 Million	100%	—
CITICS Global Special Situation Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$0.9135 million	100%	—
CITIC Securities Finance MTN Co., Ltd.	The British Virgin Islands	Not applicable	Bond issuance	US\$1	—	100%
CITIC Securities Corporate Finance (HK) Limited	Hong Kong	Not applicable	Investment banking	HK\$380 million	—	100%
CITIC Securities Regal Holding Limited	The British Virgin Islands	Not applicable	Holding Company	US\$1	—	100%
CSI Principal Investment Holding Limited	The British Virgin Islands	Not applicable	Holding Company	US\$0.05 million	—	100%
Xin Jiang Micro-Financing Service Centre Co., Ltd (新疆小微金融服務中心有限公司)	Mainland China	RMB1.82 million	Research development and consulting of financial products	RMB0.91 million	—	54.545%

(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	RMB 125.32 million	—	92.07%
CITIC Securities (Shandong) Co., Ltd. (中信証券(山東)有限責任公司)	Mainland China	RMB2,500 million	Securities business	RMB1,151.94 million	100%	—
CITIC Futures Co., Ltd. (中信期貨有限公司)	Mainland China	RMB1.6 billion	Futures brokerage, asset management, fund distribution	RMB1.5 billion	93.47%	—
Jinshang (Tianjin) Investment Management Co., Ltd. (金尚(天津)投資管理有限公司)	Mainland China	RMB12.5 million	Investment management, advisory service	RMB18.59 million	—	100%
China Asset Management Co., Ltd. (華夏基金管理有限公司)	Mainland China	RMB238 million	Fund investment	RMB2,663.95 million	62.20%	—
China Asset Management (Hong Kong) Limited (華夏基金(香港)有限公司)	Hong Kong	HK\$200 million	Asset Management	HK\$200 million	—	62.20%
China AMC Capital Management Limited (華夏資本管理有限公司)	Mainland China	RMB350 million	Asset management, financial advisory	RMB350 million	—	62.20%
CLSA B.V. (里昂證券)	Netherlands	Not applicable	Investment, holding	US\$1,090.30 million	—	100%
KVB Kunlun Financial Group Limited (昆侖國際金融集團有限公司)	Cayman Island	Not applicable	Leveraged foreign exchange transactions and other transactions, cash transactions, other services	HK\$780.2 million	—	59.03%
Tianjin Jingzheng Property Services Limited (天津京證物業服務有限公司)	Mainland China	RMB0.3 million	Property Management and Leasing Service	RMB337 million	100%	—
Tianjin Shenzheng Property Services Limited (天津深證物業服務有限公司)	Mainland China	RMB0.3 million	Property Management and Leasing Service	RMB245 million	100%	—

(c) *Business Combination*

Tianjin Jingzheng Property Services Limited, Tianjin Shenzheng Property Services Limited

On 25 May 2017, the Company completed the acquisition of 100% equity interests in Tianjin Jingzheng Property Services Limited (Tianjin Jingzheng) and Tianjin Shenzheng Property Services Limited (Tianjin Shenzheng) from CITIC Qihang Non-Public Placement Security Investment Fund (CITIC Qihang). CITIC Qihang was a fund managed by CITIC GoldStone Fund Management Company Limited, a wholly-owned subsidiary of the Company.

The valuation date of the acquisition was 30 April 2017, and the consideration was RMB337 million and RMB245 million for Tianjin Jingzheng and Tianjin Shenzheng respectively, based on the identifiable fair value of net assets.

The fair value and book value of Tianjin Jingzheng Property Services Limited's identifiable assets and liabilities as of the acquisition date are as follows:

	Fair value recognised on acquisition
Non-Current assets	
Investment properties	3,826,464
Current assets	
Other current assets	244
Cash and bank balances	162,517
	162,761
Current liabilities	
Other current liabilities	140,366
Non-Current liabilities	
Long-term loans	3,512,000
Total identifiable net assets at fair value	336,859
Net assets of 100% equity interest acquired	336,859
Goodwill	—
Acquisition price	336,859

The revenue and profit of Tianjin Jingzheng Property Services Limited since the acquisition date to 31 December 2017 included in the consolidated statement of profit or loss amounted to RMB244 million and RMB55 million, respectively.

The fair value and book value of Tianjin Shenzheng Property Services Limited's identifiable assets and liabilities as of the acquisition date are as follows:

	Fair value recognised on acquisition
Non-Current assets	
Investment properties	1,752,448
Current assets	
Other current assets	10,323
Cash and bank balances	45,555
	55,878
Current liabilities	
Other current liabilities	34,874
Non-Current liabilities	
Long-term loans	1,528,000
Other non-current liabilities	582
	1,528,582
Total identifiable net assets at fair value	244,870
Net assets of 100% equity interest acquired	244,870
Goodwill	—
Acquisition price	244,870

The revenue and loss of Tianjin Shenzheng Property Services Limited since the acquisition date to 31 December 2017 included in the consolidated statement of profit or loss amounted to RMB55 million and RMB10 million, respectively.

On consolidation, a portion of the investment properties of Tianjin Jingzheng Property Services Limited and Tianjin Shenzheng Property Services Limited are reclassified to property, plant and equipment. (Note 18)

(d) *Net cash flows from acquisition of subsidiaries*

	2017	2016
Total consideration	(581,729)	—
Cash and cash equivalents paid	(581,729)	—
Cash and cash equivalents in the subsidiaries acquired	208,072	—
Net cash (outflow)/inflow from acquisition of subsidiaries	(373,657)	—

(e) *Net cash flows from disposal of subsidiaries*

	2017	2016
Total consideration	1,476,492	—
Cash and cash equivalents received	1,476,492	—
Cash and cash equivalents in the subsidiaries disposed of	—	—
Net cash inflow from disposal of subsidiaries	1,476,492	—

(f) *Non-cash financing activities*

The Group had no significant non-cash financing activities.

(g) *Structured entities included in the consolidated financial statement*

The Group acts as asset manager for or invested in a number of structured entities. Management makes significant judgment on whether the Group controls and therefore should consolidate these structured entities.

Management has determined that the Group has control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. 22 of the controlled structured entities have been consolidated as at 31 December 2017, of which 6 were consolidated by the Company and 16 were consolidated by the Company's wholly owned subsidiary CITIC Futures Co., Ltd. (21 structured entities were consolidated as at 31 December 2016 of which 12 were consolidated by the Company and 9 were consolidated by CITIC Futures Co., Ltd).

The fair value and book value of identifiable assets and liabilities of the structured entities listed above are as follows:

	Fair value as at 31 December 2017	Book value as at 31 December 2017
Current assets	2,900,100	2,900,100
Non-current assets	26,713	26,713
Total asset	2,926,813	2,926,813
Current liabilities	184,303	184,303
Non-current liabilities	—	—
Total liabilities	184,303	184,303

	Fair value as at 31 December 2016	Book value as at 31 December 2016
Current assets	5,323,969	5,323,969
Non-current assets	80,890	80,890
Total asset	5,404,859	5,404,859
Current liabilities	14,625	14,625
Non-current liabilities	—	—
Total liabilities	14,625	14,625

The operating results and cash flows of the structured entities listed above for the year 2017 and 2016 included in the consolidated financial statements are as follows:

	2017	2016
Revenue	200,667	126,023
Profit for the year	27,275	60,634
Net increase in cash and cash equivalents	327,710	189,459

(h) Details of the Group's subsidiary with material non-controlling interests is set out below:

China AMC

	31 December 2017	2016
Percentage of equity interest held by non-controlling interests	37.80%	37.80%
Dividends paid to non-controlling interests	153,331	117,043
Accumulated balances of non-controlling interests	2,784,784	2,531,024
Profit for the year allocated to non-controlling interests	<u>516,857</u>	<u>551,002</u>

The following tables illustrate the summarised financial information of the above subsidiary:

China AMC

	2017	2016
Revenue	4,260,726	4,339,570
Profit for the year	1,367,346	1,457,677
Total comprehensive income for the year	1,076,957	1,403,173
Net cash flows from operating activities	(161,726)	1,167,860
Net cash flows from investing activities	676,313	(780,244)
Net cash flows used in financing activities	(405,636)	(309,638)
Net increase in cash and cash equivalents	<u>84,089</u>	<u>103,177</u>

	31 December 2017	2016
Current assets	8,678,955	7,819,068
Non-current assets	785,281	734,606
Current liabilities	1,620,363	1,388,758
Non-current liabilities	<u>476,720</u>	<u>469,084</u>

(i) As at 31 December 2017, there were no significant restrictions on the ability of the Group to access or use the assets and settle the liabilities of these subsidiaries of the Group (2016: Nil).

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2017	2016
Associates	8,580,336	3,974,954
Joint ventures	<u>5,212</u>	<u>(1,103)</u>
	<u>8,585,548</u>	<u>3,973,851</u>

(a) *Particulars of the Group's principal associates and joint ventures are as follows*

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Associates:					
CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司)	Mainland China	RMB1.8 billion	Investment fund management	35%	35%
Qingdao Blue Ocean Equity Exchange Limited (青島藍海股權交易中心有限責任公司)	Mainland China	RMB50 million	Equity trading	40%	40%
CSC Financial Co., Ltd. (中信建投證券股份有限公司)	Mainland China	RMB7,246 million	Securities Brokerage, securities investment consulting	5.89%	5.89%
Shenzhen Nanbo Display Device Science Company Limited (深圳南玻顯示器件科技有限公司)	Mainland China	RMB143 million	Production, import and export of high technology display and related devices	35.15%	35.15%
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%
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%
Chengdu Wenxuan Equity Investment Fund Management Co., Ltd (成都文軒股權投資基金管理有限公司)	Mainland China	RMB17.6 million	Entrusted management of equity investment entities, investment management and relevant consulting services	34.09%	34.09%
Shenzhen Qianhai Zhongzheng Urban Development And Management Co., Ltd (深圳市前海中證城市發展管理有限公司)	Mainland China	RMB50 million	Investment management	35%	35%
Zhongzheng Fund Management Co., Ltd (中證基金管理有限公司)	Mainland China	RMB50 million	Investment management	35%	35%
Xinrong Customer Services Club Co., Ltd. (深圳市信融客戶服務俱樂部有限公司)	Mainland China	RMB10 million	Financial Services	25%	25%
Qianhai Infrastructure Investments Fund Management Co., Ltd. (深圳前海基礎設施投資基金管理有限公司)	Mainland China	RMB300 million	Fund management	11.67%	11.67% ⁽ⁱ⁾
Taifu GoldStone (Tianjin) Fund Management Co., Ltd. (泰富金石(天津)基金管理有限公司)	Mainland China	RMB50 million	Entrusted management of equity investment entities, investment management and relevant consulting services	40%	40%
Suning GoldStone (Tianjin) Fund Management Co., Ltd. (蘇寧金石(天津)基金管理有限公司)	Mainland China	RMB50 million	Entrusted management of equity investment entities, investment management and relevant consulting services	40%	40%
Xi'an Future Aerospace Industry Co., Ltd. (西安明日宇航工業有限責任公司)	Mainland China	RMB50 million	Aerospace components and ground equipment manufacturing, sheet metal components manufacturing	35%	35%
Sailing Capital International (Shanghai) Co., Ltd (賽領國際投資基金(上海)有限公司)	Mainland China	RMB9,010 million	RMB investment and loan fund	11.10%	11.10% ⁽ⁱ⁾
Sailing Capital Management (Shanghai) Co., Ltd (賽領資本管理有限公司)	Mainland China	RMB280.5 million	Equity investment management	9.09%	9.09% ⁽ⁱ⁾
CITIC POLY (Tianjin) Private Equity Fund Management Co., Ltd. (信保(天津)股權投資基金管理有限公司)	Mainland China	RMB100 million	Entrusted management of equity investment	40%	40%
CITIC PE Holdings Limited	The British Virgin Islands	Not applicable	Investment holding	35%	Not applicable
Aria Investment Partners III,L.P.	Cayman Islands	Not applicable	Direct investment fund	15.25%	11.39% ⁽ⁱ⁾
Aria Investment Partners IV, L.P.	Cayman Islands	Not applicable	Direct investment fund	39.26%	39.14%
Aria Investment Partners V, L.P.	Cayman Islands	Not applicable	Direct investment fund	30.43%	31.25%
Clean Resources Asia Growth Fund L.P.	Cayman Islands	Not applicable	Direct investment fund	17.59%	17.59% ⁽ⁱ⁾
Fudo Capital L.P.	Cayman Islands	Not applicable	Direct investment fund	0.35%	5.66% ⁽ⁱ⁾
Fudo Capital L.P. II	Cayman Islands	Not applicable	Direct investment fund	6.13%	6.13% ⁽ⁱ⁾
Fudo Capital L.P. III	Cayman Islands	Not applicable	Direct investment fund	5.00%	5.00% ⁽ⁱ⁾
Sunrise Capital L.P. II	Cayman Islands	Not applicable	Direct investment fund	27.89%	23.99%
Sunrise Capital L.P. III	Cayman Islands	Not applicable	Direct investment fund	8.63%	6.25% ⁽ⁱ⁾

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
CLSA Aviation Private Equity Fund I	Korea	Not applicable	Direct investment fund	6.58%	6.86% ⁽ⁱ⁾
CLSA Aviation Private Equity Fund II	Korea	Not applicable	Direct investment fund	0.08%	0.08% ⁽ⁱ⁾
CLSA Aviation II Investments (Cayman) Limited	Cayman Islands	Not applicable	Direct investment fund	10.78%	12.39% ⁽ⁱ⁾
CT CLSA Holdings Limited	Sri Lanka	LKR500 million	Investment holding	25%	25%
Pan Asia Realty Ltd.	Cayman Islands	USD1.7 million	Asset management	20%	20%
Top Esolution Holding Ltd	Cayman Islands	USD1	Asset management	100%	20%
Lending Ark Asia Sec Private Debt Fund	Cayman Islands	Not applicable	Asset management	100%	100%
CLSA Infrastructure Private Equity Fund	Korea	Not applicable	Asset management	0.19%	0.14% ⁽ⁱ⁾
CSOBOR Fund, L.P.	Cayman Islands	USD52 million	Private equity	51.10%	33.33%
Joint ventures:					
Guojing Taifu Investment Co., Ltd (國經泰富投資有限公司)	Mainland China	RMB50 million	Investments to set up industries (specific projects to be applied); investment management (exclusive of prohibited projects), investment consulting (exclusive of prohibitive projects); fiduciary asset management; enterprises management advisor	50%	50%
CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. (中信標普指數信息服務(北京)有限公司)	Mainland China	RMB8.027 million	Financial services	50%	50%
China Tourism Industry Fund Management Co., Ltd. (中國旅遊產業基金管理有限公司)	Mainland China	RMB100 million	Entrusted management of equity investment entities, investment management and relevant consulting services	50%	50%
Double Nitrogen Fund GP Limited	Cayman Islands	USD100	Investment Management	48%	50% ⁽ⁱⁱ⁾
Euro Co-Ventures Ltd	United Kingdom	GBP 0.02 million	Asset management	50%	50%
Lending Ark Asia Secured Private Debt	Cayman Islands	USD4	Asset management	50%	50%
Bright Lee Capital Limited	The British Virgin Islands	USD0.05 million	Investment Management	48%	50% ⁽ⁱⁱ⁾
Sino-Ocean Land Logistics Investment Management Limited	Cayman Islands	USD0.05 million	Investment Management	50%	33.33%
CSOBOR Fund GP, Limited	Cayman Islands	USD52 million	Investment Management	49%	33.33%

(i) The Group has a significant influence over these funds as it holds non-voting shares and also acts as the fund manager of these funds.

(ii) The Group has joint control over this entity with other parties through contractual arrangement.

(b) The following table illustrates the summarised unaudited financial information of the Group's material associates

(i) CITIC Private Equity Funds Management Co., Ltd., as a major associate of the Group, is primarily engaged in investment fund management, and is accounted for using the equity method. The financial information is as follows:

	31 December 2017	2016
Current assets	7,103,766	6,851,681
Non-current assets	156,552	127,734
Current liabilities	1,214,543	1,471,451
Non-current liabilities	955,499	972,770
Revenue	1,651,950	910,880
Profit from continuing operations	533,643	410,205
Total comprehensive income	533,643	410,205

- (ii) CSC Financial Co., Ltd, as a major associate of the Group, is primarily engaged in securities brokerage and investment consulting, and is accounted for using the equity method. The financial information is as follows:

	31 December 2017
Current assets	190,704,007
Non-current assets	15,179,385
Current liabilities	137,933,204
Non-current liabilities	23,951,410
Revenue	16,421,395
Profit from continuing operations	4,061,647
Total comprehensive income	<u>3,921,264</u>

- (iii) Sailing Capital International (Shanghai) Co., Ltd, as a major associate of the Group, is primarily engaged in investment, investment management and consulting, and is accounted for using the equity method.

	31 December 2017
Current assets	9,722,916
Current liabilities	18,379
Non-current liabilities	277,360
Revenue	393,956
Profit from continuing operations	280,313
Total comprehensive income	<u>280,313</u>

- (c) The following table illustrates the aggregate unaudited financial information of the Group's associates and joint ventures that are not individually material.

	31 December 2017	2016
Profit from continuing operations	520,181	428,221
Other comprehensive income	—	(10,011)
Total comprehensive income	<u>520,181</u>	<u>418,210</u>

- (d) As at 31 December 2017, there was no capital commitment to the joint ventures (31 December 2016: Nil).
- (e) There were no significant restrictions on the ability of the Group's associates and joint ventures to transfer funds to the Group in form of cash dividends or to repay any liability owed to the Group as at 31 December 2017 and 31 December 2016.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	31 December	
	2017	2016
At fair value:		
Equity investments	892,472	751,961
Other (i)	17,392,240	19,812,742
At cost:		
Equity investments	10,838,149	12,600,238
	29,122,861	33,164,941
Less: impairment losses	928,144	609,613
Total	28,194,717	32,555,328
Analysed into:		
Listed	18,284,713	20,564,703
Unlisted	9,910,004	11,990,625
	28,194,717	32,555,328

Current

	31 December	
	2017	2016
At fair value:		
Debt securities	14,192,714	21,685,514
Equity investments	10,122,252	17,281,085
Others	7,160,305	15,333,023
	31,475,271	54,299,622
Less: impairment losses	443,056	1,976,445
Total	31,032,215	52,323,177
Analysed into:		
Listed	23,121,939	38,357,032
Unlisted	7,910,276	13,966,145
	31,032,215	52,323,177

- (i) As at 31 December 2017, others mainly included the investment portfolio, operated by China Securities Finance Corporation Limited (“CSF”), which was jointly invested by the Company and other securities companies. Under the investment agreement, the Company and other joint investors share the income/ loss based on contribution proportion.

As at 31 December 2017, based on the investment report provided by CSF, the cost and fair value of the Company’s investment managed by CSF was RMB15,675 million (31 December 2016: RMB21,109 million) and RMB17,392 million (31 December 2016: RMB19,813 million), respectively.

25. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2017	2016
Non-current		
Equity investments	8,133,723	6,098,362
Debt securities	50,776	100,000
Others	318,893	222,245
	<u>8,503,392</u>	<u>6,420,607</u>
Analysed into:		
Listed	1,764,874	1,587,605
Unlisted	6,738,518	4,833,002
	<u>8,503,392</u>	<u>6,420,607</u>
Current		
Equity investments	11,200,555	6,827,856
Others	1,010	88,722
	<u>11,201,565</u>	<u>6,916,578</u>
Analysed into:		
Listed	11,201,565	6,826,914
Unlisted	—	89,664
	<u>11,201,565</u>	<u>6,916,578</u>

26. REFUNDABLE DEPOSITS

	31 December	
	2017	2016
Margin trading deposits	838,330	1,067,015
Credit deposits	103,963	237,909
Performance bonds	30,117	295,126
Total	<u>972,410</u>	<u>1,600,050</u>

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets:	Depreciation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Allowance for impairment losses on available-for-sale financial assets	Change in the fair value of derivatives	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2016	40,560	1,315	565,536	229	1,907,088	296,125	2,810,853
Credited/(debited) to the statement of profit or loss	8,296	4,998	(286,121)	12,337	558,818	274,198	572,526
Credited/(debited) to other comprehensive income	(20,435)	—	—	—	65,772	(43,764)	1,573
Others	—	—	—	—	—	—	—
At 31 December 2017	28,421	6,313	279,415	12,566	2,531,678	526,559	3,384,952

Deferred income tax assets:	Depreciation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Allowance for impairment losses on available-for-sale financial assets	Change in the fair value of derivatives	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2015	23,835	908	514,701	518,016	1,953,541	130,287	3,141,288
Credited/(debited) to the statement of profit or loss	14,410	407	50,835	(517,787)	(46,886)	141,657	(357,364)
Credited to other comprehensive income	2,315	—	—	—	433	24,181	26,929
At 31 December 2016	40,560	1,315	565,536	229	1,907,088	296,125	2,810,853

	Amortisation allowance	Change in the fair value of financial assets measured at fair value through profit or loss	Change in the fair value of financial liabilities measured at fair value through profit or loss	Change in the fair value of derivatives	Others	Total
At 31 December 2016	461,766	145,048	848,397	235	69,997	1,565,744
Debited/(credited) to the statement of profit or loss	(82,862)	428,366	24,614	(235)	777,828	1,155,992
Debited/(credited) to other comprehensive income	(25,868)	(2,455)	(67,492)	—	6,290	(89,525)
Others	—	—	—	—	—	—
At 31 December 2017	353,036	570,959	805,519	—	824,419	2,632,211

	Amortisation	Change in the fair value of financial assets measured at fair value through profit or loss	Change in the fair value of available- for-sale financial assets	Change in the fair value of financial liabilities measured at fair value through profit or loss	Change in the fair value of derivatives	Others	Total
Deferred income tax liabilities:	allowance						
At 31 December 2015	512,785	927,645	1,020,822	34,347	42	46,825	2,542,466
Debited/(credited) to the statement of profit or loss	(82,468)	(782,844)	(24,157)	(34,112)	69,955	(7,051)	(860,677)
Debited to other comprehensive income	31,449	247	(148,268)	—	—	527	(116,045)
At 31 December 2016	461,766	145,048	848,397	235	69,997	40,301	1,565,744

28. OTHER NON-CURRENT ASSETS

	31 December 2017	2016
Project investment (Note 21)	1,681,981	1,605,965
Receivables and others	1,888,290	2,115,540
Total	3,570,271	3,721,505

29. MARGIN ACCOUNTS

	31 December 2017	2016
Margin accounts	74,286,226	65,222,343
Less: impairment loss	303,615	201,150
Total	73,982,611	65,021,193

Margin accounts are funds that the Group lends to its customers for margin financing business.

As at 31 December 2017, the Group received equity and debt securities as collateral with fair value amounted to RMB265,615 million (31 December 2016: RMB226,265 million), in connection with its margin financing business.

30. FINANCIAL ASSETS HELD FOR TRADING

	31 December	
	2017	2016
Debt securities	88,149,340	97,288,951
Equity investments(i)	62,594,705	43,542,594
Others	7,704,501	5,450,222
Total	158,448,546	146,281,767
Analysed into:		
Listed	117,160,176	110,687,203
Unlisted	41,288,370	35,594,564
	158,448,546	146,281,767

- (i) Includes RMB72 million of securities lent to clients under securities lending arrangements as at 31 December 2017 (31 December 2016: RMB15 million).

31. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	746,452	781,057	591,937	679,801
Currency derivatives	1,047,267	872,325	303,638	234,260
Equity derivatives	3,646,258	9,020,173	2,611,586	1,408,546
Credit derivatives	257,402	30,796	168,270	251,243
Others	203,416	2,596,880	104,927	2,741
Total	5,900,795	13,301,231	3,780,358	2,576,591

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures were settled daily and the corresponding payments or receipts were included in "cash and bank balances" as at 31 December 2017. Accordingly, the amount of mark-to-market gains or losses of unexpired futures contracts was not included in derivative financial instruments above. As at 31 December 2017, the fair value of the Group's unexpired futures contracts was a gain of RMB13 million (31 December 2016: RMB9 million).

32. REVERSE REPURCHASE AGREEMENTS

	31 December 2017	2016
Analysed by collateral:		
Stocks	78,391,278	39,708,451
Debts	36,725,179	18,900,442
Others	32,158	685,315
Less: impairment loss	556,585	119,125
Total	114,592,030	59,175,083
Analysed by business		
Stock repo	357,027	1,196,820
Pledged repo	81,457,069	41,914,123
Including: Stock-pledged repo	78,034,251	39,419,300
Outright repo	33,302,361	15,498,165
Others	32,158	685,100
Less: impairment loss	556,585	119,125
Total	114,592,030	59,175,083
Analysed by counterparty:		
Banks	11,440,867	6,695,094
Non-bank financial institutions	5,176,568	8,460,303
Others	98,531,180	44,138,811
Less: impairment loss	556,585	119,125
Total	114,592,030	59,175,083

As at 31 December 2017, the Group received collateral amounted to RMB222,734 million (31 December 2016: RMB128,257 million), in connection with its reverse repurchase agreements.

As part of the reverse repurchase agreements, the Group received securities allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

As at 31 December 2017, the amount of the above collateral allowed to be re-pledged was RMB31,668 million (31 December 2016: RMB16,783 million), and the amount of the collateral re-pledged was RMB21,661 million (31 December 2016: 10,916 million).

33. OTHER CURRENT ASSETS

	31 December 2017	2016
Accounts due from clients	10,207,169	9,604,877
Interest receivable	3,368,327	4,005,822
Accounts due from brokers	3,414,712	3,165,205
Settlement deposits receivable	2,623,354	3,713,437
Deferred expenses	163,535	250,121
Dividends receivable	3,283	1,102
Bulk commodity trading inventory and others	7,039,921	6,274,334
Less: Impairment loss	655,767	337,295
Total	26,164,534	26,677,603

34. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 36). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the “Securities and Futures (Client Money) Rules” together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by authorised institutions.

35. CASH AND BANK BALANCES

	31 December 2017	2016
Cash on hand	266	389
Deposits in banks	<u>34,302,875</u>	<u>36,712,645</u>
Total	<u><u>34,303,141</u></u>	<u><u>36,713,034</u></u>

As at 31 December 2017, the Group had restricted funds of RMB3,364 million (31 December 2016: RMB3,483 million).

36. CUSTOMER BROKERAGE DEPOSITS

	31 December 2017	2016
Customer brokerage deposits	<u><u>99,854,891</u></u>	<u><u>134,397,672</u></u>

Customer brokerage deposits represent the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage activities. For more details, please refer to Note 34 “Cash held on behalf of customers”.

37. FINANCIAL LIABILITIES HELD FOR TRADING

	31 December 2017	2016
Current		
Debt securities	7,175,335	2,581,914
Equity investments	989,779	1,387,367
Others	<u>—</u>	<u>8,941</u>
Total	<u><u>8,165,114</u></u>	<u><u>3,978,222</u></u>

38. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017	2016
Non-current		
Equity linked notes and others	<u>461,417</u>	<u>6,868,128</u>
Current		
Minority interests of consolidated structured entities	<u>1,257,814</u>	<u>4,089,446</u>
Structured notes and others	<u>36,567,425</u>	<u>16,282,528</u>
Total	<u><u>37,825,239</u></u>	<u><u>20,371,974</u></u>

39. REPURCHASE AGREEMENTS

	31 December 2017	2016
Analysed by collateral:		
Equity	<u>2,147,587</u>	<u>691,456</u>
Debts	<u>71,644,776</u>	<u>75,495,731</u>
Gold	<u>19,871,472</u>	<u>22,746,733</u>
Others	<u>17,956,092</u>	<u>22,480,323</u>
Total	<u><u>111,619,927</u></u>	<u><u>121,414,243</u></u>
Analysed by counterparty:		
Banks	<u>51,387,558</u>	<u>39,916,605</u>
Non-bank financial institutions	<u>16,838,217</u>	<u>11,897,943</u>
Others	<u>43,394,152</u>	<u>69,599,695</u>
Total	<u><u>111,619,927</u></u>	<u><u>121,414,243</u></u>

As at 31 December 2017, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB126,074 million (31 December 2016: RMB136,205 million).

40. TAXES PAYABLE

	31 December 2017	2016
Enterprise income tax	<u>1,205,066</u>	<u>1,485,494</u>
Individual income tax	<u>414,984</u>	<u>771,178</u>
Value added tax	<u>128,160</u>	<u>118,286</u>
Business tax	<u>9,994</u>	<u>19,819</u>
Others	<u>35,172</u>	<u>37,931</u>
Total	<u><u>1,793,376</u></u>	<u><u>2,432,708</u></u>

41. SHORT-TERM LOANS

	31 December 2017	2016
Analysed by nature:		
Credit loans	5,456,469	2,103,822
Collateralised loans	534,982	1,083,740
Pledged loans	—	291,916
Total	<u>5,991,451</u>	<u>3,479,478</u>
Analysed by maturity:		
Maturity within one year	<u>5,991,451</u>	<u>3,479,478</u>

As at 31 December 2017, the annual interest rates on the short-term loans were in the range of 1.71% to 3.00% (31 December 2016: 1.42% to 4.35%). As at 31 December 2017, the book value of the collateral was RMB2,239 million (31 December 2016: RMB2,730 million)

42. SHORT-TERM FINANCING INSTRUMENTS PAYABLE

2017

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending Balance
16 CITIC 01	27/10/2016	27/04/2017	3.10%	1,999,638	362	2,000,000	—
17 CITIC 01	11/08/2017	11/08/2018	4.60%	—	4,581,199	263	4,580,936
17 CITIC 02	12/09/2017	12/09/2018	4.84%	—	6,088,416	350	6,088,066
	05/01/2016	04/01/2017	2.60%				
Structured notes	~29/12/2017	~13/12/2018	~5.20%	19,346,592	102,453,711	98,931,466	22,868,837
Total				<u>21,346,230</u>	<u>113,123,688</u>	<u>100,932,079</u>	<u>33,537,839</u>

2016

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending Balance
15 CITIC D1	27/10/2015	27/10/2016	3.90%	7,993,011	6,989	8,000,000	—
16 CITIC CP001	27/01/2016	27/04/2016	2.89%	—	3,001,081	3,001,081	—
16 CITIC CP002	15/04/2016	15/07/2016	2.83%	—	5,002,238	5,002,238	—
16 CITIC CP003	09/05/2016	08/08/2016	2.85%	—	5,001,357	5,001,357	—
16 CITIC CP004	25/05/2016	24/08/2016	2.83%	—	3,001,369	3,001,369	—
16 CITIC CP005	17/06/2016	14/09/2016	2.91%	—	5,001,690	5,001,690	—
16 CITIC CP006	14/07/2016	13/10/2016	2.64%	—	5,001,671	5,001,671	—
16 CITIC CP007	04/08/2016	03/11/2016	2.58%	—	5,001,671	5,001,671	—
16 CITIC 01	27/10/2016	27/04/2017	3.10%	—	2,000,199	561	1,999,638
	22/01/2015	22/01/2016	1.84%				
Structured notes	~30/12/2016	~27/09/2017	~7.00%	4,855,068	27,725,092	13,233,568	19,346,592
Total				<u>12,848,079</u>	<u>60,743,357</u>	<u>52,245,206</u>	<u>21,346,230</u>

As at 31 December 2017, short-term financing instruments payable comprised of short-term corporate bonds and structured notes with an original tenor of less than one year.

As at 31 December 2017, there was no default related to any short-term financing instruments payable issued (31 December 2016: Nil).

43. OTHER CURRENT LIABILITIES

	31 December 2017	2016
Settlement deposits payable	13,060,544	19,384,353
Salaries, bonuses and allowances payable	11,599,264	9,536,566
Other non-current liabilities due within one year (Notes 44 (a) (ii)(iv)(vii)(viii))	28,615,318	807,000
Amounts due to brokers	6,780,060	5,193,189
Interest payable	3,031,684	2,423,119
Accrued liabilities (i)	442,152	436,352
Fee and commissions payable	290,495	300,584
Funds payable to securities holders	168,374	184,701
Funds payable to securities issuers	60,687	134,171
Dividends payable	2,049	2,049
Others	3,719,737	3,994,249
Total	<u>67,770,364</u>	<u>42,396,333</u>

- (i) The Company made a provision of RMB436 million on a conservative basis with reference to the margin trading accounts being inspected during the investigation in 2015. In May 2017, the Company received CSRC's Advanced Notice of Administrative Penalty, confiscating related illegal earnings of RMB62 million and imposing a fine of RMB308 million, totaling RMB370 million. At the date of this report, the Company had not received CSRC's notification of final administrative penalty, therefore no adjustment was made to the amount of accrued liabilities.

44. DEBT INSTRUMENTS ISSUED

By category	31 December 2017	2016
Bonds and medium term notes issued (a)	75,694,005	69,451,668
Structured notes issued (b)	1,947,628	300,507
	<u>77,641,633</u>	<u>69,752,175</u>

By maturity	31 December 2017	2016
Maturity within five years	63,160,758	55,274,246
Maturity over five years	14,480,875	14,477,929
	<u>77,641,633</u>	<u>69,752,175</u>

As at 31 December 2017, there was no default related to any issued debt instruments (31 December 2016: Nil).

(a) Bonds and medium term notes issued

		31 December 2017	2016
Item			
06 CITICS Bond	(i)	1,500,000	1,500,000
13 CITICS 01	(ii)	—	2,997,699
13 CITICS 02	(iii)	11,981,578	11,978,707
CITIC SEC B1805	(iv)	—	5,485,029
15 CITICS 01	(v)	5,499,105	5,498,772
15 CITICS 02	(vi)	2,499,297	2,499,222
15 CITICS C1	(vii)	—	11,499,624
15 CITICS C2	(viii)	—	8,499,568
CITIC SEC N1910	(ix)	4,238,222	4,494,564
16 CITICS G1	(x)	12,499,104	12,498,648
16 CITICS G2	(xi)	2,499,866	2,499,835
17CITICS 03	(xii)	1,999,879	—
17CITICS 04	(xiii)	999,930	—
17 CITICS C1	(xiv)	1,999,583	—
17 CITICS C2	(xv)	2,299,859	—
17 CITICS C3	(xvi)	799,927	—
17 CITICS C4	(xvii)	4,899,628	—
17 CITICS G1	(xviii)	9,999,113	—
17 CITICS G2	(xix)	1,999,885	—
17 CITICS G3	(xx)	2,392,398	—
17 CITICS G4	(xxi)	2,393,230	—
CITIC SEC N2204	(ix)	3,242,260	—
CITIC SEC N2004	(ix)	1,951,141	—
Carrying amount		<u>75,694,005</u>	<u>69,451,668</u>

- (i) Pursuant to the approval by the CSRC, the Company issued a 15-year bond with a face value of RMB1.5 billion from 25 May to 2 June 2006, which was guaranteed by CITIC Corporation Limited. The coupon rate of the bond is 4.25% and the maturity date is 31 May 2021.
- (ii) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB3 billion from 7 June 2013 to 14 June 2013. The coupon rate of the bond is 4.65% and the maturity date is 7 June 2018. As at 31 December 2017, the bond was presented as other non-current liabilities due within one year (Note 43).
- (iii) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB12 billion from 7 June 2013 to 14 June 2013. The coupon rate of the bond is 5.05% and the maturity date is 7 June 2023.
- (iv) CITIC Securities Finance 2013 Co., Ltd. issued a 5-year bond with a face value of USD 0.8 billion (equivalent to RMB4.94 billion) from 25 April 2013 to 3 May 2013, which was guaranteed by Bank of China Limited (Macau Branch). The Company provides a counter-guarantee to Bank of China Limited (Macau Branch). The coupon rate of the bond is 2.50% and the maturity date is 3 May 2018. As at 31 December 2017, the bond was presented as other non-current liabilities due within one year (Note 43).
- (v) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB5.5 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 4.60% and the maturity date is 25 June 2020.
- (vi) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB2.5 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 5.10% and the maturity date is 25 June 2025.

- (vii) The company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB11.5 billion on 16 March 2015. The coupon rate of the bond is 5.50% and the maturity date is 16 March 2020. The Company has an option to redeem all of the bonds at their face value at their third anniversary. If the Company does not exercise the option, the coupon rate of the bond would increase to 8.50%. On 16 March 2018, the Company exercised the option to redeem all of the subordinated bonds. As at 31 December 2017, the bond was presented as other non-current liabilities due within one year (Note 43).
- (viii) The Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB8.5 billion on 16 July 2015. The coupon rate of the bond is 5.00% and the maturity date is 16 July 2020. The Company has an option to redeem all of the bonds at their face value at their third anniversary. If the Company did not exercise the option, the coupon rate of the bond would increase by 300 basis points. As at 31 December 2017, the bond was presented as other non-current liabilities due within one year (Note 43).
- (ix) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company's subsidiary, CITIC Securities Finance MTN Co., Ltd. established a USD 3 billion (or other equivalents) Medium Term Note Programme on 17 October 2014. During the year of 2014, CITIC Securities Finance MTN Co., Ltd. had its first drawdown under the Programme to issue notes with a face value of USD 0.65 billion. During the year of 2015, CITIC Securities Finance MTN Co., Ltd. had eight drawdowns under the Programme to issue notes with an aggregated face value of USD 439.68 million, which were paid off in the same year. CITIC Securities Finance MTN Co., Ltd. had two further drawdowns under the Programme to issue notes with the face value of USD 0.5 billion and USD 0.3 billion on 11 April 2017. These Medium Term Notes are guaranteed by the Company with no counter-guarantee arrangement.
- (x) Pursuant to the approval by the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB12.5 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.26% and the maturity date is 17 November 2019.
- (xi) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.5 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.38% and the maturity date is 17 November 2021.
- (xii) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2014 and approval of relevant Regulatory, the Company issued a 2-year unguaranteed subordinated redeemable bond with a face value of RMB2 billion on 11 September 2017. The coupon rate of the bond is 4.97% and the maturity date is 12 September 2019.
- (xiii) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant Regulatory, the Company issued a 2-year unguaranteed subordinated redeemable bond with a face value of RMB1 billion on 14 December 2017. The coupon rate of the bond is 5.50% and the maturity date is 15 December 2019.
- (xiv) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB2 billion on 24 May 2017. The coupon rate of the bond is 5.10% and the maturity date is 25 May 2020.
- (xv) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB2.3 billion on 24 May 2017. The coupon rate of the bond is 5.30% and the maturity date is 25 May 2022.
- (xvi) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB0.8 billion on 25 October 2017. The coupon rate of the bond is 5.05% and the maturity date is 26 October 2020.
- (xvii) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB4.9 billion on 25 October 2017. The coupon rate of the bond is 5.25% and the maturity date is 26 October 2022.

- (xviii) Pursuant to the approval by the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB10 billion from 16 February 2017 to 17 February 2020. The coupon rate of the bond is 4.20% and the maturity date is 17 February 2020.
- (xix) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2 billion from 16 February 2017 to 17 February 2022. The coupon rate of the bond is 4.40% and the maturity date is 17 February 2022.
- (xx) Pursuant to the approval by the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB2.4 billion from 27 November 2017 to 28 November 2019. The coupon rate of the bond is 5.25% and the maturity date is 28 November 2019.
- (xxi) Pursuant to the approval by the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.4 billion from 27 November 2017 to 28 November 2020. The coupon rate of the bond is 5.33% and the maturity date is 28 November 2020.

(b) Structured notes issued

As at 31 December 2017, the structured notes issued by the Group amounted to RMB1,948 million (31 December 2016: RMB301 million) were with remaining tenors greater than one year and coupon rates ranging from 3.1% to 4.6% (31 December 2016: 2.50% to 4.50%).

45. LONG-TERM LOANS

	31 December 2017	2016
Analysed by nature:		
Credit loans	533,000	533,000
Collateralised loans	551,900	543,900
Pledged loans	—	37,288
Total	<u>1,084,900</u>	<u>1,114,188</u>
Analysed by maturity:		
Maturity within five years	<u>1,084,900</u>	<u>1,114,188</u>

As at 31 December 2017, the interest rates on the long-term loans were in the range of 4.60% to 5.00% (31 December 2016: 4.60% to 5.50%). As at 31 December 2017, the book value of the collateral was RMB3,935 million (31 December 2016: RMB4,364 million)

46. OTHER NON-CURRENT LIABILITIES

	31 December 2017	2016
Regulatory risk provision payables	473,632	388,503
Others	<u>443,860</u>	<u>17,980</u>
Total	<u>917,492</u>	<u>406,483</u>

47. SHARE CAPITAL

	31 December			
	2017		2016	
Ordinary Shares	Number of shares (Thousand)	Nominal Value	Number of shares (Thousand)	Nominal Value
Registered, issued and fully paid:				
A shares of RMB1 each	9,838,580	9,838,580	9,838,580	9,838,580
H shares of RMB1 each	2,278,328	2,278,328	2,278,328	2,278,328
	<u>12,116,908</u>	<u>12,116,908</u>	<u>12,116,908</u>	<u>12,116,908</u>

48. RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve and other non-discretionary surplus reserves, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards, to its discretionary surplus reserve upon approval by the General Shareholders' Meeting. Subject to the approval of General Shareholders' Meeting, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(c) General reserves

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its after-tax profit for the year for the general risk reserve and 10% for the transaction risk reserve. These reserves may be used to offset accumulated losses of the Company but shall not be declared as dividends or converted into share capital. General reserves also include reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside of Mainland China in accordance with the regulatory requirements in their respective territories are also included herein. These regulatory reserves are not available for distribution.

(d) Investment revaluation reserve

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

(e) Foreign currency translation reserve

Foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

(f) *Distributable profits*

The Company's distributable profits are based on the retained earnings of the Company as determined under China Accounting Standards and IFRSs, whichever is lower.

49. CASH AND CASH EQUIVALENTS

	31 December 2017	2016
Cash on hand	266	389
Deposits in banks	30,938,689	33,229,966
Total	30,938,955	33,230,355

50. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in these unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group:

Unconsolidated structured entities sponsored by the Group mainly include investment funds and asset management plans sponsored by the Group. The nature and aim of the structured entities is to manage investors' assets and collect management fees. Financing is sustained through investment products issued to investors. The interests held by the Group in these unconsolidated structured entities mainly involve management fees and performance fees collected from managed structured entities.

In addition, the Group also held certain interests in structured entities sponsored by the Group. In 2017, The Group obtained management fee, commission and performance fee amounting to RMB2,898 million from unconsolidated structured entities sponsored by the Group, for which the Group held no interest in as at the balance sheet date (2016: RMB2,677 million).

The maximum exposure and the book value of relevant balance sheet items of the Group arising from these unconsolidated structured entities sponsored by the Group were set out as below:

	31 December 2017 Carrying amount	Maximum exposure
Financial assets designated as at fair value through profit or loss	2,363,492	2,363,492
Available-for-sale financial assets	3,200,929	3,200,929

Structured entities sponsored by third party financial institutions:

The maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities that are sponsored by third party financial institutions were set out as below:

	31 December 2017 Carrying amount	Maximum exposure
Financial assets designated as at fair value through profit or loss	7,472,688	7,472,688
Available-for-sale financial assets	7,537,342	7,537,342

51. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. A financial liability is recognised for cash received.

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances require customers to return a portion of the collateral or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2017		31 December 2016	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	15,010,137	14,886,155	17,478,014	17,208,926
Securities lending	71,777	—	15,260	—
Total	<u>15,081,914</u>	<u>14,886,155</u>	<u>17,493,274</u>	<u>17,208,926</u>

52. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	31 December 2017	2016
Contracted, but not provided for	<u>189,448</u>	<u>178,860</u>

The above-mentioned capital commitments are mainly in respect of the construction of properties and purchase of equipment of the Group.

(b) Operating lease commitments

(i) Operating lease commitments — as a lessee

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

	31 December 2017	2016
Within one year	497,425	1,078,223
After one year but not more than two years	379,739	993,491
After two years but not more than three years	291,799	860,982
After three years	351,603	866,124
Total	1,520,566	3,798,820

(ii) Operating lease commitments — as a lessor

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

	31 December 2017	2016
Within one year	288,932	292,088
After one year but not more than two years	272,159	273,126
After two years but not more than three years	261,196	258,859
After three years	1,261,665	1,577,073
Total	2,083,952	2,401,146

(c) Legal proceedings

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2017, the Group was not involved in any material legal, or arbitration that if adversely determined, would materially adversely affect the Group's financial position or results of operations.

53. RELATED PARTY DISCLOSURES

(1) Largest equity holder of the Company

Name of the shareholder	Relationship	Enterprise type	Place of registration and operations	Legal representative	Principal activities	Registered share capital	Percentage of equity interest	Voting rights	Uniform Social Credit Code
CITIC Corporation Limited	Largest equity holder	State-controlled	Beijing	Zhenming Chang	Financial, industrial and other services	RMB139 billion	16.50%	16.50%	911100007178317092

(2) *Related party transactions*

(a) *Largest equity holder of the Company — CITIC Corporation Limited*

Transactions during the year

	2017	2016
Income from providing services	<u>94,363</u>	<u>—</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 which was guaranteed by CITIC Corporation Limited. As at 31 December 2017, the total guarantees provided by CITIC Corporation Limited amounted to RMB1.5 billion (31 December 2016: RMB1.5 billion).

(b) *Subsidiaries*

Transactions during the year

	2017	2016
Interest income	400,208	348,707
Investment income	166,247	118,030
Income from providing services	38,106	41,411
Lease fees received	3,624	2,647
Interest expense	295,198	103,380
Expense from receiving services	3,579	15,267
Lease expenses paid	235,871	—
Impairment loss	<u>—</u>	<u>6,225</u>

Balances at the end of the year

	31 December 2017	2016
Other current assets	16,445,659	13,254,366
Available-for-sale financial assets	8,406,998	11,968,536
Reverse repurchase agreements	3,078,305	4,144,033
Deposits for investments — Stock index futures	1,394,774	1,262,516
Refundable deposits	800,815	434,933
Derivative financial assets	3,619,432	103,283
Cash held on behalf of customers	—	69,763
Financial assets held for trading	42,375	2,320
Land use rights and intangible assets	184	—
Property, plant and equipment	<u>744</u>	<u>—</u>
Other current liabilities	6,715,885	4,694,828
Repurchase agreements	5,600,000	—
Short-term financing instruments payable	712,469	1,795,000
Derivative financial liabilities	1,176,294	1,429,219
Debt instruments issued	687,200	365,000
Customer brokerage deposits	<u>53,955</u>	<u>34,642</u>

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

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

Transactions during the year

	2017	2016
Interest income	434,953	499,453
Income from providing services	164,743	98,885
Investment income	(12,361)	(19,142)
Lease fees received	18,197	3,359
Expense from receiving services	143,823	207,733
Interest expense	85,038	35,754
Lease expenses paid	11,394	11,449
Equity investment transfer	—	344,966

Balances at the end of the year

	31 December 2017	2016
Cash held on behalf of customers (i)	12,101,261	17,197,429
Cash and bank balances (i)	6,017,147	1,882,268
Other current assets	578,845	780
Other current liabilities	8,541	6,620

(i) Represents deposits placed with financial institutions, which are the subsidiaries of the largest equity holder of the Company.

(d) *Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries*

Transactions during the year

	2017	2016
Income from providing services	46,278	605,803
Lease fees received	1,699	850
Lease expenses paid	37,369	38,345
Interest expense	1,927	4,496
Expense from receiving services	5,390	3,814

Balances at the end of the year

	31 December 2017	2016
Other current assets	1,121	888
Other current liabilities	434	434

(e) *Associates*

Transactions during the year

	2017	2016
Income from providing services	31,719	4,450
Lease fees received	2,216	—
Interest expenses	—	4

Balances at the end of the year

	31 December 2017	2016
Other current asset	31,756	—
Other current liabilities	994	—

(f) *Other transactions during the year*

As at 31 December 2017, the collective asset management plan managed by the Company and held by the Company and its subsidiaries amounted to RMB696 million (31 December 2016: RMB1,096 million).

As at 31 December 2017, the structured notes issued by the company and held by the largest equity holder of the Company amounted to RMB3,000 million, and the structured notes held by the subsidiaries and joint ventures of the largest equity holders amounted to RMB200 million. (31 December 2016: Nil)

54. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets, in which the Group principally trades, for identical financial assets or financial liabilities at the measurement date.

Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the financial asset or financial liability, either directly or indirectly.

Level 3: Valuation techniques using inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

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

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

For certain unlisted or thinly traded equity securities, unlisted funds, and certain over-the-counter derivatives transactions, management obtains valuation quotations from counterparties or uses valuation techniques to determine fair value, including discounted cash flow analysis and price to book ratio approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs may have impact on the valuation include liquidity discount, and price to book ratio, etc. As at 31 December 2017, fair value changes resulting from changes in the unobservable inputs were not significant. The Group has implemented internal control procedures to control the Group's exposure to such financial instruments within specified limits.

(a) *Financial instruments recorded at fair value*

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
— Debt securities	45,025,670	42,994,611	129,059	88,149,340
— Equity investments	54,529,732	7,761,496	303,477	62,594,705
— Others	2,268,105	5,436,396	—	7,704,501
Subtotal	101,823,507	56,192,503	432,536	158,448,546
Financial assets designated as at fair value through profit or loss	11,263,284	1,942,499	6,499,174	19,704,957
Derivative financial assets	38,184	5,862,611	—	5,900,795
Available-for-sale financial assets				
— Debt securities	467,960	13,612,810	—	14,080,770
— Equity investments	5,720,222	2,067,123	2,984,689	10,772,034
— Others	417,343	24,046,780	—	24,464,123
Subtotal	6,605,525	39,726,713	2,984,689	49,316,927
Total	119,730,500	103,724,326	9,916,399	233,371,225
Financial liabilities:				
Financial liabilities held for trading	7,954,878	201,282	8,954	8,165,114
Financial liabilities designated as at fair value through profit or loss	264,289	32,878,975	5,143,392	38,286,656
Derivative financial liabilities	50,664	13,250,567	—	13,301,231
Total	8,269,831	46,330,824	5,152,346	59,753,001

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
— Debt securities	51,384,438	45,584,219	320,294	97,288,951
— Equity investments	42,364,376	884,426	293,792	43,542,594
— Others	1,203,553	4,246,669	—	5,450,222
Subtotal	94,952,367	50,715,314	614,086	146,281,767
Financial assets designated as at fair value through profit or loss	7,213,138	1,221,283	4,902,764	13,337,185
Derivative financial assets	56,864	3,723,494	—	3,780,358
Available-for-sale financial assets				
— Debt securities	1,345,304	19,946,518	—	21,291,822
— Equity investments	11,547,572	1,994,687	3,234,911	16,777,170
— Others	563,062	34,255,826	—	34,818,888
Subtotal	13,455,938	56,197,031	3,234,911	72,887,880
Total	115,678,307	111,857,122	8,751,761	236,287,190
Financial liabilities:				
Financial liabilities held for trading	3,875,269	96,480	6,473	3,978,222
Financial liabilities designated as at fair value through profit or loss	—	22,534,280	4,705,822	27,240,102
Derivative financial liabilities	50,144	2,526,447	—	2,576,591
Total	3,925,413	25,157,207	4,712,295	33,794,915

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

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

	As at 1 January 2017	Changes in fair value recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2017
Financial assets:									
Financial assets held for trading									
— Debt securities	320,294	13,177	—	7,145	(211,557)	—	—	—	129,059
— Equity investments	293,792	972,532	—	4,706,357	(81,130)	174,068	—	5,762,142	303,477
Financial assets designated as at fair value through profit or loss	4,902,764	680,051	—	884,835	(165,037)	196,561	—	—	6,499,174
Available-for-sale financial assets									
— Equity investments	3,234,911	—	736,034	21,747	(2,761,368)	2,658,841	299,828	605,648	2,984,689
Financial liabilities:									
Financial liabilities designated as at fair value through profit or loss	4,705,822	496,712	—	—	(59,142)	—	—	—	5,143,392
Financial liabilities held for trading	6,473	(32)	—	6,641	(4,128)	—	—	—	8,954

	As at 1 January 2016	Changes in fair value recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2016
Financial assets:									
Financial assets held for trading									
— Debt securities	299,651	15,154	—	305,140	(299,651)	—	—	—	320,294
— Equity investments	1,044,522	(223,904)	—	96,048	(223,531)	126,337	525,680	—	293,792
Financial assets designated as at fair value through profit or loss	2,086,142	334,411	14,163	2,301,311	(14,342)	383,320	—	202,241	4,902,764
Available-for-sale financial assets									
— Equity investments	417,627	3,127	1,874,766	793,800	(78)	209,088	63,419	—	3,234,911
Financial liabilities:									
Financial liabilities designated as at fair value through profit or loss	3,257,995	39,040	—	1,408,787	—	—	—	—	4,705,822
Financial liabilities held for trading	—	(251)	—	6,724	—	—	—	—	6,473

The amount of investment income recognised in profit or loss from level 3 financial instruments held by the Group is RMB2,015 million in 2017. (RMB14 million in 2016)

(c) Transfers between Level 1 and Level 2

During the year ended 31 December 2017, the amount of available-for-sale financial assets transferred from level 1 to level 2 is RMB103 million (2016: Nil).

(d) Financial instruments not measured at fair value

At the end of the reporting year, the following financial assets and liabilities of the Group are not measured at fair value.

For refundable deposits, reverse repurchase agreements, cash held on behalf of customers, cash and bank balances, fee and commission receivables, margin accounts, due from banks and other financial institutions, customer brokerage deposits, repurchase agreements, short-term loans, due to banks and other financial institutions and short-term financing instruments payable, these financial instruments are of short term in nature and thus their fair values approximate to their carrying amounts.

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

	Carrying amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Debt instruments issued	<u>77,641,633</u>	<u>69,752,175</u>	<u>76,005,327</u>	<u>71,039,299</u>

55. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

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

Structure of Risk Management

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

Level 1: Board of Directors

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

Level 2: Operation Management

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

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

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

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

The Company has established the Product Committee. The Company has renewed the relevant system for the Product Committee in 2017, making it clear that the Product Committee is responsible for guiding and implementing investor appropriateness management work to meet the demands of business management. Under the authority of the Board and the Operation Management, the Product Committee is the decision making organ of the Company for appropriateness management, planning, coordinating and making decisions on the Company's products and services as well as reviewing the Company's issuance and sales of products and the provision of related services. In addition to the Risk Evaluation Group, the Product Committee has newly set up an Appropriateness Management Group. The Risk Evaluation Group is responsible for reviewing the qualification of the principal which entrusted the Company to sell products, formulating risk rating standards and approaches for the Company's products and services, conducting risk evaluation and risk rating of specified products and services, managing internal filing of products, supervising duration management and the like. Extensive and in-depth analysis of proposed products is conducted through the convening of product evaluation meetings, providing a comprehensive and appropriated evaluation. The Appropriateness Management Group is responsible for formulating the criteria for investor classification and principles and procedures for appropriate matching of investors, supervising departments to implement investor appropriateness management work, organizing and commencing appropriateness training and appropriateness self-examination and rectification at the company level, and supervising the establishment and improvement of investor appropriateness evaluation database and other work related to appropriateness management.

Level 3: Division/Business Units

At the division and business line level, the Company has segregated the roles and responsibilities of the front office, middle office and back office to ensure the establishment of a system of "checks and balances".

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

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

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

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

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

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

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

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

(a) *Credit risk*

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

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

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

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

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

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

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

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

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

	31 December 2017	2016
Available-for-sale financial assets	43,758,439	42,347,197
Refundable deposits	972,410	1,600,050
Margin accounts	73,982,611	65,021,193
Financial assets held for trading	115,120,901	121,454,981
Financial assets designated as at fair value through profit or loss	359,232	100,000
Derivative financial assets	5,900,795	3,780,358
Reverse repurchase agreements	114,592,030	59,175,083
Cash held on behalf of customers	92,386,338	129,876,778
Bank balances	34,302,875	36,712,645
Others	26,461,322	28,374,384
Total maximum credit risk exposure	507,836,953	488,442,669

(ii) *Risk concentrations*

The breakdown of the Group's maximum credit risk exposure, without taking account of any collateral or other credit enhancements, as categorised by geographical area are summarized below.

31 December 2017	By geographical area		Total
	Mainland China	Outside Mainland China	
Available-for-sale financial assets	43,663,290	95,149	43,758,439
Refundable deposits	929,303	43,107	972,410
Margin accounts	70,545,373	3,437,238	73,982,611
Financial assets held for trading	73,840,390	41,280,511	115,120,901
Financial assets designated as at fair value through profit or loss	50,776	308,456	359,232
Derivative financial assets	3,419,636	2,481,159	5,900,795
Reverse repurchase agreements	113,057,225	1,534,805	114,592,030
Cash held on behalf of customers	85,304,600	7,081,738	92,386,338
Bank balances	23,308,576	10,994,299	34,302,875
Others	6,930,754	19,530,568	26,461,322
Total maximum credit risk exposure	421,049,923	86,787,030	507,836,953

31 December 2016	By geographical area		Total
	Mainland China	Outside Mainland China	
Available-for-sale financial assets	42,254,887	92,310	42,347,197
Refundable deposits	1,555,512	44,538	1,600,050
Margin accounts	62,447,940	2,573,253	65,021,193
Financial assets held for trading	93,062,254	28,392,727	121,454,981
Financial assets designated as at fair value through profit or loss	100,000	—	100,000
Derivative financial assets	940,119	2,840,239	3,780,358
Reverse repurchase agreements	58,413,714	761,369	59,175,083
Cash held on behalf of customers	124,760,013	5,116,765	129,876,778
Bank balances	27,209,895	9,502,750	36,712,645
Others	9,357,249	19,017,135	28,374,384
Total maximum credit risk exposure	<u>420,101,583</u>	<u>68,341,086</u>	<u>488,442,669</u>

(b) Liquidity risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a time manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to a unified liquidity management and operation policy and set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases, which enable the Company to maintain its overall liquidity at a relatively secured level.

In addition, the Risk Management Department independently monitors and assesses the fund and debt positions of the Company over a future time span on a daily basis. On the one hand, it measures the solvency of the Company via analysis of matching between assets and liabilities within specified point in time and time period and indicators such as liquidity coverage ratio, and on the other hand, it assesses the intra-day settlement risk of the Company through indicators such as intra-day fund multiples. The Risk Management Department releases a liquidity risk report on a daily basis, and monitors and reports the status of payment risks and settlement risks pursuant to such report. The Company also sets threshold values for relevant indicators, and once exceeded, the Risk Management Department will warn the relevant responsible officers of the operation management of the Company and relevant departments of such risks through independent pathways, and appropriate actions will be taken by the relevant competent departments to adjust the liquidity risks exposed to a level within the permitted ranges. The Company has also established a liquidity pool system with sufficient liquid assets to meet its emergency liquidity needs.

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

	31 December 2017						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	100,124,307	—	—	—	—	—	100,124,307
Financial liabilities held for trading	—	5,447,826	3,910	187,804	39,559	2,601,983	8,281,082
Financial liabilities designated as at fair value through profit or loss	1,153,898	4,966,454	15,810,231	827,118	630,097	15,012,843	38,400,641
Repurchase agreements	—	76,400,969	33,184,628	2,884,451	26	—	112,470,074
Due to banks and other financial institutions	—	9,843,819	—	—	—	—	9,843,819
Short-term loans	3,772	6,523,113	305,543	—	—	—	6,832,428
Short-term financing instruments payable	—	10,841,482	23,399,681	—	—	—	34,241,163
Debt instruments issued	—	508,000	2,780,861	71,812,620	15,488,500	—	90,589,981
Long-term loans	—	6,899	20,696	1,218,017	—	—	1,245,612
Others	14,831,203	19,198,017	18,268,947	721,578	36,059	196,766	53,252,570
Total	116,113,180	133,736,579	93,774,497	77,651,588	16,194,241	17,811,592	455,281,677
Cash flows from derivative financial liabilities settled on a net basis							
	25,618	4,244,501	7,222,103	758,372	24,068	1,069,798	13,344,460
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(81,767)	—	—	—	(200,000)	(281,767)
Contractual amounts payable	—	83,423	—	—	—	219,115	302,538
	—	1,656	—	—	—	19,115	20,771

	31 December 2016						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	125,612,683	8,785,052	—	—	—	—	134,397,735
Financial liabilities held for trading	—	2,484,002	13,149	97,591	107,929	1,379,684	4,082,355
Financial liabilities designated as at fair value through profit or loss	3,841,400	4,027,361	6,730,543	1,506,777	—	11,351,097	27,457,178
Repurchase agreements	—	91,405,888	30,806,573	—	—	—	122,212,461
Due to banks and other financial institutions	—	19,663,856	—	—	—	—	19,663,856
Short-term loans	—	3,082,348	420,054	—	—	—	3,502,402
Short-term financing instruments payable	—	15,636,968	5,930,165	—	—	—	21,567,133
Debt instruments issued	—	632,500	2,324,398	62,212,917	16,222,000	—	81,391,815
Long-term loans	—	6,799	20,396	1,250,307	—	—	1,277,502
Others	23,845,799	3,388,886	1,268,791	273,983	6,186	173,317	28,956,962
Total	153,299,882	149,113,660	47,514,069	65,341,575	16,336,115	12,904,098	444,509,399
Cash flows from derivative financial liabilities settled on a net basis							
	2,907	573,230	644,337	688,146	44,476	593,122	2,546,218
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(1,230,000)	(305,336)	—	—	(235,000)	(1,770,336)
Contractual amounts payable	—	1,260,491	314,293	—	—	236,170	1,810,954
	—	30,491	8,957	—	—	1,170	40,618

(c) *Market risk*

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

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

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

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

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

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

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

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

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

The Group closely keeps track of market and business changes, promptly identities the latest market risk profile and maintains good communication with relevant regulatory authorities and shareholders, with a view to timely control exposure to market risks.

(i) *VaR*

VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

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

The Group's VaR analysis by risk categories is summarised as follows:

	31 December 2017	2016
Stock price-sensitive financial instruments	166,225	146,100
Interest rate-sensitive financial instruments	20,923	80,719
Exchange rate-sensitive financial instruments	112,725	35,459
Total portfolio VaR	191,414	176,543

(ii) *Interest rate risk*

The Group's interest rate risk is the risk of fluctuation in the fair value of one or more financial instruments arising from adverse movements in interest rates. The Group's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Group which are sensitive to the interest rate risk, resulting from market interest rate's negative fluctuation.

The Group uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Group's total income and total equity when interest rates fluctuate reasonably and possibly.

Assuming a parallel shift in the market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on revenue and shareholders' equity based on an interest rate sensitivity analysis of the Group is as follows:

Sensitivity of revenue

	2017	2016
Change in basis points		
+25 basis points	(210,768)	(165,137)
–25 basis points	210,216	167,217

Sensitivity of equity

	December 31 2017	2016
Change in basis points		
+25 basis points	(19,384)	(60,450)
–25 basis points	19,563	61,047

(iii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on revenue and equity. A negative amount in the table reflects a potential net reduction in revenue or equity, while a positive amount reflects a potential net increase.

Sensitivity of revenue

Currency	Change in currency rate	2017	2016
USD	–3%	(44,663)	(185,977)
HKD	–3%	(195,043)	77,285

Sensitivity of equity

Currency	Change in currency rate	December 31 2017	2016
USD	–3%	(97,818)	(173,035)
HKD	–3%	(231,893)	(220,900)

While the table above indicates the effect on revenue and equity of 3% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2017 and 31 December 2016. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorised by the original currencies.

	As at 31 December 2017				Total
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	<u>128,554,318</u>	<u>(2,357,788)</u>	<u>16,886,462</u>	<u>10,059,567</u>	<u>153,142,559</u>

	As at 31 December 2016				Total
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	<u>120,067,651</u>	<u>8,496,047</u>	<u>10,174,860</u>	<u>7,050,112</u>	<u>145,788,670</u>

(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 2017, the proportion of the Group's equity investment to total assets further increased. The equity investment classified as the financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for approximately 13.10% of the total assets as at 31 December 2017 with an increase of 4.40 percentage points as compared to 31 December 2016, while the equity investment classified as available-for-sale financial assets accounted for approximately 1.72% of the total assets with a decrease of 1.09 percentage points.

56. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2017	2016
Non-current assets		
Property, plant and equipment	793,673	828,186
Investment properties	65,375	68,148
Goodwill	43,500	43,500
Land-use rights and intangible assets	2,244,594	2,315,944
Investments in subsidiaries	30,630,220	24,190,078
Investments in associates	4,405,822	1,849,651
Available-for-sale financial assets	18,728,724	21,292,645
Refundable deposits	1,619,537	1,709,825
Deferred income tax assets	2,131,827	1,791,412
Other non-current assets	146,997	172,619
Total non-current assets	60,810,269	54,262,008
Current assets		
Fee and commission receivables	742,193	643,515
Margin accounts	64,640,791	56,453,567
Available-for-sale financial assets	25,029,678	46,937,265
Financial assets held for trading	103,128,392	107,592,243
Derivative financial assets	7,047,058	2,786,057
Reverse repurchase agreements	115,740,073	61,702,010
Other current assets	20,459,345	18,099,302
Cash held on behalf of customers	53,705,651	83,397,327
Cash and bank balances	18,519,503	19,737,190
Total current assets	409,012,684	397,348,476

	31 December 2017	2016
Current liabilities		
Customer brokerage deposits	52,517,124	79,999,306
Derivative financial liabilities	13,019,243	3,001,014
Financial liabilities held for trading	5,352,941	2,398,458
Financial liabilities designated as at fair value through profit or loss	2,266,828	3,418,518
Repurchase agreements	100,030,181	111,479,750
Due to banks and other financial institutions	9,835,000	18,050,000
Tax payable	1,047,273	1,825,285
Short-term financing instrument payables	34,250,308	20,017,237
Other current liabilities	63,195,880	32,007,071
Total current liabilities	281,514,778	272,196,639
Net current assets	127,497,906	125,151,837
Total assets less current liabilities	188,308,175	179,413,845
Non-current liabilities		
Debt instruments issued	63,516,278	59,937,075
Deferred income tax liabilities	1,575,318	607,226
Total non-current liabilities	65,091,596	60,544,301
Net assets	123,216,579	118,869,544
Equity		
Issued share capital	12,116,908	12,116,908
Reserves	80,757,181	79,067,978
Retained earnings	30,342,490	27,684,658
Total equity	123,216,579	118,869,544

57 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Reserves						Retained earnings	Total
	Share Capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Sub-total		
At 1 January 2017	12,116,908	54,542,565	6,263,770	17,019,349	1,242,294	79,067,978	27,684,658	118,869,544
Profit for the year	—	—	—	—	—	—	8,623,786	8,623,786
Other comprehensive income	—	—	—	—	71,379	71,379	—	71,379
Total comprehensive income	—	—	—	—	71,379	71,379	8,623,786	8,695,165
Dividend — 2016	—	—	—	—	—	—	(4,240,918)	(4,240,918)
Appropriation to surplus reserves	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	1,725,036	—	1,725,036	(1,725,036)	—
Capital increase by equity holders	—	—	—	—	—	—	—	—
— Capital contribution by equity holders	—	—	—	—	—	—	—	—
— Others	—	(107,212)	—	—	—	(107,212)	—	(107,212)
At 31 December 2017	12,116,908	54,435,353	6,263,770	18,744,385	1,313,673	80,757,181	30,342,490	123,216,579

	Reserves						Retained earnings	Total
	Share Capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Sub-total		
At 1 January 2016	12,116,908	54,536,934	6,263,770	15,514,336	52,613	76,367,653	27,723,060	116,207,621
Profit for the year	—	—	—	—	—	—	7,525,065	7,525,065
Other comprehensive income	—	—	—	—	1,189,681	1,189,681	—	1,189,681
Total comprehensive income	—	—	—	—	1,189,681	1,189,681	7,525,065	8,714,746
Dividend — 2015	—	—	—	—	—	—	(6,058,454)	(6,058,454)
Appropriation to surplus reserves	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	1,505,013	—	1,505,013	(1,505,013)	—
Capital increase by equity holders	—	—	—	—	—	—	—	—
— Capital contribution by equity holders	—	—	—	—	—	—	—	—
— Others	—	5,631	—	—	—	5,631	—	5,631
At 31 December 2016	12,116,908	54,542,565	6,263,770	17,019,349	1,242,294	79,067,978	27,684,658	118,869,544

58. EVENTS AFTER THE REPORTING PERIOD

Issuance of short-term Financing Bond

From January to March 2018, the Company has completed the issuance of the first three tranches of commercial papers of RMB2 billion, RMB3 billion and RMB4 billion, with a term of 91 days and coupon rates of 4.70%, 4.60% and 4.60%, respectively, in accordance with the Notice of People's Bank of China on the Issuance of Commercial Papers by CITIC Securities Company Limited (Yin Fa [2017] No.292), and the resolution passed by the 2013 Annual General Shareholders' Meeting of the Company, and the resolution passed by the 17th meeting of the 5th Session of the Board of Directors.

Public issuance of corporate bond

Pursuant to the resolution of the 11th meeting of the 6th Board of Directors' Meeting and the 2016 Annual General Shareholders' Meeting of the Company, as well as the approval by the [2017] 1774 Article of CSRC, the Company was authorized to issue corporate bonds, the face value of which shall not exceed RMB6.5 billion. On 20 March 2018, the Company completed its first issuance of corporate bonds. The first 3-year bond is listed with face value of RMB1.7 billion at coupon rate of 5.14%.

Proposed profit distribution after the reporting period

According to the board resolution passed in the Board of Directors' meeting of the Company held on 22 March 2018, the Company made the following resolution based on the profit for the year ended 31 December 2017: (i) appropriation of a total of RMB862,379 thousand to the general risk reserve calculated on the basis of 10% of the profit for the year ended 31 December 2017; (ii) appropriation of a total of RMB862,379 thousand to the transaction risk reserve calculated on the basis of 10% of the profit for the year ended 31 December 2017; (iii) appropriation of a total of RMB279 thousand to the provisions of risk calculated on the basis of 2.5% of the revenue of trustee fee of mutual funds; (iv) No statutory surplus reserve would be appropriated because the accumulated amount had reached 50% of the registered capital of the Company; (v) proposed cash dividend for the year ended 31 December 2017 of RMB4.00 yuan for every 10 shares (pre-tax), totaled approximately RMB4,846,763 thousand (pre-tax). This proposed dividend is subject to the approval of the General Meeting of Shareholders of the Company.

59. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements was approved and authorised for issue by the Board of Directors on 22 March 2018.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Financial statements with the signatures of the head of the Company, the Chief Financial Officer and the head of the accounting department and chopped with the official chop of the Company

The original copy of the audit report with signatures and seals of the accounting firm and CPAs

The original copies of the documents and announcements of the Company published during the Reporting Period in the media designated by the CSRC for information disclosures

Annual reports published on other stock exchanges

The Articles of Association of the Company

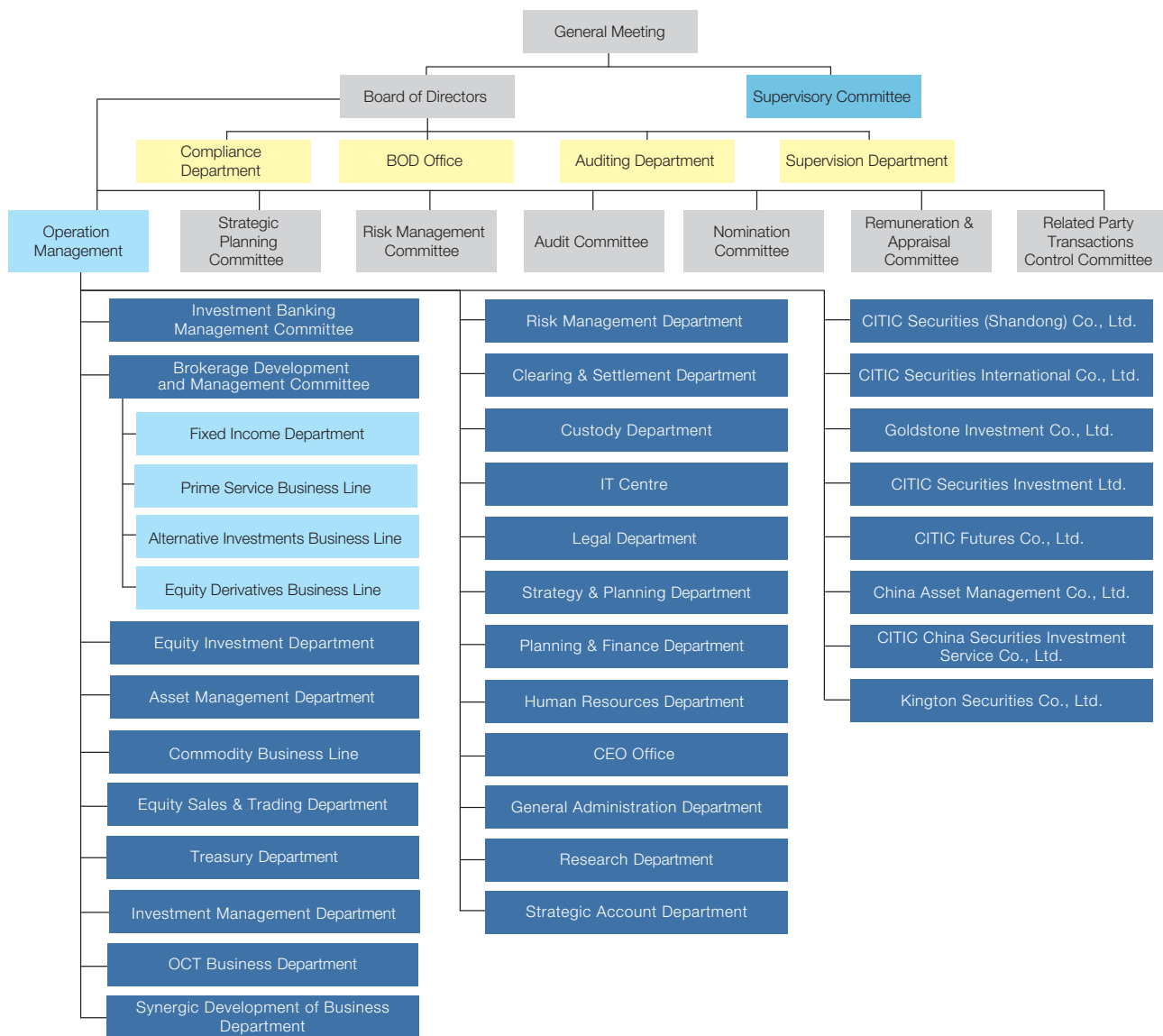
By order of the Board
CITIC Securities Company Limited
ZHANG Youjun
Chairman

Shenzhen, the PRC

22 March 2018

As at the date of this announcement, the executive Directors are Mr. ZHANG Youjun and Mr. YANG Minghui; the non-executive Directors is Mr. CHEN Zhong; and the independent non-executive Directors are Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai.

APPENDIX 1: ORGANIZATION CHART



Note 1: The Investment Banking Management Committee comprised the Financial Industry Team, the Energy and Chemical Industry Team, the Infrastructure and Real Estate Industry Team, the Equipment Manufacture Industry Team, the Telecom, Internet, Media and Entertainment Industry Team, the Healthcare Industry Team, Investment Banking (Zhejiang) Branch, Investment Banking (Shandong) Branch, Investment Banking (Jiangsu) Branch, Investment Banking (Guangdong) Branch, Investment Banking (Hubei) Branch, Investment Banking (Hunan) Branch, Investment Banking (Henan) Branch, the Merger & Acquisition Business Line, the Bonds Underwriting Business Line, the Asset Securitization Business Line, the Equity Capital Market Department, the Debt Capital Market Department, the Investment Project Recommendation Team, the Quality Control Team, the Human Resource Development Center, the Integrated IBS Team, the Operation Department and other departments/business lines. The Brokerage Development and Management Committee comprised departments such as the Individual Client Department, the Wealth Management Department, the Institutional Client Department, the Financial Product Department, the Market Research Department, the Operation Management Department and the Human Resources Department, as well as Beijing Branch, Shanghai Branch, Jiangsu Branch, Anhui Branch, Hebei Branch, Hunan Branch, Guangdong Branch, Shenzhen Branch, Northeast Branch, Zhejiang Branch, Fujian Branch, Jiangxi Branch, Yunnan Branch, Shaanxi Branch, Sichuan Branch, Tianjin Branch, Inner Mongolia Branch, Shanxi Branch and Hebei Branch.

Note 2: In 2017, the Investment Banking Management Committee comprises newly established Investment Banking (Sichuan) Branch, Investment Banking (Fujian) Branch and Investment Banking (Shaanxi) Branch.

Note 3: Only some first-tier subsidiaries of the Company are presented on the above.

APPENDIX 2: INDEX OF INFORMATION DISCLOSURE

Information disclosures made by the Company in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE (<http://www.sse.com.cn>) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2017-1-11	Financial Data briefing for December 2016
2	2017-1-20	Preliminary Financial Data for the Year of 2016
3	2017-1-20	Announcement on the Resolutions Passed at the 2017 First Extraordinary General Meeting and Legal Opinion of the 2017 First Extraordinary General Meeting
4	2017-2-4	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2017
5	2017-2-8	Financial Data briefing for January 2017
6	2017-2-14	Announcement on Public Issuance of the 2017 Corporate Bonds (Tranche 1) to the Qualified Investors; Prospectus and its Summary; Credit Rating Report
7	2017-2-16	Announcement on the Coupon Interest Rate of the 2017 Corporate Bonds (Tranche 1) to the Qualified Investors
8	2017-2-18	Announcement on the Resolutions Passed at the 8th Meeting of the 6th Session of the Board
9	2017-2-20	Announcement on the Results of Issuance of the 2017 Corporate Bonds (Tranche 1) Publicly Issued to the Qualified Investors
10	2017-2-24	Announcement on the Listing of 2017 Corporation Bonds (Tranche 1) Publicly Issued to the Qualified Investors on Shanghai Stock Exchange
11	2017-3-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2017
12	2017-3-4	Announcement on the Resolutions Passed at the 9th Meeting of the 6th Session of the Board
13	2017-3-7	Financial Data briefing for February 2017
14	2017-3-9	H Share Announcement – Notification of Board Meeting
15	2017-3-23	2016 Annual Report and its Summary; Announcement on the Resolutions Passed at the 11th Meeting of the 6th Session of the Board; Announcement on the Resolutions Passed at the 6th Meeting of the 6th Session of the Supervisory Committee; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the 6th Session of the Board on Relevant Matters at the 11th Meeting of the 6th Session of the Board; Announcement on Related Party/ Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2017; 2016 Annual Financial Statements and Audit Report; 2016 Annual Audit Report on Internal Control; 2016 CSR Report; 2016 Annual Internal Control Evaluation Report; Special Statement Regarding the Appropriation of the Company's Funds by the Largest Shareholder of CITIC Securities and Other Related Parties in 2016 (For the Year Ended 31 December 2016); Announcement on Resignation of executive director Mr. YIN Ke; Annual Report of the Audit Committee of the Board on the Performance of Duties in 2016
16	2017-4-6	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2017
17	2017-4-8	H Share Announcement – Notice of Proposed Listing of US\$3 Billion Medium-term Notes on Hong Kong Stock Exchange
18	2017-4-12	Financial Data briefing for March 2017
19	2017-4-13	Announcement on Drawdown under the Medium Term Note Programme by Indirect Wholly-owned Subsidiary and Guarantee Provided by the Company
20	2017-4-19	H Share Announcement – Notification of Board Meeting
21	2017-4-21	H Share Announcement – Announcement on an Unconditional and Irrevocable Guarantee for the US\$3 billion Medium Term Note Programme
22	2017-4-22	Follow-up Rating Report for the Corporate Bonds (Tranche 1) in 2013 (2017); Follow-up Rating Report for the Corporate Bonds in 2015 (2017); Follow-up Rating Report for the Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors in 2016; Follow-up Rating Report for “13CITIC01”, “13CITIC02”, “16CITICG1” and “16CITICG2”
23	2017-4-25	Trustee Management Report for the Corporate Bonds (Tranche 1) in 2013 (2016); Follow-up Rating Report for “17CITICG1” and “17CITICG2”; Follow-up Rating Report for the Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors in 2017 (2017)
24	2017-4-29	2017 First Quarterly Report; Announcement on the Resolutions Passed at the 12th Meeting of the 6th Session of the Board; Comprehensive Risk Management Systems
25	2017-5-3	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2017
26	2017-5-5	Notice on the Convening of the 2016 Annual General Meeting; Meeting Documents

No.	Date of Publication	Subject Matter
27	2017-5-6	Financial Data briefing for April 2017
28	2017-5-25	Announcement on Receipt of Prior Notification Letter of Administrative Penalty from the CSRC
29	2017-5-27	Announcement on the Results of the Non-publicly Issued Subordinated Bonds (Tranche 1) in 2017
30	2017-6-1	Announcement on Interest Payment in 2017 for the Corporate Bonds (Tranche 1) in 2013; Second Notice of the 2016 Annual General Meeting
31	2017-6-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2017
32	2017-6-7	Financial Data briefing for May 2017; 2017 First Trustee Management Interim Report for the Corporate Bonds (Tranche 1) in 2013; 2017 First Trustee Management Interim Report for the Subordinated Bonds (Tranche 2) in 2015; 2017 First Trustee Management Interim Report for the Corporate Bonds in 2015; 2017 First Trustee Management Interim Report for the Non-publicly Issued Subordinated Bonds (Tranche 1) in 2017
33	2017-6-8	Announcement on the Listing of Category 1 and Category 2 of the Non-publicly Issued Subordinated Bonds (Tranche 1) on the Shanghai Stock Exchange in 2017
34	2017-6-20	Announcement on the Resolutions Passed at the 2016 Annual General Meeting; Legal Opinion; Announcement on Interest Payment in 2017 for the Corporate Bonds in 2015; Announcement on the 2016 Trustee Management Report for the Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors in 2016; Announcement on the 2016 Trustee Report for the Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors in 2017
35	2017-6-29	Trustee Management Report for the Corporate Bonds in 2015 (2016)
36	2017-7-5	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2017
37	2017-7-11	Financial Data briefing for June 2017
38	2017-7-15	Announcement on Preliminary Financial Data for the Half Year of 2017
39	2017-8-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2017
40	2017-8-5	Financial Data briefing for July 2017
41	2017-8-11	Announcement on the Implementation of Bonus Dividends for A Shares in 2016
42	2017-8-15	Announcement on the Issuance Results of the Non-publicly Issued Corporate Bonds (Tranche 1) in 2017
43	2017-8-16	H Share Announcement – Notification of Board Meeting
44	2017-8-21	Announcement on Listing of the Non-publicly Issued Corporate Bonds (Tranche 1) on the Shanghai Stock Exchange in 2017
45	2017-8-26	Anti-money Laundering Administrative Measures; Summary of the 2017 Interim Results; Announcement on the Resolutions Passed at the 15th Meeting of the 6th Session of the Board; 2017 Interim Results
46	2017-9-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2017
47	2017-9-7	Financial Data briefing for August 2017
48	2017-9-8	Announcement on the Resolutions Passed at the 16th Meeting of the 6th Session of the Board
49	2017-9-14	Announcement on the Issuance Results of the Non-publicly Issued Corporate Bonds (Tranche 2) in 2017
50	2017-9-21	Announcement on Listing of Category 1 and Category 2 of the Non-publicly Issued Corporate Bonds (Tranche 2) on the Shanghai Stock Exchange in 2017
51	2017-9-30	Announcement on the Resolutions Passed at the 17th Meeting of the 6th Session of the Board; Compliance Management Regulations
52	2017-10-10	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2017
53	2017-10-13	Announcement on Approval on the Public Issuance of Corporate Bonds to Qualified Investors by the CSRC
54	2017-10-17	Financial Data briefing for September 2017; Announcement on Approval on the Change of the Articles of Association; Articles of Association
55	2017-10-19	H Share Announcement – Notification of Board Meeting
56	2017-10-28	Announcement on the Issuance Results of the Non-publicly Issued Subordinated Bonds (Tranche 2) in 2017
57	2017-10-31	2017 Third Quarterly Report; Announcement on the Resolutions Passed at the 19th Meeting of the 6th Session of the Board

No.	Date of Publication	Subject Matter
58	2017-11-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2017
59	2017-11-4	Announcement on Proposed Reduction of Shareholding in the Company by Shareholders
60	2017-11-6	Announcement on Listing of Category 1 and Category 2 of the Non-publicly Issued Subordinated Bonds (Tranche 2) on the Shanghai Stock Exchange in 2017
61	2017-11-7	Financial Data briefing for October 2017; H Share Announcement – Connected Transaction Relating to the Acquisition of 6.53% Equity Interest in CITIC Futures from CITIC Industrial Investment Group
62	2017-11-9	Announcement on Approval on the Qualification of Senior Management
63	2017-11-11	Announcement on Interest Payment in 2017 for the Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors in 2016
64	2017-11-15	Announcement on the Change of the Articles of Association
65	2017-11-23	Announcement on the Public Issuance of Corporate Bonds (Tranche 2) to Qualified Investors in 2017; Summary of the Prospectus for the Public Issuance of Corporate Bonds (Tranche 2) to Qualified Investors in 2017; Credit Rating Report for the Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors in 2017; Prospectus for the Public Issuance of Corporate Bonds (Tranche 2) to Qualified Investors in 2017
66	2017-11-25	Announcement on Approval on the Qualification of Senior Management
67	2017-11-27	Announcement on the Coupon Rate for the Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors in 2017
68	2017-11-29	Announcement on the Issuance Results of the Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors in 2017
69	2017-12-2	Announcement on Approval on the Qualification of Senior Management
70	2017-12-5	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2017
71	2017-12-7	Financial Data briefing for November 2017
72	2017-12-8	Announcement on Accumulated New Borrowings for the Year Exceeding 20% of the Net Assets at the End of the Previous Year; Announcement on Listing of Category 1 and Category 2 of the Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors on the Shanghai Stock Exchange in 2017
73	2017-12-9	Announcement on Receipt of the Letter of No Objection of the Shanghai Stock Exchange on the Listing and Transfer of CITIC Securities-Bosera Funds No.1 Credit Asset-backed Securities
74	2017-12-15	2017 Second Interim Trustee Management Report of Haitong Securities Company Limited on CITIC Securities Company Limited
75	2017-12-19	Announcement on the Results of Non-public Issuance of Corporate Bonds (Tranche 3) in 2017; Announcement on Implementation of Reduction of Shareholding in the Company by Shareholder
76	2017-12-21	Announcement of CITIC Securities Company Limited on the Listing of Non-publicly Issued Corporate Bonds (Tranche 3) on the Shanghai Stock Exchange in 2017
77	2017-12-28	Announcement on Receipt of Notice of the People's Bank of China on the Filing of the Company's Issuance of Commercial Papers

Note: The dates set out in the above table under the column entitled “Date of Publication” are dates on which the relevant announcements were published in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the Shanghai Stock Exchange. Each of these announcements was published on the HKExnews website of HKEx in the morning on its respective “Date of Publication” or in the evening on the immediately preceding date.

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

No.	Date of Publication	Subject Matter
1	2017-1-10	Announcement on the Financial Data for December 2016
2	2017-1-19	Preliminary Financial Data for the Year of 2016, Poll Results of the 2017 First Extraordinary General Meeting
3	2017-2-3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2017
4	2017-2-7	Announcement on the Financial Data for January 2017
5	2017-2-17	Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 8th Meeting of the Sixth Session of the Board
6	2017-3-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2017
7	2017-3-3	Announcement – Appointment of Person-in-charge of Accounting Affairs, Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 9th Meeting of the Sixth Session of the Board
8	2017-3-6	Announcement on the Financial Data for February 2017
9	2017-3-8	Notification of Board Meeting
10	2017-3-22	Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 11th Meeting of the Sixth Session of the Board; Announcement on the Resolutions Passed at the 6th Meeting of the Sixth Session of the Supervisory Committee; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 11th Meeting of the Sixth Session of the Board; Announcement on Related Party/Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2017; 2016 Annual Audit Report on Internal Control; 2016 CSR Report; 2016 Annual Internal Control Evaluation Report; Special Statement Regarding the Appropriation of the Company's Funds by the Largest Shareholder of CITIC Securities and Other Related Parties for 2016; Annual Report of the Audit Committee under the Sixth Session of the Board on the Performance of Duties in 2016; 2016 Work Reports of the Independent Non-executive Directors; Announcement – Resignation of Executive Director and List of Directors and their Roles and Functions
11	2017-3-23	2016 Annual Results Announcement
12	2017-4-5	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2017
13	2017-4-7	Notice of Listing on the Stock Exchange of Hong Kong Limited – CITIC SECURITIES FINANCE MTN CO., LTD. – US\$3,000,000,000 Medium Term Note Programme
14	2017-4-11	Announcement on the Financial Data for March 2017
15	2017-4-12	Voluntary Announcement – Drawdown under the Guaranteed Medium Term Note Programme of CITIC SECURITIES FINANCE MTN CO., LTD.
16	2017-4-18	Notification of Board Meeting
17	2017-4-20	Notice of Listing on the Stock Exchange of Hong Kong Limited – CITIC SECURITIES FINANCE MTN CO., LTD. – US\$300,000,000 2.750% Guaranteed Notes Due 2020 and US\$500,000,000 3.250% Guaranteed Notes Due 2022
18	2017-4-21	Overseas Regulatory Announcement – Announcement on Follow-up Rating Results of the 13 CITIC 01, 13 CITIC 02, 15 CITIC 01, 15 CITIC 02, 16 CITIC G1 and 16 CITIC G2
19	2017-4-24	Overseas Regulatory Announcement – Announcement on Follow-up Rating Results of the 17 CITIC G1 and 17 CITIC G2
20	2017-4-26	2016 Annual Report
21	2017-4-28	2017 First Quarterly Results, Overseas Regulatory Announcement – Resolutions Passed at the 12th Meeting of the Sixth Session of the Board; Overseas Regulatory Announcement – Comprehensive Risk Management Systems of CITIC Securities Company Limited, Proposed Amendments to the Articles of Association
22	2017-5-2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2017

No.	Date of Publication	Subject Matter
23	2017-5-4	Circulars – General Mandate to Issue Additional A Shares and/or H Shares; 2016 Profit Distribution Plan; Proposed Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company; Related Party/Connected Transactions Involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments; Proposed Amendments to the Articles of Association; Notice of Annual General Meeting, Notice of Annual General Meeting, Proxy Form and Reply Slip
24	2017-5-5	Announcement on the Financial Data for April 2017
25	2017-5-24	Announcement on Receipt of Prior Notification Letter of Administrative Penalty from the CSRC
26	2017-5-26	Overseas Regulatory Announcement – Announcement on the Issuance Results of Non-public Issuance of Subordinated Bonds (Tranche 1) in 2017
27	2017-5-31	Second Notice of the 2016 Annual General Meeting, Overseas Regulatory Announcement – Announcement on Interest Payment in 2017 for the Corporate Bonds (Tranche 1) in 2013
28	2017-6-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2017
29	2017-6-6	Announcement on the Financial Data for May 2017
30	2017-6-19	Announcement – Poll Results of the 2016 Annual General Meeting and Payment of the 2016 Final Dividends
31	2017-6-19	Overseas Regulatory Announcement – Announcement on Interest Payment in 2017 for the Corporate Bonds in 2015
32	2017-7-4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2017
33	2017-7-10	Announcement on the Financial Data for June 2017
34	2017-7-14	Preliminary Financial Data for the First Half of 2017
35	2017-8-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2017
36	2017-8-4	Announcement on the Financial Data for July 2017
37	2017-8-10	Overseas Regulatory Announcement – Announcement on the Implementation of Bonus Dividends for A Shares in 2016
38	2017-8-14	Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of Tranche 1 of Subordinated Bonds in 2017
39	2017-8-15	Notification of Board Meeting
40	2017-8-25	2017 Interim Results Announcement; Overseas Regulatory Announcement – Anti-money Laundering Administrative Measures of CITIC Securities Company Limited; Overseas Regulatory Announcement — Announcement on the Resolutions Passed at the 15th Meeting of the Sixth Session of the Board
41	2017-9-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2017
42	2017-9-6	Announcement on the Financial Data for August 2017
43	2017-9-7	Announcement – Appointment of Members of the Executive Committee and Other Senior Management
44	2017-9-13	Overseas Regulatory Announcement – Announcement on the Issuance Results of Non-public Issuance of Corporate Bonds (Tranche 2) in 2017
45	2017-9-22	2017 Interim Report
46	2017-9-29	Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 17th Meeting of the Sixth Session of the Board; Overseas Regulatory Announcement – Compliance Management Regulations of CITIC Securities Company Limited
47	2017-10-9	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2017
48	2017-10-12	Overseas Regulatory Announcement – Announcement on Approval by the CSRC on the Public Issuance of Corporate Bonds to Qualified Investors
49	2017-10-16	Announcement on the Financial Data for September 2017, Announcement — Approval by Shenzhen Securities Regulatory Bureau on the Amendments to the Articles of Association; Articles of Association
50	2017-10-18	Notification of Board Meeting
51	2017-10-27	Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of Subordinated Bonds (Tranche 2) in 2017
52	2017-10-30	2017 Third Quarterly Results; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 19th Meeting of the Sixth Session of the Board

No.	Date of Publication	Subject Matter
53	2017-11-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2017
54	2017-11-3	Announcement on Proposed Reduction of Shareholding in the Company by Shareholder
55	2017-11-6	Announcement on the Financial Data for October 2017; Connected Transaction – Acquisition of 6.53% Equity Interest in CITIC Futures from CITIC Industrial Investment Group
56	2017-11-8	Announcement – Approval on the Qualification of Some Members of the Executive Committee and Other Senior Management by the Regulatory Authority
57	2017-11-10	Overseas Regulatory Announcement – Announcement on Interest Payment in 2017 for the Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors in 2016
58	2017-11-14	Overseas Regulatory Announcement – Announcement on the Change of the Articles of Association
59	2017-11-24	Announcement – Approval on the Qualification of Member of the Executive Committee by the Regulatory Authority
60	2017-12-1	Announcement – Approval on the Qualification of Member of the Executive Committee by the Regulatory Authority
61	2017-12-4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2017
62	2017-12-6	Announcement on the Financial Data for November 2017
63	2017-12-7	Overseas Regulatory Announcement – Announcement on Accumulated New Borrowings for the Year Exceeding 20% of the Net Assets at the End of the Previous Year
64	2017-12-8	Overseas Regulatory Announcement – Announcement on Receipt of the Letter of No Objection of the Shanghai Stock Exchange on the Listing and Transfer of CITIC Securities — Bosera Funds No.1 Credit Asset-backed Securities
65	2017-12-18	Announcement on Implementation of Reduction of Shareholding in the Company by Shareholder; Overseas Regulatory Announcement – Announcement on the Issuance Results of Non-public Issuance of Corporate Bonds (Tranche 3) in 2017
66	2017-12-27	Overseas Regulatory Announcement – Announcement on Receipt of Notice of the People's Bank of China on the Filing of the Company's Issuance of Short-term Commercial Papers

APPENDIX 3: ADMINISTRATIVE APPROVALS OBTAINED DURING THE REPORTING PERIOD (PLEASE SUM UP AND THEN CONFIRM IF IT IS COMPLETE)

No.	Date of Approval	Heading and Identification Number of the Approval
1	2017-9-13	Approval of the Shenzhen Securities Regulatory Bureau Concerning CITIC Securities Company Limited to Change the Important Clauses of its Articles of Association (Shen Zheng Ju Xu Ke Ji [2017] No.70)
2	2017-9-28	Approval Concerning CITIC Securities Company Limited to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No.1774)
3	2017-10-24	Approval of the Shenzhen Securities Regulatory Bureau Concerning Yang Bing's qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Ji [2017] No.91)
4	2017-10-24	Approval of the Shenzhen Securities Regulatory Bureau Xue Jirui's qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Ji [2017] No.92)
5	2017-10-24	Approval of the Shenzhen Securities Regulatory Bureau Concerning Li Jiong's qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Ji [2017] No.93)
6	2017-10-31	Approval of the Shenzhen Securities Regulatory Bureau Concerning Zhang Hao's qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Ji [2017] No.95)
7	2017-11-17	Approval of the Shenzhen Securities Regulatory Bureau Concerning Li Chunbo's qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Ji [2017] No.98)
8	2017-11-28	Approval of the Shenzhen Securities Regulatory Bureau Concerning Ma Yao's qualification as Senior Management of Securities Companies (Shen Zheng Ju Xu Ke Ji [2017] No.102)