CICC
中金公司

China International Capital Corporation Limited
中國國際金融股份有限公司

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

(Stock code: 3908)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

The board of directors of China International Capital Corporation Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries for the year ended December 31, 2017. This announcement, containing the main 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 preliminary announcements of annual results. The printed version of the Company's 2017 annual report will be despatched to the shareholders of the Company and available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.cicc.com in due course.

By order of the Board
China International Capital Corporation Limited
Secretary to the Board
Wu Bo

Beijing, the PRC, March 23, 2018

As at the date of this announcement, the Executive Director of the Company is Mr. Bi Mingjian; the Non-executive Directors are Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson; and the Independent Non-executive Directors are Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin.

Core Values

People-oriented with Nation in Mind

以人為本，以國為懷

People are our most valuable resource. We make great efforts to attract, cultivate and retain the best people. "Acting as the international investment bank of China" has been our historical mission since the inception of CICC. We always regard promoting and servicing the reform of the national economic system and the development of the Chinese capital market as our due responsibilities.

Diligent and Professional

勤奮專業

We develop business with the highest professional standards, and have nurtured a team of high quality financial talents with international vision, who are diligent, responsible and agree with our corporate culture.

Active and Enterprising

積極進取

Innovation is the driving force for the sustainable development of CICC. With excellent talents, panoramic vision, close cooperation with customers and extensive experience, we can always feel and capture the latest pulse of market and provide innovative products and high quality services to our customers.

Clients First

客戶至上

Client service is always our first priority. We maintain long-term relationships with our clients and provide them with value-added services.

Integrity as Foundation

至誠至信

Our reputation is our biggest asset and is built upon the utmost professional integrity and highest ethical standards. We never compromise on integrity.

Chinese Roots and International Reach

植根中國，融通世界

As a China-based global investment bank, we are proud of our Chinese roots and our international DNA. We strive to bridge China and the world by providing best-in-class services to both Chinese and overseas clients.

Content

Important Notes

The Directors, Supervisors and senior management of our Company undertake that there are no misrepresentation, misleading statement or material omission in this report and they are severally and jointly liable for the authenticity, accuracy and completeness of the information contained in this annual report.

The financial statements for 2017 was prepared by our Company according to International Financial Reporting Standards ("IFRSs"), which has been audited by KPMG and KPMG has issued auditors' report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

The forward-looking statements such as future plans, development strategies contained in this report do not constitute substantive undertakings by our Company to investors who are advised to be cautious about investment risks.

Message from our CEO

ECONOMY AND MARKET OBSERVATIONS

In 2017, simultaneous revival was seen globally. The convention of the 19th National Congress of the Communist Party of China represented that the development of China has entered a new era. Tax reform has just been launched in the United States, the European economic growth beat expectations, Japan sustained its longest economic turnaround over recent years, while emerging market economies were generally optimistic. Overall, simultaneous revival was seen globally. Risk assets such as equities and commodities maintained a relatively high profitability despite the weaker bond market. Hong Kong equity market outperformed global equities. A-share market also had its own structural trading performance.

In 2017, the Chinese economy stabilized with improvement. Annual GDP growth reached 6.9% while inflation was expected to rebound. The "supply-side" reform of the traditional industries delivered positive outcomes in phases. Under the trend of consumption and industrial upgrades, emerging and high technological industries grew rapidly, evolving as new economic growth points. As there has been increasing synergy among regional development and the opening-up landscape further formed, mixed ownership reform would become increasingly popular.

In 2018, the first year after the 19th National Congress of the Communist Party of China or the 40th anniversary of its reform and opening-up, the economic growth and turnaround is gradually on the upward trend; meanwhile, the structural reform will continue to be deepened. We foresee a mild increase in the economic growth rate of China, which will feature more with a growth driven by the service industry and consumption, while the manufacturing industry will continue to develop toward the mid to high end markets. At the same time, Chinese economy continues to encounter the challenges arising from imbalanced and inadequate development where the existing conflicts are yet to be resolved by means of certain structural reforms to unleash any growth potential.

We expect the China's outlook as follows:

- Implement a sound and neutral monetary policy and a relatively loose fiscal policy; and focus more on improving the quality and sustainability of economic growth.
- Further deepen the supply-side reform, promote industrial upgrade and structural optimization, and continue to push forward the reform of urbanization. The reform of financial and taxation systems is likely to be launched. Residents' income distribution will also continue to improve. Following the more definite concept of SOE reforms, SOE reforms and, in particular, the mixed ownership reform will further be implemented among centrally-owned enterprises and local SOEs. In addition, the Chinese government will speed up the formulation of an effective long-term mechanism for real estates.
- Focus on "Rectifying crucial weakness" and risk avoidance in respect of financial regulation, and at the same time, speed up the opening-up of the financial sector. Renminbi is expected to mildly appreciate and probably, China would see foreign exchange inflow instead of outflow.

Message from our CEO

INDUSTRY OUTLOOK

As China's economic development enters into a new era, the demand of the real economy for financial services is experiencing substantial changes in terms of category, scope, complexity and degree of value appreciation. The indirect financing system and the traditional channel-based or process-based businesses are increasingly difficult to satisfy such demands. The report of the "19th National Congress of the Communist Party of China" has considered deepening institutional reform in the financial sector as a key area of developing a modernized economy, with a particular emphasis on raising the proportion of direct financing and promoting the development of a multilevel capital market. Based on past international experience and the Chinese reality, we believe that accelerating the establishment of a capital market-oriented direct financing system is not only an integral component of promoting the quality development of the real economy, but also a solution to prevent and minimize financial risks, which is crucial and imperative.

Along with the new economic era comes a new financial era, where the trend of financial disintermediation and SOE reform is expected to speed up. In the meantime, the Chinese economy will become more internationalized and liberalized. As a result of the cumulative effect of factors including economic fundamentals, policies and technologies, the pace and level of evolution of the securities business landscape in the future may exceed expectation.

We believe that the process of raising the proportion of direct financing and building a strong capital market present CICC with unprecedented opportunities. As our Company is well positioned internally and externally to deliver rapid development, it is likely that we will seize the opportunities amid the extraordinary development of the capital market to achieve a leap forward.

REVIEW OF CICC

In 2017, steered by a forward-looking strategic plan, CICC continued to push forward business transformation, strengthened institutional construction, smoothly implemented our integration with CISC, and delivered outstanding results that significantly outperformed the industry, laying a solid foundation for sound and sustainable development going forward.

Financial Performance

As at the end of 2017, the total assets[note] of the Group amounted to RMB237.81 billion, representing an increase of 133.3% compared with the end of 2016; net assets[note] amounted to RMB36.71 billion, representing an increase of 99.0% compared with the end of 2016. The Company recorded total revenue and other income[note] of RMB15.26 billion, increasing by 70.7% year on year; and net profit[note] of RMB2.77 billion, increasing by 52.0% year on year; with a weighted average return on net assets of 8.8%.

Note: Our Group has included CISC in our consolidated financial statements. The operating results disclosed for the year has consolidated the corresponding amount of CISC from April 1, 2017 to December 31, 2017.

Net assets refer to total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments. Net profit refers to profit for the year – attributable to shareholders/equity holders of the Company and holders of other equity instruments.

Message from our CEO

Business Achievements

Outstanding Performance in Diversifying Business Structure and Promoting Business Model Upgrade

Thanks to effective execution of business strategies, the Company achieved remarkable results in business transformation and business model upgrade in 2017. We witnessed synchronized development of our five major business lines i.e. investment banking, equities, FICC, wealth management and investment management, with balanced focus on institutional business and retail business. We maintained sound growth momentum of traditional business and client business in domestic as well as overseas markets. In spite of the challenging environment of shrinking offering size, declining trading volume, compressing channel-based business and decreasing industry revenue, the Company steadily strengthened our business capabilities and proactively seized development opportunities, and achieved significant growth in revenue.

While rapidly developing the capacity of each individual business unit, the Company was commited to facilitating inter-departmental collaboration and enhancing our full-scope serving capabilities. Adhering to stringent compliance standards and sticking to client orientation, the Company made great efforts to achieve synergy of our investment and financing teams, sales and product teams as well as domestic and overseas teams by implementing mechanism and promoting culture of cooperation, so as to provide clients with total solutions. As such, we fully leveraged the platform of CICC as a full-service investment bank, to better satisfy the diverse needs of investors and corporates.

In 2017, the Company further expanded its international presence. The Company has undertaken to satisfy the cross-border investing and financing demand of the real economy, and maintained its leading position in sectors such as overseas listing, USD bonds and cross-border M&As. The Company accelerated the implementation of transactions under the theme of capacity cooperation following the policy guidance of several government agencies under the "Belt and Road" initiative. Moreover, to facilitate two-way flow of financial capital, we constantly expanded the scope of cross-border trading products and services, and maintained our edge in the connect market. We were among the first to obtain the qualifications for Bond Connect. We witnessed expanding international presence following acquisition of KraneShares and setting up an office in San Francisco. We are also proactively pushing for application for financial business licenses in the US. In 2017, the Company's operating income from overseas business grew rapidly to RMB2.32 billion, accounting for approximately 21% of the Group's operating income.

Maintaining Market Leading Position in Traditional Businesses

In 2017, our investment banking business consolidated its edge in this traditional business line by actively engaging in transactions in line the overwhelming trend of increasing direct financing and structural reform of China, and played an important role in safeguarding the franchise and reinforcing the client base of our Company.

The Company has maintained a leading role in SOE reform, and advised on a number of milestone transactions such as the mixed ownership reform of China Unicom, merger of Guodian and Shenhua, and merger of CNBM and Sinoma, bringing pioneer experiences for similar deals. In our continued efforts to expand coverage of new industries and clients, our Company took the lead in the equity financing business of the TMT sector in both Hong Kong and US markets, and played a pivotal role in a number of domestic and overseas franchise deals in advanced manufacturing, new energy, healthcare and consumption sectors. The Company has been a forerunner in bond product innovation and witnessed a major step forward in the overseas bond business, gradually building CICC's presence in high-yield bond underwriting business. Upon consolidating the CISC teams, our investment banking team further enhanced its business scale and influence, with expanding regional presence and service coverage.

In 2017, the Company ranked No.1 among PRC-based enterprises in global equity financing, No.1 global financial advisor for M&As by PRC-based companies in terms of transaction amount for several consecutive years and obtained a number of institutional and project awards in the annual selections of *The Asset*, *Asiamoney* and *Finance Asia*.

Message from our CEO

Effective Transformation towards Balance Sheet-based Service Model

In recent years, our Company has focused on enhancing its balance sheet-based servicing capabilities, to fulfill the needs of investors, particularly institutional investors, for trading and risk hedging. The equities and FICC businesses have witnessed significant progress in terms of business transitioning.

The equities business continued to put forward strategic initiatives to sharpen its institutional, product and global focus, deepen business transitioning, to pursue synchronized development of the exchange and OTC business in domestic as well as overseas market, aiming to offer one-stop global integrated financial services, including cash agency, prime brokerage, option and derivatives, fund evaluation and capital introduction to investors at home and abroad. Over the past year, our market share of brokerage business grew constantly, and we maintained a premium to the industry commission rate. The product size on the prime brokerage platform exceeded RMB140 billion. We maintained a leading market share in the OTC derivatives business, and a leading coverage and market share in the stock connect markets, with the efficiency of our platform greatly improved. The research, sales and trading teams of the Company were awarded numerous valuable prizes in the selections run by publications such as the *Institutional Investors* and *Asiamoney* for many consecutive years.

The FICC business enjoyed substantial progress in business transformation with significantly improving product structuring capability, and initially disconnected its revenue from interest rate movement. In 2017, FICC witnessed strong growth in client business, with outstanding performance in the areas of client trading, structured products and commodity derivatives, and meaningful growth in ABS, jointly contributing to the improving servicing capability of this segment. In terms of proprietary trading, thanks to prudent trading style and robust risk management, the highly liquid asset accounts under its management significantly outperformed market indices. FICC maintained its leading franchise in the fixed income arena, as its fixed income research team was ranked No. 1 by *Xincaifu* and *Crystal Ball* in both of their annual selections.

Significant Enhancement of Wealth Management and Investment Management Platforms

Our wealth management and investment management businesses have demonstrated constant improvement of business platforms, which is essential to diversifying business models, enhancing service quality and promoting scalable development of our Company. Wealth management and investment management have been growing into major driving forces for our growth going forward.

For the wealth management business, the Wealth Service Centre was set up to enhance the service capability of our wealth research and product center, and extend the functions of our system platform to provide stronger headquarter support for all branches and investment consultants throughout the customer service process, thereby further improving customer experience. Through effective cross-selling and deep integration with CISC, our wealth management business significantly improved its differential edges and service coverage. In 2017, wealth management saw progress on all business fronts including cash agency, capital business and advisory services, and steady growth of customer accounts and customer assets, demonstrating the strengths of our unique business model.

For the asset management business, our Company continued to enrich product lines to cover pension, institutional outsourcing, fund of funds and multi-strategy, consolidate our capability in investment research, sales and product management, and improve the construction of our overseas asset management platform, with new breakthroughs in terms of business scale and customer development. For CICC Fund Management, a comprehensive portfolio of mutual fund products and segregated account products with multiple strategies is in good shape, and some products in the portfolio have delivered outstanding performance for the year.

For the private equity investment business, our Company has formally established CICC Capital as our unified private equity investment platform, with a wide spectrum of businesses covering government venture capital funds, stock economic reform funds, US fund of funds, US equity investment funds, RMB equity investment funds and M&A funds. By capturing assets across products, industries and regions, CICC Capital has successfully driven an explosive growth in the private equity assets under management of our Company.

Message from our CEO

Growing importance of support capacity of middle-and-back-office functions as the core competitive edge of our Company

Over the past year, our Company has significantly grown our middle-and-back-office teams catering to the ongoing business innovation and transformation. The middle and back offices have become an integral part of our Company's core competitiveness.

In 2017, our information technology systems have been upgraded. To support the ongoing business transformation and product innovation, we added and upgraded the prime brokerage business system, OTC derivatives system and global wealth management system, which provided timely and efficient support for the development of the relevant business lines and fully safeguarded the safe, stable and efficient operations of our Company.

In 2017, our financial resources management was further strengthened. The Company has centralised the decision-making, management and coordination in respect of assets and liabilities, capital, financing and liquidity risk, and optimized the allocation of assets and liabilities within the risk control limits and regulatory indicator framework, and made continuous efforts in strengthening liabilities management to improve our debt financing capacity and effectively reduce financing costs.

In 2017, we maintained robust compliance and risk control in general. We took the initiative to follow the Comprehensive Risk Management Rules issued by the Securities Association of China and the consolidated balance sheet-based regulatory regime, and strengthened investor suitability management, to support business transitioning, tighten quality control and promote product innovation, while effectively preventing the occurrence of material risk and compliance incidents or unanticipated substantial loss.

Progress of Integration

In April 2017, our Company completed the issuance of consideration shares in relation to the acquisition of CISC, upon which the transaction was duly completed. Over the past year, both parties worked closely to integrate in various aspects, with initial outcomes achieved in terms of integration of business operations, management functions and culture.

By introducing more market-oriented systems and mechanisms, we fine-tuned our organizational structure to bring CICC's knowhow and good practices in management, risk control, product and IT system to CISC. In the meantime, capitalizing on CISC's extensive client base and local network, we further extended our roots in China. Jointly we brought forward the development of the "New CICC".

We jointly pushed ahead business transitioning from brokerage to wealth management. On the institutional side, we completed consolidation of CISC's investment banking, debt underwriting and sales and trading teams, and realized unified management of certain non-core business lines of CISC. Through cooperation in the areas of training of investment consultants, product and investment banking, we witnessed initial synergies from the merger. Further, we unified compliance and risk management standards, balance sheet management, and strengthened system interconnection, and rolled out firm-wide programs to promote cultural exchanges.

We believe that the integration progress over the past year has been going very well beyond our expectation. On top of the good start and robust momentum, the two parties will continue the joint efforts in business transformation, management coordination, and cultural integration in a firmly and open manner, to ramp up the release of potential synergies.

Message from our CEO

Major Capital Market Initiatives

Other than the merger and acquisition and reorganisation with CISC, our Company actively pursued cooperation with domestic and foreign partners to optimize our shareholding structure, strengthen our weaknesses and accelerate growth. We have taken a series of capital market initiatives, including:

In July 2017, our Company announced the acquisition of the majority stake in KraneShares, which acts as our platform to venture into the US asset management and ETF sectors.

In September 2017, our Company announced the introduction of Tencent as a strategic investor, pursuant to which Tencent would subscribe for 207.5 million new CICC H Shares to be issued, representing 4.95% of our total share capital upon the issue. The proceeds from the issue were estimated to be HK$2,864 million. We have entered into a strategic cooperation framework agreement with Tencent pursuant to which the parties intend to combine our strengths to carry out extensive cooperation in the financial services sector. With the help of financial technology, the partnership is expected to accelerate our business transitioning toward wealth management.

NEXT STEP CORPORATE STRATEGIES AND INITIATIVES

In 2018, our Company will further emphasize our stance of serving client interest and serving the real economy, enhance the professional capacity of the front, middle and back offices, and consolidate our strengths in high-end business, to enhance our competitiveness and influence in the market, achieve sustainable development and maximize shareholder value.

Our concrete strategic initiatives include:

- Bring forward closer and deeper integration with CISC
- Promote systematic cross-departmental collaboration to strengthen key capabilities and gather assets
- Further enhance balance sheet-based servicing capabilities
- Focus on cross-border activities and actively pursue strategic M&A opportunities
- Closely follow the advancement of financial technology, and explore closer cooperation with partners in innovative business models
- Upgrade the capacity of our middle and back offices to enhance our core competitiveness
- Enhance our brand and franchise, and build an inclusive and cohesive corporate culture for win-win

Looking ahead, we will adhere to our original aspiration and seize the strategic opportunities of our era, to vigorously develop our Company in full swing toward our vision of becoming a world-class full-service investment bank.

Mr. Bi Mingjian
Chief Executive Officer
March 20, 2018

Definitions

In this report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Acquisition"	the acquisition by our Company of 100% of the equity interest of CISC from Huijin pursuant to the Equity Transfer Agreement
"Articles of Association"	the articles of association of our Company (as amended)
"Basic and diluted earnings per share"	(net profit attributable to shareholders/equity holders of our Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the year)/Weighted average number of ordinary shares in issue
"Board" or "Board of Directors"	the board of directors of our Company
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CG Code" or "Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"China Investment Consulting"	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company
"CICC Fund Management"	CICC Fund Management Co., Ltd.* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly owned subsidiary of our Company
"CICC Capital"	CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly owned subsidiary of our Company
"CICC Futures"	CICC Futures Co., Ltd., a wholly owned subsidiary of our Company which was known as Fortune Futures Co., Ltd.* (財富期貨有限公司) before being acquired by our Company in 2015
"CICC Jiacheng"	CICC Jiacheng Investment Management Corporation Limited* (中金佳成投資管理有限公司), a company incorporated in the PRC in October 2007 and a wholly owned subsidiary of our Company
"CICC HK AM"	China International Capital Corporation Hong Kong Asset Management Limited (中國國際金融香港資產管理有限公司), a company incorporated in Hong Kong in December 2005 and a wholly owned subsidiary of CICC Hong Kong
"CICC HK Futures"	China International Capital Corporation Hong Kong Futures Limited (中國國際金融香港期貨有限公司), a company incorporated in Hong Kong in August 2010 and a wholly owned subsidiary of CICC Hong Kong
"CICC HK Securities"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), a company incorporated in Hong Kong in March 1998 and a wholly owned subsidiary of CICC Hong Kong

Definitions

"CICC Hong Kong"	China International Capital Corporation (Hong Kong) Limited (中國國際金融（香港）有限公司), a company incorporated in Hong Kong in April 1997 and a wholly owned subsidiary of our Company
"CICC Pucheng"	CICC Pucheng Investment Co., Ltd., a company incorporated in the PRC in April 2012 and a wholly owned subsidiary of our Company
"CICC Singapore"	China International Capital Corporation (Singapore) Pte. Limited, a company incorporated in Singapore in July 2008 and a wholly owned subsidiary of our Company
"CICC UK"	China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly owned subsidiary of our Company
"CICC US Securities"	CICC US Securities Inc., a company incorporated in the United States in August 2005 and a wholly owned subsidiary of our Company
"CISC"	China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005
"CMC"	certain companies associated with Mr. Cha, including C.M. Capital Corporation, a private investment company established in 1969 in the State of California, the United States and its affiliates
"Company", "our Company", or "CICC"	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock limited company incorporated in the PRC converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"CSRC"	the China Securities Regulatory Commission* (中國證券監督管理委員會)
"Directors"	directors of our Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
"Equity Transfer Agreement"	the equity transfer agreement entered into between our Company and Huijin dated November 4, 2016, pursuant to which our Company has agreed to purchase and Huijin has agreed to sell 100% of the equity interest of CISC
"FICC"	fixed income, commodities and currencies
"Gearing ratio"	(Total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)
"GIC"	GIC Private Limited, a company incorporated in Singapore in May 1981 and a Shareholder of our Company

"Group" or "we"	our Company and its subsidiaries (or with reference to the context, our Company and anyone or more of its subsidiaries)
"H Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKEX" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, the wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huijin"	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
"I&G"	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
"ICAEW"	The Institute of Chartered Accountants in England and Wales
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Jianyin Investment"	China Jianyin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly owned subsidiary of Huijin and a Shareholder of our Company
"JIC Investment"	JIC Investment Co., Ltd. (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company
"KKR Institutions Investments"	KKR Institutions Investments L.P., a limited partnership established in Delaware on February 8, 2010 and a Shareholder of our Company
"KraneShares"	Krane Funds Advisors, LLC

Definitions

"Latest Practicable Date"	March 20, 2018
"Listing Date"	the date on which our H Shares were listed and trading has commenced on the Hong Kong Stock Exchange, being November 9, 2015
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Mingly"	Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong in 1988 and a Shareholder of our Company
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC* (中華人民共和國財政部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
"NASDAQ"	National Association of Securities Dealers Automated Quotations, an US stock exchange
"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Net capital"	net capital refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
"NSSF"	the National Council for Social Security Fund of the PRC*(全國社會保障基金理事會)
"Operating leverage ratio"	(Total assets – account payable to brokerage clients)/equity attributable to shareholders/equity holders of our Company and holders of other equity instruments
"QDII"	Qualified Domestic Institutional Investor* (合格境內機構投資者)
"QFII"	Qualified Foreign Institutional Investor* (合格境外機構投資者)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, and for the purposes of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"PRC Accounting Standards"	Accounting Standards for Business Enterprises of the PRC
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"Prospectus"	the prospectus dated October 27, 2015 issued in relation to the listing of our H Shares on the main board of the Hong Kong Stock Exchange
"Reporting Period"	the period from January 1, 2017 to December 31, 2017

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RQFII"	Renminbi Qualified Foreign Institutional Investor* (人民幣合格境外機構投資者), a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
"SAC"	the Securities Association of China* (中國證券業協會)
"Securities Law"	the Securities Law of the PRC as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SOE(s)"	state-owned enterprise(s)
"State Council"	the State Council of the PRC* (中華人民共和國國務院)
"Subscription"	the subscription of the Subscription Shares by Tencent Mobility Limited pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement entered into between the Company and Tencent Mobility Limited dated September 20, 2017 in relation to the subscription of the Subscription Shares by Tencent Mobility Limited
"Subscription Shares"	207,537,059 new H Shares to be subscribed under the Subscription
"Supervisors"	supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Tencent"	Tencent Holdings and its subsidiaries
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Tencent Holdings
"Tencent Holdings"	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 700)
"TMT"	Technology, Media and Telecom

Definitions

"TPG"	TPG Asia V Delaware, L.P., a limited partnership established in the United States in 2009 and a Shareholder of our Company
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S." or "USA" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Weighted average return on net assets"	net profit attributable to shareholders/equity holders of our Company/weighted average of equity attributable to shareholder/equity holders of our Company
"%"	per cent

Notes:

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, the arithmetic sum shown in certain tables may not be the total of the figures preceding them. Any discrepancies in any table or chart between the arithmetic sum shown and the total of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "*" and are provided for identification purposes only.

Significant Risk Warnings

The business operations of the Company are closely related to the macro economy, monetary policy and market conditions in China and other jurisdictions where our businesses are operated. Any fluctuation in domestic and international capital markets will affect the Company's business operations.

The risks that the Company faced mainly include: strategic risk arising from the adjustment of the strategy plan of the Company under the changes in domestic and overseas capital markets; business management risk arising from changes of business models, development of innovative businesses and application of new technologies; market risk caused by changes in the fair value of the financial assets resulting from fluctuations in equity prices, interest rates, credit spreads, exchange rates and commodity prices, etc; credit risk arising from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers; liquidity risk arising from failure of normal business operation, repayment of due indebtedness or performance of payment obligations due to shortage of funds; operational risk arising from failed or defective internal procedures or IT systems, human misconduct and external events; compliance risk arising from legal sanction, regulatory actions, loss of property or damage to our reputation, to which the Company is to be subject, imposed on or suffered from as a result of violation of laws, regulations, self-regulatory rules or internal regulations and rules of the Company during operation and management activities or due to employee behavior; legal risk for which the Company may suffer from economic loss or loss of reputation arising from breach of contracts, disputes in respect of infringement, litigations or other legal disputes; and reputational risk caused by negative comments on the Company due to operational activities, business management and other actions as well as external events.

The Company will work on its organizational structure, management mechanism, IT system, risk indicator framework, talents cultivation and risks response mechanism to prevent and manage the above mentioned risks. In the meanwhile, the Company will keep on optimizing its business processes to control operational risks and pay special focus on managing risks arising from innovative businesses.

For detailed analysis and measures taken by the Company in respect of the risks, please refer to the content in "Management Discussion and Analysis – VI. Risk Management".

Company Profile

(As of December 31, 2017)

I. OVERVIEW

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Bi Mingjian(note 1)
Chairman:	Bi Mingjian(note 1)
Chief Executive Officer:	Bi Mingjian
Registered capital:	RMB3,985,130,809(note 2)
Headquarters in the PRC:	
Registered address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Secretary to the Board:	Wu Bo
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Wu Bo, Zhou Jiaxing
Authorized Representatives:	Bi Mingjian, Zhou Jiaxing
Statutory Auditors engaged by our Company:	
Domestic accounting firm:	KPMG Huazhen LLP
International accounting firm:	KPMG

Note 1: Mr. Ding Xuedong resigned from the office of the Chairman of the Board and legal representative of the Company due to work rearrangement, with effect from February 27, 2017. As approved by the Board, Mr. Bi Mingjian, the Executive Director and Chief Executive Officer, has started to perform the duties of the Chairman of the Board and legal representative since March 1, 2017.

Note 2: Upon issuance of 207,537,059 H Shares to Tencent Mobility Limited on March 23. 2018, the registered capital increased to RMB4,192,667,868. Please refer to "Management Discussion and Analysis –V. Significant Investment and Financing Activities of Our Company –(ii) Equity Financing" for details.

II. INTRODUCTION TO OUR COMPANY

History

Our Company, China's first joint venture investment bank, was established on July 31, 1995 with the name of China International Capital Corporation Limited (中國國際金融有限公司) in the PRC as approved by the PBOC with a registered capital of US$100 million. The promoters of our Company were the former People's Construction Bank of China (中國人民建設銀行), Morgan Stanley & Co. Incorporated (摩根士丹利國際公司), I&G (then known as China National Investment & Guaranty Corporation (中國經濟技術投資擔保公司)), GIC (新加坡政府投資有限公司) (then known as Government of Singapore Investment Corporation Pte. Ltd. (新加坡政府投資公司)) and Mingly (名力集團控股有限公司) (then known as The Mingly Corporation Limited (名力集團)).

On June 1, 2015, our Company was converted into a joint stock company with limited liability with the name of China International Capital Corporation Limited (中國國際金融股份有限公司). Upon the conversion, our Company had a total share capital of RMB1,667,473,000 comprising 1,667,473,000 Shares with nominal value of RMB1.00 each.

Our Company was successfully listed on the Hong Kong Stock Exchange in November, 2015 and initially issued 555,824,000 H Shares, and further issued 83,372,000 H Shares upon the exercise of over-allotment option. After the completion of the global offering and the exercise of the over-allotment option, the total number of issued Shares of our Company increased from 1,667,473,000 Shares to 2,306,669,000 Shares.

On November 4, 2016, our Company and Huijin entered into the Equity Transfer Agreement, pursuant to which, our Company has agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of CISC. CISC is a fully-licensed securities firm in the PRC with an extensive and well-established branch network, a large customer base and an integrated business platform. The Company became the sole shareholder of CISC on March 21, 2017. 1,678,461,809 domestic shares had been issued as fully paid to Huijin as consideration for the Acquisition on April 12, 2017. Upon completion of the Acquisition, Huijin directly held 58.58% equity interest in our Company, and that the registered capital of our Company increased from RMB2,306,669,000 to RMB3,985,130,809.

Company Profile

(As of December 31, 2017)

The Headquarters of our Company is in Beijing and as of December 31, 2017, our Company has a number of subsidiaries in the PRC, including CISC, CICC Capital, CICC Fund Management and CICC Pucheng, and has established branch companies in Shanghai, Shenzhen and other cities with over 200 securities branches located in 28 provinces and municipalities of the PRC.

After over 20 years of unremitting efforts, our Company has achieved remarkable progress in business development and transformed into an investment bank with an outstanding team, solid client base and excellent brand. In 2015, our Company obtained several business qualifications such as qualifications for internet finance business, integrated custodian business for private funds and custodian business for securities investment funds. In 2017, CICC renewed its qualification for consultancy services for the military industry and confidential business and obtained from the National Interbank Funding Centre the qualification of market makers for the Northbound Trading under Bond Connect. CICC Futures became a member of Shanghai International Energy Exchange Corporation. Our Company's business landscape has been further improved.

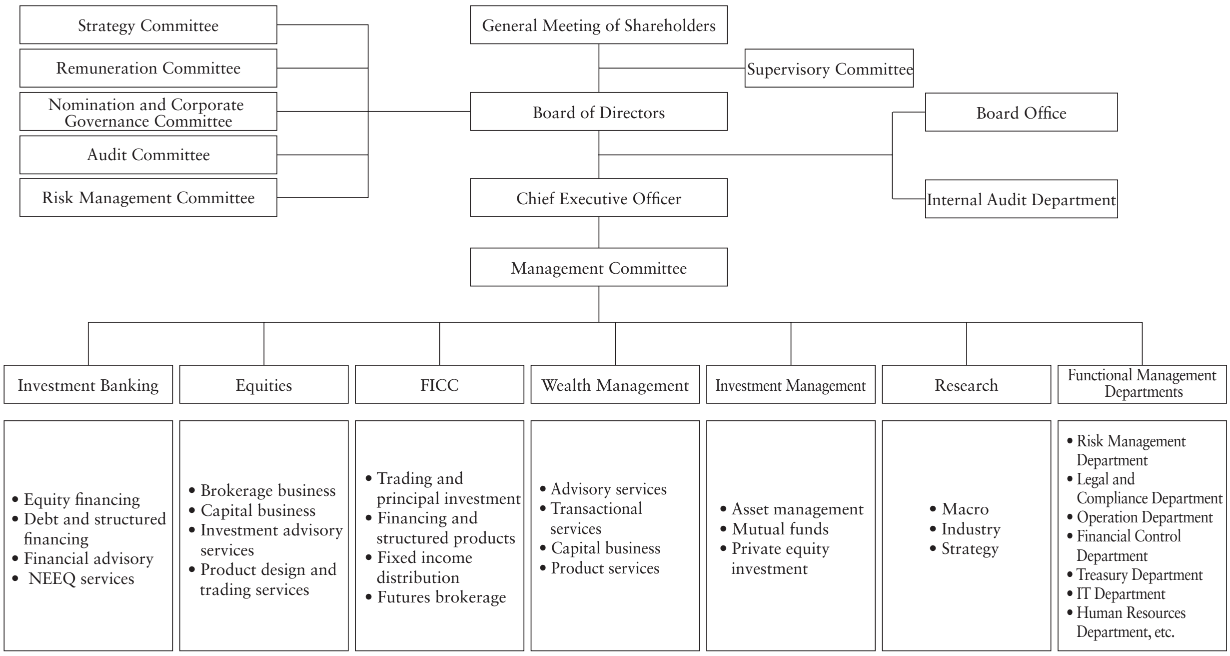
As the scope of business continues to expand, our Company has also actively ventured into overseas markets and has established offices in five international financial centres, namely Hong Kong, New York, London, Singapore and San Francisco with our international presence further strengthened. It laid a solid foundation for our Company to become a China-based global investment bank. Our Company was the first securities firm to obtain QDII qualification in 2007 and CICC US Securities was licensed by the US Financial Industry Regulatory Authority and the US Securities and Exchange Commission in the same year; CICC Singapore was licensed by the Monetary Authority of Singapore in 2008. In 2010, CICC UK was licensed by the UK Financial Services Authority. In 2011, CICC Hong Kong was among the first batch of securities companies to obtain approval to commence RQFII business under pilot scheme, CICC HK Futures obtained a license to operate the futures business, and CICC UK was qualified as a member of the London Stock Exchange. In 2012, CICC HK Securities obtained the license for leveraged foreign exchange trading during the same year. In 2013, CICC US Securities was qualified to operate its own research report issuance business, and CICC HK AM obtained QFII qualification. In 2016, the subsidiary of CICC Hong Kong obtained the qualification to be admitted to the national interbank bond market, and CICC HK Securities obtained qualification for the Shenzhen-Hong Kong Stock Connect. In 2017, CICC HK Securities became the first batch of CCASS members to obtain the qualification for the Bond Connect.

Company Profile

(As of December 31, 2017)

In recent years, our Company has focused on enhancing its core competitiveness, accelerating investments in innovative business, further developing its offshore business, endeavoring to realize a balanced principal business structure and striving to become a world renowned well-structured full-service financial institution.

Corporate Organization and Structure



Notes:

1. The Internal Audit Department is independent of the business departments of our Company and will report directly to the Audit Committee under the Board.

2. The Risk Management Department and the Legal and Compliance Department will report to the Management Committee in their daily work, and will report to the Risk Management Committee under the Board.

III. MAJOR HONORS AWARDED IN 2017

Since its incorporation in 1995, CICC has won honors and awards in events organized by domestic and foreign media: such as Best Investment Bank in China, Best Sales Service Team and Most Influential Research Institution by leveraging on its profound and professional knowledge in economies, industries, laws and regulations, and quality customer services. Below is a list of awards that we obtained in 2017:

Awards Sponsor: The Asset

Triple A Country Awards 2017

– China Region

➢ Best Corporate and Institutional Bank – Domestic

➢ Best Equity Adviser

– Best Deals in China

➢ Best IPO:

ZhongAn Online P&C Insurance Company US$1.75 billion IPO

➢ Best Panda Bond:

United Company RUSAL RMB1 billion Panda Bond

➢ Best Bank Capital:

Postal Savings Bank of China US$7.25 billion Additional Tier 1 Capital Securities

➢ Best IPO (Taiwan):

FIT Hon Teng US$394 million IPO

Awards Sponsor: Institutional Investor

2017 All-Asia Executive Team

– Banks Sector

➢ Most Honored Companies (Rank 2)

➢ Best CEO: Mingjian Bi (Rank 3)

➢ Best IR Professionals:Bo Wu (Rank 1)

➢ Best IR Companies (Rank 1)

➢ Best Analyst Days (Rank 1)

- ➢ Best Websites (Rank 1)

2017 All-China Research Team

– Leaders Board (Rank 1)

Awards Sponsor: Institutional Investor & Caixin

2017 All-China Research Team

– The Best Research Team (Mainland China)

– The Best Sales Team (Mainland China/International)

– Greater China Research Score Leaders Table

Awards Sponsor: InstitutionalInvestorCHINA.com

2016 All-China Best Financial Institution

– Best Brokerage for SH-HK Stock Connect & SZ-HK Stock Connect Services

– Best Wealth Management Institution

Awards Sponsor: Asiamoney

China Deals and Investment Bank of the Year Awards 2017

– Best Investment Bank – Offshore

– Best IPO – Onshore:

Shanghai Film Co RMB1.02bn IPO

– Best Equity-Linked Deal – Onshore:

Guangzhou Automobile Group Co RMB4.10bn Six Year Convertible Bond

– Best Bond – Onshore:

Iowa China Offshore Holdings (Hong Kong) RMB1.5bn Dual Tranche Panda Bond

– Best Structured Finance Transaction – Onshore:

Jinmao Investment Management (Shanghai) RMB4bn Commercial Mortgage Backed Securities

– Best Structured Finance Transaction – Offshore:

– Blu Zenith Designated Activity Co $300m Aircraft Loan Securitization

Company Profile

(As of December 31, 2017)

Brokers Poll 2017

- China (A&B Share)
  - ➢ Overall Combined Research & Sales
  - ➢ Best Local Brokerage
  - ➢ Best for Overall Country Research
  - ➢ Best Overall Sales Services
  - ➢ Best Execution
  - ➢ Best in Sales Trading
  - ➢ Most Improved Brokerage over the Last 12 Months
  - ➢ Best for Events and/or Conferences
  - ➢ Best for Roadshows and Company Visits
  - ➢ Most Independent Research Brokerage
- China (H-share, Red chip & P-chip)
  - ➢ Best Local Brokerage
  - ➢ Best for Overall Country Research
  - ➢ Best Overall Sales Services
  - ➢ Best Execution
  - ➢ Best in Sales Trading
  - ➢ Most Improved Brokerage over the Last 12 Months
  - ➢ Best for Events and/or Conferences
  - ➢ Best for Roadshows and Company Visits
  - ➢ Most Independent Research Brokerage
- Hong Kong (Local)
  - ➢ Best Local Brokerage
  - ➢ Best for Overall Country Research
  - ➢ Best Overall Sales Services

    - Best Execution
    - Best in Sales Trading
    - Most Improved Brokerage over the Last 12 Months
    - Best for Events and/or Conferences
    - Best for Roadshows and Company Visits
    - Most Independent Research Brokerage
- Prime Broking (Asia)
    - Best Pricing for Prime Broking
    - Best Risk Management Advisory

Awards Sponsor: Finance Asia

Country Awards 2017

- Best Investment Bank in China

Achievement Awards 2017

- Deal of the Year & Best Leveraged Finance Deal:

  The S$16.1 billion Take Private of Global Logistic Properties
- Best IPO:

  China Literature's US$1.1 billion Hong Kong IPO
- Best M&A Deal:

  ChemChina's Acquisition of Syngenta for US$43 billion

Awards Sponsor: Forbes

2017 China Top PE

- CICC Capital

Company Profile

(As of December 31, 2017)

Awards Sponsor: SCMP

2017 Hong Kong Business Awards

– China Company Award

Awards Sponsor: Zhitong Finance

Gold Central Award 2017

– Best Asset Management Institution

Awards Sponsor: Yicai

China Financial Value Ranking 2017

– Best Investment Bank of the Year

Awards Sponsor: Securities Times

Best Investment Bank in China Awards 2017

– Best M&A Investment Bank

– Best IPO Investment Bank

Best Wealth Management Institution in China Awards 2017

– Best Wealth Management Brand

– Best Absolute Return Product: CICC Asset Allocation Yihao

Awards Sponsor: China Securities Journal

2016 Best Asset Management Products Awards

– Best Asset Management Plan of the Year: CICC Hedge Yihao

– Best 3-years Asset Management Plan: CICC Yihao

Awards Sponsor: New Fortune

Best Investment Bank in China Awards 2017

– Best Investment Bank for Overseas Market

2017 Best Analyst Awards

– Fixed-income Research: CICC Fixed-income Research Team (Rank 1)

Awards Sponsor: Caixin

Achievement Awards of Capital Market 2016

– Best M&A Financial Advisor in China

– Best Chinese Buy-side Financial Advisor for Overseas M&A

Awards Sponsor: Capital Week

2017 Crystal Ball Awards for Sell-side Analysts

– Bond Research: CICC Fixed-income Research Team (Rank 1)

– Most Independent Research Institution

Summary of Accounting Data and Financial Indicators

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

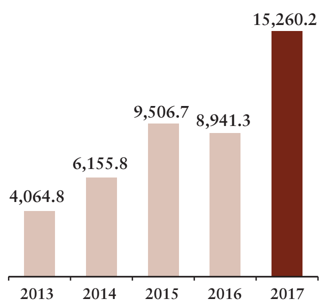
Items	2017	2016	Change year-on-year	2015	2014	2013
Operating results[1] (RMB in million)						
Total revenue and other income	**15,260.2**	8,941.3	70.7%	9,506.7	6,155.8	4,064.8
Total expenses	**11,729.7**	6,667.2	75.9%	6,989.8	4,717.7	3,612.2
Profit before income tax	**3,601.0**	2,329.7	54.6%	2,620.6	1,505.9	501.5
Profit for the year – attributable to shareholders/equity holders of the Company and holders of other equity instruments	**2,766.3**	1,820.3	52.0%	1,952.6	1,118.5	370.1
Net cash (used in)/generated from operating activities	**(30,484.5)**	(10,098.0)	201.9%	(5,226.6)	1,042.1	(2,539.5)
Earnings per share (RMB/share)						
Basic and diluted earnings per share	**0.76**	0.76	–	1.12	0.67	0.22
Weighted average return on net assets	8.8%	10.7%	Decrease by 1.9 percentage points	20.4%	15.1%	5.5%

Items	December 31, 2017	December 31, 2016	Change year-on-year	December 31, 2015	December 31, 2014	December 31, 2013
Financial position (RMB in million)						
Total assets	**237,811.9**	101,948.5	133.3%	94,108.8	52,700.1	32,834.5
Total liabilities	**200,919.5**	83,451.7	140.8%	77,666.8	44,707.9	25,967.7
Total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments	**36,706.7**	18,446.9	99.0%	16,442.0	7,992.2	6,866.8
Accounts payable to brokerage clients	**47,346.5**	17,392.4	172.2%	25,218.1	15,054.3	5,706.2
Total share capital (in million shares)	**3,985.1**	2,306.7	72.8%	2,306.7	1,667.5	1,667.5
Net assets per share attributable to shareholders/equity holders of our Company (RMB/share)	**9.0**	7.6	18.5%	6.7	4.8	4.1
Gearing ratio (%)	**80.6%**	78.1%	Increase by 2.5 percentage points	76.1%	78.8%	74.7%

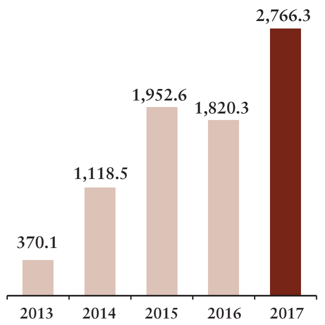
(1) Our Group has included CISC in our consolidated financial statements. The operating results disclosed for the year has consolidated the corresponding amount of CISC from April 1, 2017 to December 31, 2017.

Summary of Accounting Data and Financial Indicators

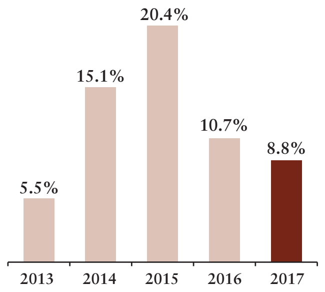
Total revenue and other income
RMB in million



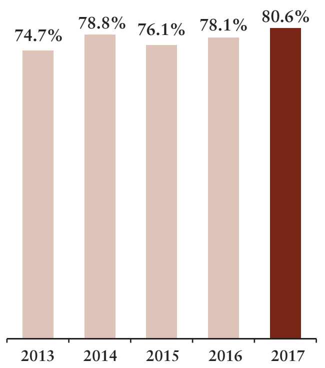
Profit for the year – attributable to shareholders/equity holders of the Company and holders of other equity instruments
RMB in million



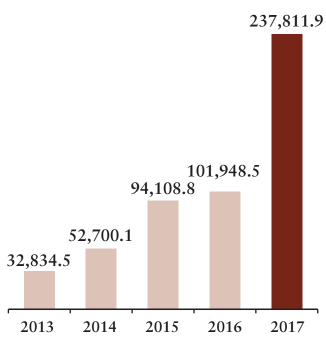
Weighted average return on net assets



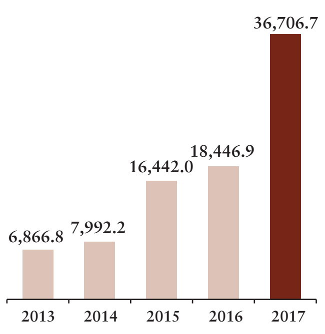
Gearing ratio



Total assets
RMB in million



Total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments
RMB in million



Summary of Accounting Data and Financial Indicators

II. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

In terms of our Group's consolidated net profits for 2017 and 2016 and the consolidated net assets as at December 31, 2017 and December 31, 2016, there's no difference between such data presented in the consolidated financial statements prepared in accordance with IFRSs and the consolidated financial statements prepared in accordance with the PRC Accounting Standards.

III. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As at December 31, 2017, the net capital of our Company was RMB19,347.4 million, representing an increase of 36.6% as compared with RMB14,164.2 million as at December 31, 2016. In 2017, our Company's net capital and other risk control indicators all met regulatory requirements.

Unit: RMB in million

Items	December 31, 2017	December 31, 2016
Core net capital	**12,898.2**	9,442.8
Net supplement capital	**6,449.1**	4,721.4
Net capital	**19,347.4**	14,164.2
Net assets	**33,662.3**	16,850.3
Total risk capital provision	**14,106.2**	9,775.0
Total on-balance and off-balance assets	**124,005.3**	63,965.7
Risk coverage ratio	**137.2%**	144.9%
Capital leverage ratio	**10.4%**	14.8%
Liquidity coverage ratio	**354.8%**	227.3%
Net stable funding ratio	**129.4%**	130.3%
Net capital/net assets	**57.5%**	84.1%
Net capital/liabilities	**23.6%**	34.8%
Net assets/liabilities	**41.1%**	41.4%
Equity securities and related derivatives held/net capital	**51.2%**	46.9%
Non-equity securities and related derivatives held/net capital	**269.9%**	242.9%

Management Discussion and Analysis

I. CORPORATE STRATEGIES AND OPERATIONS

Market Environment

China continued to reform its financial system in 2017 and requested the financial industry to serve the real economy. The regulatory authority addressed various existing problems in the market to prevent potential risks and channel money back into the real economy. Although the reform may negatively impact some financial institutions, we believe it should benefit the whole financial industry over the medium and long term.

Further financial deleveraging and tightening regulation: According to decisions of the 5th National Financial Work Conference in 2017, the financial industry should serve the real economy and advance reforms to prevent systemic financial risks. To fill gaps in the regulatory framework and improve coordination between various regulators, China set up a Financial Stability and Development Committee under the State Council. The regulatory authority has firmly enforced the deleveraging policy and tightened regulation by issuing or revising a wide range of regulatory rules over the past year. We believe these can help correct imbalances and restore order in financial markets, and hence are positive to the financial industry over the long term. In particular, we believe the campaign will benefit financial institutions with outstanding capabilities in compliance and risk control, as well as solid business strengths to support the real economy.

Direct financing still a priority: The performance of equity placements and bond offerings diverged in 2017. In the primary equity market, the number of IPOs rose to a record high of 438, while new rules on follow-on offerings helped channel money back into the real economy. The amount of equity financing totalled RMB1.6trn in 2017, down from RMB2.2trn in 2016. In contrast, bond offerings faced headwinds from soaring market interest rates and growing inflation expectations amid the economic recovery, as well as improving investment returns in the real economy. The net amount of corporate bond financing totalled RMB449.5bn in 2017, down RMB2.6trn from a year ago.

Bright future for wealth management: China's household wealth continued to grow robustly in 2017. An increasing number of high-net-worth individuals are turning to professional institutions for wealth management. Compared with the US, Europe and other major economies, the share of financial assets in Chinese households' asset portfolio remains low and thus has tremendous upside. Meanwhile, financial institutions face both opportunities and challenges from clients' diversifying demand for product liquidity, risk management and investment returns. As the asset management industry grows, we believe Chinese households will allocate an increasing part of their assets to financial products, creating a bright future for the wealth management business.

Opportunities from further opening-up of the financial sector: Thanks to China's economic recovery and the renminbi's stronger-than-expected appreciation against the US dollar in 2017, overseas investors are increasingly interested in Chinese assets, and capital outflows have subsided to a large extent. Meanwhile, China announced that it will lower the entry barrier for overseas financial institutions over the next three years. We believe this will prompt domestic financial institutions to accelerate their reforms, boding well for their long-term prospects. In 2018, MSCI will include A-shares into its Emerging Markets Index, and China may resume its capital account liberalization. We believe China is well prepared for the opening-up since domestic financial markets have developed solid strengths in terms of client acquisition, branding, market access, technology and professional expertise. In addition, we believe the opening-up will also pave the way for domestic financial institutions to penetrate global markets.

Accelerating Fintech adoption and alliance with hi-tech companies: Rapid Fintech innovations continued to reshape the financial industry's business models and competitive landscape in 2017. Financial institutions rushed to embrace new technologies and team up with hi-tech companies. We saw a consistent increase in penetration rates of mobile payment apps developed by leading internet companies. Several internet finance companies completed their IPOs and gained high market valuations. On the other hand, banks, insurance companies and securities firms invested heavily in technologies and formed strategic alliances with internet companies. We believe leading-edge technologies will help financial institutions gain competitive advantages in risk management, product pricing, cost control, resource allocation, marketing and customer acquisition.

Management Discussion and Analysis

Industry Landscape

Regulators' support for high-quality firms to raise concentration of the securities industry: Regulatory authorities have issued a wide range of rules to tighten regulation and control risks in the securities industry. They cover not only overall industry health such as risk management, investor suitability and the CSRC's rating of securities firms, but also various business segments such as asset management, follow-on equity offerings, share sales by executives and board members, the pledge of equity interest as collateral, as well as private equity and alternative investment subsidiaries of securities firms. These rules clearly show regulators' support for high-quality firms. For example, the CSRC's rating framework gives extra points to large firms, and a higher rating may lead to approvals on additional business operations. We believe regulators' support for large, high-quality firms will raise concentration of the securities industry. According to data from the Securities Association of China, the aggregate earnings of the top ten securities firms expanded to 54.2% of total industry earnings in the first half of 2017, up 4.5ppt compared to that in 2015.

Opening-up policy to create opportunities for international business: China is opening up domestic financial markets for smooth overseas investment through QFII, RQFII, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, the mutual recognition of funds between Hong Kong and mainland China, Mainland-Hong Kong Bond Connect, and the inclusion of A-shares into the MSCI index. Meanwhile, China is allowing overseas financial institutions to enter domestic market, and encouraging domestic firms to enter the international arena and become world-class investment banks while pushing the "Belt and Road" Initiative forward. It will help the marketisation of domestic securities firms, building international strengths, creating a golden opportunity for securities companies with solid cross-border capabilities and a strong international presence.

Improving investor structure boosts institutional business: Diverging market data well illustrate the expanding share of institutional investors in China's stock markets. The average daily turnover of the A-share market shrank year on year in 2017, while the year-end balance of margin trading and short selling rose year on year. The CSI 300 Index rose in 2017, but the annualized turnover rate of A-shares declined year on year based on their free-float market capitalization. Institutional investors such as private equity funds grew robustly. As a result, securities firms recorded substantial growth in their prime brokerage business. The concentration ratio of the brokerage market also increased thanks to the stability, professionalism and concentration of institutional investors. We believe this will help reduce earnings volatility and create non-trading business opportunities for securities firms with strong capacity to serve institutional clients.

Diverging business focus and growing importance of customized service solutions: Securities firms should develop stronger capabilities in risk management and customer services to meet challenges from evolving investor structures, improving trading mechanisms and the opening-up of financial markets. As traditional trading operations lack differentiation or value-added services, their shares in the total business volume have been declining. We believe domestic securities firms with different business strategies and competitive advantages will prioritize development of different business lines, such as wealth management, investment management, international business, and capital-backed intermediary business based on a strong balance sheet. In addition, we believe the main revenue source of securities firms will shift from one-off retail trading commissions to long-lasting service/management fees from companies, institutional investors and high-net-worth individuals. Customized service solutions for these clients are critical to business development.

Management Discussion and Analysis

Development Strategies

Our Company's strategic goal is to establish ourselves as a world-class China-based investment bank. In order to achieve this goal, our Company will further emphasize our stance of serving client interest and serving the real economy, enhance the professional capacity of the front, middle and back offices, and consolidate our strengths in high-end business, to enhance our competitiveness and influence in the market, achieve sustainable development and maximize shareholder value.

Business Plans

In order to achieve our Company's strategic goal, our work plan in 2018 is: to bring forward closer and deeper integration with CISC, to promote systematic cross-departmental collaboration to strengthen key capabilities and gather assets, to further enhance balance sheet-based servicing capabilities, to focus on cross-border activities and actively pursue strategic M&A opportunities, to closely follow the advancement of financial technology, and explore closer cooperation with partners in innovative business models, to upgrade the capacity of our middle and back offices to enhance our core competitiveness to enhance our brand and franchise, and build an inclusive and cohesive corporate culture for win-win.

II. ANALYSIS OF CORE COMPETITIVENESS

Premier Brand Image and Leading Market Position in High-end Businesses. Since the inception, our Company has developed and has always adhered to high standards with effective and prudent risk management, which helped firmly establish our reputation. Our Company has led numerous complex, large and precedent-setting deals with our investment banking business staying at the forefront. By offering differentiated products and a wide range of solutions, our Company actively transformed and upgraded institutional investor services and has won the "Best Local Brokerage" in the Asiamoney Brokers Poll for twelve consecutive years. With our exceptional research in product allocation and diversified investment management platforms, the Company has been providing high-net-worth clients and institutional investors with leading wealth and investment management services.

Market-oriented and International Governance and Practices. Our Company is committed to following the best international practices in terms of business operations, corporate governance and talent development. Our Company has established a sound governance structure under which the business operations of our Company are supervised and managed by the general meeting, the board of directors and the supervisory committee. Our Company has established the Management Committee consisting of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and heads of each business line, thus developing an efficient proceeding and decision-making mechanism. Meanwhile, riding on the advanced international experience, our Company has developed incentives in line with market benchmarks, thereby establishing a solid foothold for the long-term sustainable development of our Company.

Management Discussion and Analysis

Top-tier Professional Teams. Our human capital allows us to keep abreast of market opportunities and adjust our business strategies in a timely manner. The senior management team of our Company has extensive experience in domestic and overseas financial markets and a majority of them have working experience in renowned overseas financial institutions. Our senior and middle-level management team has an average of over 15 years of working experience in investment banking and finance-related industries. Our Company also absorbed the best graduates from top domestic and overseas universities as well as the best talents in the industry. As of December 31, 2017, nearly 40% of our employees hold master or higher degrees.

High-quality Client Base. The Company has built up a strong foundation of a high-end client base, mainly comprising large-sized enterprises, high-quality emerging growth companies, professional institutional investors and high-net-worth customers. The Company provides more complicated products with well-tailored services to meet the needs of high-end clients, who have strict criteria on service selection. Therefore, the Company charges a relatively premium commission rate for high-end clients. In view of the forecasted significant increase in the number of high-end clients, the Company expects rising demand from high-end clients for services and products to further contribute to our business.

Outstanding Cross-border Capability. Since the inception, the Company has adhered to the international best practices with distinct international DNA. The Company established presence in cross-border business early, which enabled us to enjoy certain advantages in businesses such as overseas IPOs for PRC-based companies, offshore bond offerings, cross-border mergers and acquisitions and QFII/QDII products, etc. and to achieve strong growth in emerging businesses such as the Shanghai-Hong Kong Stock Connect, and Shenzhen-Hong Kong Stock Connect business. Currently, the Company has maintained a higher revenue share of overseas business compared with that of the peers. The Company has established overseas operations and managed cross-border businesses in five financial centres across Hong Kong, New York, London, Singapore and San Francisco by each vertical business line. Over years of development, the Company has accumulated abundant overseas execution experiences and can seamlessly serve clients in both the domestic and overseas markets.

Leading and Influential Research. The Research of the Company has adhered to the principles of objectiveness, independence, prudence and professionalism. With a coverage of the global markets, our Research focuses on the fundamentals of the macro economy, and investment analysis of equity products, fixed income products and commodities etc. Through our global platform, the Company provides research services to domestic and overseas clients. Our in-depth understanding, thorough analysis and unique insights regarding enterprises and industries in China have won the Company a reputation as "China Expert".

Unique Culture. Since the inception, the Company has formed and adhered to our core values of "People Oriented, with Nation in Mind, Diligent and Professional, Pursuit of Perfection, Clients First, Integrity as Foundation, and Chinese Roots and International Reach". The core values not only help us form team cohesiveness but also contribute to a strong risk management culture within the Company.

III. ANALYSIS OF PRINCIPAL BUSINESS

Investment Banking

Equity Financing

Market Environment

In 2017, the A-share primary market remained active, with normalized and accelerated pace of IPOs. 419 A-share IPOs were completed during the year, with an aggregate financing size of RMB218,609 million, recording a year-on-year growth of 33.8%. Affected by new rules regarding non-public follow-on offerings and sell-downs by existing shareholders, the refinancing market recorded a relatively large decrease in its scale. During the year, 343 refinancing deals were completed with an aggregate amount of approximately RMB676,193 million, representing a year-on-year decrease of 38.9%.

In the Hong Kong primary market, 159 Hong Kong IPOs were completed during the year, with an aggregate financing size of approximately US$16,538 million, representing a year-on-year decrease of 34.4%; in terms of refinancings and sell-downs, 323 transactions were closed, with an aggregate amount of approximately US$24,924 million, representing a year-on-year increase of 50.1%.

In the USA primary market, PRC-based enterprises renewed their interest in conducting IPO in the United States. During the year, 21 IPOs by PRC-based companies were completed, with an aggregate financing size of approximately US$3,887 million, representing a year-on-year increase of 67% compared with last year.

Actions and Achievements

In recent years, through strategies such as establishing industry groups, increasing investment in emerging sectors, further expanding local reach and enhancing our global network, we intensified efforts to develop new clients of equity deals. With our strategies effectively executed, we ranked No.1 sponsor for global IPOs of PRC-based enterprises in terms of aggregate financing amount in 2017.

In 2017, our Company led a total of 12 A-share IPOs, with an aggregate lead underwriting amount of RMB10,257 million and the number of transactions recording a new high. We led 14 A-share refinancing deals, with an aggregate lead underwriting amount of RMB94,243 million, ranking No. 1 in terms of aggregate equity financing amount and refinancing amount in the domestic A-share market.

In 2017, our Company maintained a leading position in the Hong Kong stock market, and further our edges in Hong Kong equity financing deals. In 2017, our Company sponsored a total of 9 IPOs, ranking No. 1 in the market, with an aggregate lead underwriting amount of US$1,182 million, ranking No. 3 in the market. Our Company underwrote a total of 15 Hong Kong IPOs acting as lead bookrunner, with an aggregate amount of US$967 million, ranking No.1 and No.2 in terms of number of deals and amount in the market, respectively.

In 2017, in light of the TMT boom in the Hong Kong and U.S. markets, we took a share by participating in several landmark deals. For the overseas China-concept IPOs in the TMT sector during the year, there was a total of eight IPOs of over US$250 million and we participated in seven of them.

Items A Shares	**2017** **Lead underwriting amount** **(RMB in million)**	**2017** **Number of deals**	2016 Lead underwriting amount (RMB in million)	2016 Number of deals
IPOs	**10,257**	**12**	12,853	11
Follow-on offerings	**94,243**	**14**	39,461	18

Hong Kong equity offerings	**2017** **Lead underwriting amount** **(USD in million)**	**2017** **Number of deals**	2016 Lead underwriting amount (USD in million)	2016 Number of deals
IPOs	**967**	15	752	7
Follow-on offerings	**607**	5	–	–

U.S. equity offerings by PRC-based companies	**2017** **Lead underwriting amount** **(USD in million)**	**2017** **Number of deals**	2016 Lead underwriting amount (USD in million)	2016 Number of deals
IPOs	**413**	3	–	–

Outlook for 2018

In 2018, we will continue to enhance our brand influence and ability to satisfy domestic and overseas financing needs of Chinese enterprises by providing full value chain services. Leveraging the opportunities from integration of CISC, we will further expand our local reach and continue to strengthen the development and execution of various types of projects.

Management Discussion and Analysis

Debt and Structured Financing

Market Environment

In 2017, as the yields in the domestic bond market registered a continuous increase, the total amount of issuance in primary markets declined. During the year, the total amount of onshore credit bond issuance reached approximately RMB9.0 trillion, representing a year-on-year decrease of 17.5%. Meanwhile, due to the more favorable credit environment in the offshore bond market, primary issuance by PRC-based issuers in the offshore market also remained active, with the issuance size amounting to approximately US$247,802 million in 2017, representing a year-on-year increase of 81.7%. Driven by favorable regulatory policies, domestic convertible bond issuance witnessed a year-on-year surge of 139.1% to RMB211,995 million in 2017.

Actions and Achievements

In 2017, our Company expanded the debt underwriting team, and achieved significant progress in the underwriting of fixed income products. We closed a total of 144 transactions, with an aggregate amount of approximately RMB236,923 million, representing a year-on-year increase of over 9.1%, among which, 105 were onshore transactions with an aggregate amount of approximately RMB206,324 million, and 39 were offshore transactions with an aggregate amount of approximately US$4,831 million.

In 2017, our strategies for integration of CISC, implementation of regional expansion and expansion of professional teams have been well executed. Thanks to sound business establishment, our offshore bond underwriting business continued to grow. We continued to rank No. 1 among Chinese securities firms in terms of overseas investment-grade USD bond offerings by PRC-based companies and commenced to gradually build CICC's brand in the sector of offshore high-yield bond underwriting business. Meanwhile, capitalizing on our successful experience from RUSAL panda bond offering, the first corporate bond under the "Belt and Road" initiative, we increased our manpower investment and mobilized resources from different channels, to fully seize the historical opportunity from the "Belt and Road" related bond underwriting business.

In terms of product innovation, CICC completed the RMB1.5 billion RUSAL panda bond, which was the first panda bond issued by a company along the "Belt and Road"; the RMB3.04 billion green enterprise bond of Chongqing Longfor Properties, which was the first green enterprise bond issued by a real estate enterprise; the RMB3.79 billion commercial mortgage-backed securities of SCPG SCP Plaza, which was the first CMBS project in which no compensation was made to the credit enhancement provider to cover the deficiency payment risk; and the US$500 million offshore bond of Hong Yang Group, which was the first USD bond issued by a domestic non-listed real estate firm. Our Company continued to maintain our edges in bond product innovation.

Outlook for 2018

In 2018, Our Company will further expand our regional presence to improve our ranking of bond underwriting in major regions. Meanwhile, we will continue to enhance our comprehensive bond service capability.

Management Discussion and Analysis

Financial Advisory Services

Market Environment

In 2017, according to the statistics of Dealogic, 5,964 mergers and acquisitions ("M&A") by PRC-based companies were announced with an aggregate amount of over US$614,975 million, representing a year-on-year decrease of 8.0%, among which, 4,931 were domestic M&A transactions with a total amount of US$440,569 million, representing a year-on-year increase of 5.3%; and 1,033 were cross-border M&A transactions with a total amount of US$174,406 million, representing a substantial year-on-year decrease of 30.2%.

Actions and Achievements

Our Company maintained its leading position in M&A business. In 2017, we participated in 67 announced M&A transactions, including 16 cross-border transactions, involving a total amount of US$99.5 billion. In the list of the top 20 M&A transactions in China in 2017, we took up eight places. With a market share of 15.9%, our Company was rated No. 1 in the overall M&A ranking, firmly retaining its market leading position in the Chinese M&A market. The milestone transactions announced in 2017 include:

Projects	**Scale**	**Highlights**
The mixed ownership reform of China Unicom	RMB74.7 billion	The first pilot state-owned group company to adopt wholistic mixed ownership reform; the largest ever A-share refinancing deal; the largest ever refinancing by a PRC-based enterprise in Hong Kong stock market
The reorganization and merger of Shenhua Group and Guodian Group	RMB29.3 billion	The largest SOE reform in terms of asset size since the "18th CPC National Congress"; the entity post restructuring becoming the world largest coal producer, world largest coal-fired power generation company, world largest renewable energy power generation company and world largest coal-to-oil and coal chemical company
The merger of Sinoma and CNBM via share swap	HK$34.4 billion	The largest merger via share swap of listed companies in the Hong Kong stock market in 2017, which created the world's No.1 flagship company in six segments including cement clinker and commodity concrete in the building materials industry

Projects	Scale	Highlights
The merger via share swap and wholistic listing of Huabei Highway and China Merchants Expressway	RMB4.5 billion	The only A-share IPO of an expressway company since 2010, which created the No.1 Industry player in terms of total mileage of toll roads and contributed to of the "supply-side reform" of the transportation industry
The privatization of Global Logistic Properties (Singapore)	US$16.1 billion	Asia's largest ever privatization via merger and acquisition
The acquisition of C&A from Rio Tinto/establishment of a joint venture to operate Hunter Valley Operations ("HVO"), a core asset of C&A, with Glencore by Yancoal Australia	US$3.1 billion/ US$1.2 billion	Assisting Yancoal Australia to inject world-class quality coal mining assets and completing a debt restructuring of US$1.8 billion and an equity refinancing of US$2.5 billion, which innovatively improved Yancoal Australia's capital structure and assets allocation as well as enabled it to become the largest independent coal mining operator in Australia; the largest acquisition by a PRC-based company in Australia since 2014; the largest equity financing on the Australian Stock Exchange since 2016, the first and largest equity financing on the Australian Stock Exchange involving PRC-based investment banks
The investment of Sun Art Retail by Taobao China	HK$22.4 billion	The largest merger and acquisition of the PRC retail industry in 2017, which allowed Alibaba to form a "new retail" strategic alliance
The privatization of Intime Retail by Alibaba	HK$14.6 billion	The largest ever privatization of a Hong Kong listed company in the retail industry, which was also a milestone deal for Alibaba to promote the concept of "new retail" in the retail and department store industry

Outlook for 2018

In 2018, the Company will continue to seize the historical opportunity from the ongoing SOE reform to solidify our leading position in major M&As of state-owned enterprises. Moreover, we will expand our international presence and leverage CICC's cross-border advantages, to capture the business opportunity from the reorganizations of multinational companies.

Management Discussion and Analysis

Equities Business

Market Environment

In 2017, as the Chinese economy recovered steadily, the domestic stock market enjoyed moderate rallies despite several corrections over the year. As of the end of 2017, the Shanghai Composite Index closed at 3,307.17 points, representing a year-on-year increase of 6.6%. The Shenzhen Stock Exchange Component Index closed at 11,040.45 points, representing a year-on-year increase of 8.5%. The CSI 300 Index closed at 4,030.85 points, representing a year-on-year increase of 21.8%. Throughout 2017, the trading volume of stocks and funds in the A-share market continued to decline compared with 2016. The average daily turnover for the year stood at RMB501.1 billion, representing a year-on-year decrease of 11.7%. Meanwhile, the competition for brokerage commission in the industry intensified, and the average commission rate continued to slide to 3.4 bps, representing a year-on-year decrease of 11.7%.

In 2017, the Hong Kong stock market significantly outperformed with strong rallies, driven by favourable factors including strong capital inflow from global and Chinese investors as well as stronger-than-expected corporate earnings, major stock indices saw substantial growth. As of the end of 2017, the Hang Seng Index closed at 29,919.15 points, representing a substantial increase of 36.0% from the beginning of the year. The H-shares Index and HSCCI Hang Seng China Enterprises Index, which are closely correlated with the performance of PRC-based stocks, also recorded a year-on-year increase of 24.6% and 23.4%, respectively. The average daily turnover of the Hong Kong stock market for 2017 stood at HK$88.2 billion, representing a year-on-year increase of 31.9%. In particular, during the fourth quarter, several key blue chips hit historical highs of recent years, whereas certain new IPOs were significantly over-subscribed, showing that investors' sentiment was euphoric in general.

Actions and Achievements

During 2017, we continued to fully advance the development strategy of "Chinese roots, international reach" by sharpening our institutional, product and global focus. Leveraging our quality institutional client network, we further enhanced our global platform for asset allocation by capitalizing on our network in New York, London, Singapore, and Hong Kong. We achieved outstanding results in generating revenue, accelerating internationalization, implementing our development strategies, building an integrated platform and expanding our professional team. We continued to push forward business transitioning and upgrade of the equity business in 2017, with a more balanced revenue structure. Both our domestic and overseas trading market shares continued to rise. Domestic revenue grew despite market downturn, outperforming the market trading volume by over 35 percentage points, whilst our overseas business revenue grew at a much faster pace than the market trading volume for the corresponding period. Meanwhile, CICC's A-share brokerage commission rate stood at 4.8 bps, maintaining a premium to the market average level.

Our cross-border strengths were fully demonstrated. In the overseas market, in terms of trading volume executed through HKEX, we ranked top-notch among all global brokers in the northbound trading of Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. In addition, our Company achieved excellent results in the recent HKEX's Stock Connect Awards for 2017. Amongst all brokers globally, our Company received the highest number of awards, winning the Top SPSA Participation Broker Award and other Stock Connect Trading Awards. In the domestic market, we covered the Hong Kong trading accounts for a majority of fund and insurance clients. According to the latest statistics from the stock exchange, our share of the trading volume of Hong Kong stocks by mutual funds and insurance companies in southbound trading of Shanghai-Hong Kong/Shenzhen-Hong Kong Stock Connect remained at 10%.

Product revenue increased significantly. In 2017, our Company was committed to product innovation and cross-selling. By utilizing our proprietary system and platform, our prime brokerage business realized continuous growth in scale, as we attracted over RMB140 billion of client assets to run on our platform. Our over-the-counter ("OTC") derivatives ranked top in the OTC derivatives market in term of market share. In the overseas market, total asset size has grown to RMB30 billion in 2017, almost doubled compared with 2016.

We further penetrated into our client network. Our Company maintained a comparatively large market share among core institutional clients. In the challenging A-share market during 2017, our Company managed to increase our market share in the A-share institutional trading volume by 23%. As of December 31, 2017, our Company continued to maintain a leading 40% coverage on QFII/RQFII clients, by covering 193 QFII/RQFII accounts. Deeply rooted in the domestic and overseas secondary markets for many years, our Company accumulated a prestigious institutional client base, rendering strong sales support for the primary market business. Our collaboration with the primary market teams covered many areas, including IPOs, private placements, bond issuances, block trades, and M&A advisory at home and abroad.

Management Discussion and Analysis

We have built an elite team comprising of multi-skilled talents. We maintained effective communications between sales, trading, product, and supporting teams, with synergies effectively improved. Our Company has been granted by Asiamoney the award for the "Best Overall Sales Services" in China for twelve consecutive years, and many of our sales people and traders were awarded personal prizes as well. We were awarded the "Best Sales Team" (Mainland China/International) for six consecutive years by *Institutional Investor* and we were also named as the "Best Broker of Shanghai-Hong Kong Connect and Shenzhen-Hong Kong Connect" in the first selection of *Institutional Investor China.com*.

Outlook for 2018

In 2018, our Company will continue to take advantage of the opportunities arising from the development and opening-up of the Chinese capital market to build up our core competitive edges in terms of institutional, product and international businesses. At home, we will continue to expand client base, maintain market share and increase trading volume. Abroad, we will further enrich our trading products, boost trading volume and scale up influence over institutional clients in the New York, London, Singapore and Hong Kong markets. By sustaining our product innovation capacity and unique service offerings, our Company will generate revenue from cross-border capital flow and across asset classes with an aim to expand the types and scale of our products and businesses, while orderly exploring the overseas markets under coverage and constantly enriching our portfolio of overseas derivatives.

FICC

Market Environment

The Chinese bond market saw significant adjustment in 2017 with the Chinese government bond yield jumped over 100 bps on average over the year, the most for major markets. Rising interest rates reflected tensions in the supply and demand in the financing market. On one hand, financing needs generally remained stable. On the other hand, financing supply contracted against the backdrop of financial deleveraging and tighter risk control over local government debts. The low bank excess reserve ratio pushed up money market rates, resulting in flattened yield curves. Moreover, regulatory policies caused banks to scale down transactions among financial institutions, leading to tightened funding to local governments. Due to the combined effect of various financial deleveraging policies, investors' demand in bonds shrunk significantly, which pushed up bond yields and turned bond issuers back to bank credit. Consequently, net increase of credit bonds in 2017 recorded a new low in recent years, whereas credit spreads narrowed with shrinking supply. The narrowing of term spreads and credit spreads further led to a flattened yield curve.

Actions and Achievements

In 2017, our Company continued to forge ahead the development of our FICC business to further build up our integrated service capabilities in underwriting, distribution, product structuring and trading, with primary progress made in delinking revenues from interest rate movement. Our client business made remarkable progress over the last year, with client trading, structured products, commodity derivatives continued to perform well, and the securitization business saw a significant growth as compared with previous years. With a significant increase in regulatory policies and credit events in 2017, our Company's trading business continued to demonstrate prominent trading and risk management ability and achieved sound returns by prudently assessing trading opportunities in a more complex market environment. Our portfolios in highly liquid assets under management significantly outperformed market indices.

In 2017, our Company continued to strengthen the infrastructure for the FICC business. We have a thorough planning for our IT systems, which started to roll out last year. Our FICC business actively pushed forward the integration of our sales and trading business with CISC. In the aspect of brand building, our FICC research team was awarded No.1 by *New Fortune* and *Crystal Ball* in both of their annual award selections, solidifying our franchise reputation in the fixed income markets.

Outlook for 2018

Our Company will continue to improve the FICC platform and focus on developing client business. We will further strengthen risk management in trading and principal investment business in seeking solid returns. Our Company will further strengthen our innovation and product design capabilities for all types of financial products, enrich our product categories and enlarge our product size. We will continue to enhance our cross-border businesses capabilities by forging ahead on product design and client services platform development.

Wealth Management

Market Environment

In 2017, brokerage revenue of the securities industry continued to decline on shrinking trading activities and compressing commission rates. Meanwhile, the competition from financial technology and internet finance companies has imposed overturning threat to the industry. The existing development mode may not sustain unless the industry significantly improves its competitiveness by developing innovative business and innovative products through innovative ways of marketing. In the meantime, the constant growth of high-net-worth population and investable assets in the PRC has added fuel to industry reshuffle. The wealth management platforms that offer one-stop wealth solutions to clients will increasingly demonstrate their unique competitive advantages and development potential.

Actions and Achievements

By setting up the Wealth Service Centre in 2017, our Company has systematically strengthened the service capacity of our wealth research and product centre, and significantly enhanced our equity research and macro asset allocation services. At the same time, we restructured the overseas product platform to create drivers for future business growth. In addition, we fully leveraged the CICC platform to strengthen inter-departmental collaboration. We committed to recommend CICC's comprehensive products and services to clients, thereby forging our differentiated competitive strengths and broadening wealth management client base. We also intensified efforts in upgrading the IT systems, to enhance platform functions and customer experience. The IT systems are playing an increasingly important role in highlighting our wealth management strengths in terms of products, concentrating our resources on key business directions, deepening the reform of the incentive mechanism of investment consultants, acquiring customers, and offering standardized services.

Our Company completed the acquisition of CISC in 2017. In line with CICC's overall strategic goal, we have invested significant resources in promoting deep integration of the wealth management business of CISC. By forging ahead integration at the branch level, we strengthened interaction in the areas of business management and project implementation to expand the scope of collaboration. At the head office level, we coordinated full sharing with CISC of our supporting resources including, among others, capital market and product research services, marketing activities as well as training resources, to push forward the business transformation and upgrade of CISC.

As of December 31, 2017, for CICC, the number of wealth management clients reached 38,644, representing an increase of 28.9% compared with the end of 2016. Total client assets reached approximately RMB736,886 million, representing an increase of 19.1% compared with the end of 2016, with assets per account exceeding RMB19 million. CISC had 5,157 institutional clients, 340,076 wealthy clients and 2,451,757 retail clients, whose total client assets stood at RMB1,182,295 million, RMB277,864 million and RMB53,095 million, respectively.

Outlook for 2018

In 2018, our Company will bring forward deep integration with CISC and strengthen communication and exchange among teams at different levels, to further apply our wealth management knowhow and business model to CISC's wealth management business. We will focus on magnifying Wealth Management Service Centre's support to CISC by raising its awareness and capability in providing integrated services encompassing multi-class asset and equity research, product sourcing as well as overseas asset allocation, to effectively support the business transformation of CISC. Besides, we will maximize the resource sharing with CISC in staff recruitment, training and marketing activities. At the same time, we will expedite our system interconnection with CISC to ensure efficient and effective implementation of the business transformation plan.

In 2018, we will further optimize the incentive mechanism, encourage distribution of products in line with our management goals, improve succession plans, support the secondary training of senior staff, to further expand and grow our teams. Our Company will step up efforts in brand promotion and marketing, while leveraging strategic cooperation with Tencent to raise brand recognition of CICC wealth management, improve clients' product and service experience, expand client acquisition channels and enlarge the high-net-worth client base. Meanwhile, we will focus on enhancing Wealth Service Centre's capability to line up our resources to develop appealing and sticky products and boost the effective combination of products and resources, thereby improving services for high-end clients and capturing new clients. We will also continue to amplify the investments in IT platforms, while constantly improving the mobile platform to enhance the efficiency of client acquisition and service offering, and improve customer experience. Further, we will tailor our business to the overall industry trend and regulatory requirements, to secure sound and sustainable development of various businesses.

Investment Management

Asset Management

Market Environment

In 2017, following a series of financial deleveraging policies, the "conduit" business of the asset management arms of securities firms was pounded, resulting in a slight decrease of the overall size of the industry. As of December 31, 2017, the total size of assets under management of the domestic securities companies reached approximately RMB16.5 trillion (excluding the size of ABS products and funds managed by private equity subsidiaries), representing a decline of 4.6% compared with the end of 2016, of which, the total assets under management of collective asset management products reached RMB2.1 trillion, representing a year-on-year decrease of 3.8%; the total assets under management of segregated asset management products under active management reached RMB2.4 trillion, representing a year-on-year increase of 5.6%; "conduit" assets under management reached RMB11.9 trillion, representing a year-on-year decrease of 3.4%. Nonetheless, the "conduit" products still dominated the market. Considering the persistent stringent regulation and more fierce market competition, the business transitioning to active management shall be an imperative trend, which is believed to bring new opportunities and challenges to all industry players.

Management Discussion and Analysis

Actions and Achievements

Our Company focuses on active management. We offer high-quality and innovative asset management products and solutions to domestic and overseas institutions and high-net-worth individuals for the purpose of value appreciation over the long term. In 2017, our total assets under active management grew steadily, with a much faster pace than the industry average. With enriching products and strategies, the types of our clients became more diversified, which laid a solid foundation for sustainable business growth. As we gradually improved the construction of overseas asset management platform, our cross-border investment management capability was further enhanced. In addition, the integration with CISC represented new development opportunities for our asset management business. In 2017, we realized full asset management product line collaboration with CISC, and we anticipate meaningful synergies with CISC going forward.

As of December 31, 2017, our Group had a total domestic and overseas assets under management of RMB331,780 million, representing an increase of 93% compared with 2016, of which, the assets under management of CISC reached RMB57,466 million. By product line, the assets under management of collective asset management products, segregated asset management products (including NSSF and corporate annuities) and special asset management products stood at RMB26,099 million, RMB210,909 million and RMB94,772 million, respectively. The Group had altogether 686 products under management, of which CISC had 313 products under management. Most of our products were under active management, while collective and segregated assets under active management increased by 34% as compared with the previous year.

	Assets Under Management of Our Group (RMB million)	
Type	**December 31, 2017**	December 31, 2016
Collective asset management products	**26,099**	13,124
Segregated asset management products	**210,909**	143,744
Special asset management products	**94,772**	14,691
Total	**331,780**	171,559

In terms of client mix, our asset management business has been tilted towards domestic and overseas institutional clients, and our institutional client base expanded with a more balanced structure, as we continued to diversify our product offerings and strategies and improve service capability. Further, our Company actively developed and maintained various channels, whilst further expanding our high-net-worth individual client business.

Management Discussion and Analysis

Outlook for 2018

In 2018, our Company will seize the market opportunities arising from the transformation of the asset management industry to actively respond to regulatory changes, build up our client-oriented and solution-driven expertise, thoroughly understand our clients' needs, accelerate the marketization of products, improve the construction of investment management system, establish our core research capabilities to enhance our market position, and grow CICC Asset Management into a multi-asset, multi-strategy, cross-market global leading full-service asset manager with international perspectives.

Mutual Fund

Market Environment

In 2017, several regulatory authorities including PBOC, CSRC, CBRC and CIRC put forward a series of financial regulations and policies to tighten the regulation over the asset management sector. As of December 31, 2017, there were 4,841 mutual funds in China with total assets under management of RMB11.6 trillion, representing a year-on-year growth of 26.6%.

Actions and Achievements

In 2017, CICC Fund Management actively embraced the opportunities from the development of the wealth management business of our Company to expand our distribution network, and released a few knockout products by catering to the changing regulatory and market environment. Meanwhile, we witnessed steady improvement of product returns as we put great efforts in strengthening our investment and research capabilities, and enjoyed constant expansion of assets under management.

As of December 31, 2017, the assets under management of CICC Fund Management was RMB12,441 million, with a growth of 38.9% as compared with the end of 2016. In particular, the size of mutual funds increased to RMB7,830 million, with a growth of 119.7% compared with the end of 2016; and the assets under management for segregated investment accounts amounted to RMB4,612 million.

Outlook for 2018

In 2018, fitted for CICC's development of wealth management business, CICC Fund Management will continue to strengthen marketing team building and attract high-calibre talents. In the meantime, we will actively explore and promote product innovation and develop new products with foresight according to market conditions, to complement product features and diversity. Our Company will strive to further improve investment performance and product competitiveness, so as to enhance our overall asset management and services capability.

Management Discussion and Analysis

Private Equity Investment

Market Environment

During 2017, the equity investment market in China followed the burgeoning growth in the past few years with vigorous fund-raising and investment activities. In 2017, the number of newly-raised funds slightly increased compared with the previous year and the target fund size reached a record high of recent years; however, the number of funds that completed fund-raising declined. RMB investment was the dominant theme in the market. In 2017, the number of RMB projects significantly exceeded that of US dollar and HK dollar projects. In terms of investment amount, RMB-dominated total investment amount and average investment amount per project was much larger than US dollar and HK dollar dominated investments. Beijing, Shanghai, Guangzhou and Shenzhen remained the regional focuses, accounting for nearly half of total number of investments throughout the year. In respect of sectors, manufacturing and IT were the most appealing sectors for investors. In terms of exit, exit through IPO have notably increased benefiting from favorable policies. Meanwhile, M&A has become a major path of exit next to IPO and NEEQ listing.

For the private equity investments in 2017, we witnessed capital flooded into hottest projects in the technology and consumer spending sectors. Meanwhile, various areas such as bike sharing, online education, used automobiles, automotive after-sales services and logistic services were among the most sought-after preferences. In addition, certain emerging areas such as AI/big data and new retail have been attracting more investor interest. The trend is expected to prevail in 2018.

Actions and Achievements

On March 6, 2017, CICC Capital was formally established. Subsequently on November 24, 2017 CICC Capital became a private equity fund subsidiary of CICC, after consultation with the Institutional Department of CSRC and Asset Management Association of China. As the unified private equity business platform of our Company, CICC Capital carried out private equity investments in the domestic and overseas markets.

CICC Capital dedicates to become a private equity fund management platform which possesses comprehensive middle and back office functions, strong brand influence as well as outstanding financing and investment capabilities. In the meantime, CICC Capital will continue to pursue product and business expansion by further diversifying product lines, and expanding industrial and geographical coverage. Currently, the fund types managed by CICC Capital cover government venture capital funds, stock economic reform funds, US fund of funds, US equity investment funds, RMB equity investment funds and M&A funds.

As of December 31, 2017, the overall size of private equity investments managed by our Group through multiple structures, reached approximately RMB251.6 billion, with an increase of 121.7% compared with the end of 2016.

Outlook for 2018

In 2018, under the economic "New Normality" in China, supply-side reform is expected to be in full swing, while the general trend of consumption upgrade at the demand side is expected to persist. Looking forward into 2018, CICC Capital will continue to make active explorations in innovative investment areas and business models, seize the opportunity arising from stock economic reform and new fund development in China to facilitate industrial upgrade of the Chinese economy, while leveraging on CICC's brand and industry resources and relationships to maximize capital effectiveness and efficiency. Moreover, we will enhance the synergies with research and investment banking businesses, to tap into synergies between investment and investment banking business lines and build up a multi-layered, full-scope equity investment platform, thereby delivering solid returns to our investors.

Research

Our research team covers global markets and serves clients both at home and abroad through CICC's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy and market strategy to asset allocation, equities, commodities, and derivatives. As of December 31, 2017, our research team employed a high-caliber team of more than 100 highly experienced professionals, and covered more than 40 sectors as well as over 1,000 stocks listed in mainland China, Hong Kong, New York and Singapore.

CICC Research has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In 2017, we published more than 10,000 reports in English and/or Chinese. On the back of our numerous sector and company reports, we assembled a series of in-depth thematic reports, such as *The Rise of China's Premium Consumer Brands – Top 30 Names We Like, PRIME Time for Made in China, China's Over-capacity Industries: Rising from the Ashes, 300 Million New Consumers Coming to Town, Artificial Intelligence AI+, China's Private Education Industry, and Serial Reports on China's National Equities Exchange and Quotations (NEEQ) Market*. These research products showcase our profound understanding of China. Our competitive edges in both quality and quantity have earned us the reputation as the "China Expert".

CICC Research continued to win awards from prominent international institutions in 2017. These include the "No. 1 Overall Country Research for China" in the *Asiamoney* Brokers Poll, marking the 12th consecutive year of our championship in this poll since 2006. We were also named the "No. 1 All-China Research Team" by *Institutional Investor* for six consecutive years from 2012 to 2017.

Management Discussion and Analysis

IV. ANALYSIS OF FINANCIAL STATEMENTS

Upon completion of the Acquisition, CISC has become a wholly-owned subsidiary of the Company, and CISC's financial information has been consolidated into the financial statements of the Group. As the legal title of the equity interest in CISC had been passed to the Company on March 21, 2017 and Huijin was entitled to the profit of or was liable for the loss incurred by CISC during the transition period (from July 1, 2016 to March 31, 2017) based on the Equity Transfer Agreement, all items regarding CISC's profit or loss and other comprehensive income and cash flows in this report are recorded for the period from April 1, 2017 to December 31, 2017.

The integration has significantly affected our Group's overall operating results and financial position. As at December 31, 2017, CISC's total assets amounted to RMB73,207.5 million, accounting for 30.8% of the total assets of the Group; total liabilities amounted to RMB58,108.9 million, accounting for 28.9% of the total liabilities of the Group; total equity amounted to RMB15,098.6 million, accounting for 40.9% of the total equity of the Group. During 2017, CISC's total revenue and other income attributable to the Group amounted to RMB4,111.5 million, accounting for 26.9% of the total revenue and other income of the Group; total expenses attributable to the Group amounted to RMB3,465.7 million, accounting for 29.5% of the total expenses of the Group; net profit attributable to the Group amounted to RMB480.1 million, accounting for 17.1% of the net profit of the Group. As at December 31, 2017, CISC's cash and cash equivalents amounted to RMB7,944.5 million, accounting for 45.6% of that of the Group. The detailed financial impact of CISC is further elaborated in the analysis of the financial statements below.

(i) Profitability Analysis of the Company

During 2017, driven by the significant growth in the revenue of the FICC business, investment management business, equities business and wealth management business compared to 2016 and influenced by factors such as the Acquisition of CISC, our Group's revenue and profit increased significantly compared with that for 2016. Meanwhile, our Group achieved outstanding performance in diversifying business structure and promoting model upgrade. Our investment banking business continued to take the lead in the market; our equities business deepened its transformation and upgrading to a comprehensive financial service platform; for the FICC business, our Group prudently captured opportunities in a complex market environment, achieving satisfactory returns; the platform construction of our wealth management business and investment management business was significantly enhanced with a substantial growth in assets under management.

In 2017, the Group realized total revenue and other income of RMB15,260.2 million, representing a year-on-year increase of RMB6,318.9 million or 70.7%. CISC realized total revenue and other income of RMB4,111.5 million, accounting for 26.9% of the total revenue and other income of the Group. Excluding that of CISC, the Group's total revenue and other income realized a year-on-year increase of RMB2,207.4 million or 24.7%. The Group realized profit attributable to shareholders of the Company and holders of other equity instruments of RMB2,766.3 million, representing a year-on-year increase of RMB946.1 million or 52.0%. CISC realized profit attributable to shareholders of our Company and holders of other equity instruments of RMB477.2 million, accounting for 17.3% of the Group's profit attributable to shareholders of our Company and holders of other equity instruments. Excluding that of CISC, the Group's profit attributable to shareholders of our Company and holders of other equity instruments recorded a year-on-year increase of RMB468.9 million or 25.8%. The Group realized earnings per share of RMB0.76, maintaining the same level as 2016. The weighted average return on net assets amounted to 8.8%, representing a year-on-year decrease of 1.9 percentage points.

(ii) Asset Structure and Quality

As at December 31, 2017, total assets of the Group amounted to RMB237,811.9 million, representing a year-on-year increase of RMB135,863.5 million or 133.3%. CISC's total assets amounted to RMB73,207.5 million, accounting for 30.8% of the total assets of the Group. Excluding that of CISC, total assets of the Group increased by RMB62,655.9 or 61.5%. The total liabilities of the Group amounted to RMB200,919.5 million, representing a year-on-year increase of RMB117,467.8 million or 140.8%. CISC's total liabilities amounted to RMB58,108.9 million, accounting for 28.9% of the total liabilities of the Group. Excluding that of CISC, total liabilities of the Group increased by RMB59,358.9 million or 71.1%; the total equity attributable to shareholders of our Company and holders of other equity instruments amounted to RMB36,706.7 million, representing a year-on-year increase of RMB18,259.7 million or 99.0%. After deducting accounts payable to brokerage clients of RMB47,346.5 million, the adjusted total assets of the Group amounted to RMB190,465.4 million; the adjusted total liabilities amounted to RMB153,573.0 million; the gearing ratio of the Group was 80.6%, increased by 2.5 percentage points from the gearing ratio of 78.1% as at December 31, 2016; the operating leverage ratio was 5.2 times, representing an increase of 13.2% as compared with 4.6 times as at December 31, 2016.

As at December 31, 2017, the Group's financial assets at fair value through profit or loss and derivative financial assets totalled RMB100,459.6 million, accounting for 42.2% of the total assets; cash and bank balances and cash held on behalf of brokerage clients totalled RMB62,357.1 million, accounting for 26.2% of the total assets; receivable from margin clients and financial assets held under resale agreements (reverse REPOs) totalled RMB36,321.1 million, accounting for 15.3% of the total assets; investments in associates and joint ventures and available-for-sale financial assets totalled RMB20,025.7 million, accounting for 8.4% of the total assets; other assets amounted to RMB18,648.5 million, accounting for 7.8% of the total assets.

As at December 31, 2017, most of the Group's liabilities were current liabilities, among which accounts payable to brokerage clients amounted to RMB47,346.5 million, accounting for 23.6% of the total liabilities; financial assets sold under repurchase agreements (REPOs) amounted to RMB30,653.6 million, accounting for 15.3% of the total liabilities; placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year totalled RMB26,006.2 million, accounting for 12.9% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB15,642.6 million, accounting for 7.8% of the total liabilities; long-term debt securities issued amounted to RMB44,835.9 million, accounting for 22.3% of the total liabilities; other liabilities amounted to RMB36,434.7 million, accounting for 18.1% of the total liabilities.

(iii) Cash Flows

In 2017, excluding the change in accounts payable to brokerage clients, net increase in cash and cash equivalents of the Group amounted to RMB7,795.4 million, representing a year-on-year increase of RMB6,314.7 million or 426.4%. As at December 31, 2017, CISC's cash and cash equivalents amounted to RMB7,944.5 million, accounting for 45.6% of the Group's cash and cash equivalents. Excluding that of CISC, the Group's net decrease in cash and cash equivalents amounted to RMB149.0 million, mainly due to the significant increase in net cash used in operating activities in 2017.

Net cash used in operating activities amounted to RMB30,484.5 million in 2017, representing an increase of RMB20,386.5 million or 201.9% compared with the net cash used of RMB10,098.0 million in 2016. CISC's net cash used in operating activities amounted to RMB8,784.1 million, accounting for 28.8% of the Group's net cash used in operating activities. Excluding that of CISC, the Group's net cash used in operating activities increased by RMB11,602.4 million or 114.9% year on year, mainly due to the increase in cash used related to financial instruments at fair value through profit or loss and available-for-sale financial assets in operating activities.

Net cash generated from investing activities in 2017 amounted to RMB7,726.3 million, representing an increase of RMB7,650.9 million or 10,142.7% compared with the net cash generated of RMB75.4 million in 2016. The main reason for the significant increase in cash generated from investing activities was due to the cash and cash equivalents of RMB7,631.8 million obtained as a result of the acquisition of CISC.

Net cash generated from financing activities in 2017 amounted to RMB30,553.7 million, representing an increase of RMB19,050.3 million or 165.6% compared with the net cash generated of RMB11,503.4 million in 2016. CISC's net cash generated from financing activities amounted to RMB9,131.8 million, accounting for 29.9% of the Group's net cash generated from financing activities. Excluding that of CISC, the Group's net cash generated from financing activities increased by RMB9,918.5 million or 86.2% year on year, mainly due to the increase in cash inflows from the issuance of debt securities.

(iv) Financing Channels and Capability

Our Company constantly broadens its financing channels to optimize its liability structure. The financing instruments of our Company includes perpetual subordinated bonds, subordinated bonds, corporate bonds, syndication loans, short-term commercial papers, beneficiary certificates, inter-bank borrowings and REPOs.

In addition, our Company may finance through follow-on offerings, rights issue and other ways according to market conditions and business needs.

(v) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss and Other Comprehensive Income

Summary Results of Operations

In 2017, the Group realized profit after tax of RMB2,811.2 million, representing a year-on-year increase of 52.8%. The main results of operations of the Group are listed as follows:

Unit: RMB in million

Items	2017	2016	Change	% of change
Revenue				
Fee and commission income	**8,282.2**	6,070.7	2,211.5	36.4%
Interest income	**2,979.7**	983.6	1,996.1	202.9%
Investment income	**4,008.5**	1,704.1	2,304.4	135.2%
Total revenue	**15,270.3**	8,758.4	6,511.9	74.4%
Other operating (losses)/income, net	**(10.1)**	182.9	(193.0)	N/A
Total revenue and other income	**15,260.2**	8,941.3	6,318.9	70.7%
Total expenses	**11,729.7**	6,667.2	5,062.5	75.9%
Share of profits of associates and joint ventures	**70.5**	55.6	15.0	27.0%
Profit before income tax	**3,601.0**	2,329.7	1,271.4	54.6%
Income tax expense	**789.9**	489.6	300.3	61.3%
Profit for the year	**2,811.2**	1,840.1	971.1	52.8%
Attributable to:				
Shareholders of the Company and holders of other equity instruments	**2,766.3**	1,820.3	946.1	52.0%

Revenue Breakdown

In 2017, the Group's revenue increased by 74.4% to RMB15,270.3 million compared with that in 2016. Of the Group's revenue, fee and commission income accounted for 54.2%, representing a decrease of 15.1 percentage points year on year; interest income accounted for 19.5%, representing an increase of 8.3 percentage points year on year; investment income accounted for 26.3%, representing an increase of 6.8 percentage points year on year. Breakdown of the Group's revenue for the last two years is listed as follows:

Items	2017	2016	Change
Fee and commission income	**54.2%**	69.3%	Decreased by 15.1 percentage points
Interest income	**19.5%**	11.2%	Increased by 8.3 percentage points
Investment income	**26.3%**	19.5%	Increased by 6.8 percentage points
Total	**100.0%**	100.0%	

In 2017, the Group's interest income and investment income experienced a large increase compared with that for last year, resulting in a smaller proportion of fee and commission income in total revenue.

Fee and Commission Income and Expenses

In 2017, the Group realized a net fee and commission income of RMB7,459.8 million, representing a year-on-year increase of RMB1,720.5 million or 30.0%. CISC realized a net fee and commission income of RMB1,577.8 million, accounting for 21.2% of that of the Group. Excluding that of CISC, the Group's net fee and commission income increased by RMB142.8 million or 2.5% year on year. Breakdown of the Group's net fee and commission income in 2017 is listed as follows:

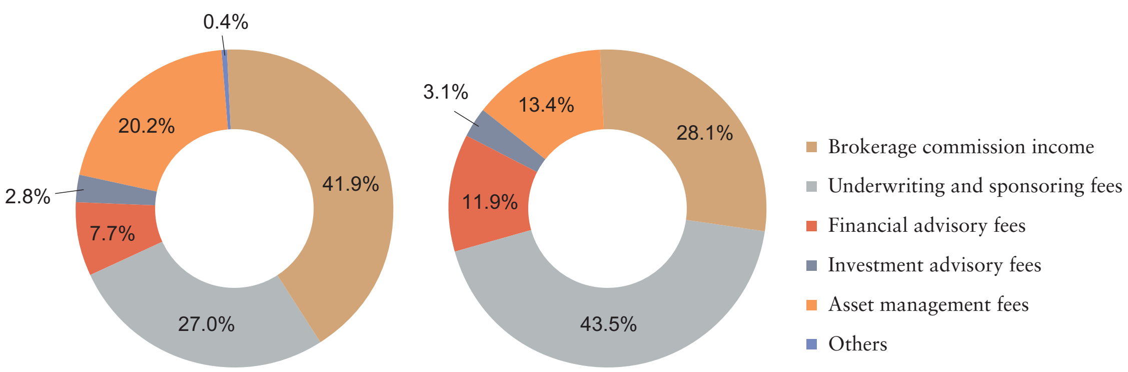
Unit: RMB in million

Items	2017	2016	Change	% of change
Fee and commission income				
Brokerage commission income	**3,468.7**	1,707.5	1,761.2	103.1%
Underwriting and sponsoring fees	**2,235.0**	2,639.3	(404.3)	(15.3%)
Asset management fees	**1,671.5**	816.4	855.1	104.7%
Financial advisory fees	**637.2**	719.1	(81.9)	(11.4%)
Investment advisory fees	**233.1**	188.4	44.7	23.7%
Others	**36.6**	–	36.6	N/A
Total fee and commission income	**8,282.2**	6,070.7	2,211.5	36.4%
Fee and commission expenses	**822.4**	331.4	491.0	148.1%
Net fee and commission income	**7,459.8**	5,739.3	1,720.5	30.0%

The charts below set forth the breakdown of the Group's fee and commission income in 2017 and 2016:

Breakdown of fee and commission income in 2017

Breakdown of fee and commission income in 2016



Brokerage commission income amounted to RMB3,468.7 million, representing a year-on-year increase of RMB1,761.2 million or 103.1%. CISC's brokerage commission income amounted to RMB1,678.9 million, accounting for 48.4% of that of the Group. Excluding that of CISC, the Group's brokerage commission income increased by RMB82.3 million or 4.8% year on year, mainly due to the outstanding performance of the Hong Kong stock market and the significant rise in major stock indexes. In 2017, the average daily trading volume of Hong Kong stocks amounted to HK$88.2 billion, representing a year-on-year increase of 31.9%, leading to the growth of the Group's overseas brokerage commission income compared with that of 2016.

Underwriting and sponsoring fees amounted to RMB2,235.0 million, representing a year-on-year decrease of RMB404.3 million or 15.3%. CISC's underwriting and sponsoring fees amounted to RMB157.1 million, accounting for 7.0% of that of the Group. Excluding that of CISC, the Group's underwriting and sponsoring fees decreased by RMB561.5 million or 21.3% year on year, mainly due to the decrease in domestic debt financing business in 2017 compared with that in 2016.

Asset management fees amounted to RMB1,671.5 million, representing a year-on-year increase of RMB855.1 million or 104.7%. Asset management fees included the management fees from asset management business, mutual fund business and private equity investment business. CISC's asset management fees amounted to RMB108.6 million, accounting for 6.5% of that of the Group. Excluding that of CISC, the Group's asset management fees increased by RMB746.5 million or 91.4% year on year, mainly due to the rapid growth of the Group's private equity investment business in 2017, contributing to the significant increase in the asset management fees.

Financial advisory fees amounted to RMB637.2 million, representing a year-on-year decrease of RMB81.9 million or 11.4%. CISC's financial advisory fees amounted to RMB27.5 million, accounting for 4.3% of that of the Group. Excluding that of CISC, the Group's financial advisory fees decreased by RMB109.3 million or 15.2% year on year, mainly due to the decrease in the Group's revenue from M&A projects and NEEQ projects compared with that in 2016.

Investment advisory fees amounted to RMB233.1 million, representing a year-on-year increase of RMB44.7 million or 23.7%. CISC's investment advisory fees amounted to RMB4.5 million, accounting for 1.9% of that of the Group. Excluding that of CISC, the Group's investment advisory fees increased by RMB40.2 million or 21.4% year on year, mainly due to the increased clients' demand for professional investment advisory services in 2017 compared with that in 2016.

Interest Income and Expenses

In 2017, the Group incurred a net interest expenses of RMB287.9 million, representing a year-on-year decrease of RMB17.5 million or 5.7%. CISC's net interest income amounted to RMB979.4 million. Excluding that of CISC, the Group recorded a year-on-year increase of RMB961.9 million or 314.9% in net interest expenses. Breakdown of the Group's net interest expenses in 2017 is listed as follows:

Unit: RMB in million

Items	2017	2016	Change	% of change
Interest income				
Interest income from financial institutions	**1,279.7**	533.8	745.9	139.7%
Interest income from margin financing and securities lending	**1,213.8**	300.7	913.0	303.6%
Interest income from reverse REPOs	**459.2**	140.9	318.4	226.0%
Others	**27.0**	8.2	18.7	227.4%
Total interest income	**2,979.7**	983.6	1,996.1	202.9%
Interest expenses				
Interest expenses on debt securities issued	**1,647.6**	518.5	1,129.1	217.7%
Interest expenses on REPOs	**920.3**	362.9	557.4	153.6%
Interest expenses on placements from financial institutions	**312.3**	189.9	122.4	64.5%
Interest expenses of accounts payable to brokerage clients	**198.6**	120.6	78.0	64.7%
Interest expenses on syndication loan	–	57.6	(57.6)	(100.0%)
Others	**188.8**	39.6	149.2	376.9%
Total interest expenses	**3,267.6**	1,289.0	1,978.6	153.5%
Net interest expenses	**(287.9)**	(305.4)	17.5	(5.7%)

Interest income from financial institutions amounted to RMB1,279.7 million, representing a year-on-year increase of RMB745.9 million or 139.7%. CISC's interest income from financial institutions amounted to RMB677.2 million, accounting for 52.9% of that of the Group. Excluding that of CISC, the Group's interest income from financial institutions increased by RMB68.7 million or 12.9% year on year.

Interest income from margin financing and securities lending amounted to RMB1,213.8 million, representing a year-on-year increase of RMB913.0 million or 303.6%. CISC's interest income from margin financing and securities lending amounted to RMB1,015.5 million, accounting for 83.7% of that of the Group. Excluding that of CISC, the Group's interest income from margin financing and securities lending decreased by RMB102.4 million or 34.1% year on year, mainly due to the decline in average daily scale of margin financing business resulted from the decrease in financing demands of clients.

Interest income from reverse REPOs amounted to RMB459.2 million, representing a year-on-year increase of RMB318.4 million or 226.0%. CISC's interest income from reverse REPOs amounted to RMB225.2 million, accounting for 49.0% of that of the Group. Excluding that of CISC, the Group's interest income from reverse REPOs increased by RMB93.2 million or 66.2% year on year, mainly due to the increase in interest income from stock-based lending business.

Interest expenses amounted to RMB3,267.6 million, representing a year-on-year increase of RMB1,978.6 million or 153.5%. CISC's interest expenses amounted to RMB938.5 million, accounting for 28.7% of that of the Group. Excluding that of CISC, the Group's interest expenses increased by RMB1,040.0 million or 80.7% year on year, mainly due to the increase in debt financing. In 2017, in order to meet its business development needs and the regulatory requirements, the Group issued various debt securities including beneficiary certificates, subordinated bonds and corporate bonds and drew down the USD-denominated medium-term note programme, resulting in the corresponding increase of interest expenses.

Investment Income

In 2017, the Group realized an investment income of RMB4,008.5 million, representing a year-on-year increase of RMB2,304.4 million or 135.2%. CISC's investment income amounted to RMB114.6 million, accounting for 2.9% of that of the Group. Excluding that of CISC, the Group's investment income increased by RMB2,189.7 million or 128.5% compared with that for 2016. Breakdown of the Group's investment income in 2017 is listed as follows:

Unit: RMB in million

Items	2017	2016	Change	% of change
Investment income				
Net gains from disposal of available-for-sale financial assets	**307.8**	41.3	266.6	646.1%
Dividend and interest income from available-for-sale financial assets	**497.0**	174.2	322.8	185.2%
Net gains from financial instruments at fair value through profit or loss				
– Equity investments	**3,374.3**	760.2	2,614.0	343.9%
– Debt investments	**855.8**	651.7	204.0	31.3%
– Funds and other investments	**952.0**	214.2	737.8	344.4%
Net losses from derivative financial instruments	**(2,001.8)**	(179.3)	(1,822.5)	1,016.3%
Gains from disposal of associates	**23.4**	41.8	(18.3)	(43.9%)
Others	**(0.0)**	–	(0.0)	N/A
Total	**4,008.5**	1,704.1	2,304.4	135.2%

Net gains from disposal of available-for-sale financial assets amounted to RMB307.8 million, representing a year-on-year increase of RMB266.6 million or 646.1%. CISC's net gains from disposal of available-for-sale financial assets amounted to RMB60.1 million, accounting for 19.5% of that of the Group. Excluding that of CISC, the Group's net gains from disposal of available-for-sale financial assets increased by RMB206.5 million or 500.4% year on year, mainly due to the significant increase in gains from exit of private equity fund investment compared with that of 2016.

Dividend and interest income from available-for-sale financial assets amounted to RMB497.0 million, representing a year-on-year increase of RMB322.8 million or 185.2%. CISC's dividend and interest income from available-for-sale financial assets amounted to RMB76.6 million, accounting for 15.4% of that of the Group. Excluding that of CISC, the Group's dividend and interest income from available-for-sale financial assets increased by RMB246.2 million or 141.3% year on year, mainly due to the increase in interest income from the debt investments held by our Group during the year.

Net gains from financial instruments at fair value through profit or loss amounted to RMB5,182.0 million, representing a year-on-year increase of RMB3,555.8 million or 218.7%. CISC's net losses from financial instruments at fair value through profit or loss amounted to RMB22.5 million. Excluding that of CISC, the Group's net gains from financial instruments at fair value through profit or loss amounted to RMB5,204.5 million, representing a year-on-year increase of RMB3,578.4 million or 220.0%, that were generated from the following categories of investments:

– Net gains from equity investments represented a year-on-year increase of RMB2,677.3 million, mainly due to the structural rise in the stock prices in 2017 over 2016 and the increase in the hedging equity positions held by the Group for OTC derivative transactions according to client demands, resulting in a large increase in the corresponding investment income. The Group enters into OTC derivative transaction agreements with its clients to meet their needs. The Group receives fixed income under the OTC derivative transaction agreements and at the same time purchases and holds a hedge position to mitigate related market risks.

– Net gains from debt investments represented a year-on-year increase of RMB194.9 million, mainly due to the increase in bond positions, that resulted in increase of gains from bond positions during the year as compared with that of 2016.

– Net gains from funds and other investments represented a year-on-year increase of RMB706.2 million, mainly due to the increase in the average scale of fixed income asset management products held by the Group in 2017 and the increase in the yields of these products, that contributed to the significant increase in gains from funds and other investments during the current year. .

For detailed information of the financial assets at fair value through profit or loss held by the Group at the end of 2017, please refer to "(vi) Analysis of Items in Statement of Financial Position – 1. Items of Assets – Investments – Financial assets at fair value through profit or loss".

Net losses from derivative financial instruments were RMB2,001.8 million while in 2016 the net losses were RMB179.3 million, mainly due to the corresponding losses from OTC derivatives trading business. Upon consideration of the hedge position held, the Group's exposure to the market risk and the volatility of profit or loss caused by change in fair value of the underlying assets under the OTC derivatives trading agreements is limited.

Gains from disposal of associates were RMB23.4 million, all of which resulted from the Group's exit from the equity investments.

Operating Expenses

In 2017, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB7,639.8 million, representing a year-on-year increase of RMB2,593.0 million or 51.4%. CISC's operating expenses amounted to RMB2,050.2 million, accounting for 26.8% of that of the Group. Excluding that of CISC, the Group's operating expenses represented a year-on-year increase of RMB542.8 million or 10.8%. Main compositions of the Group's operating expenses in 2017 are listed as follows:

Unit: RMB in million

Items	2017	2016	Change	% of change
Operating expenses				
Staff costs	**5,522.4**	3,690.0	1,832.5	49.7%
Depreciation and amortization expenses	**230.4**	72.5	157.9	217.8%
Tax and surcharges	**61.8**	106.2	(44.4)	(41.8%)
Other operating expenses and costs	**1,883.7**	1,136.5	747.2	65.7%
(Reversal of)/provision for impairment losses	**(58.6)**	41.5	(100.1)	N/A
Total	**7,639.8**	5,046.8	2,593.0	51.4%

Staff costs amounted to RMB5,522.4 million, representing a year-on-year increase of RMB1,832.5 million or 49.7%. CISC's staff costs amounted to RMB1,319.4 million, accounting for 23.9% of that of the Group. Excluding that of CISC, the Group's staff costs increased by RMB513.0 million or 13.9% year on year, mainly due to the improvement in the operating results and the increase in number of staff that contributed to the corresponding increase in staff costs.

Depreciation and amortization expenses amounted to RMB230.4 million, representing a year-on-year increase of RMB157.9 million or 217.8%. CISC's depreciation and amortization expenses amounted to RMB108.7 million, accounting for 47.2% of that of the Group. Excluding that of CISC, the Group's depreciation and amortization expenses increased by RMB49.2 million or 67.9% year on year, mainly due to the increase in office equipment and leasehold improvement expenses that contributed to the corresponding increase in depreciation and amortization expenses.

Tax and surcharges amounted to RMB61.8 million, representing a year-on-year decrease of RMB44.4 million or 41.8%. CISC's tax and surcharges amounted to RMB21.2 million, accounting for 34.3% of that of the Group. Excluding that of CISC, the Group's tax and surcharges decreased by RMB65.6 million or 61.8% year on year, mainly due to the significant decrease in business tax recognized in profit or loss after the reform of value-added tax ("VAT") in May 2016. VAT is an off-price tax and therefore is not included in tax and surcharges.

Other operating expenses and costs amounted to RMB1,883.7 million, representing a year-on-year increase of RMB747.2 million or 65.7%. CISC's other operating expenses and costs amounted to RMB597.8 million, accounting for 31.7% of that of the Group. Excluding that of CISC, the Group's other operating expenses and costs increased by RMB149.4 million or 13.1% year on year, mainly due to the increase in business development expenses and operating lease charges in respect of property and equipment.

In 2017, reversal of impairment losses amounted to RMB58.6 million while the provision for impairment losses in 2016 amounted to RMB41.5 million. CISC's provision for impairment losses amounted to RMB3.1 million. Excluding that of CISC, the Group's reversal of impairment losses amounted to RMB61.7 million, mainly due to the recovery during the year of certain accounts receivable and other non-current assets that impairment loss had been recognized for.

2. Segment Results

We have six principal business segments: investment banking, equities, FICC, wealth management, investment management and CISC. The others segment mainly comprises of other business departments and back offices.

Unit: RMB in million

Items	2017	2016	Change	% of change
Investment Banking				
Segment revenue and other income				
Fee and commission income	**2,442.5**	2,772.7	(330.2)	(11.9%)
Interest income	**5.6**	5.2	0.4	8.2%
Investment income	**137.2**	129.1	8.0	6.2%
Other operating income, net	**16.8**	76.2	(59.4)	(78.0%)
Total	**2,602.0**	2,983.2	(381.2)	(12.8%)
Segment expenses	**(1,644.5)**	(1,598.3)	(46.2)	2.9%
Profit before income tax	**957.5**	1,384.9	(427.4)	(30.9%)
Segment margin[1]	**36.8%**	46.4%	Decrease by 9.6 percentage points	
Equities				
Segment revenue and other income				
Fee and commission income	**1,447.8**	1,395.9	52.0	3.7%
Interest income	**197.3**	286.9	(89.6)	(31.2%)
Investment income	**1,428.4**	534.1	894.3	167.4%
Other operating (losses)/ income, net	**(133.9)**	13.2	(147.1)	N/A
Total	**2,939.7**	2,230.1	709.5	31.8%
Segment expenses	**(1,379.0)**	(986.3)	(392.7)	39.8%
Profit before income tax	**1,560.7**	1,243.8	316.9	25.5%
Segment margin[1]	**53.1%**	55.8%	Decrease by 2.7 percentage points	

Items	2017	2016	Change	% of change
FICC				
Segment revenue and other income				
Fee and commission income	**243.9**	363.9	(120.1)	(33.0%)
Interest income	**152.9**	105.2	47.8	45.4%
Investment income	**1,445.7**	543.1	902.5	166.2%
Other operating income, net	**42.7**	26.9	15.7	58.3%
Total	**1,885.1**	1,039.1	846.0	81.4%
Segment expenses	**(1,720.4)**	(1,030.2)	(690.2)	67.0%
Profit before income tax	**164.7**	8.9	155.8	1,743.4%
Segment margin[1]	**8.7%**	0.9%	Increase by 7.9 percentage points	
Wealth Management				
Segment revenue and other income				
Fee and commission income	**679.1**	735.0	(55.9)	(7.6%)
Interest income	**520.0**	446.1	73.9	16.6%
Investment income	**463.7**	183.7	280.0	152.5%
Other operating income, net	**29.2**	28.6	0.6	2.1%
Total	**1,692.0**	1,393.4	298.6	21.4%
Segment expenses	**(1,164.2)**	(1,005.0)	(159.2)	15.8%
Share of losses of associates and joint ventures	**(0.1)**	–	(0.1)	N/A
Profit before income tax	**527.8**	388.3	139.4	35.9%
Segment margin[1]	**31.2%**	27.9%	Increase by 3.3 percentage points	

Items	2017	2016	Change	% of change
Investment Management				
Segment revenue and other income				
Fee and commission income	**1,409.6**	803.1	606.4	75.5%
Interest income	**21.5**	14.1	7.4	52.4%
Investment income	**346.8**	255.8	91.0	35.6%
Other operating income, net	**11.9**	0.5	11.4	2,417.0%
Total	**1,789.8**	1,073.5	716.3	66.7%
Segment expenses	**(854.1)**	(720.6)	(133.5)	18.5%
Share of profits of associates and joint ventures	**38.1**	35.3	2.8	7.9%
Profit before income tax	**973.8**	388.2	585.6	150.8%
Segment margin[1]	**54.4%**	36.2%	Increase by 18.2 percentage points	
CISC[3]				
Segment revenue and other income				
Fee and commission income	**2,054.8**	–	N/A	N/A
Interest income	**1,917.9**	–	N/A	N/A
Investment income	**114.6**	–	N/A	N/A
Other operating income, net	**24.2**	–	N/A	N/A
Total	**4,111.5**	–	N/A	N/A
Segment expenses	**(3,465.7)**	–	N/A	N/A
Share of losses of associates and joint ventures	**(0.8)**	–	N/A	N/A
Profit before income tax	**644.9**	–	N/A	N/A
Segment margin[1]	**15.7%**	N/A	N/A	

Items	2017	2016	Change	% of change
Others(2)				
Segment revenue and other income				
Fee and commission income	**4.5**	0.0	4.5	17,460.1%
Interest income	**164.3**	126.0	38.3	30.4%
Investment income	**72.1**	58.3	13.8	23.7%
Other operating (losses)/income, net	**(0.9)**	37.6	(38.5)	N/A
Total	**240.0**	221.9	18.1	8.2%
Segment expenses	**(1,501.7)**	(1,326.8)	(175.0)	13.2%
Share of profits of associates and joint ventures	**33.3**	20.3	13.1	64.5%
Loss before income tax	**(1,228.4)**	(1,084.6)	(143.8)	13.3%

(1) Segment margin = profit before income tax/segment revenue and other income

(2) The segment margin of the "others" segment is not presented because this segment incurred loss before income tax in the relevant years.

(3) CISC's profit or loss and other comprehensive income from April 1, 2017 to December 31, 2017 were consolidated by the Group during the Reporting Period. Therefore, there is no comparable financial data for CISC presented for the same period of last year.

(vi) Analysis of Items in Statement of Financial Position

1. Items of Assets

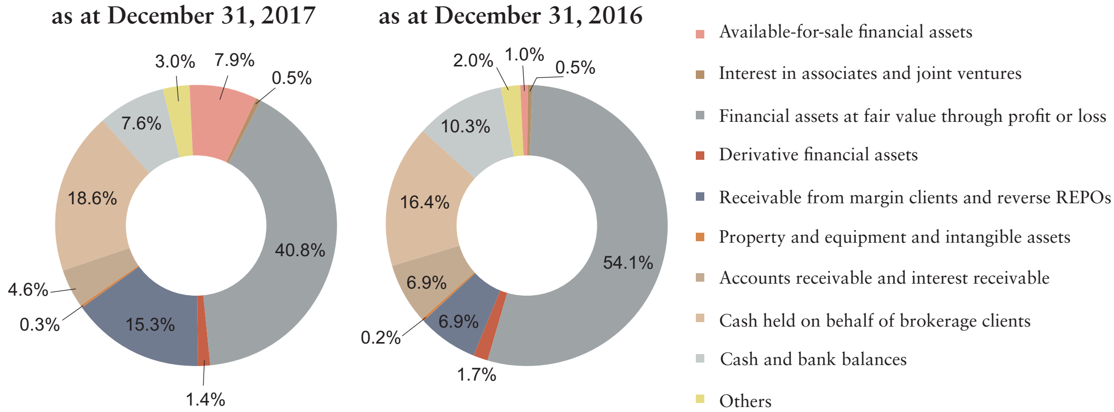
As at December 31, 2017, the Group's total assets amounted to RMB237,811.9 million, representing a year-on-year increase of RMB135,863.5 million or 133.3%. Excluding accounts payable to brokerage clients, the Group's adjusted total assets as at December 31, 2017 amounted to RMB190,465.4 million, representing a year-on-year increase of RMB105,909.3 million or 125.3%. CISC's adjusted total assets amounted to RMB48,553.7 million, accounting for 25.5% of that of the Group. Excluding that of CISC, the Group's adjusted total assets increased RMB57,355.6 million or 67.8% year on year. The Group's assets are listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Property and equipment and intangible assets	**702.1**	209.1	493.1	235.8%
Investment in associates and joint ventures	**1,128.3**	550.5	577.8	105.0%
Available-for-sale financial assets	**18,897.4**	1,043.1	17,854.3	1,711.7%
Accounts receivable and interest receivable	**10,872.2**	7,062.0	3,810.1	54.0%
Receivable from margin clients and reverse REPOs	**36,321.1**	6,984.7	29,336.4	420.0%
Financial assets at fair value through profit or loss	**97,011.7**	55,154.8	41,856.9	75.9%
Derivative financial assets	**3,447.9**	1,722.0	1,725.9	100.2%
Cash held on behalf of brokerage clients	**44,226.1**	16,717.4	27,508.8	164.6%
Cash and bank balances	**18,130.9**	10,504.6	7,626.3	72.6%
Others	**7,074.1**	2,000.2	5,073.9	253.7%
Total	**237,811.9**	101,948.5	135,863.5	133.3%

The charts below set forth the composition of the Group's assets as at the indicated dates:

Composition of assets as at December 31, 2017 **Composition of assets as at December 31, 2016**



Investments

The Group's investments consist of available-for-sale financial assets, interest in associates and joint ventures, financial assets at fair value through profit or loss and derivative financial assets.

As at December 31, 2017, the investments of the Group amounted to RMB120,485.3 million, representing a year-on-year increase of RMB62,014.9 million or 106.1%. CISC's investments amounted to RMB12,737.8 million, accounting for 10.6% of the investments of the Group. Excluding that total of CISC, the investments of the Group increased by RMB49,277.1 million or 84.3% year on year. The Group's investments are listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Available-for-sale financial assets	**18,897.4**	1,043.1	17,854.3	1,711.7%
Interest in associates and joint ventures	**1,128.3**	550.5	577.8	105.0%
Financial assets at fair value through profit or loss	**97,011.7**	55,154.8	41,856.9	75.9%
Derivative financial assets	**3,447.9**	1,722.0	1,725.9	100.2%
Total	**120,485.3**	58,470.4	62,014.9	106.1%

Available-for-sale Financial Assets

As at December 31, 2017, the Group's available-for-sale financial assets amounted to RMB18,897.4 million, representing a year-on-year increase of RMB17,854.3 million or 1,711.7% and accounting for 7.9% of the Group's total assets. CISC's available-for-sale financial assets amounted to RMB1,868.7 million, accounting for 9.9% of that of the Group. Excluding that of CISC, the Group's available-for-sale financial assets represented a year-on-year increase of RMB15,985.6 million or 1,532.5%, among which, debt investments represented a year-on-year increase of RMB15,854.9 million, accounting for 99.2% of the aforesaid increase, mainly because in 2017 the Group categorized a portion of newly acquired bond portfolio as available-for-sale financial assets according to its investment strategy and liquidity management policy, leading to the significant increase in available-for-sale financial assets compared with that at the end of 2016. Breakdown of the Group's available-for-sale financial assets is listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Equity investments	**1,300.4**	1,032.6	267.7	25.9%
Debt investments	**17,426.1**	–	17,426.1	N/A
Funds and other investments[(1)]	**170.9**	10.4	160.5	1,537.8%
Total	**18,897.4**	1,043.1	17,854.3	1,711.7%

(1) The funds and other investments of the Group increased by RMB160.5 million. The funds and other investments of CISC, which were mainly investments in fixed-income products, amounted to RMB170.4 million, accounting for 99.7% of that of the Group.

Interest in Associates and Joint Ventures

As at December 31, 2017, the Group's interest in associates and joint ventures amounted to RMB1,128.3 million, representing a year-on-year increase of RMB577.8 million or 105.0% and accounting for 0.5% of the Group's total assets. CISC's interest in associates and joint ventures amounted to RMB238.4 million, accounting for 21.1% of that of the Group. Excluding that of CISC, the Group's interest in associates and joint ventures increased RMB339.4 million or 61.7% year on year, mainly because that the Group expanded its scale of investments in 2017. Breakdown of the Group's interest in associates and joint ventures is listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Associates	**704.6**	419.4	285.2	68.0%
Joint ventures	**423.7**	131.1	292.6	223.3%
Total	**1,128.3**	550.5	577.8	105.0%

Financial Assets at Fair Value through Profit or Loss

As at December 31, 2017, the Group's financial assets at fair value through profit or loss amounted to RMB97,011.7 million, representing a year-on-year increase of RMB41,856.9 million or 75.9% and accounting for 40.8% of the Group's total assets. The details of the investment categories are as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Equity investments				
– Hedge position held for OTC derivative transactions	**37,792.7**	20,313.0	17,479.7	86.1%
– Financial assets from consolidated structured entities	**284.6**	159.3	125.3	78.6%
– Equity investments held directly by the Group(1)	**853.0**	432.1	420.9	97.4%
Subtotal	**38,930.2**	20,904.3	18,025.9	86.2%
Debt investments				
– Financial assets from consolidated structured entities	**759.1**	1,204.8	(445.7)	(37.0%)
– Debt investments held directly by the Group	**46,179.4**	19,438.2	26,741.2	137.6%
Subtotal	**46,938.5**	20,643.0	26,295.5	127.4%
Funds and other investments				
– Financial assets from consolidated structured entities	**3,912.8**	9,833.0	(5,920.2)	(60.2%)
– Funds and other investments held directly by the Group(2)	**7,230.2**	3,774.5	3,455.7	91.6%
Subtotal	**11,143.0**	13,607.5	(2,464.5)	(18.1%)
Total	**97,011.7**	55,154.8	41,856.9	75.9%

(1) The equity investments held directly by the Group increased by RMB420.9 million. The equity investments held directly by CISC amounted to RMB325.8 million, accounting for 77.4% of the increased portion of the Group.

(2) The funds and other investments held directly by the Group increased by RMB3,455.7 million. The funds and other investments held directly by CISC amounted to RMB377.4 million, accounting for 10.9% of the increased portion of the Group. Excluding that of CISC, the funds and other investments held directly by the Group increased by RMB3,078.3 million or 81.6%, which was mainly because that the Group expanded its scale of investments.

As at December 31, 2017, CISC's financial assets at fair value through profit or loss amounted to RMB10,630.6 million, accounting for 11.0% of that of the Group. Excluding that of CISC, the Group's financial assets at fair value through profit or loss represented a year-on-year increase of RMB31,226.2 million or 56.6%, mainly because that the Group expanded its scale of investments:

– RMB4,514.8 million in financial assets from consolidated structured entities of which the Group sponsored and held interests in, accounting for 5.2% of total financial assets at fair value through profit or loss. The financial assets held by these consolidated structured entities included RMB284.6 million of equity investments, primarily listed stocks; RMB417.6 million of debt investments all above investment grade; RMB3,812.7 million of funds and other investments, mainly fixed-income products;

– RMB37,792.7 million of investments in hedge equity positions held for OTC by the Group, consisted of underlying assets of OTC derivatives trading agreements which the Group had entered into with its clients, accounting for 43.8% of total financial assets at fair value through profit or loss. These underlying assets were held to hedge the market risks associated with OTC derivative trading whereby the volatility in the underlying assets' fair value are assumed by the clients and has no material impact to the Group's profit or loss;

– RMB527.2 million of equity investments held directly by the Group, accounting for 0.6% of total financial assets at fair value through profit or loss, most of which are listed stocks held for our proprietary trading business or the NEEQ market making business;

– RMB36,693.6 million in debt investments held directly by the Group, accounting for 42.5% of total financial assets at fair value through profit or loss, most of which are debt securities rated at investment grade or above and debt instruments issued by the MOF, the PBOC or policy banks in China;

– RMB6,852.8 million in funds and other investments held directly by the Group, accounting for 7.9% of total financial assets at fair value through profit or loss, most of which are money market funds and fixed-income products with high liquidity and low risks.

Derivative Financial Assets

As at December 31, 2017, the Group's derivative financial assets amounted to RMB3,447.9 million, representing a year-on-year increase of RMB1,725.9 million or 100.2%. The derivative financial assets accounted for 1.4% of the Group's total assets. The increase in derivative financial assets was mainly caused by the increase in the size of OTC derivative trading based on the clients' needs as well as the higher valuation attributable to the appreciation of the underlying stocks. As a result, the derivative financial assets of equity contracts increased by RMB1,762.7 million or 220.5% compared with that at the end of 2016, that was partially offset by the decrease in derivative financial assets related to other types of contracts. Breakdown of the Group's derivative financial assets is listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Interest rate contracts	**318.5**	461.2	(142.6)	(30.9%)
Currency contracts	**44.0**	141.8	(97.7)	(68.9%)
Equity contracts	**2,562.1**	799.4	1,762.7	220.5%
Credit contracts	**5.2**	13.8	(8.6)	(62.6%)
Other contracts	**518.1**	305.9	212.2	69.4%
Total	**3,447.9**	1,722.0	1,725.9	100.2%

Receivable from Margin Clients and Reverse REPOs

As at December 31, 2017, the Group's receivable from margin clients and reverse REPOs totalled RMB36,321.1 million, representing a year-on-year increase of RMB29,336.4 million or 420.0%. CISC's receivable from margin clients and reverse REPOs totalled RMB25,430.7 million, accounting for 70.0% of that of the Group. Excluding that of CISC, the total of the Group's receivable from margin clients and reverse REPOs recorded a year-on-year increase of RMB3,905.7 million or 55.9%, mainly due to the increase of stock-based lending transactions.

Property and Equipment and Intangible Assets

As at December 31, 2017, the Group's property and equipment and intangible assets totalled RMB702.1 million, representing an increase of RMB493.1 million or 235.8%, mainly because of the acquisition of CISC resulted in an increase in property and equipment and intangible assets. Breakdown of the Group's property and equipment and intangible assets is listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Property and equipment	**474.9**	208.5	266.4	127.8%
Intangible assets	**227.2**	0.6	226.6	39,686.5%
Total	**702.1**	209.1	493.1	235.8%

Cash Held on Behalf of Brokerage Clients

As at December 31, 2017, the Group's cash held on behalf of brokerage clients amounted to RMB44,226.1 million, representing a year-on-year increase of RMB27,508.8 million or 164.6%. CISC's cash held on behalf of brokerage clients amounted to RMB24,218.0 million, accounting for 54.8% of that of the Group. Excluding that of CISC, the Group's cash held on behalf of brokerage clients increased RMB3,290.8 million or 19.7% year on year, mainly due to the increase in deposits from brokerage clients.

Cash and Bank Balances

As at December 31, 2017, the Group's cash and bank balances amounted to RMB18,130.9 million, representing a year-on-year increase of RMB7,626.3 million or 72.6%. CISC's cash and bank balances amounted to RMB7,944.5 million, accounting for 43.8% of that of the Group. Excluding that of CISC, the Group's cash and bank balances decreased RMB318.1 million or 3.0% year on year.

Unit: RMB in million

Item	December 31, 2017	December 31, 2016	Change	% of change
Cash and bank balances	**18,130.9**	10,504.6	7,626.3	72.6%

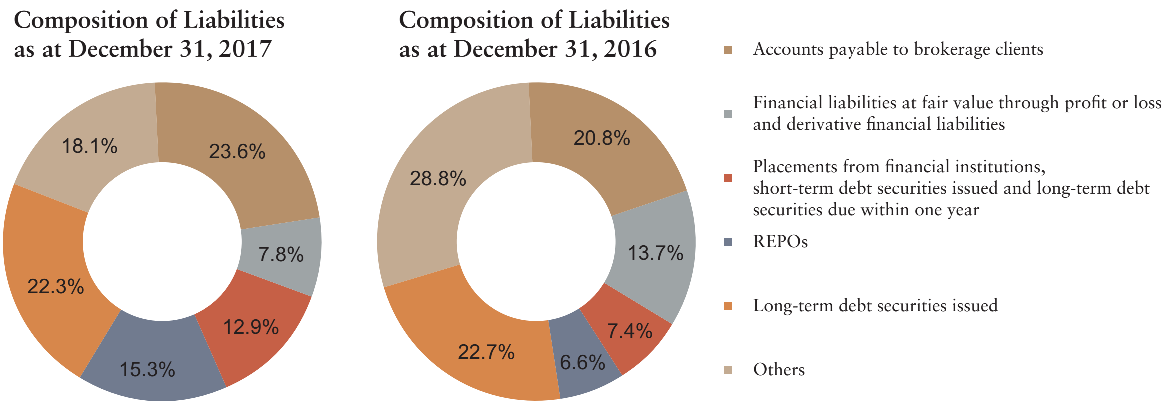
2. **Items of Liabilities**

As at December 31, 2017, the Group's total liabilities amounted to RMB200,919.5 million, representing a year-on-year increase of RMB117,467.8 million or 140.8%. Excluding accounts payable to brokerage clients, the Group's adjusted total liabilities as at December 31, 2017 amounted to RMB153,573.0 million, representing a year-on-year increase of RMB87,513.6 million or 132.5%. CISC's adjusted total liabilities amounted to RMB33,455.1 million, accounting for 21.8% of that of the Group. Excluding that of CISC, the Group's adjusted total liabilities increased RMB54,058.6 million or 81.8% year on year. In 2017, the Group put great efforts in developing balance sheet business and gradually expanded its business scale through various channels. The Group's liabilities are listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of change
Accounts payable to brokerage clients	**47,346.5**	17,392.4	29,954.2	172.2%
Financial liabilities at fair value through profit or loss and derivative financial liabilities	**15,642.6**	11,419.0	4,223.5	37.0%
Placements from financial institutions, short-term debt securities issued and long-term debt securities due within one year	**26,006.2**	6,178.1	19,828.0	320.9%
REPOs	**30,653.6**	5,478.5	25,175.2	459.5%
Long-term debt securities issued	**44,835.9**	18,948.5	25,887.5	136.6%
Others	**36,434.7**	24,035.3	12,399.4	51.6%
Total	**200,919.5**	83,451.7	117,467.8	140.8%

The following chart sets out the composition of the Group's liabilities as of the dates indicated:



As at December 31, 2017, the Group's accounts payable to brokerage clients amounted to RMB47,346.5 million, representing a year-on-year increase of RMB29,954.2 million or 172.2%. CISC's accounts payable to brokerage clients amounted to RMB24,653.9 million, accounting for 52.1% of that of the Group. Excluding that of CISC, the Group's accounts payable to brokerage clients recorded a year-on-year increase of RMB5,300.3 million or 30.5%, mainly due to the increase in the balance of client deposits.

Unit: RMB in million

Items	**December 31, 2017**	December 31, 2016	**Change**	**% of Change**
Individual clients	**24,548.5**	2,519.8	22,028.6	874.2%
Institutional/corporate clients	**22,798.1**	14,872.5	7,925.5	53.3%
Total	**47,346.5**	17,392.4	29,954.2	172.2%

As at December 31, 2017, the Group's financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB15,642.6 million, representing a year-on-year increase of RMB4,223.5 million or 37.0%, mainly due to the increase in liabilities payable to customers.

As at December 31, 2017, the Group's placements from financial institutions, and outstanding short-term debt securities issued and long-term debt securities due within one year totalled RMB26,006.2 million, which consisted of beneficiary certificates of RMB10,425.6 million, medium-term notes of RMB1,110.8 million, structured notes of RMB691.2 million, corporate bond of RMB3,497.8 million and placement from financial institutions of RMB10,280.8 million. It represented an increase of 320.9% compared with that at the end of 2016, mainly due to the increase in short-term debt financing for the development of balance sheet business.

As at December 31, 2017, the Group's REPOs amounted to RMB30,653.6 million, representing a year-on-year increase of RMB25,175.2 million or 459.5%. CISC's REPOs amounted to RMB9,544.8 million, accounting for 31.1% of that of the Group. Excluding that of CISC, the Group's REPOs represented a year-on-year increase of RMB15,630.4 million or 285.3%, mainly due to the increased need for funding for FICC business that led to a corresponding increase in the REPOs with debt securities as collateral.

As at December 31, 2017, the Group's outstanding long-term debt securities issued amounted to RMB44,835.9 million, which consisted of beneficiary certificates due after one year of RMB1,032.3 million, subordinated bonds of RMB16,074.3 million, medium-term notes of RMB3,256.0 million and corporate bonds of RMB24,473.3 million, representing an increase of RMB25,887.5 million or 136.6% as compared with that at the end of 2016. CISC's beneficiary certificates due after one year, subordinated bonds and corporate bonds amounted to RMB1,032.3 million, RMB4,993.0 million and RMB4,000.0 million respectively, accounting for 22.4% of the Group's outstanding long-term debt securities issued in total. Excluding that of CISC, the Group's long-term debt securities issued in 2017 included three tranches of subordinated bonds with the aggregate of RMB3,600.0 million and five tranches of corporate bonds with the aggregate of RMB12,500.0 million.

As at December 31, 2017, the Group's other liabilities amounted to RMB36,434.7 million, representing a year-on-year increase of RMB12,399.4 million or 51.6%. CISC's other liabilities amounted to RMB7,439.8 million, accounting for 20.4% of that of the Group. Excluding that of CISC, the Group's other liabilities recorded a year-on-year increase of RMB4,959.6 million or 20.6%, mainly due to the short-term fluctuations in payables for trading activities.

3. **Items of Equity**

As at December 31, 2017, the Group's total equity attributable to shareholders of our Company and holders of other equity instruments amounted to RMB36,706.7 million, representing a year-on-year increase of RMB18,259.7 million or 99.0%, mainly due to the issuance of the consideration shares amounted to RMB16,700.7 million by our Company to Huijin for the acquisition of CISC. Breakdown of the Group's equity is listed as follows:

Unit: RMB in million

Items	December 31, 2017	December 31, 2016	Change	% of Change
Share capital	**3,985.1**	2,306.7	1,678.5	72.8%
Capital reserve	**22,721.1**	7,705.7	15,015.5	194.9%
Surplus reserve	**347.1**	255.7	91.4	35.7%
General reserves	**2,030.1**	1,663.1	367.1	22.1%
Investment revaluation reserve	**(135.1)**	64.8	(199.9)	N/A
Foreign currency translation reserve	**(355.8)**	(49.8)	(306.0)	614.3%
Retained profits	**7,114.2**	5,500.9	1,613.3	29.3%
Other equity instruments	**1,000.0**	1,000.0	–	–
Total equity attributable to shareholders of the Company and holders of other equity instruments	**36,706.7**	18,446.9	18,259.7	99.0%

(vii) Contingent Liabilities

As at 31 December, 2017, the Company's subsidiary CISC held one piece of land under construction for which CISC had obtained the corresponding land use right certificates and construction permits required under PRC laws. Up to the date of approving the report, construction of the land has not commenced. According to relevant laws and regulations, in the event of delay in commencement of construction work on land, CISC may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or force majeure, CISC may negotiate with relevant government authorities for postponing the commencement date and extending the time period for the development and construction of the land. CISC received the idle land verification from the relevant government authorities on 1 February, 2018. According to this verification, the aforesaid land was recognized as idle land, and the idling was caused by government and corporate reasons. Upon now, CISC is still in the process of communicating with the relevant government authorities for postponing the construction commencement date and for extending the construction period. The amount of fee is subject to the decision of the relevant government authorities, and CISC is of the view that such amount cannot be reliably measured. As such, no relevant accrued liabilities was recognized as at December 31, 2017. Except for the above, the Group has no other outstanding matters which have a material impact on its consolidated financial position as at 31 December, 2017.

(viii) Pledge of Assets of the Group

The Group has no pledge of assets as at December 31, 2017.

(ix) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), our Company and our PRC subsidiaries are subject to an enterprise income tax rate of 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. The Company's income tax computation and payment are governed by 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). During the year ended December 31, 2017, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

V. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF OUR COMPANY

(i) Equity Investment

Other than the Acquisition, the Group did not have significant equity investments in 2017. Details about the Acquisition were set out in "Other Significant Events – IV. Material Acquisitions and Disposals During the Reporting Period" in this report.

(ii) Equity Financing

On September 20, 2017, the Company entered into a strategic cooperation Framework Agreement with Tencent Computer. Pursuant to this agreement, the Company and Tencent Computer will procure and ensure the establishment of the strategic cooperation relationship between the Company and Tencent Holdings and its subsidiaries on the group level.

On the same day, the Company and Tencent Mobility Limited (a wholly-owned subsidiary of Tencent Holdings), entered into the Subscription Agreement. Pursuant to this agreement, the Company agreed to allot and issue 207,537,059 new H Shares at the subscription price of HK$13.80 per Subscription Share, representing approximately 12.01% and 4.95% of the total issued H Shares and of the total issued Shares of the Company, respectively, as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares are new H Shares with a nominal value of RMB1.00 each in the share capital of the Company. The aggregate nominal value of the Subscription Shares is RMB207,537,059. The gross proceeds of the Subscription will amount to approximately HK$2,864.01 million. After deducting the relevant expenses, the estimated net proceeds from the issuance of the Subscription Shares will amount to approximately HK$2,861.12 million. The net price for each Subscription Share is estimated to be approximately HK$13.79. The Company intends to use the net proceeds for replenishing the capital of the Company and hence to support the Company's domestic and overseas business development by further strengthening its capital base.

On March 23, 2018, the Company completed the issue of 207,537,059 new H Shares to Tencent Mobility Limited. Accordingly, the number of the Company's H Shares and Shares in issue increased to 1,727,714,428 H Shares and 4,192,667,868 Shares, respectively. For details, please refer to the announcements published by the Company on September 20, 2017 and March 23, 2018.

(iii) Debt Financing

As at December 31, 2017, the Group's outstanding bonds are set out below:

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	15 CISC G1	RMB3,500 million	July 24, 2015	July 24, 2018	3.62%	
	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	2.99%	Our Company has an option to redeem such bond on July 18, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 03	RMB1,100 million	October 27, 2016	October 27, 2021	2.95%	Our Company has an option to redeem such bond on October 27, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 05	RMB2,000 million	December 26, 2016	December 26, 2019	4.50%	
	17 CICC 01	RMB4,000 million	January 20, 2017	January 20, 2020	4.35%	

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	17 CICC 02	RMB1,000 million	May 8, 2017	May 8, 2020	4.97%	
	17 CICC 03	RMB1,000 million	May 8, 2017	May 8, 2022	5.19%	
	17 CICC 04	RMB2,000 million	July 27, 2017	July 27, 2020	4.78%	
	17 CICC 05	RMB2,000 million	October 20, 2017	October 20, 2020	5.13%	
	17 CICC 06	RMB2,500 million	November 21, 2017	November 21, 2020	5.45%	
	17 CISC F1	RMB3,000 million	July 18, 2017	July 18, 2020	4.95%	
	17 CISC F2	RMB1,000 million	July 18, 2017	July 18, 2022	5.10%	

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate	Remarks
Subordinated bonds	15 CICC C1	RMB2,000 million	May 29, 2015	May 29, 2021	Bearing an interest rate of 5.25% per annum in the first three years; 8.25% from the fourth to sixth year	Our Company has an option to redeem such bond on May 29, 2018
	16 CICC C1	RMB2,000 million	July 21, 2016	July 21, 2021	Bearing an interest rate of 3.25% per annum in the first two years; 6.25% from the third to fifth year	Our Company has an option to redeem such bond on July 21, 2018
	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	16 CISC 01	RMB2,200 million	December 7, 2016	December 7, 2019	4.00%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021
	17 CICC C1	RMB600 million	May 22, 2017	May 22, 2022	5.39%	
	17 CICC C2	RMB1,500 million	July 24, 2017	July 24, 2022	4.98%	
	17 CICC C3	RMB1,500 million	November 16, 2017	November 16, 2022	5.50%	
	17 CISC 01	RMB1,000 million	February 23, 2017	February 23, 2020	4.85%	
	17 CISC 02	RMB1,800 million	February 23, 2017	February 23, 2022	5.00%	

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate	Remarks
Perpetual subordinated bonds	15 CICC Y1	RMB1,000 million	May 29, 2015	–	Bearing an interest rate of 5.70% per annum in the first five years, and subject to reset every five years	As at the end of each five-year period, our Company has a right to extend the term of such perpetual subordinated bonds for another five-year period
Notes payable	the three-year USD-denominated guaranteed notes under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$500 million	May 18, 2016	May 18, 2019	Bearing a coupon rate of 2.75% at a price of T3+192.5 bps with a yield of 2.811%	
	the six-month USD-denominated guaranteed notes under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$170 million	November 15, 2017	May 15, 2018	2.65%	

In addition, in 2017, the Group completed 229 issuances of beneficiary certificates, with an aggregate principal amount of RMB18,545 million for the year. As at December 31, 2017, the balance of principal amount of the Group's beneficiary certificates payable amounted to RMB11,400 million. As at December 31, 2017, the balance of bank borrowings and overdrafts of the Group's Hong Kong subsidiaries amounted to approximately HK$5,873 million.

The Group completed the issuance of two tranches of corporate bonds in January and March, 2018 respectively with an aggregate issuance size of RMB3,000 million.

VI. RISK MANAGEMENT

Overview

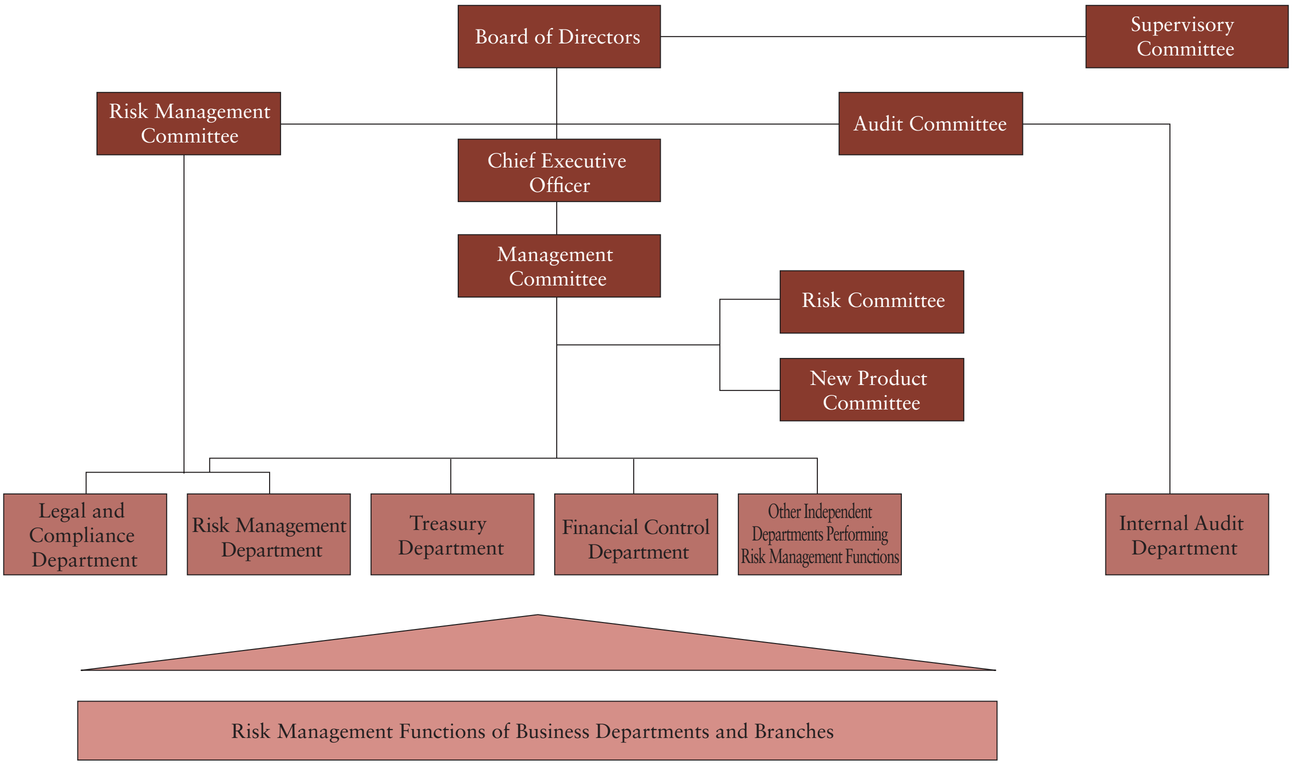
Our Company has always believed that risk management creates value. The risk management of our Company aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of our Company. Our Company has sound corporate governance, effective risk management measures and a strict internal control system.

Pursuant to the relevant laws and regulations and regulatory requirements, our Company has established a sound governance structure system. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the "Company Law", the "Securities Law", the "Guidance for the Internal Control of Securities Companies" (《證券公司內部控制指引》), the "Norms for the Comprehensive Risk Management of Securities Companies" (《證券公司全面風險管理規範》) and the Articles of Association and supervise and manage the business operations of our Company. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of our Company.

Risk Management Framework

Our Company has established a multi-level risk management organizational structure in accordance with business development and the need for risk management and defined specific duties of the Board of Directors, Supervisory Committee, senior management, independent departments performing risk management functions, business departments and branches.

The organizational structure of our Company's risk management is shown in the following chart:



Management Discussion and Analysis

Board of Directors

The Board of Directors is the top level of our Company's risk management and internal control governance structure and is responsible for facilitating the enforcement of the firm-wide risk management culture and reviewing and approving the overall risk management goals, risk appetite, risk tolerance, important risk limits and the risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee.

The Risk Management Committee is responsible for (i) deliberating on the overall goals and basic policies for compliance management and risk management; (ii) reviewing the organization design and duties of compliance management and risk management; (iii) evaluating the risk of important decisions and solutions to significant risks which require review by the Board of Directors; (iv) deliberating on compliance reports and risk assessment reports requiring approval by the Board of Directors; and (v) other duties as authorized by the Board of Directors. The Risk Management Committee considered the risk assessment reports four times a year, and the compliance reports twice a year.

The Audit Committee is responsible for (i) supervising the annual audit, assessing the truthfulness, accuracy and integrity of information in the audited financial statements, and filing motions for consideration by the Board of Directors; (ii) recommending the appointment or change of the external auditor, and supervising the work of the external auditor; (iii) communication between internal and external audit; and (iv) other matters as delegated by the Board of Directors. The Audit Committee considered the work report of the Internal Audit Department four times a year, and the Internal Controls Self-assessment Report and Illustration on a yearly basis.

Supervisory Committee

The Supervisory Committee assumes the supervision duty on the effectiveness of the overall risk management of our Company, and supervises and inspects the fulfillment of the risk management duties performed by the Board of Directors and the Management Committee, and reviews the rectification of risk management deficiencies and findings.

Senior Management

Under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes a major responsibility of ensuring the effectiveness of the overall risk management of our Company.

Risk Committee

The Risk Committee reports risk issues to the Management Committee and significant risk matters to the Risk Management Committee under the Board of Directors. The Risk Committee is responsible for (i) ensuring the Company's risk management in compliance with the regulatory requirements, and managing the short-term and long-term risk factors that may affect the Company's business operation directly or indirectly; (ii) proposing the Company's risk management policy to the Management Committee as well as establishing the risk management authorization framework; and (iii) other risk management issues within its duties and to the extent authorized by the Management Committee. Our Company's Chief Operating Officer is the chairman of the Risk Committee, and the Chief Risk Officer and Chief Compliance Officer are the co-executive chairman of the Risk Committee. Other members include: (i) Chief Financial Officer; (ii) heads of the businesses of Equities, FICC, Wealth Management, Investment Management, Private Equity Investment and Investment Banking; and (iii) heads of Capital Markets Department, Strategic Development Department, Risk Management Department, Legal and Compliance Department, IT Department, Treasury Department, Financial Control Department, Operations Department, and Corporate Communications Department.

Chief Risk Officer

The Chief Risk Officer is responsible for (i) leading the Risk Management Department to monitor, assess and report the overall risk level; (ii) approving risk management policies regarding market risk, credit risk, liquidity risk and operational risk, and approving risk limits of specific businesses; and (iii) sufficiently understanding the overall risk level of the Company and making professional judgment on matters and reporting to the Risk Committee and the Risk Management Committee under the Board of Directors. For details of the Chief Risk Officer, please refer to "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management – Senior Management".

Chief Compliance Officer

As the senior management of the Company, the Chief Compliance Officer is accountable to the Board of Directors for reviewing, supervising and inspecting the compliance of operation and management of our Company as well as occupational practice of its employees. For details of the Chief Compliance Officer, please refer to "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management – Senior Management".

Independent Departments Performing Risk Management Functions

Risk Management Department

The Risk Management Department is the key department for risk management and mainly responsible for: (i) identifying, assessing, monitoring and reporting market, credit, liquidity and operational risks in the business activities of our Company; (ii) defining and performing the risk management procedures and methods; and (iii) conducting independent risk assessment on new businesses and products.

Legal and Compliance Department

The Legal and Compliance Department is responsible for (i) providing timely and independent opinions on compliance issues and regulatory requirements to the senior management and business departments; (ii) managing legal risks relating to business operations; (iii) continuously identifying, assessing and managing compliance risks; (iv) supervising, monitoring and reporting the overall compliance status of our Company; (v) formulating the compliance policies of our Company and providing training to staff to improve their understanding of and compliance with the relevant applicable laws, regulations and guidelines as well as the internal policies of our Company; and (vi) providing daily legal support and advice to the management, business departments and middle and back offices of our Company.

Treasury Department

The Treasury Department takes the leading role in the liquidity risk management and manages assets and liabilities, capital, financing and cash flow of our Company, ensuring the liquidity of our Company, the compliance with the regulatory and risk management requirements and the efficient allocation of our Company's financial resources through various management measures, including assets and liabilities allocation, fund transfer pricing and monitoring, financing management, daily fund allocation and cash management, etc.

Financial Control Department

The Financial Control Department is responsible for financial accounting and providing timely and accurate financial information to the management team, shareholders and regulatory authorities.

IT Department

The IT Department is responsible for the IT system and the security of transactions and customer data, maintaining computer facilities and enhancing the IT infrastructure so as to perform risk management functions for our national and offshore operations.

Operations Department

The Operations Department is in charge of transaction settlement risk management with the following major responsibilities: (i) performing various trade settlements, and reviewing transaction results and preventing risks of clearing; (ii) settling different trades and managing fund positions of all clearance accounts to avoid settlement failure and ensure that all sorts of trades are processed smoothly and correctly with abundant funds; (iii) delivering and transferring securities accurately for all sorts of trading to avoid transfer failure; (iv) as one of the key operational risk management departments of the Company, strictly following risk management and compliance policies and procedures to prevent and manage operational risks; (v) reporting to the Risk Management Department and the Legal and Compliance Department in a timely manner on the occurrence of settlement risk events.

Human Resources Department

The Human Resources Department is responsible for providing professional advice at the staff and organizational level, assisting in formulating human resources policies and organizing employee training so as to regulate the staff management policy, reduce the human resources loss risk and the operational risk.

Internal Audit Department

The Internal Audit Department reports directly to the Audit Committee under the Board of Directors. The Internal Audit Department is responsible for (i) examining, assessing and reporting the overall internal control environment, risk assessment measures, internal control measures, reporting and monitoring measures of our Company; (ii) examining, assessing and reporting the adequacy of internal control measures of business departments and the effectiveness for implementation thereof; and (iii) making advisory opinions on the improvement and optimization of our Company's internal control process.

Business Departments and Branches

Heads of business departments and branches take the primary responsibility for the effectiveness of risk management. During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions, including (i) strictly complying with risk management policies and procedures and following risk indicators, thus performing the first line of defence in risk management; (ii) actively managing risks and ensuring risk exposures are maintained within limits; and (iii) communicating effectively with risk management departments.

Risk to Our Company's Business Activities and Management Measures

Risks related to business activities of our Company mainly include market risk, credit risk, liquidity risk, operational risk, compliance risk, legal risk and reputational risk, etc. Our Company proactively responded to risks through effective risk management measures, which generally prevented the occurrence of significant risk events and ensured the stable development of the business operation of our Company. During the Reporting Period, the business of our Company operated steadily and all risks were managed within a controllable and at a tolerable level.

Market Risk

Market risk refers to risks of changes in the fair value of financial assets held by our Company resulting from the fluctuations in equity prices, interest rates, credit spreads, exchange rates and commodity prices, etc.

Our Company has adopted the following measures to manage market risk:

➢ Business departments of our Company, as parties performing market risk management duties and the first line of defense, dynamically manage market risk of exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;

➢ The Risk Management Department independently assesses, monitors and manages the overall market risk of our Company with following measures. The market risk management includes risk measurement, limit formulation and risk monitoring:

- Our Company measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for our Company to measure and monitor market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. Our Company computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, our Company adopts stress test to complement the VaR analysis and measures whether the investment loss of our Company is within the scope of the risk tolerance when market risk factors such as equity price, interest rate, credit spread, exchange rate and commodity price undergo extreme changes. In addition, in respect of sensitivity factors of different assets, our Company measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.

- Our Company has formulated a risk limit indicator framework. Risk limit is a mean for controlling risks and also represents the risk appetite and risk tolerance of our Company. Our Company sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit and stop-loss limit, etc.

- Our Company monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submit them to the senior management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given timeframe. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his authorized person for a temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to senior management.

Value at Risk (VaR)

The Company sets the total VaR limit of our investment portfolio and VaR limits for various financial instruments. The Risk Management Department computes VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following tables set forth the computed VaRs of the Group (excluding CISC) by risk categories as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group (Excluding CISC)

			2017			2016		
	December	December	(As of December 31)			(As of December 31)		
(RMB in million)	31, 2017	31, 2016	Average	Highest	Lowest	Average	Highest	Lowest
Price-sensitive financial instruments(1)	50.1	11.8	24.8	50.9	6.0	10.0	20.1	2.3
Interest-rate-sensitive financial instruments(2)	35.2	24.1	28.1	40.3	19.4	22.4	28.4	15.7
Exchange-rate-sensitive financial instruments(3)	20.6	7.6	10.8	21.5	5.1	9.4	15.7	5.2
Total portfolio	71.6	29.7	42.4	73.8	23.4	27.4	36.0	21.2

Notes:

(1) including equities and the price sensitive portion of derivative products

(2) including fixed income products and the interest rate sensitive portion of derivative products

(3) including financial products subject to exchange rate changes (including derivative products)

CISC became a wholly-owned subsidiary of the Company on March 21, 2017. The following tables set forth the Group's computed VaRs by risk categories as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group

(RMB in million)	December 31, 2017	2017 (As of December 31) Average	Highest	Lowest
Price-sensitive financial instruments[1]	57.0	27.0	59.4	6.0
Interest-rate-sensitive financial instruments[2]	43.5	36.7	50.4	19.4
Exchange-rate-sensitive financial instruments[3]	20.6	10.8	21.5	5.1
Total portfolio	83.3	50.1	83.6	23.4

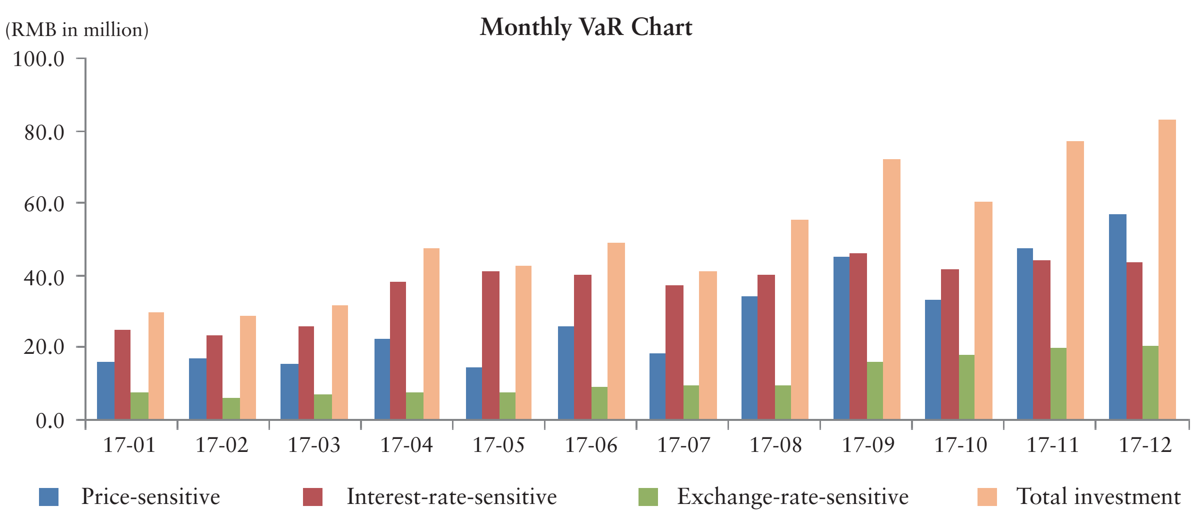
Notes: The VaRs of the Group from January to March excluded those of CISC and the VaRs of the Group from April to June represented the linear aggregation of VaRs of CICC and CISC (without taking into account the risk diversification effect between the portfolios of CICC and CISC), and the VaRs of the Group from July to December were calculated by combined investment portfolio of CICC's and CISC's.

(1) including equities and the price sensitive portion of derivative products

(2) including fixed income products and the interest rate sensitive portion of derivative products

(3) including financial products subject to exchange rate changes (including derivative products)

The chart below sets forth the VaRs by risk categories of the Group as of the end of each month over the past year:



During the Reporting Period, our Company conducted foreign exchange risk management for offshore assets, measuring risk exposures and monitoring risk limit utilizations on a daily basis. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments.

During the Reporting Period, our Company closely monitored domestic and overseas market conditions and business risks. Coping with interest rate swings in both domestic and overseas markets, our Company hedged the interest rate risk for the fixed-income portfolio by using treasury bond futures, interest rate swaps, etc.

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers. The exposure to credit risk of our Company arises mainly from:

➢ Credit risk from debt borrowers or bond issuers' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts;

➢ Credit risk from a counterparty's default on the OTC derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives;

➢ The settlement risk from a business partner's failure in delivery of funds or securities when our Company has fulfilled its delivery obligation.

Our Company adopted the following measures to manage credit risk in our trading and investment activities:

➢ Setting up investment criteria and limits on products and issuers;

➢ Reviewing credit terms in agreements with counterparties;

➢ Monitoring our credit exposure to counterparties.

Our Company has adopted the following measures to manage credit risk in our capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses:

➢ Approving counterparties, and assigning credit ratings and lending limits to counterparties;

➢ Managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios;

➢ Establishing and implementing margin call and mandatory liquidation policy.

During the Reporting Period when bond defaults were rising, FICC collaborated with the Risk Management Department and closely identified, assessed, monitored and managed credit risk related to bond investments. As a result, the Group avoided material losses during the Reporting Period.

	As of December 31, 2017 (RMB in million)		
The Group	**Position**	**DV01**	**Spread DV01**
Outside Mainland China (by international rating agencies)[1]			
– AAA	11.9	0.01	0.00
– AA- to AA+	85.8	0.01	0.01
– A- to A+	2,987.3	0.78	0.78
– below A-	7,234.4	1.60	1.54
Sub-total	10,319.4	2.40	2.33
Mainland China (by domestic rating agencies)[1]			
– AAA	34,405.9	3.71	3.47
– AA- to AA+	5,141.6	1.03	1.02
– A- to A+	89.0	0.02	0.02
– below A-	10.6	0.00	0.00
Sub-total	39,647.1	4.76	4.52
– Non-rated[2]	7,438.4	1.45	0.12
– Non-rated[3]	6,988.5	0.48	0.48
Total	64,393.4	9.09	7.46

Notes: The Risk Management Department uses DV01 and Spread DV01 to measure the interest rate sensitivity and credit spread sensitivity of bonds. DV01 measures the change in the value of interest rate sensitive products for each parallel movement of one basis point in a market interest rate curve. Spread DV01 measures the change in the value of credit spread sensitive products for each parallel movement of one basis point in the credit spread.

(1) The Group refers the credit ratings of its debt securities to the credit ratings of the debt securities or the debt securities' issuers from Bloomberg comprehensive ratings or the local major rating agencies.

(2) These non-rated financial assets mainly include government bonds, central bank bills, policy financial bonds, non-rated local government bonds and Special Drawing Rights ("SDR") – denominated bonds.

(3) These non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies.

Margin Financing and Securities Lending Business

The table below sets forth the market value of collaterals and the collateral ratio of the margin financing and securities lending business of the Group as of the date indicated:

Items	**As of December 31, 2017 (RMB in million)**	As of December 31, 2016 (RMB in million)
Market Value of Collaterals	**60,683.8**	13,134.5
Collateral ratio	**273%**	413%

Note: The collateral ratio is calculated as the ratio of the client's total account balance (including cash and securities held) to the client's balance of margin loans and securities borrowed from our Company (i.e. the sum of margin loans extended, the securities sold short and any accrued interests and fees).

As of December 31, 2017, the collateral ratio of the margin financing and securities lending business of the Group was 273%. Assuming the market value of all securities as collaterals of the Group's margin financing and securities lending business declines by 10% and 20% respectively, the collateral ratio of the Group's margin financing and securities lending business as of December 31, 2017, will be 247% and 222% respectively.

Stock-based Lending Business

The table below sets out market value of collaterals and the collateral ratio of the stock-based lending business of the Group as of the date indicated:

Items	**As of December 31, 2017 (RMB in million)**	As of December 31, 2016 (RMB in million)
Market value of Collaterals	**29,723.5**	7,615.9
Collateral ratio	**252%**	234%

Note: The collateral ratio refers to the ratio of the total market value of the pledged collateral and its yields to the client's total amount payable to our Company.

Liquidity Risk

Liquidity risk refers to the risks arising from our Company's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

Our Company implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. Our Company has adopted the following measures to manage liquidity risk:

- Closely monitoring balance sheets of our Company and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;
- Setting liquidity risk limits based on regulatory requirement and our Company's overall situation;
- Conducting cash flow forecast and stress testing on liquidity risk indicators on a regular and irregular basis to analyze and assess our liquidity risk exposure;
- Holding cash balances in hand and substantial high-quality liquid asset for a long term to support normal business operations, and establishing liquidity contingency plan for potential liquidity emergencies.

Our Company constantly broadened and diversified its funding channels to optimize the liability structure. The funding instruments of our Company included perpetual subordinated bonds, subordinated bonds, corporate bonds, syndication loan, short-term commercial papers, beneficiary certificates, inter-bank borrowing, REPOs, etc. Our Company maintained good relationship with major commercial banks and had sufficient bank credit to meet the funding requirement for business development. In 2017, as assessed by China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司), the credit rating of our Company was AAA and the rating outlook is stable. As at the latest practicable date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB, the short-term rating was A-2 and the rating outlook is stable. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook is stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook is stable.

During the Reporting Period, there was no substantial change in substance and type of liquidity risks exposed to our Company. Our Company's liquidity risk management was sound, the liquid reserve was sufficient, and the liquidity risk was under control.

During the Reporting Period, the regulatory liquidity risk management indicator of our Company continued to comply with the regulatory requirements. As of December 31, 2017, the liquidity coverage ratio and the net stable funding ratio of our Company were 354.8% and 129.4%, respectively.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events.

Our Company has adopted the following measures to manage operational risk:

- ➢ Establishing a transparent organizational structure with a proper decision-making mechanism;
- ➢ Implementing sound policies and procedures and enforcing checks and balances;
- ➢ Establishing new product approval policy to define roles and responsibilities;
- ➢ Establishing a business continuity plan to ensure business continuity in the event of sudden business disruptions.

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Company. Our Company continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Company further improved the operation efficiency and reduced operational risk. Meanwhile, our Company continuously reinforces the firmwide culture of risk awareness and encourages all staff to proactively participate in operational risk management and to jointly control and manage risk.

Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to our reputation because of the violation of laws, regulations, self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior.

Our Company has mainly adopted the following measures to manage and prevent compliance risk:

- ➢ Our Company formulates and updates our internal policies and procedures to keep abreast with changes in laws, regulations and industry norms;
- ➢ Our Company conducts compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;
- ➢ Our Company controls the circulation of sensitive information by monitoring information flows and establishing dynamic Chinese walls, with the aim to prevent risks of insider trading and manage conflicts of interest;

- ➢ Our Company has established a sound internal control system for anti-money laundering to fulfill our responsibilities for client identification and classification of client risk level. We identify and analyze suspicious transactions and promptly report to the regulators where necessary;
- ➢ Our Company undertakes compliance reviews in accordance with applicable laws, regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;
- ➢ Our Company adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;
- ➢ Our Company has established an accountability system in respect of employees' violations of laws, regulations and internal policies to impose applicable punishments on offenders.

During the Reporting Period, there was no substantial change in nature and extent of compliance risks exposed to our Company.

Legal Risk

Legal risk refers to the possible risk of economic loss or damage to our Company's reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes.

Our Company manages, controls and prevents legal risks mainly through the following measures:

- ➢ Our Company continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;
- ➢ Our Company formulates templates for various business contracts and requires our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;
- ➢ The application, maintenance and protection of our trademarks, protection of our goodwill and trade secrets and taking actions against behavior that harms our reputation or interests;
- ➢ Our Company conducts legal training to enhance our employees' legal awareness;
- ➢ Our Company takes active measures to mitigate legal risks when disputes and litigation arise.

During the Reporting Period, there was no material change in the nature and extent of legal risks of our Company or in our ability to respond to legal risks.

Reputational Risk

Reputational risk refers to the risk of negative comments on the Company caused by the Company's operational activities, business management and other actions as well as external events. Reputational risk can occur in all business areas and activities, and the Company assesses and manages reputational risk across all areas such as operation management, business activities and employee behaviors.

Our Company has mainly adopted the following measures to manage and prevent reputational risk:

➢ All business departments take measures to prevent and control reputational risks across important business activities and processes, and strictly follow "Know your Customers (KYC)" principle, enhance project due diligence and quality control, as well as timely prevent and deal with potential reputational risk;

➢ Reinforcing the firm-wide culture of risk awareness for all employees and enhancing the professional ethics of employees through policy making and employee training; and any employee who causes a significant reputational loss to the Company due to any misconduct or improper behavior will be subject to disciplinary actions;

➢ The Corporate Communications Department monitors the overall reputational risk of the Company by public opinion monitoring and media communications, and takes proper actions to intervene in a timely manner according to the severity of events, and releases or communicates with media the correct information and stance related to the Company, so as to further prevent the spread of false information in public environment.

Directors' Report

I. PRINCIPAL BUSINESSES OF OUR COMPANY

The principal businesses of our Company are Investment Banking, Equities, FICC, Wealth Management, Investment Management and relevant financial services. The business operations and prospects of our Company and risks to our business activities are respectively set out in "Management Discussion and Analysis – III. Analysis of Principal Business" and "Management Discussion and Analysis – VI. Risk Management" of this report. Particulars of important events affecting our Company are set out in "Other Significant Events" of this report. The key financial indicators of our Company are set out in "Summary of Accounting Data and Financial Indicators" and "Independent Auditor's Report and Notes to the Financial Statements" of this report.

II. PROFIT DISTRIBUTION PLAN

1. According to the Company Law, the Securities Law and other laws and regulations and the Articles of Association, the 2017 profit distribution plan of the Company is proposed as follows:

   At the beginning of 2017, the Company's undistributed profits amounted to RMB1,730 million. In addition, the Company realized profits of RMB914 million for 2017. After deducting the 2016 final dividends allocated to the shareholders of RMB638 million and the profits allocated to holders of other equity instruments of RMB57 million in 2017, and before appropriating the surplus reserves, general risk reserves and trading risk reserves, the profits available for distribution of the Company at the end of 2017 amounted to RMB1,949 million.

   In accordance with the provisions under the relevant laws, regulations, and the Articles of Association, the Company will distribute its profit for 2017 in the following order:

   (1) RMB91 million, or 10% of the profit of the Company in 2017 is to be appropriated to the statutory surplus reserve (the accumulated amount of the statutory surplus reserve of the Company will account for 8.3% of the share capital of the Company after this contribution);

   (2) RMB91 million, or 10% of the profit and 2.5% of the custodian fee income for mutual funds of the Company in 2017, is to be appropriated to the general risk reserves;

   (3) RMB91 million, or 10% of the profit of the Company in 2017, is to be appropriated to the trading risk reserves.

   The total contribution of the above three items is RMB274 million.

   After deduction of the above three items, the profits available for distribution of the Company at the end of 2017 is RMB1,675 million.

Note:

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, the arithmetic sum shown may not be the total of the figures preceding them. Any discrepancies between the arithmetic sum shown and the total of the amounts listed are due to rounding.

2. Taking into account of the Company's long-term development and the interests of shareholders, the profit distribution plan of the Company for 2017 is proposed as follows:

   (1) The Company will adopt the method of cash dividend payment for its 2017 profit distribution. The total proposed cash dividend to be distributed was RMB670,826,858.88 (tax inclusive). In case of any changes in the total number of issued Shares of the Company on the record date by reason of placing of Shares or Share repurchase, the amount of cash dividend per Share will be adjusted accordingly, within the total amount of RMB670,826,858.88 (tax inclusive). On the basis of 4,192,667,868 Shares issued as at March 23, 2018, a cash dividend of RMB1.6 (tax inclusive) for every ten Shares held will be distributed.

   (2) The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of Domestic Shares and holders of H Shares, respectively. The actual amount declared in Hong Kong dollars will be converted based on the average central parity of the exchange rate of RMB against Hong Kong dollars as announced by the People's Bank of China for the five working days prior to the date of the annual general meeting of the Company.

   Subject to approval of the resolution relating to the 2017 profit distribution plan by the annual general meeting, the cash dividends are expected to be paid within two months from the date of the annual general meeting.

   The Company will announce in due course the date for the 2017 annual general meeting and will give notice on the closure of its register of members in relation to the right to attend and vote at the 2017 annual general meeting. The Company will make further notice on the record date, the closure date of its register of members and date of distribution of dividends.

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

On September 20, 2017, the Company and Tencent Computer entered into the Strategic Cooperation Framework Agreement. Tencent Computer is a wholly-owned subsidiary of Tencent Holdings. Pursuant to this agreement, the Company and Tencent Computer will procure and ensure the establishment of the strategic cooperation relationship between the Company and Tencent Holdings and its subsidiaries on the group level. For details, please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of our Company – (ii) Equity Financing" in this report.

IV. ISSUANCE OF BONDS

In 2017, our Group has completed six issuances of corporate bonds of RMB16,500 million and three issuances of subordinated bonds of RMB3,600 million. The funds raised were all used to replenish the working capital and (or) net capital of our Company. For details, please refer to "Management Discussion and Analysis – V. Significant Investment and Financial Activities of our Company – (iii) Debt Financing" in this report.

V. DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors entered into a service contract with our Company. The Directors or Supervisors can be re-elected upon expiry of their term of office after approval by the shareholders' general meeting (but the term of office of independent non-executive Directors shall not exceed six years if re-elected).

In addition, none of the Directors or Supervisors has entered into a service contract with our Company or any of its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

VI. PERMITTED INDEMNITY

Our Company has maintained liability insurance policies for its Directors, Supervisors and senior management. All policies are underwritten by domestic and overseas renowned insurance companies. Our Company regularly reviews the policies.

VII. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which our Company or its subsidiaries was a party and in which a Director or Supervisor of our Company had a material interest, whether directly or indirectly, has been entered into during the Reporting Period.

VIII. DIRECTORS' INTERESTS IN BUSINESSES THAT COMPETE WITH THE BUSINESSES OF OUR COMPANY

Save as disclosed in the "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" section of this report, none of the Directors has any interests requiring disclosure in any business, which competes with the businesses of our Company.

IX. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As of December 31, 2017, none of the Directors, Supervisors or their respective spouses or minor children under 18 years of age were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of shares or debentures of our Company. Neither our Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under 18 years of age to acquire such rights from any other body corporate.

X. MANAGEMENT CONTRACTS

Save for employment contracts with employees, our Company did not enter into any contracts nor had any existing contracts in respect of all or any significant part of management and administration of business of our Company been in effect during the Reporting Period.

XI. OTHER DISCLOSURES

(i) Pre-emptive Rights

Our Company currently has no arrangements in respect of pre-emptive rights according to the provisions of PRC laws and the Articles of Association.

(ii) Reasons for and Impact from Changes of Accounting Policies, Accounting Estimates or Correction of Major Accounting Errors

There has been no change of major accounting policies or accounting estimates or major accounting errors in 2017.

(iii) Tax Relief and Exemption Information for Holders of H Shares

The holders of H Shares of our Company shall pay relevant tax and/or enjoy tax relief and exemption in accordance with the following provisions:

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who has no domicile in the PRC and does not stay in the territory of the PRC or who has no domicile in the PRC and has stayed in the territory of the PRC for less than one year, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the "Notice 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) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the "Notice on Taxation Policies 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試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC, 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 Mainland securities investment funds 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. 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 shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. 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 may be exempt according to the tax law.

(iv) Reserves and Distributable Reserves

For the movement of distributable profit, please refer to the "Consolidated Statement of Changes in Equity" and the "Notes to the Financial Statements" of this report.

(v) Major Clients and Suppliers

We have a high-quality and diversified client base (primarily consisting of industry-leading corporations, institutional investors and high-net-worth individuals). We develop and maintain long-term relationships with clients and are dedicated to providing them with a comprehensive suite of products and services. We have won our clients' loyalty through our deep engagement and our thorough knowledge and understanding of their businesses. Our clients always entrust us to handle their strategically important and sophisticated transactions.

In 2017, our income and other revenue from the top five clients did not exceed 10% of our total revenue and other income.

By virtue of the nature of our business, we have no major suppliers.

Other Significant Events

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.

II. MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have any material custody, contracting or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

III. CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict accordance with the Listing Rules, "Policy on Information Disclosure Management of China International Capital Corporation Limited" and "Policy on Management of Connected Transactions of China International Capital Corporation Limited". The Group's connected transactions are conducted based on the principles of openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Listing Rules:

Non-exempt Continuing Connected Transactions

In the ordinary and usual course of our business, the Group provides various securities and financial services to GIC, for which the Group receives commissions or fees from GIC.

On October 13, 2015, our Company entered into the Securities and Financial Services Framework Agreement (the "Framework Agreement") with GIC. Pursuant to the Framework Agreement, the Group will provide securities and financial services and guarantee to GIC on normal commercial terms. The Framework Agreement became effective on the Listing Date and will continue to be effective until December 31, 2017, subject to renewal. The securities and financial services and guarantee to be provided by the Group to GIC after listing under the Framework Agreement include: (i) securities brokerage services; (ii) index futures sales and trading services (through CICC Futures), together with a guarantee by the Group for any obligations of CICC Futures in relation to GIC's margin deposits in CICC Futures; and (iii) investment fund management services.

For securities brokerage services, the Group charges a brokerage commission calculated as a fixed percentage of the amount of securities in respect of each trade effected by the Group on behalf of GIC. The Group has adopted a market-based brokerage commission policy. The rate of commission charged by the Group from GIC is determined based on the arm's length negotiation from time to time with reference to various factors, including (i) the total amount of transactions of GIC effected through the Group; and (ii) the prevailing market rates for securities trades of a similar size. For index futures sales and trading services, the Group charges a commission based on arm's length negotiation with reference to the prevailing market rates. For investment fund management services, the Group charges management fee and carry interest will be determined based on the arm's length negotiation between the Group (as fund manager or general partner) and the limited partners (including GIC) taking into account factors including the capital contribution to the fund by the relevant limited partner, the specific industries that the investment fund will focus on and the prevailing market rates.

The annual caps for the continuing connected transactions in respect of the Group's provision of securities and financial services under the Framework Agreement to GIC for the three years ending December 31, 2017 are as follows:

Items	Annual caps 2015	2016	2017
	(RMB in million)		
Provision of securities and financial services by the Group to GIC	50.2	65.9	76.5
Provision of the guarantee in connection with provision of index futures trading services by the Group to GIC	300.0	300.0	300.0

As the highest applicable percentage ratios (other than the profit ratios) calculated by reference to Rule 14.07 of the Listing Rules for the securities and financial services and the guarantee respectively are on an annual basis above 0.1% and less than 5%, the transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Our Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver to exempt the securities and financial services and the guarantee provided to GIC under the Framework Agreement from compliance with the announcement requirement under the Listing Rules.

As the total equity interest held by GIC in our Company was less than 10% since April 12, 2017, it ceased to be a connected person of our Company and its transactions with our Company were no longer connected transactions.

The actual transaction amounts in respect of the securities and financial services provided to GIC from January 1, 2017 to April 11, 2017 are as follows:

Items	Actual transaction amounts for 2017	Annual Caps for 2017
	(RMB in million)	
Provision of securities and financial services by the Group to GIC	5.3(1)	76.5
Provision of the guarantee in connection with provision of index futures trading services by the Group to GIC	–	300.0

(1) Calculated based on the income received by the Group in respect of the securities and financial services provided to GIC.

In respect of the non-exempt continuing connected transactions mentioned above, our Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules. When conducting the above non-exempt continuing connected transaction, our Company complied with the pricing policy and guidelines formulated when the transaction was entered into.

In respect of the continuing connected transactions with GIC, the internal audit department reviewed the (i) Company's "Policy on Management of Connected Transactions of China International Capital Corporation Limited"; (ii) the terms of the Framework Agreement (including but not limited to the rate of commission payable by GIC to the Group; (iii) the pricing policies of the Group; (iv) the annual cap as set by our Company; and (v) the effectiveness of the design and implementation of the internal control measures. The findings and conclusions of the internal audit department are set out in a report (the "Internal Audit Report"), which was presented to the independent non-executive Directors of our Company.

The independent non-executive Directors of our Company, having reviewed the continuing connected transactions with GIC and the Internal Audit Report, confirmed that such continuing connected transactions:

(1) are in the ordinary and usual course of business of the Group;

(2) are on normal commercial terms; and

(3) are conducted in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of Shareholders of our Company as a whole.

The Board has received a letter from the auditors of our Company in respect of the continuing connected transactions mentioned above, in which the auditors have expressed the following conclusion on the disclosed continuing connected transactions:

In respect of the disclosed continuing connected transactions:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Other Significant Events

Non-exempt Connected Transactions

To make equity investments in assets and securities of the high-technology industries, the Company established the Fund. In connection with the establishment of the Global Bridge Capital USD Fund I, L.P. ("Fund"), the Company and CMC also agreed to set up the Global Bridge Capital I GP, LLC ("GP") (as general partner of the Fund) and the Global Bridge Capital Management, LLC ("Management Company") to manage and administer the affairs and investment of the Fund. The total size of the Fund is not expected to exceed US$500,000,000. The initial total capital commitment of all the parties of the Fund shall be US$60,606,060.

On June 16, 2017, (i) the Company, entered into the Fund LP agreement with CMC, the GP and the Management Company for the purpose of establishment of the Fund; (ii) the Company entered into the GP LLC agreement with CMC and the Management Company for the purpose of establishment of the GP to provide investment and divestment determinations for the Fund and to serve as a general partner of the Fund; and (iii) the Company and CMC entered into the Management Company LLC agreement for the purpose of establishment of the Management Company to provide operational and investment management services to the Fund and the GP via the management agreement entered into among the Fund, the GP and the Management Company. For details, please refer to the relevant announcement published by the Company on June 16, 2017.

In respect of the non-exempt connected transactions mentioned above, our Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

For the year ended December 31, 2017, no other related party transactions as set out in "Notes to the Financial Statements – 50 Related Party Relationships and Transactions" constitute connected transactions or continuing connected transactions required to be disclosed under the Listing Rules. For connected transactions and continuing connected transactions disclosed above, our Company has complied with the disclosure requirements under the Listing Rules from time to time.

IV. MATERIAL ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD

Very Substantial Acquisition of 100% Equity Interest in CISC

On November 4, 2016, our Company and Huijin entered into an equity transfer agreement, pursuant to which, our Company agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of CISC, subject to the satisfaction of conditions precedent stipulated under the equity transfer agreement. The consideration for the Acquisition is RMB16,700.695 million (equivalent to approximately HK$19,391.903 million) which will be satisfied by 1,678,461,809 Domestic Shares to be allotted and issued by our Company to Huijin.

On December 29, 2016, the Acquisition, among others, was considered and approved by the extraordinary general meeting, the domestic shareholders' class meeting and the H shareholders' class meeting.

The Company became the sole shareholder of CISC on March 21, 2017. 1,678,461,809 consideration shares had been issued as fully paid to Huijin on April 12, 2017. Huijin was directly and indirectly interested in 58.65% of the equity interest of our Company.

For details, please refer to the announcement published by the Company on November 4, 2016 in relation to, among others, the Acquisition and application for the whitewash waiver, the circular dispatched by the Company on December 5, 2016 in relation to, among others, the very substantial acquisition in relation to the Acquisition of the entire equity interest in CISC and the proposed issue of consideration shares, the announcement published by the Company on March 22, 2017 in relation to the progress of the Acquisition and the announcement published by the Company on April 12, 2017 in relation to the completion of the Acquisition.

Save as disclosed above, the Group did not have other material acquisitions and disposals of subsidiaries, associates, joint operations or joint ventures, swaps and asset reorganizations during the Reporting Period.

V. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period and up to the Latest Practicable Date, our Company had complied with the laws and regulations and regulatory requirements of the places where our Company operates in all material respects. None of our Company and the Directors, Supervisors and senior management of our Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible.

VI. SUBSEQUENT EVENTS

Up to the date of approval of these financial statements, in 2018, the Group issued and redeemed beneficiary certificates with aggregated principal amounts of RMB4.75 billion and RMB5.73 billion respectively; the Group drew down the guaranteed medium-term note programme with a principal amount of USD0.1 billion; the Group issued structured notes with aggregated principal amounts of RMB70 million, HKD234 million and USD252 million respectively and redeemed structured notes with an aggregated principal amount of USD68 million; the Group issued corporate bonds with an aggregated principal amount of RMB3 billion.

On March 23, 2018, 207,537,059 new H Shares were allotted and issued by the Company to Tencent Mobility Limited. Immediately after the completion of Subscription, the registered capital of the Company was increased to RMB4,192,667,868, and the total number of Shares of the Company was increased to 4,192,667,868 Shares, which were divided into 2,464,953,440 Domestic Shares and 1,727,714,428 H Shares.

Changes in Shares and Information of Substantial Shareholders

As of December 31, 2017, the share capital structure of our Company is as follows:

Name of shareholders	Number and class of securities	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin	2,334,655,680 Domestic Shares	58.584%	94.714%
Jianyin Investment	911,600 Domestic Shares	0.023%	0.037%
JIC Investment	911,600 Domestic Shares	0.023%	0.037%
China Investment Consulting	911,600 Domestic Shares	0.023%	0.037%
GIC	218,297,835 H Shares	5.478%	14.360%
TPG	171,749,719 H Shares	4.310%	11.298%
I&G	127,562,960 Domestic Shares	3.201%	5.175%
Mingly	122,559,265 H Shares	3.075%	8.062%
KKR Institutions Investments	76,354,300 H Shares	1.916%	5.023%
Public shareholders of H Shares	931,216,250 H Shares	23.367%	61.257%

I. CHANGES IN SHARE CAPITAL

The Company became the sole shareholder of CISC on March 21, 2017. 1,678,461,809 consideration shares had been issued as fully paid to Huijin on April 12, 2017. After the completion of the Acquisition, the total issued shares of our Company increased from 2,306,669,000 shares to 3,985,130,809 shares.

As at the end of the Reporting Period, the total issued Shares of our Company was 3,985,130,809 Shares, of which, 2,464,953,440 were Domestic Shares and 1,520,177,369 were H Shares. Upon issuance of 207,537,059 H Shares to Tencent Mobility Limited on March 23, 2018, the total issued Shares of our Company increased to 4,192,667,868 Shares, of which, 2,464,953,440 are Domestic Shares and 1,727,714,428 are H Shares. Please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Company – (ii) Equity Financing" of this report for details.

Changes in Shares and Information of Substantial Shareholders

II. SHAREHOLDERS

As of December 31, 2017, our Company had 5 domestic Shareholders and 471 registered holders of H Shares.

As of December 31, 2017, Huijin was interested in approximately 58.65% of the total capital of our Company directly and indirectly.

Huijin, is a state-owned investment company established in accordance with the PRC Company Law. Huijin, which is headquartered in Beijing, was established in December 2003 and mandated to exercise the rights and the obligations as an investor in major state-owned financial enterprises, on behalf of the PRC Government. In September 2007, the Ministry of Finance issued special treasury bonds and acquired all the shares of Huijin from the PBOC. The acquired shares were injected into China Investment Corporation ("CIC") as part of its initial capital contribution. However, Huijin's principal shareholder rights are exercised by the State Council. The members of the Board of Directors and Supervisory Committee of Huijin are appointed by and are accountable to the State Council. In accordance with authorization by the State Council, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the PRC Government in accordance with applicable laws, and to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the enterprises in which it invests.

Changes in Shares and Information of Substantial Shareholders

III. DISCLOSURE OF INTERESTS

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

As of December 31, 2017, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/ Chief Executive	Class of shares	Capacity	Number of Securities/ Type of shares held	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
David Bonderman	H Shares	Interest of controlled corporation *(Note 1)*	171,749,719/ Long positions	4.310%	11.298%
Cha Mou Daid Johnson	H Shares	Beneficial owner	753,600/ Long positions	0.019%	0.050%
		Beneficiary of a discretionary trust *(Note 2)*	122,559,265/ Long positions	3.075%	8.062%
Liu Haifeng David	H Shares	Founder of a discretionary trust *(Note 3)*	636,400/ Long positions	0.016%	0.042%
Edwin Roca Lim	H Shares	Beneficial owner	356,000/ Long positions	0.009%	0.023%
Siu Wai Keung	H Shares	Beneficial owner	100,000/ Long positions	0.003%	0.007%

Changes in Shares and Information of Substantial Shareholders

Notes:

(1) The interests deemed to be held by Mr. David Bonderman consists of 171,749,719 H Shares held by TPG. Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is the general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the securities held by TPG.

(2) The interests deemed to be held by Mr. Cha Mou Daid Johnson consists of 122,559,265 H Shares held by Mingly. As at December 31, 2017, Mingly is held by certain, but not identical discretionary trusts as to 96.12%, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and Mr. Cha Mou Daid Johnson is among the members of the class of discretionary beneficiaries.

(3) Mr. Liu Haifeng David is interested in 636,400 H Shares through a discretionary trust, The Liu Family Legacy Trust, of which he is the founder.

Changes in Shares and Information of Substantial Shareholders

Substantial Shareholders' Interests or Short Positions

As of December 31, 2017, to the knowledge of our Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of our Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by our Company under Section 336 of the SFO:

Name of Shareholders	Class of shares	Capacity	Number of securities/Type of shares held	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin	Domestic Shares	Beneficial owner	2,334,655,680/ Long positions	58.584%	94.714%
		Interests of controlled corporation *(Note 1)*	2,734,800/ Long positions	0.069%	0.111%
GIC	H Shares	Investment Manager	218,297,835/ Long positions	5.478%	14.360%
Tencent Holdings Limited *(Note 2)*	H Shares	Interests of controlled corporation	207,537,059/ Long positions	5.208%	13.652%
TPG *(Note 3)*	H Shares	Beneficial owner	171,749,719/ Long positions	4.310%	11.298%
I&G *(Note 4)*	Domestic Shares	Beneficial owner	127,562,960/ Long positions	3.201%	5.175%
Mingly *(Note 5)*	H Shares	Beneficial owner	122,559,265/ Long positions	3.075%	8.062%
OppenheimerFunds, Inc.	H Shares	Investment Manager	80,388,800/ Long positions	2.017%	5.288%
KKR Institutions Investments *(Note 6)*	H Shares	Beneficial owner	76,354,300/ Long positions	1.916%	5.023%

Changes in Shares and Information of Substantial Shareholders

Notes:

(1) Each of Jianyin Investment, JIC Investment and China Investment Consulting is wholly owned by Huijin. Therefore, Huijin is deemed to be interested in 2,734,800 Domestic Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.

(2) As at December 31, 2017, as Tencent Mobility Limited is a corporation controlled by Tencent Holdings, Tencent Holdings is deemed to be interested in the H Shares held by Tencent Mobility Limited and Tencent Mobility Limited is deemed to be directly interested in 207,537,059 H Shares. On March 23, 2018, the Company completed the issue of 207,537,059 new H Shares to Tencent Mobility Limited. The interests of H Shares held by Tencent Holdings and Tencent Mobility Limited represent approximately 12.01% and 4.95% of the total issued H Shares and the total issued Shares of the Company, respectively, as enlarged by the allotment and issue of the Subscription Shares.

(3) Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is the general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the H Shares held by TPG.

(4) As at December 31, 2017, State Development & Investment Corporation (國家開發投資公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.

(5) As at December 31, 2017, Mingly is held by certain, but not identical discretionary trusts as to 96.12%, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees and members of the classes of discretionary beneficiaries comprise the late Dr. Cha Chi Ming's issue.

(6) Each of KKR Associates Asia L.P. (as general partner of KKR Institutions Investments), KKR Associates Millennium L.P. (as general partner of KKR Institutions Investments), KKR Millennium GP LLC (as general partner of KKR Associates Millennium L.P.), KKR Asia Limited (Cayman Islands) (as general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited (Cayman Islands)), KKR Fund Holdings GP Limited (as general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as general partner of KKR & Co. L.P.) and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the H Shares held by KKR Institutions Investments under the SFO. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the H Shares held by KKR Institutions Investments.

Changes in Shares and Information of Substantial Shareholders

IV. SUFFICIENT PUBLIC FLOAT

As at the Latest Practicable Date and based on the information available to our Company and to the knowledge of the Directors, our Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

V. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF OUR COMPANY

During the year ended December 31, 2017, neither our Company nor its subsidiaries has purchased, sold or redeemed any of our Company's securities.

Directors, Supervisors, Senior Management and Employees

I. BASIC INFORMATION ON THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the latest practicable date, the basic information on the Directors, Supervisors and senior management of the Company are as follows:

Name	Position	Gender	Age	Appointment date
DIRECTORS				
Bi Mingjian (畢明建) Note 1	Executive Director	Male	62	May 2015
	Chief Executive Officer			March 2015
	Chairman of the Management Committee			March 2015
Zhao Haiying (趙海英)	Non-executive Director	Female	53	August 2011
David Bonderman (大衛•龐德文)	Non-executive Director	Male	75	November 2010
Liu Haifeng David (劉海峰)	Non-executive Director	Male	47	February 2015
Shi Jun (石軍)	Non-executive Director	Male	45	December 2013
Cha Mou Daid Johnson (查懋德)	Non-executive Director	Male	66	October 2002
Edwin Roca Lim (林重庚)	Independent Non-executive Director	Male	77	May 2015
Liu Li (劉力)	Independent Non-executive Director	Male	62	June 2016
Siu Wai Keung (蕭偉強)	Independent Non-executive Director	Male	63	May 2015
Ben Shenglin (賁聖林)	Independent Non-executive Director	Male	52	May 2015
SUPERVISORS				
Gao Tao (高濤)	Chairman of the Supervisory Committee	Male	53	June 2017
	Employee Representative Supervisor			June 2017
Liu Haoling (劉浩凌)	Supervisor	Male	46	May 2015
Jin Lizuo (金立佐)	Supervisor	Male	60	May 2015

Note:

(1) Mr. Bi Mingjian has started to perform the duties of the Chairman of the Board since March 1, 2017 and till the new Chairman of the Board is elected.

Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Appointment date
SENIOR MANAGEMENT				
Bi Mingjian (畢明建)	See "Directors" above			
Chu Gang (楚鋼)	Chief Operating Officer	Male	54	April 2015
	Member of the Management Committee			April 2015
Wong King Fung (黃勁峯)	Chief Financial Officer	Male	49	February 2017
	Member of the Management Committee			February 2017
Hu Changsheng (胡長生)	Member of the Management Committee	Male	52	June 2017
Huang Zhaohui (黃朝暉)	Member of the Management Committee	Male	54	April 2015
Huang Haizhou (黃海洲)	Member of the Management Committee	Male	55	April 2015
Liang Hong (梁紅)	Member of the Management Committee	Female	49	April 2015
Cheng Qiang (程強)	Member of the Management Committee	Male	50	April 2015
Ding Wei (丁瑋)	Member of the Management Committee	Male	58	January 2018
Zhang Fengwei (張逢偉)	Chief Risk Officer	Male	50	June 2017
Chen Gang (陳剛)	Chief Compliance Officer	Male	45	August 2016
Lu Xu (呂旭)	Chief Technology Officer	Male	64	April 2015
Wu Bo (吳波)	Secretary to the Board of Directors	Male	40	May 2015
Ma Kui (馬葵)	Financial Controller	Female	46	May 2015
Xu Yicheng (徐翌成)	Assistant President	Male	43	March 2018
Wang Sheng (王晟)	Assistant President	Male	40	March 2018
Yang Xinping (楊新平)	Assistant President	Female	62	February 2017

Please refer to "Notes to the Financial Statements – 13 Directors' and Supervisors' Remuneration" of this report for the remuneration of the Directors and Supervisors.

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Mr. Bi Mingjian (畢明建), aged 62, has been appointed as a Director of our Company since May 2015, and a non-executive director of CISC since March 2017. He has also served as the Chief Executive Officer and Chairman of the Management Committee of our Company since March 2015. He joined the Group in August 1995 and participated in the establishment of our Company. He held several positions in the Group, including Deputy Chief Executive Officer, member and Acting Chairman of the Management Committee, Co-Chief Operating Officer and Co-Head of the Investment Banking Department from August 1995 to February 2006. He served as a senior advisor to our Company from March 2006 to November 2012. He served as a managing partner of HOPU Investment Management Co., Ltd. from November 2012 to March 2015. Prior to August 1995, he served as the deputy division chief of the State Farms and Reclamation Bureau of the Ministry of Agriculture from January 1984 to December 1985, operation officer of the World Bank China Office from December 1985 to June 1988, deputy director of the project office of China Rural Trust and Investment Corporation from June 1988 to October 1988 and project economist and advisor of the World Bank from October 1988 to January 1994. He currently serves as a director of a number of the subsidiaries of our Company. Mr. Bi obtained a diploma in English from East China Normal University (華東師範大學) in December 1982 and a master of business administration degree from George Mason University, the United States, in January 1993.

Ms. Zhao Haiying (趙海英), aged 53, has been appointed as a Director of our Company since August 2011. She taught at the Business School of Hong Kong University of Science and Technology from 1992 to 1995. She also served as a consultant for the Asian Development Bank from 1995 to 1997 and taught at the School of Economics and Finance of The University of Hong Kong from 1995 to 2001. She served as a commissioner of the Strategy and Development Commission of the CSRC from January 2001 to January 2002, deputy director of the Department of Public Offering Supervision of the CSRC from January 2002 to October 2005, director of the Industrial and Commercial Bank of China Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1398) and the Shanghai Stock Exchange (Stock Code: 601398), from October 2005 to December 2008 and, in the meantime, the head of the department of research and legal affairs of Huijin from May 2006 to September 2007. She served as head of the department of asset allocation and strategic research of CIC from December 2007 to October 2009, vice general manager of Huijin as well as the director of its non-bank department from October 2009 to February 2012, and a director of New China Life Insurance Company Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to March 2016. She was a member of executive committee of CIC and the Executive Vice President of Huijin as well as the director of its securities institution management department from February 2012 to April 2012. She was a member of the executive committee of CIC and the Executive Vice President of Huijin from April 2012 to April 2015. She was a member of the executive committee of CIC and the Executive Vice President of Huijin as well as the director of its securities institution management department/insurance institution management department from April 2015 to October 2015. She also served as a committee member of the 11th, the 12th and the 13th National Committee of the Chinese People's Political Consultative Conference. Ms. Zhao served as the chief risk officer of CIC since October 2015. Ms. Zhao received a bachelor's degree in precision instrument from Tianjin University (天津大學) in 1984 and a doctoral degree in economics from the University of Maryland, the United States, in 1992.

Directors, Supervisors, Senior Management and Employees

Mr. David Bonderman (大衛 • 龐德文), aged 75, has been appointed as a Director of our Company since November 2010. He is a founding partner of Texas Pacific Group ("TPG"), an affiliate of one of the substantial shareholders of our Company. Through its global buyout platform, TPG generally makes significant investments in operating companies through acquisitions and restructurings across a broad range of industries globally. Prior to forming TPG in 1992, he was Chief Operating Officer of the Robert M. Bass Group, Inc. (RMBG), now doing business as Keystone Group, L.P. in Fort Worth, Texas. Prior to joining RMBG in 1983, he was a partner in the law firm of Arnold & Porter in Washington, D.C., where he specialized in corporate, securities, bankruptcy and antitrust litigation. From 1969 to 1970, he was a Fellow in Foreign and Comparative Law in conjunction with Harvard University and from 1968 to 1969, he was Special Assistant to the U.S. Attorney General in the Civil Rights Division. From 1967 to 1968, he was Assistant Professor at Tulane University School of Law in New Orleans. Mr. Bonderman currently serves on a number of boards, including: director of Ryanair Holdings Plc, a company listed on the Irish Stock Exchange (Ticker: RYA), London Stock Exchange (Ticker: RYA) and NASDAQ (Ticker: RYAAY), since August 1996; director of TPG Pace Energy Holdings Corp., a company listed on the New York Stock Exchange (Ticker: TPGE), since April 2017; and director of TPG Pace Holdings Corp., a company listed on the New York Stock Exchange (Ticker: TPGH), since April 2017. In addition, he serves on the boards of The Wilderness Society, the American Himalayan Foundation, the Rock and Roll Hall of Fame Foundation, and the Grand Canyon Trust. Mr. Bonderman has also served as a director in, among others, Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.), a company listed on the NASDAQ (Ticker: CZR), from January 2008 to October 2017; Kite Pharma, Inc., a company listed on the NASDAQ (Ticker: KITE), from March 2011 to October 2017; Costar Group, Inc. (formerly known as Realty Information Group), a company listed on the NASDAQ (Ticker: CSGP), from May 1995 to June 2015; Armstrong World Industries, Inc., a company listed on the New York Stock Exchange (Ticker: AWI), from September 2009 to June 2012; General Motors Company, a company listed on the New York Stock Exchange (Ticker: GM), from July 2009 to June 2014; VTB Group, a company listed on the Moscow Exchange (Ticker: VTBR) and London Stock Exchange (Ticker: VTBR LI), from March 2011 to June 2014; and Pace Holdings Corp. (formerly known as Paceline Holdings Corp.), a company listed on the NASDAQ (Ticker: PACE), from July 2015 to March 2017. In June 1963, Mr. Bonderman obtained a bachelor's degree in Slavic languages and literatures: Russian from University of Washington in the United States. In June 1966, he graduated magna cum laude from Harvard Law School in the United States, with a bachelor's degree in Law. He was a member of the Harvard Law Review and a Sheldon Fellow.

Please refer to "Directors, Supervisors and Senior Management – Board of Directors" of the Prospectus for further details on Mr. Bonderman's civil proceedings. In addition, the following sets forth the updates of Mr. Bonderman's civil proceedings as referred to in the Prospectus: (i) in respect of the voluntary bankruptcy petition filed by Caesars Entertainment Operating Company, Inc. ("CEOC"), the Bankruptcy Court for the District of Illinois confirmed a plan of reorganization in January 2017, which became effective in October 2017; (ii) in respect of the claims filed by various trustees of notes issued by CEOC, these proceedings were discharged when the plan of reorganization became effective; and (iii) a claim arising from the acquisitions of TIM Hellas Telecommunications, S.A. and Q Telecommunications S.A. brought to the High Court of Justice of England in December 2016 was voluntarily dismissed in February 2018.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Haifeng David (劉海峰), aged 47, has been appointed as a Director of our Company since February 2015. He is the Co-founder and the Chairman of Dehong Capital. Mr. Liu previously served as Partner of KKR, Cohead of KKR Asia Private Equity and CEO of KKR Greater China. Mr. Liu was also a member of KKR's Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. Prior to joining KKR, Mr. Liu was Managing Director and Co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established outstanding long-term investment track records over the past 25 years of direct investment, and was responsible for a number of successful and innovative direct investment projects in Greater China, such as China Ping An Insurance, China Mengniu Dairy, Qingdao Haier Co., Sunner Poultry, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd, China International Capital Corporation (CICC), China Cord Blood Corporation, Paradise Retail, Hengan International, COFCO Meat, Yuehai Feed, Asia Dairy, Uxin Limited, Tarena Education etc. Mr. Liu also serves as a non-executive director of Far East Horizon Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3360), since October 2009; and a non-executive director of Qingdao Haier Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690), since September 2014; also a non-executive director of Sunpower Group, a company listed on the Singapore Main Board (Stock Code: SUNP) since November 2017. Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. "KKR" as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates.

Mr. Shi Jun (石軍), aged 45, has been appointed as a Director of our Company since December 2013. He held several positions in I&G, one of the shareholders of our Company, including a deputy general manager of the department of market development (II), general manager of department of financial products, principal of the center of financial products and general manager of the department of general financial products, the executive president and in charge of the investment, wealth management and internet finance businesses since July 1996. Mr. Shi currently serves as the president of I&G since April 2016, and he is responsible for the overall management work. Mr. Shi has been admitted as a lawyer of the PRC since April 2001 and has been qualified as a CFA charter holder of the CFA Institute since September 2007. Mr. Shi obtained a bachelor's degree in economics specializing in insurance from Shanghai University of Finance and Economics (上海財經大學) in June 1996 and a master of business administration degree from Tsinghua University (清華大學) in January 2011. He also completed the executive master of business administration program and obtained a master of business administration degree from China Europe International Business School (中歐國際工商學院) in August 2014.

Directors, Supervisors, Senior Management and Employees

Mr. Cha Mou Daid Johnson (查懋德), aged 66, has been appointed as a Director of our Company since October 2002. He currently serves as a director of C.M. Capital Advisors (HK) Limited. He has been the chairman of C.M. Capital Corporation since 2000. He has also served as a board member and non-executive director of HKR International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 480) since 1989 and December 2004 respectively, and as a non-executive director of Hanison Construction Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 896) since November 2001. He has been appointed as a non-executive director of Mingly, one of the substantial shareholders of our Company, since April 2000 and currently as an independent non-executive director and a member of the nomination committee, risk management committee, chairman of the remuneration committee and the former chairman of the audit committee of Shanghai Commercial Bank Limited since September 2001. He also holds directorships in other private companies in Hong Kong and overseas. Mr. Cha is active in many non-profit organizations serving as trustee, advisor or committee member. Since 1989, he has served at various institutions at different times in the following capacities: currently a board member of Qiu Shi Science & Technologies Foundation, a founding member of the Moral Education Concern Group, and a council member and a member of the Finance Committee of the Hong Kong University of Science and Technology, a member of the Presidents' Global Advisory Council at Carnegie Mellon University. Previously, as a member of The Hong Kong Government Advisory Council in Innovation and Technology; a trustee and chairman of Investment Committee of the Croucher Foundation; a council member and a member of the Finance Committee and Investment Sub-Committee of The Chinese University of Hong Kong; a trustee of the Mathematical Sciences Research Institute in the United States; a member of the Advisory Council of the Graduate School of Business of Stanford University; a member of Investment Committee, Foundation member, and board of trustee of University of California, San Francisco; an advisory board member of the College of Letters and Science of University of California, Los Angeles; and a member of Advisory Council of the Business School of University of San Francisco. Mr. Cha obtained a bachelor's degree in chemistry from Carnegie Mellon University, the United States, in May 1973 and a master of business administration degree from the Graduate School of Business of Stanford University, the United States, in June 1976.

Mr. Edwin Roca Lim (林重庚), aged 77, has been appointed as a Director of our Company since May 2015. He served as a lecturer at The University of Hong Kong from 1965 to 1970. He joined the World Bank Group in May 1970 and held several positions, including economist, senior economist, lead economist for China, chief representative in China, director in charge of West Africa and director in charge of India. He was granted external service leave by the World Bank Group for two years from February 1994 to lead the organization of an investment bank in China. This initiative led to the establishment of our Company. In this context, he served as a senior advisor to Morgan Stanley from March 1994 to May 1995 and as the Chief Executive Officer of our Company from June 1995 to December 1995. He returned to the World Bank Group in January 1996 and served as director in charge of India until he retired in August 2002. Mr. Lim obtained a bachelor's degree in public and international affairs from Princeton University, the United States, in June 1962 and a doctoral degree in economics from the Graduate School of Arts and Sciences of Harvard University, the United States, in June 1970. He also completed the advanced management program at Harvard Business School of Harvard University, the United States, in May 1993.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Li (劉力), aged 62, has been appointed as a Director of our Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. He served as an independent non-executive director of Metallurgical Corporation of China Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601618) and the Hong Kong Stock Exchange (stock code: 1618), from December 2008 to November 2014, and independent director of Bohai Ferry Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603167), from December 2009. Mr. Liu currently serves as an independent director of China Oil HBP Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002554), since December 2009, independent non-executive director of China Machinery Engineering Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 1829), since January 2011, independent director of Langfang Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600149), since August 2011, independent non-executive director of Bank of Communications Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 3328), since September 2014, independent director of Success Electronics Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 002289), since January 2016, and independent director of CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 000617), since June 2017. Mr. Liu obtained a master degree in physics from Peking University in July 1984 and MBA from Catholic University of Louvain in Belgium in July 1989.

Mr. Siu Wai Keung (蕭偉強), aged 63, has been appointed as a Director of our Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Beijing and Northern China Region, KPMG China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. He also served as an independent non-executive director of Hua Xia Bank Co., Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 600015), from October 2010 to February 2014, independent non-executive director of Beijing Hualian Hypermarket Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600361), from September 2012 to March 2015, independent non-executive director of Hop Hing Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 47), from September 2012 to May 2015, independent non-executive director of Shunfeng International Clean Energy Limited (formerly known as Shunfeng Photovoltaic International Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 1165), from July 2013 to June 2015, and independent non-executive director of China Huishan Dairy Holdings Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 6863), from September 2013 to August 2015. Mr. Siu currently serves as an independent non-executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), since December 2010, independent non-executive director of CITIC Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 267), since May 2011, independent non-executive director of China Communications Services Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 552), since June 2012, independent non-executive director of CGN Power Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1816), since March 2014, independent director of Beijing Gao Hua Securities Company Limited since June 2015, and independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu has been a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

Mr. Ben Shenglin (賁聖林), aged 52, has been appointed as a Director of our Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and China business head from March 2003 to February 2005. He served at HSBC in China from February 2005 to April 2010 as a senior executive, including managing director and China country head of commercial banking from January 2007 to April 2010. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China). Mr. Ben currently serves as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), since September 2014, independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 168), since June 2014, independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, and supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since December 2016. He joined the School of Management of Zhejiang University (浙江大學管理學院) since May 2014 and currently serves as a full-time professor of banking and finance and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, and director of Center for Internet and Financial Innovation of the School of Management of Zhejiang University since December 2014. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and a counsellor of the Zhejiang People's Government since August 2014. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

Supervisors

Mr. Gao Tao (高濤), aged 53, has been elected as the employee representative Supervisor and appointed as the Chairman of the Supervisory Committee of the Company since June 2017. He has been the chairman of the board of directors of CISC and chairman of executive committee of CISC since October 2015. From June 1991 to May 2005, he held several positions in China Construction Bank including vice director and general manager of the department of human resources of Anhui Branch, and the president of Huainan Branch. From May 2005 to September 2005, he served as a member of the Securities Restructuring Committee of China Jianyin Investment Co., Ltd. From September 2005 to September 2006, he held several positions in CISC including general manager of the department of human resources and vice president. From September 2006 to September 2012, he held several positions in Hong Yuan Securities Co., Ltd. including vice general manager, board secretary and vice chairman. From September 2012 to August 2015, he served as vice president of China Jianyin Investment Co., Ltd. Mr. Gao graduated with a bachelor's degree from Anhui Agricultural University (formerly known as "Anhui Agricultural College") in July 1986, and an Executive Master of Business Administration ("EMBA") degree from Renmin University of China in January 2009.

Mr. Liu Haoling (劉浩凌), aged 46, has been appointed as a Supervisor of our Company since May 2015. He served as a preparatory group member for the establishment of ABN AMRO Xiangcai Fund Management Co. Ltd. from January 2002 to June 2002, manager of the legal and compliance department and secretary of the board of directors of China Euro Securities Limited from July 2003 to March 2007, and an associate of the compliance department of Goldman Sachs Gao Hua Securities Company Limited from April 2007 to February 2008. He held several positions in CIC, including the business head and senior manager of the legal and compliance department from March 2008 to April 2011. He also served as a director of New China Life Insurance Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to September 2010. He served as a supervisor of China Export & Credit Insurance Corporation from December 2012 to May 2017, and served as a deputy head of the general management department of Huijin from May 2011 to June 2016. He currently serves as a head of the general management department/banking institutions department II and a managing director of Huijin since July 2016 and since July 2014, respectively. Mr. Liu obtained a bachelor's degree in English from Peking University (北京大學) in July 1995, a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1997, a master's degree in law from The University of Iowa, the United States, in May 1998 and a master's degree in finance from London Business School of University of London, the United Kingdom, in September 2003.

Directors, Supervisors, Senior Management and Employees

Mr. Jin Lizuo (金立佐), aged 60, has been appointed as a Supervisor of our Company since May 2015. He participated in the establishment of our Company from 1994 to 1995. He served as the chairman of Beijing Integrity Investment Consulting Ltd. from 1995 to 1999, chairman of Beijing Integrity Management Consulting Ltd. from 1999 to 2004 and after 2016, an independent non-executive director of COSCO Shipping Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600428), from August 2008 to March 2012, and an independent non-executive director of Huabao International Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 336), from August 2011 to August 2013. Mr. Jin currently serves as an independent non-executive director of Beijing Development (Hong Kong) Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 154) since September 2004, and a director of NetBrain Technologies Inc. since August 2012. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from Oxford University, the United Kingdom, in November 1993.

Senior Management

Mr. Bi Mingjian (畢明建), a Director, the Chief Executive Officer and Chairman of the Management Committee of our Company. See "- Directors" in this section for his profile.

Mr. Chu Gang (楚鋼), aged 54, has been appointed as the Chief Operating Officer and a member of the Management Committee of our Company since April 2015. He joined the Group in May 2009 and held several positions, including a managing director of the Research Department, the Acting Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including vice president, emerging market risk manager, local government bonds proprietary trader, fund manager, head of Latin America stock options trading and managing director of alternative investments from September 1993 to August 2008. He currently serves as a director of a number of the subsidiaries of our Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.

Directors, Supervisors, Senior Management and Employees

Mr. Wong King Fung (黃勁峯), aged 49, has been appointed as the Chief Financial Officer and a member of the Management Committee of the Company since February 2017. He joined the Group in May 2016 and served as a managing director in the Firm Management Department. Mr. Wong has 25 years of working experience in Mainland China, Hong Kong, Japan and the UK, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Before joining the Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016; during which he held a number of positions in the asset management division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and managing director. From December 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to June 2008, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and executive director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the audit department as an auditing and accounting trainee, Assistant Manager and Manager at KPMG (UK and HK). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. He met the professional requirements by passing the exams and going through the required trainings for the ICAEW and officially became a member and a certified accountant of ICAEW in November 1994. He met the professional requirements of the HKICPA and officially became a member and a certified accountant of the HKICPA in October 1995. He is currently a director of CICC Hong Kong. Mr. Wong obtained a Bachelor's Degree in Mechanical Engineering from University of Bristol in June 1990.

Mr. Hu Changsheng (胡長生), aged 52, has been appointed as a member of the Management Committee of the Company since June 2017. He has been the vice chairman and president of CISC since November 2011, and the vice chairman of executive committee of CISC since July 2012. From December 1998 to December 2005, he has successively served as the deputy director of the general division of the Policy Research Office, member (at cadre level) of the Planning and Development Committee, consultant of the Institution Supervision Division, and commissioner of the Shenzhen Commissioner's Office under the CSRC. From December 2005 to January 2008, he has served as the deputy director and director of the capital market department of Huijin. From January 2008 to November 2011, he has acted as the senior business head and capital market department director of the non-bank department of Huijin. From December 2005 to April 2010, he held the position as director, vice chairman of the board of directors and acting president of China Galaxy Securities Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 06881) and Shanghai Stock Exchange (Stock Code: 601881). From January 2007 to September 2010 he served as a director of China Galaxy Financial Holdings Company Limited. From November 2007 to January 2010 he acted as a director of China Everbright Industry Group Ltd. He also served as the vice chairman of the board of directors of China Securities Co., Ltd. from March 2011 to November 2012. He has acted as the chairman of CISC Luckystone Investment Management Co., Ltd. since November 2011. He was the chairman of CISC Changchun Venture Capital Fund Management Co., Ltd. from December 2012 to September 2015. He has acted as the chairman of CISC Huajing (Beijing) Investment Management Limited since April 2014. He has acted as the chairman of CISC Overseas Chinese Entrepreneurs (Beijing) Investment Fund Management Co., Ltd. since April 2014. Mr. Hu graduated with a doctor's degree in economics from the Graduate Division of Beijing Public Finance Science Research Institute of Ministry of Finance in July 1997.

Directors, Supervisors, Senior Management and Employees

Mr. Huang Zhaohui (黃朝暉), aged 54, has been appointed as a member of the Management Committee and the Head of the Investment Banking Department of our Company since April 2015 and April 2013, respectively. He joined the Group in February 1998 and held several positions, including the Deputy Head and Co-Head of the Investment Banking Department. Prior to joining our Group, he joined China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939), and served as a clerk of the Ningbo branch office, an assistant research officer of the department of investment research, a senior economist of the department of real estate financing, deputy director of department of international business and director of the secretariat of the general administration office from July 1988 to January 1998. He currently serves as a director of CICC HK Securities. Mr. Huang obtained a bachelor's degree in physics from Wuhan University (武漢大學) in July 1985 and a master's degree in economics from Renmin University of China in July 1988.

Mr. Huang Haizhou (黃海洲), aged 55, has been appointed as a member of the Management Committee and the Head of the Equities Department of our Company since April 2015 and May 2013, respectively. He joined the Group in December 2007 and held several positions, including the Co-head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as a research fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, an economist and a senior economist at the International Monetary Fund from July 1998 to August 2005, and the chief economist and head of Greater China research of Barclays Capital from September 2005 to December 2007. He currently serves as a co-opted member of the Hong Kong Financial Services Development Council since March 2013. He currently serves as a director of a number of the subsidiaries of our Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree in business from Indiana University, the United States, in July 1994.

Ms. Liang Hong (梁紅), aged 49, has been appointed as a member of the Management Committee, the Head of the Research Department and Chief Economist of our Company since April 2015, May 2013 and October 2014, respectively. She joined the Group in November 2008 and held several positions, including a managing director, the Head of the Capital Markets Department and Co-Head of the Sales and Trading Department. Prior to joining the Group, she served as an economist of the International Monetary Fund from June 1998 to August 2003 and the chief China economist, managing director, and co-head of Asia Pacific economic research of Goldman Sachs (Asia) LLC from September 2003 to November 2008. She currently serves as a director of CICC Hong Kong and CICC HK Securities. Ms. Liang obtained a bachelor's degree in international relations from Peking University in July 1991, a master's degree in economics from University of Denver, the United States, in June 1993 and a doctoral degree in economics from Georgetown University, the United States, in July 1998.

Directors, Supervisors, Senior Management and Employees

Mr. Cheng Qiang (程強), aged 50, has been appointed as a member of the Management Committee and the Head of the FICC Department of our Company since April 2015. He joined the Group in October 2003 and held several positions, including a Vice President of the Capital Markets Department, Co-Head of the FICC Department, Head of the Trading team, Head of the Product Division and fixed income team of the Investment Banking Department. He served as an advisor to our Company from July 2012 to June 2014. Prior to joining the Group, he served as a research staff of Advanced Technology Laboratories from January 1995 to December 1997, an associate of Barclays Capital New York from January 1998 to May 2000, a senior vice president of China Network International from June 2000 to August 2002, managing director of Global Standard Investment from September 2002 to June 2003 and vice president of ING Bank (Hong Kong) from August 2003 to September 2003. He currently serves as the chairman of CICC Futures and a director of a number of other subsidiaries of our Company, including CICC Hong Kong. Mr. Cheng obtained a bachelor's degree in physics from the University of Mississippi, the United States, in August 1990, a master's degree in physics and a master's degree and a doctoral degree in economics from the University of Michigan, the United States, in August 1991, December 1993 and May 1998, respectively.

Mr. Ding Wei (丁瑋), aged 58, has been appointed as a member of the Management Committee of the Company since January 2018. He currently serves as managing director and Head of private equity investment business of our Company, and CEO of CICC Capital Management Co., Ltd. From November 1987 to February 1999, Mr. Ding successively served as economist, project officer, and department manager and in other positions at the World Bank Headquarters in Washington. During such period, from March 1993 to March 1995, Mr. Ding seconded to the IMF as senior economist and chief representative of Albania. From March 1999 to September 2002, Mr. Ding served as Head of China Region in Deutsche Bank. From October 2002 to December 2010, he served in the Company as managing director, and from 2006 to 2010, as executive chairman of the investment banking committee and head of the investment banking department. From February 2011 to December 2013, Mr. Ding served as senior managing director, Head of China Region, member of the Temasek investment policy committee and member of the Temasek senior management committee at Temasek Investment Holdings in Singapore. From January 2014 to August 2015, Mr. Ding acted as a private investor and also served as director or independent director in several companies, including Hwa Bao Investments, CAR Inc., Hundsun Technologies Inc., Hikvision, First Trust Fund Management Company, etc. Prior to rejoining the Company, from September 2015 to May 2016, Mr. Ding served as a vice Chairman of Asia of the investment banking division at Morgan Stanley. Mr. Ding obtained his bachelor's degree in finance and economics from Renmin University of China in June 1982, completed his doctoral study in economics from University of Texas at Austin as a Fulbright scholar in October 1987, and completed the World Bank executive management training program at Harvard Business School in October 1998.

Directors, Supervisors, Senior Management and Employees

Mr. Zhang Fengwei (張逢偉), aged 50, has been appointed as the Chief Risk Officer of our Company since June 2017. He joined the Group in April 2004 and held several positions, including Senior Associate of the Operations Department, Vice President, managing director and vice director of the Risk Management Department. From March 2011 to February 2015, he served as the chief risk officer of Zheshangjinhui Trust Co., Ltd., an associated company of the Group. Prior to joining our Group, he served as a programmer and network engineer of STONE Group from July 1991 to March 1996, and an assistant vice president of Bank One N.A. Beijing Branch from April 1996 to March 2004. Mr. Zhang obtained a bachelor's degree in Applied Mathematics from Tsinghua University in July 1991 and a master's degree in Economics from Peking University in July 1997.

Mr. Chen Gang (陳剛), aged 45, has been appointed as the Chief Compliance Officer and Head of the Risk Management Department of our Company since August 2016. He joined the Group in April 2006 and held several positions, including the Legal Department Coordinator of our US office as well as the Chief Compliance Officer of CICC Investment Management (USA), Inc., and a Compliance Counsel in our Beijing and Hong Kong offices until January 2014. Prior to joining the Group, he served as a research associate of the Development Research Center of the State Council from August 1996 to January 2001, and a senior associate of the Broad & Bright Law Offices from September 2004 to April 2006. He served as a managing director in charge of legal and compliance matters of HOPU Investment Management Co., Ltd. from January 2014 to April 2016. He rejoined the Group in May 2016 and served as a managing director of our Compliance Department. Mr. Chen is a registered attorney of the New York State and has obtained the PRC legal professional qualification. Mr. Chen obtained his bachelor of science degree in applied chemistry and master of business administration degree from Peking University in July 1996 and July 2001, respectively. He also obtained a Juris Doctor degree from the University of Pennsylvania Law School in May 2004.

Mr. Lu Xu (呂旭), aged 64, has been appointed as the Chief Technology Officer and Head of Information Technology Department of our Company since April 2015. He joined the Group in August 2000 and was the Head of Information Technology Department until March 2014. Prior to joining the Group, he served as a software engineer of the Information Center, Ministry of Electronics Industry, from December 1984 to December 1987, a software engineer of EG&G Washington Analytical Services Center, Inc. in United States from December 1990 to May 1992, a senior software engineer of MLJ Consulting Telecommunication Engineers, Inc. in the United States from May 1992 to March 1995, principal software engineer of LCC L.L.C in the United States from March 1995 to February 1996, project manager of MCI WorldCom in United States from February 1996 to August 2000 and senior managing director of HOPU Investment Management Co., Ltd. from May 2014 to March 2015. Mr. Lu obtained a master's degree in computer science from North China Institute of Computing Technology (華北計算技術研究所) in December 1984, and a master's degree in computer science and technology from George Mason University, the United States, in January 1994.

Directors, Supervisors, Senior Management and Employees

Mr. Wu Bo (吳波), aged 40, has been appointed as the Head of Wealth Management Department of the Company Since February 2017. He has been appointed as the Secretary to the Board of Directors of our Company since May 2015. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department and a member of the Operations team of the Investment Banking Department. Prior to joining the Group, Mr. Wu served as, among other things, an auditor of Arthur Andersen Huaqiang Certified Public Accountants from July 1999 to June 2002 and a senior auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained his bachelor's degree in economics from Peking University in July 1998.

Ms. Ma Kui (馬葵), aged 46, has been appointed as the Financial Controller, Head of Entity and Process Department of our Company since May 2015 and September 2011, respectively. She joined the Group in April 1998 and held several positions, including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC Pucheng. She was a director of CICC Jiacheng, a subsidiary of our Company, since June 2014. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as a director of a number of our subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996, respectively.

Mr. Xu Yicheng (徐翌成), aged 43, has been appointed as of Assistant President of the Company and a director of CISC since March 2018. Mr. Xu Yicheng is now Head of Strategic Development of the Company. He joined the Investment Banking Department of the Company in January 2000, and was made Managing Director effective from January 2008. As one of China's first mergers and acquisitions (M&A) professionals, he founded and led the firm's M&A business since 2005. Mr. Xu was responsible for a large number of landmark transactions totaling more than USD150 billion in value and led the team to secure No. 1 position on the China M&A league table for five consecutive years (2006-2010). In recent years, Mr. Xu assisted in formulating the company's medium-and long-term strategic planning, wealth management business strategy and other significant strategies, and took the lead in accomplishing important capital operation such as the acquisition of CISC. Mr. Xu obtained a Bachelor's degree in English from Beijing Foreign Studies University in 1997 and a Master's degree in Finance from the Graduate School of the People's Bank of China in 2000.

Mr. Wang Sheng (王晟), aged 40, has been appointed as of Assistant President of the Company since March 2018. Mr. Wang Sheng is currently the Deputy Head and a Managing Director of the Investment Banking Department of CICC. Mr. Wang Sheng joined CICC in 2002. He successively participated in the reforms and restructurings of a number of industries, including telecommunications, finance, energy and pharmaceuticals, and led numerous landmark capital market transactions. Mr. Wang Sheng has been covering a number of leading enterprises in the domestic and overseas on a regular basis, and has been holding key management positions at the Investment Banking Department of CICC since 2010. Mr. Wang Sheng graduated from the School of Economics and Management of Tsinghua University, and obtained a Bachelor's and a Master's degree in 2000 and 2002, respectively.

Directors, Supervisors, Senior Management and Employees

Ms. Yang Xinping (楊新平), aged 62, has been appointed as the Assistant President of the Company since February 2017. She was the Chief Compliance Officer of the Company from December 2007 to August 2016. She joined the Company in October 1999 and had served a number of positions, including Head of the Legal Department in 2000 and Head of the Compliance Department in 2004. Prior to joining the Company, she served as a lawyer in Paul Weiss, Rifkind, Wharton and Garrison Beijing Office, C&C Law Office and held various positions with other institutions in China, Australia and the United States from February 1980 to September 1999. She served as a member of the Issuance Appraisal Committee of CSRC from January 2001 to September 2003, member of the M&A Committee of the Issuance Appraisal Committee of CSRC from March 2002 to February 2004 and member of the Disciplinary and Supervisory Committee of SAC from February 2008 to February 2012. She has served as a vice chairman of the Compliance Committee of the SAC since October 2009, member of the Compliance Committee of the Securities Association of Beijing since December 2013, and the Company's representative of the exchange participants of the Shanghai Stock Exchange and Shenzhen Stock Exchange since December 2012. She has also been selected as an expert appraiser of the SAC for innovative business of securities firms since August 2008. Ms. Yang obtained her juris doctor degree from School of Law, University of Connecticut, the United States in May 1986, LLM from Cornell University Law School, the United States, in May 1991, diploma from the Law Extension Committee of Sydney University Law School, Australia, in May 1993, certificate from the English Language Center, Beijing Institute of International Economics and Management (北京國際經濟管理學院經濟英語培訓中心), in January 1981, and her university study at the English Department of Shanghai Institute of Foreign Languages (上海外國語學院英語系) was completed in January 1980.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Change in Directors and Composition of Board Committees

During the Reporting Period, due to work rearrangements, Mr. Ding Xuedong resigned from his positions as the Chairman of the Board, Legal Representative, independent non-executive Director of the Company, the chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee under the Board of Directors, with effect from February 27, 2017. The aforesaid details of the change were disclosed in the announcement dated February 28, 2017 as published by the Company in respect of the resignation of Chairman of the Board. As the election of the new Chairman of the Board requires going through statutory procedures, Mr. Bi Mingjian, as nominated by over half of the directors pursuant to the requirements of the Articles of Association, has started to perform the duties of the Chairman of the Board, Legal Representative, and the chairman of the Strategy Committee under the Board since March 1, 2017 and till the new Chairman of the Board is elected. The aforesaid details of the change were disclosed in the announcement dated March 2, 2017 as published by the Company.

(ii) Change in Supervisors

During the Reporting Period, Mr. Han Weiqiang resigned from his position as the Chairman of the Supervisory Committee and staff representative Supervisor due to changes in work arrangements, with effect from June 7, 2017.

Mr. Gao Tao was elected as the new employee representative Supervisor on June 2, 2017 at the first meeting of the employee representatives of the Company in 2017 and as the Chairman of the Supervisory Committee at the meeting of the Supervisory Committee on June 7, 2017. The term of office of Mr. Gao Tao as the Chairman of the Supervisory Committee and the employee representative Supervisor took effect from June 7, 2017 and until the election of the next session of the Supervisory Committee.

The aforesaid details of the change were disclosed in the announcement dated June 7, 2017 as published by the Company in respect of the change in Supervisor and Chairman of the Supervisory Committee.

(iii) Change in Senior Management

Due to work rearrangements, Ms. Sun Dongqing ceased to serve as a member of the Management Committee since February 7, 2017. The adjustment was considered and approved by the Board of Directors.

Mr. Xin Jie resigned from his position as Chief Financial Officer of the Company and as a member of the Management Committee due to changes in work arrangements, with effect from February 15, 2017. The Board of Directors considered and approved to appoint Mr. Wong King Fung as the Chief Financial Officer of the Company and a member of the Management Committee, with effect from February 15, 2017.

The Board of Directors considered and approved to appoint Ms. Yang Xinping as Assistant President of our Company, with effect from February 15, 2017.

CISC has become a wholly-owned subsidiary of the Company since March 21, 2017. In order to promote the integration and to realize the synergies of the Company and CISC, the Board of Directors appointed Mr. Hu Changsheng, president of CISC, as a member of the Management Committee of the Company. The term of office of Mr. Hu Changsheng took effect from June 8, 2017.

Mr. Huang Kanglin resigned from his position as Chief Risk Officer due to changes in work arrangements, with effect from June 8, 2017. The Board of Directors considered and approved to appoint Mr. Zhang Fengwei as Chief Risk Officer, with effect from June 8, 2017.

The Board of Directors considered and approved to appoint Mr. Ding Wei as a member of the Management Committee, with effect from January 31, 2018.

The Board of Director considered and approved to appoint Mr. Xu Yicheng as Assistant President of our Company, with effect from March 2, 2018.

The Board of Director considered and approved to appoint Mr. Wang Sheng as Assistant President of our Company, with effect from March 7, 2018.

Mr. Lin Shoukang resigned from his position as a member of the Management Committee due to changes in work arrangements, with effect from March 4, 2018.

Save from the above-mentioned changes, as at the Latest Practicable Date, there has been no other change in Directors, Supervisors and senior management of our Company.

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Remuneration Committee is responsible for developing and implementing a performance evaluation system that is adaptive to the changing market, a competitive remuneration policy, and reward and punishment measures that are linked to the operation and performance of our Company, according to the characteristics of the financial and securities industries, the main scopes, duties and importance of the positions of Directors and members of senior management, and the remuneration levels of the relevant positions in comparable companies. The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the corporate goals and objectives formulated by the Board of Directors and makes recommendations to the Board of Directors on our Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee carries out annual performance appraisals on the Directors and members of senior management and makes recommendations to the Board of Directors on the remuneration packages of Directors and senior management (including non-monetary benefits, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment)). The Remuneration Committee shall consider factors such as characteristics of the financial and securities industries, salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, individual performance, employment conditions elsewhere in our Company when considering remuneration packages.

The remuneration of the Directors and Supervisors is subject to approval by the Shareholders at general meetings whereas the remuneration of members of senior management is subject to approval by the Board of Directors.

The remuneration (net of tax) our Directors and Supervisors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) in 2017 was RMB7.39 million.

Please refer to "Notes to the Financial Statements – 13 Directors' and Supervisors' Remuneration" of this report for further details.

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to five highest paid individuals of our Company in 2017 was RMB80.92 million.

Please refer to "Notes to the Financial Statements – 14 Individuals with Highest Emoluments" of this report for further details.

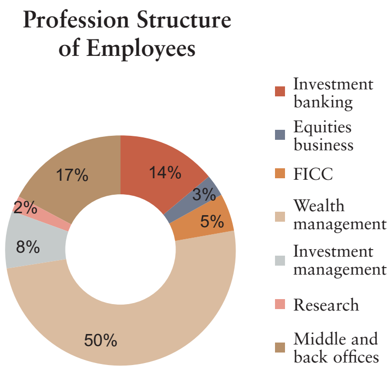
V. EMPLOYEES AND REMUNERATION

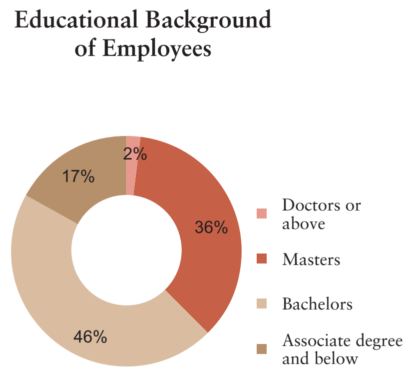
Number and Composition of Employees

As at December 31, 2017, we had 6,914 employees, among them 6,425 employees were based in the PRC and 489 employees were based in Hong Kong, Singapore, the United States and the United Kingdom, representing 92.9% and 7.1%, respectively, of the total number of our employees. Approximately 45.8% and 37.3% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 26.1% of our employees and 23.8% of our managing directors had overseas education or working experience. The breakdown details are as follows:

		The Group		Our Company	
Items		**Number of employees**	**Percentage of total (%)**	**Number of employees**	**Percentage of total (%)**
Business Functions	Investment banking	956	14%	820	32%
	Equities business	204	3%	120	5%
	FICC	347	5%	125	5%
	Wealth management	3,482	50%	475	18%
	Investment management	560	8%	178	7%
	Research	168	2%	143	6%
	Middle and back offices	1,197	17%	719	28%
	Total	6,914	100%	2,580	100%
Educational Background	Doctors or above	112	2%	57	2%
	Masters	2,468	36%	1,511	59%
	Bachelors	3,165	46%	963	37%
	Associate degree and below	1,169	17%	49	2%
	Total	6,914	100%	2,580	100%

Directors, Supervisors, Senior Management and Employees





We consider that an outstanding and motivated talent pool is the foundation for our sustainable growth, and we have made significant investment in human resources development. We recruit and cultivate talented professionals through a range of human resources management tools, including a strict recruitment and selection process, a competitive remuneration structure, an efficient performance evaluation system and long-term employee development schemes.

Remuneration of Employees

Consistent with market practice, the remuneration structure of our employees consists of a basic salary, which is determined according to the particular position, requirements of qualifications and working experience and market demand, and a bonus which is determined according to the employee's performance. We provide employees based in China with benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds, and we also provide supplementary medical insurance for employees. A small portion of our supporting employees are contracted through third-party employment agencies and we pay salaries and statutory social welfare contributions for these employees. We provide employees of overseas offices with benefits in compliance with local laws and regulations. Our Company encourages the employees to hold directly or indirectly, on a voluntary basis, the Shares of our Company on the premise that the requirements of applicable laws, regulations and other relevant regulatory authorities having been complied with.

Training Plans

Our Company has adopted a comprehensive performance evaluation system to converge career development with our Company's development. We also provide various types of training programs for employees, including new employee orientation, professional skills training, qualification training, management skills training, and an executive development training program, to improve their skills. In addition, our Company also organized a number of thematic trainings for specific target audience during the Reporting Period to promote the culture of risk awareness, enhance employees' understanding of and compliance with applicable laws, regulations, regulatory guidelines and internal policies.

Relationship with Employees

During the Reporting Period and up to the Latest Practicable Date, we had not experienced any labor strikes or other material labor disputes of our employees that affected our operations. We have maintained good relationship with employees.

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

As a premier China-based investment bank with international reach and a company incorporated in Mainland China and listed in Hong Kong, our Company has operated its business in strict compliance with the requirements of the laws, regulations and regulatory documents issued in Mainland China and Hong Kong. Our Company recognizes the importance of good corporate governance and has established an open and a transparent governance structure with checks and balances. Our Company is of the view that upholding and attaining high standards of corporate governance differentiates us from other companies and fosters well-built relationships with all shareholders. Our Company endeavors to maximize its shareholders' value and ensures all decisions of the Board are made on the principles of trust and fairness so as to protect the interests of shareholders as a whole. The shareholders' general meetings, Board meetings and meetings of the Supervisory Committee of our Company are convened in accordance with the Articles of Association and the relevant rules of procedures.

During the Reporting Period, save for provision A.2.1 of the Corporate Governance Code, our Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code. For details of provision A.2.1 of the Corporate Governance Code, please refer to " — V. Chairman and Chief Executive Officer" in this section.

The organization chart of our Company is set out in "Company Profile – II. Introduction to our Company – Corporate Organization and Structure" in this report.

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of Shareholders' General Meetings and Shareholders

The shareholders' general meeting is the body exercising the highest authority of our Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC. Our Company convened the shareholders' general meetings in strict compliance with the relevant rules and procedures such that all shareholders are treated equally and can exercise their rights fully. During the Reporting Period, our Company convened one shareholders' general meeting in total to comprehensively address shareholders' concern and listen attentively to the shareholders' opinions and suggestions regarding our Company's development.

(ii) Overview of Shareholders' General Meetings

During the Reporting Period, our Company convened one shareholders' general meeting, the details and resolutions of which are as follows:

1. On June 12, 2017, the annual general meeting of 2016 of our Company was convened and the following resolutions were considered and adopted: Proposal regarding the 2016 Work Report of the Board of Directors of the Company; Proposal regarding the 2016 Work Report of the Supervisory Committee of the Company; Proposal regarding the 2016 Annual Report of the Company; Proposal regarding the 2016 Profit Distribution Plan of the Company; Proposal regarding the Re-appointment of the Accounting Firms of the Company; Proposal regarding Grant of a General Mandate to the Board of Directors to Issue Shares; and Proposal regarding the Amendment to the Articles of Association.

(iii) Attendance of the Directors at the Shareholders' General Meetings

During the Reporting Period, one shareholders' general meeting was held and the attendance of the Directors at the shareholders' general meeting was as follows:

Name of Directors	Required attendance at shareholders' general meetings	Attendance in fact	Attendance rate
Ding Xuedong [Note 1]	0	0	N/A
Bi Mingjian	1	1	100%
Zhao Haiying	1	1	100%
David Bonderman	1	1	100%
Liu Haifeng David	1	1	100%
Shi Jun	1	1	100%
Cha Mou Daid Johnson	1	1	100%
Edwin Roca Lim	1	1	100%
Liu Li	1	1	100%
Siu Wai Keung	1	1	100%
Ben Shenglin	1	1	100%

Note 1: Mr. Ding Xuedong resigned as Director of our Company on February 27, 2017.

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(i) Duties of the Board of Directors and the Management

The Board exercises the powers and duties set out in the Articles of Association, and shall be accountable to the shareholders' general meeting. The duties of the Board include but not limited to being responsible for convening the shareholders' general meetings and reporting its work thereto; implementing resolutions adopted at the shareholders' general meetings; deciding the business plans and investment programs of our Company; formulating profit distribution plans and loss recovery plans of our Company; making decisions on the establishment of our Company's internal management bodies; appointing or dismissing the senior management of our Company and deciding on matters concerning the remuneration of the senior management; and other functions and powers prescribed by the relevant laws, regulations, securities regulatory rules or the Articles of Association and authorized by shareholders' general meeting. The management of our Company is responsible for carrying out the resolutions or decisions of the Board and other duties specified in the Articles of Association.

(ii) Composition of the Board of Directors

Our Company strictly complies with the requirements under the Articles of Association and relevant rules in respect of the appointment of the Directors. The Board meetings were convened in accordance with the Articles of Association and the Rules of Procedures of the Board of Directors of CICC.

As at the end of the Reporting Period, the Board of our Company comprises of ten Directors, which includes one executive Director (Mr. Bi Mingjian), five non-executive Directors (Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson) and four independent non-executive Directors (Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin). None of the Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management of our Company. For the details in the changes of Directors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

Directors are elected by the shareholders' general meeting to serve a term of three years and are eligible for re-election upon the expiration of the term where the term of re-election shall not exceed six years for independent non-executive Directors. Our Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Our Company believes that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority shareholders.

The biographies of all Directors are set out in "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" in this report.

(iii) Meetings of the Board of Directors

During the Reporting Period, the Board of Directors convened ten meetings, the details and resolutions passed are as follows:

1. On January 25, 2017, the 15th meeting of the first session of the Board was convened and at the meeting: the Board listened to the Report on the 2016 Performance Review and the Three-year Strategic Plan Objectives (2017-2019) of the Company; considered and adopted the Proposal regarding the 2016 Firm-wide Compensation of the Company; considered and adopted the Proposal regarding the 2017 Operating Plan of the Company; considered and adopted the Proposal regarding Delegation to the Remuneration Committee of the Board of Directors to Determine the 2016 Compensation of the Senior Management; considered and adopted the Proposal regarding Amendment of the Risk Appetite Statement; and considered and adopted the Proposal regarding the Connected Transactions of Establishing Investment Fund.

2. On February 7, 2017, the 16th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Adjustment of the Composition of the Management Committee of the Company; and considered and adopted the Proposal regarding Appointment of Assistant President of the Company.

3. On February 15, 2017, the 17th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Change of the Chief Financial Officer of the Company; and considered and adopted the Proposals regarding Appointment of Assistant Presidents of the Company.

4. On February 28, 2017, the 18th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Nominating Mr. Bi Mingjian to Perform the Duties of the Chairman of the Board, Legal Representative, and the Chairman of the Strategy Committee under the Board of the Company.

5. On March 22, 2017, the 19th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the 2016 Work Report of the Board of Directors of the Company; considered and adopted the Proposal regarding the 2016 Annual Report and the 2016 Annual Results Announcement of the Company; considered and adopted the Proposal regarding the 2016 Profit Distribution Plan of the Company; considered and adopted the Proposal regarding the Re-appointment of the Accounting Firms of the Company; considered and adopted the Proposal regarding Grant of a General Mandate by the Shareholders' General Meeting to the Board of Directors to Issue Shares; considered and adopted the Proposal regarding the 2016 Compliance Management Annual Report of the Company; considered and adopted the Proposal regarding the 2016 Internal Control Self-Assessment Report and Illustration of the Company; considered and adopted the Proposal regarding the 2016 Risk Assessment report of the Company; considered and adopted the Proposal regarding the Work Plan of the Company for Implementation of the Regulatory Requirements on the Comprehensive Risk Management; considered and adopted the Proposal regarding Amendment of Articles of Association of the Company; considered and adopted the Proposal regarding Adjustment on the Structure of Internal Organizations of the Company; and considered and adopted the Proposal regarding the Request to Convene the 2016 Annual General Meeting of the Company.

6. On June 8, 2017, the 20th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Adjustment of the composition of the Management Committee of the Company; and considered and adopted the Proposal regarding Change of the Chief Risk Officer of the Company.

7. On August 25, 2017, the 21st meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the 2017 Interim Report and the 2017 Interim Results Announcement of the Company; listened to the Report on our Near-Term Capital Market Plan; considered and adopted the Proposal regarding Participating Managing Director Program and the Implementation Plan (Trial); considered and adopted the Proposal regarding the 2017 Interim Compliance Management Report of the Company; considered and adopted the Proposal regarding Amendment to the Compliance Management Policy of the Company; considered and adopted the Proposal regarding the 2017 Interim Risk Assessment Report of the Company; considered and adopted the Proposal regarding Amendment to the Risk Management Policy of the Company; considered and adopted the Proposal regarding Amendment to the Risk Appetite Statement of the Company; and listened to the Report on the Quarterly Financial Information Disclosure of the Company.

8. On September 20, 2017, the 22nd meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Non-public Issuance of H Shares under the General Mandate of the Company.

9. On September 29, 2017, the 23rd meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Adjustment of the Structure of Internal Organizations of the Company.

10. On November 3, 2017, the 24th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Conversion of Undistributed Profits into Registered Capital of CISC; considered and adopted the Proposal regarding Amendment to the Risk Appetite Statement of the Company; listened to the 2017 Third Quarterly Performance Review of the Company; and listened to the Report on the Progress of CISC Integration, etc.

(iv) Attendance of Directors at Board meetings

During the Reporting Period, the Board of Directors convened ten meetings, the attendance of Directors at the Board meetings are as follows:

Name of Directors	Required attendance at Board meetings	Attendance in person	Attendance by proxy
Ding Xuedong [Note 1]	3	2	1
Bi Mingjian	10	10	0
Zhao Haiying	10	10	0
David Bonderman	10	9	1
Liu Haifeng David	10	8	2
Shi Jun	10	9	1
Cha Mou Daid Johnson	10	10	0
Edwin Roca Lim	10	10	0
Liu Li	10	10	0
Siu Wai Keung	10	10	0
Ben Shenglin	10	9	1

Note 1: Mr. Ding Xuedong resigned as Director of our Company on February 27, 2017.

(v) Training for Directors

Our Company recognizes the importance of training and continuous professional development of the Directors to ensure that the Directors are kept appraised of the latest developments of our Company and their responsibilities under the relevant laws and regulations as well as our Company's business and governance policies, so as to assist them in performing their duties as Directors of our Company. In 2017, our Company arranged trainings for the Directors on the applicable laws and regulations relating to the duties and responsibilities as a director of a company listed in Hong Kong, in a variety of ways such as providing video training materials from time to time. The training covered a broad range of topics including connected transactions, discloseable transactions, risk management and internal control, environmental, social and governance report, corporate governance, director's responsibilities and functions of the Board Committees, information disclosure under the Hong Kong laws, Listing Rules and other relevant laws and regulations.

IV. BOARD COMMITTEES AND PERFORMANCE OF DUTIES

In accordance with the relevant PRC laws and regulations, the Articles of Association and the corporate governance practice prescribed in the Listing Rules, our Company has established five Board Committees, namely the Strategy Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee and the Risk Management Committee, to which certain responsibilities are delegated, so as to assist the Board to perform its duties from various aspects. As at the end of the Reporting Period, the composition of each Board Committee is listed as follows:

Name of Committees	Members of Committee
Strategy Committee	Bi Mingjian[Note 1], Zhao Haiying, David Bonderman, Liu Haifeng David, Cha Mou Daid Johnson and Edwin Roca Lim
Remuneration Committee	Edwin Roca Lim (Chairman), Cha Mou Daid Johnson, Siu Wai Keung and Ben Shenglin
Nomination and Corporate Governance Committee	Liu Li (Chairman), Zhao Haiying, Edwin Roca Lim and Ben Shenglin
Audit Committee	Siu Wai Keung (Chairman), Shi Jun and Liu Li
Risk Management Committee	Ben Shenglin (Chairman), Bi Mingjian, Shi Jun, Liu Li and Siu Wai Keung

Note 1: Mr. Ding Xuedong has rendered his resignation from the office of the Chairman of the Board, non-executive Director, as well as the Chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee, with effect from February 27, 2017. Mr. Bi Mingjian has started to perform the duties of the Chairman of the Board and the Chairman of the Strategy Committee from March 1, 2017 and till the new Chairman of the Board is elected.

(i) Strategy Committee

1. *Functions of the Committee*

The primary duties of the Strategy Committee include, but are not limited to, the following: (i) conducting research on our Company's short, medium and long term development strategies or the relevant issues; (ii) suggesting our Company's long-term development strategies, major investments, reforms and other major decisions; and (iii) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board.

2. *Work Summaries and Meetings of the Committee*

In 2017, the Strategy Committee has convened one meeting. Details of the meeting of the Strategy Committee are set out below:

On June 12, 2017, the 2017 first meeting of the Strategy Committee of the Board was held, at which the Strategy Committee listened to the report on the Industry Outlook and Medium-Long Term Strategy of the Company.

3. *Attendance of Members of the Committee*

Name	Required attendance at meetings	Actual attendance at meetings
Ding Xuedong Note 1	0	0
Bi Mingjian Note 2	1	1
Zhao Haiying	1	1
David Bonderman	1	1
Liu Haifeng David	1	1
Cha Mou Daid Johnson	1	1
Edwin Roca Lim	1	1

Note 1: Mr. Ding Xuedong has rendered his resignation from the office of the Chairman of the Board, non-executive Director, as well as the Chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee, with effect from February 27, 2017.

Note 2: Mr. Bi Mingjian has started to perform the duties of the Chairman of the Board and the Chairman of the Strategy Committee from March 1, 2017 and till the new Chairman of the Board is elected.

(ii) Remuneration Committee

1. *Functions of the Committee*

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) deliberating on the appraisal and remuneration management system for Directors and senior management and giving opinions; (ii) conducting appraisal of Directors and senior management and giving recommendations; and (iii) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Remuneration Committee of the Board of Directors of CICC available on the websites of our Company and the Hong Kong Stock Exchange.

2. *Work Summaries and Meetings of the Committee*

In 2017, the Remuneration Committee has convened six meetings. Details of the meetings of the Remuneration Committee are set out below:

On January 24, 2017, the 2017 first meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee made a preliminary review of and agreed to submit the Proposal regarding the 2016 Firm-wide Compensation Pool to the Board for review.

On February 14, 2017, the 2017 second meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) listened to the Report on the 2016 Compensation Market Trends; (ii) listened to the Analysis Report of 2016 Compensation Distribution Plan of the Company; (iii) listened to the 2016 Performance Review of Senior Management of the Company; and (iv) considered and adopted the Proposal regarding the 2016 Compensation of the Senior Management of the Company.

On March 21, 2017, the 2017 third meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) listened to the Report on the 2017 Performance Work Plan of the Senior Management of the Company; and (ii) listened to the Report on the Compensation System of CISC.

On June 12, 2017, the 2017 fourth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee agreed to submit the Participating Managing Director Program of the Company to the Board for review.

On August 24, 2017, the 2017 fifth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) made a preliminary review of and agreed to submit the Proposal regarding Participating Managing Director Program and the Implementation Plan (Trial) of the Company to the Board for review; (ii) listened to the Introduction on the Compensation Communication Handbook of the Company; and (iii) listened to the Report on the Remuneration System of CISC.

On November 2, 2017, the 2017 sixth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) listened to the Report on the Performance Evaluation Mechanism of Executives of CISC; and (ii) listened to the Report on the Bonus Deferral Scheme of CISC.

3. *Attendance of Members of the Committee*

Name	Required attendance at meetings	Actual attendance at meetings
Edwin Roca Lim	6	6
Cha Mou Daid Johnson	6	6
Siu Wai Keung	6	6
Ben Shenglin	6	4

(iii) Nomination and Corporate Governance Committee

1. *Functions of the Committee*

The primary duties of the Nomination and Corporate Governance Committee include, but are not limited to, the following: (i) deliberating on selection and appointment standards and procedures of Directors and senior management, and giving opinions, searching for qualified candidates of Directors and senior management, reviewing the qualification criteria of the candidates for Directors and senior management and making recommendations; (ii) promoting the formulation and enhancement of the corporate governance standards; (iii) conducting appraisal of corporate governance structure and governance standards and giving recommendations; and (iv) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Nomination and Corporate Governance Committee under the Board of Directors of CICC available on the websites of our Company and the Hong Kong Stock Exchange.

2. *Work Summaries and Meetings of the Committee*

In 2017, the Nomination and Corporate Governance Committee has convened four meetings. Details of the meetings of the Nomination and Corporate Governance Committee are set out below:

On February 7, 2017, the 2017 first meeting of the Nomination and Corporate Governance Committee of the Company was held, at which the Nomination and Corporate Governance Committee made a preliminary review of and agreed to submit the Proposal regarding Appointment of Assistant President of the Company to the Board for review.

On February 14, 2017, the 2017 second meeting of the Nomination and Corporate Governance Committee of the Company was held, at which the Nomination and Corporate Governance Committee made a preliminary review of and agreed to submit the following proposals to the Board for review. Proposal regarding Change of the Chief Financial Officer of the Company, and Proposals regarding Appointment of Assistant Presidents of the Company.

On June 2, 2017, the 2017 third meeting of the Nomination and Corporate Governance Committee of the Company was held, at which the Nomination and Corporate Governance Committee made a preliminary review of and agreed to submit the following proposals to the Board for review; Proposal regarding Adjustment of the composition of the Management Committee of the Company, and Proposal regarding Change of the Chief Risk Officer of the Company.

On August 25, 2017, the 2017 fourth meeting of the Nomination and Corporate Governance Committee of the Company was held, at which the Nomination and Corporate Governance Committee listened to and discussed the Report on the Composition of the Board and the Diversity of the Board Members of the Company.

3. *Attendance of Members of the Committee*

Name	Required attendance at meetings	Actual attendance at meetings
Ding Xuedong [Note 1]	2	2
Liu Li	4	4
Zhao Haiying	4	4
Edwin Roca Lim	4	4
Ben Shenglin	4	4

Note 1: Mr. Ding Xuedong has rendered his resignation from the office of the Chairman of the Board, non-executive Director, as well as the Chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee, with effect from February 27, 2017.

(iv) Audit Committee

1. *Functions of the Committee*

The primary duties of the Audit Committee include, but are not limited to, the following: (i) supervising annual audit work, making judgment on the truthfulness, accuracy and completeness of audited financial information, and proposing motions to our Board for consideration; (ii) proposing engagement or replacement of external audit firm, and supervising the practice of external audit firm; (iii) being responsible for communication between internal and external auditors; and (iv) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Audit Committee of the Board of Directors of the Company available on the websites of our Company and the Hong Kong Stock Exchange.

2. *Work Summaries and Meetings of the Committee*

In 2017, the Audit Committee has convened five meetings. Details of the meeting of the Audit Committee are set out below:

On March 19, 2017, the 2017 first meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the 2016 Audit Report of the Company, (ii) made a preliminary review of and agreed to submit the Proposal regarding the 2016 Annual Report and the 2016 Annual Results Announcement of the Company to the Board for review, (iii) made a preliminary review of and agreed to submit the Proposal regarding Re-appointment of the Accounting Firms of the Company to the Board for review, (iv) made a preliminary review of and agreed to submit the Proposal regarding the 2016 Internal Control Self-Assessment Report and Illustration of the Company to the Board for review, (v) considered and adopted the Proposal regarding the 2016 Report on the Effectiveness Evaluation of the Internal Control and Risk Management System of the Company, (vi) considered and adopted the Proposal regarding the 2016 Work Report of the Internal Audit Department of the Company, and (vii) considered and adopted the Proposal regarding the Work Report from January to March 2017 of the Internal Audit Department of the Company.

On June 12, 2017, the 2017 second meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the Review Schedule for 2017 Interim Financial Statements of the Company, (ii) considered and adopted the Proposal regarding the Work Report from April to June 2017 of the Internal Audit Department of the Company, and (iii) listened to the Report on the Integration of Internal Audit Work of CISC.

On August 23, 2017, the 2017 third meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) made a preliminary review of and agreed to submit the Proposal regarding the 2017 Interim Report and the 2017 Interim Results Announcement of the Company to the Board for review, and (ii) listened to the Work Report from July to August 2017 of the Internal Audit Department of the Company.

On November 3, 2017, the 2017 fourth meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the 2017 Audit Plan of the Company, (ii) considered and adopted the Proposal regarding the 2018 Work Plan of Internal Audit Department of the Company, (iii) listened to the Work Report from September to October 2017 of the Internal Audit Department of the Company, and (iv) listened to the 2017 Report on the Progress of the Effectiveness Evaluation of the Internal Control and Comprehensive Risk Management of the Company.

On November 10, 2017, the 2017 fifth meeting of the Audit Committee of the Board was held, at which the Audit Committee considered and adopted the Proposal regarding the 2017 Third Quarterly Report of the Company.

3. *Attendance of Members of the Committee*

Name	Required attendance at meetings	Actual attendance at meetings
Siu Wai Keung	5	5
Shi Jun	5	5
Liu Li	5	5

(v) Risk Management Committee

1. *Functions of the Committee*

The primary duties of the Risk Management Committee include, but are not limited to, the following: (i) considering and making recommendations on the overall goals and policies for compliance management and risk management; (ii) considering and making recommendations on establishment and duties of compliance management and risk management organizations; (iii) evaluating and making recommendations on the risks of important decisions and solutions for significant risks requiring consideration of the Board; (iv) reviewing and making recommendations on compliance reports and risk assessment reports requiring consideration of the Board; and (v) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Risk Management Committee of the Board of Directors of CICC available on the websites of our Company and the Hong Kong Stock Exchange.

2. *Work Summaries and Meetings of the Committee*

In 2017, the Risk Management Committee has convened four meetings. Details of the meetings of the Risk Management Committee are set out below:

On March 19, 2017, the 2017 first meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee made a preliminary review of and agreed to submit the following proposals to the Board for review: (i) Proposal regarding the 2016 Compliance Annual Report of the Company, (ii) Proposal regarding the 2016 Risk Assessment Report of the Company, and (iii) Proposal regarding the Work Plan for Implementation of Comprehensive Risk Management Requirements of the Company.

On June 12, 2017, the 2017 second meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee considered and adopted the Proposal regarding the 2017 First Quarter Risk Assessment Report of the Company.

On August 23, 2017, the 2017 third meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee made a preliminary review of and agreed to submit the following proposals to the Board for review: (i) Proposal regarding the 2017 Interim Compliance Management Report of the Company, (ii) Proposal regarding Amendment to the Compliance Management Policy of the Company, (iii) Proposal regarding the 2017 Interim Risk Assessment Report of the Company, (iv) Proposal regarding Amendment to the Risk Management Policy of the Company, and (v) Proposal regarding Amendment to the Risk Appetite Statement of the Company.

On November 3, 2017, the 2017 fourth meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee (i) considered and adopted the Proposal regarding the 2017 Third Quarter Compliance Report of the Company, (ii) considered and adopted the Proposal regarding the 2017 Third Quarter Risk Assessment Report of the Company, and (iii) made a preliminary review of and agreed to submit the Proposal regarding Amendment to the Risk Appetite Statement of the Company to the Board for review.

3. *Attendance of Members of the Committee*

Name	**Required attendance at meetings**	**Actual attendance at meetings**
Ben Shenglin	4	3
Bi Mingjian	4	4
Shi Jun	4	4
Liu Li	4	4
Siu Wai Keung	4	4

V. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ding Xuedong resigned from the office of the Chairman of the Board and legal representative of the Company due to work rearrangement, with effect from February 27, 2017. As approved by the Board, Mr. Bi Mingjian, the executive Director and Chief Executive Officer, has started to perform the duties of the Chairman of the Board and legal representative since March 1, 2017 and till the new Chairman of the Board is elected (hereinafter referred to as the "Transitional Arrangement").

Although the aforesaid Transitional Arrangement deviates from the requirements of paragraph A.2.1 of the CG Code, in order to avoid any disruption to the operation of the Board and the daily operation of the Company, the Board considers that the Transitional Arrangement is appropriate until the nomination and election of the candidate for the Chairman of the Board is completed, and that such arrangement will not undermine the balance of power and authority between the Board and the management of the Company. Given that (i) the nomination and election of the candidate for the Chairman of the Board require certain period of time and is subject to statutory procedures; (ii) Mr. Bi Mingjian has approximately 30 years of experience in the financial industry and has participated in the establishment of our Company and has an in-depth understanding of the operation, management and culture of the Company; (iii) Board resolutions are required to be approved by at least a majority of the Directors while Mr. Bi Mingjian is the only executive Director among the Board members and a two-fifth of the Board members are independent non-executive Directors, there is sufficient balance of power; and (iv) the strategies, business, operation, finance and other material aspects of the Company are decided collectively by the Board and the management, including but not limited to the Strategy Committee, the Audit Committee under the Board of Directors and the Management Committee, upon discussion.

It is only a transitional arrangement for Mr. Bi Mingjian to perform the duties of the Chairman of the Board, and the Company is actively bringing forward the nomination and election of the candidate for the Chairman of the Board to fulfill the requirements under paragraph A.2.1 of the Corporate Governance Code.

For the details in the change of Directors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

VI. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES

(i) Powers and Duties of the Supervisory Committee

The Supervisory Committee is the supervisory body of our Company and is accountable to the shareholders' general meeting. The powers and duties of the Supervisory Committee include but not limited to reviewing financial reports and profits distribution plans to be submitted by the Board at the shareholders' general meeting; examining the financial affairs of our Company; supervising the performance of the Directors and senior management; and other duties and powers prescribed by relevant regulations and Articles of Association or authorized by shareholders' general meetings. The Supervisory Committee is also entitled to engage professional institutions such as accounting firms and law firms to assist its work where necessary.

The Supervisory Committee strictly complied with the relevant laws and regulations and the Articles of Association, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site Board meetings, shareholders' general meetings and most of the regular meetings of the management of the Company held during the Reporting Period.

(ii) Composition of the Supervisory Committee

Our Company strictly complied with the Articles of Association and the relevant rules in respect of the appointment of Supervisors. Our Company's Supervisory Committee currently comprises of three Supervisors, including one employee representative supervisor (Mr. Gao Tao) and two Shareholders representative supervisors (Mr. Liu Haoling and Mr. Jin Lizuo).

Biographies of all the Supervisors are set out in "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" in this report.

(iii) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened four formal meetings, the details of which are as follows:

The sixth meeting of the first session of the Supervisory Committee was convened on March 22, 2017, and the following proposals were considered and adopted: Proposal regarding the 2016 Work Report of the Supervisory Committee of the Company; Proposal regarding the 2016 Annual Report and the 2016 Annual Results Announcement of the Company; Proposal regarding the 2016 Profit Distribution Plan of the Company; Proposal regarding the 2016 Compliance Management Annual Report of the Company; and Proposal regarding the 2016 Internal Control Self-Assessment Report and Illustration of the Company.

The seventh meeting of the first session of the Supervisory Committee was convened on June 7, 2017, and the Proposal regarding Election of the Chairman of the Supervisory Committee of the Company was considered and adopted.

The eighth meeting of the first session of the Supervisory Committee was convened on August 25, 2017, and the following proposals were considered and adopted: Proposal regarding the 2017 Interim Report and the 2017 Interim Results Announcement of the Company; Proposal regarding the 2017 Interim Compliance Management Report of the Company; and Proposal regarding the 2017 Interim Risk Assessment Report of the Company.

The ninth meeting of the first session of the Supervisory Committee was convened on November 3, 2017, at which the recent work arrangement of the Supervisory Committee was discussed.

(iv) Attendance of Supervisors at the Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened four meetings, the Supervisors' attendance of which is as follows:

Name of Supervisor	Required Attendance at Meetings	Actual Attendance
Han Weiqiang Note 1	1	1
Gao Tao Note 2	3	3
Liu Haoling	4	3
Jin Lizuo	4	4

Note 1: Mr. Han Weiqiang resigned from his position as the Chairman of the Supervisory Committee and employee representative supervisor due to changes in work arrangements, with effect from June 7, 2017.

Note 2: Mr. Gao Tao was elected as the employee-representative Supervisor on June 2, 2017 at the first meeting of the employee representatives of the Company in 2017. The term of office of Mr. Gao Tao as the employee-representative Supervisor took effect from June 7, 2017 and until the election of the next session of the Supervisory Committee.

VII. OTHER RELEVANT MATTERS

(i) Rights of Shareholders

Our Company convenes and holds shareholders' general meetings according to the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC to guarantee all Shareholders enjoy equal rights and can exercise their rights fully and transparently. The Directors, Supervisors, and the senior management of the Company shall attend the shareholders' general meeting and answer the questions raised by the Shareholders.

(ii) Compliance with the Model Code for Securities Transactions

Our Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions. Our Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they have strictly observed all standards set out in our Company's code of conduct regarding directors' securities transactions during the Reporting Period.

(iii) 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 independent auditor included in the independent auditor's report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm their responsibilities of preparing the financial statements which truly reflects the business and operating results of our Company for 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 our Company.

(iv) Appointment and Remuneration of Auditing Firm

Our Company appointed KPMG Huazhen LLP as the domestic accounting firm, and KPMG as the international accounting firm for 2017.

Change in the accounting firm appointed: No.

Remuneration for accounting firms: Our Company has agreed on the payment of RMB5.50 million to KPMG Huazhen LLP and KPMG as fees for the auditing of the statutory financial statements and the reviewing of the interim financial report for 2017. In 2017, our Company has paid RMB3.47 million and RMB0.95 million to KPMG Huazhen LLP and KPMG, for other special audits and related service fees relating to the issuance of debt securities, and non-audit service fees, respectively.

(v) Review by Audit Committee

The Audit Committee has reviewed the 2017 consolidated financial statements of our Company.

(vi) Joint Company Secretaries

Mr. Wu Bo, the secretary of the Board and the joint company secretary of our Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed. In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, our Company appointed Mr. Zhou Jiaxing, a managing director of the legal and compliance department of our Company, as the other joint Company Secretary, to assist Mr. Wu Bo in discharging the duties of a company secretary.

Both Mr. Wu Bo and Mr. Zhou Jiaxing have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2017.

(vii) Communication with Shareholders

The Shareholders' general meeting is the body exercising the authority of our Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of the Company. The rights of the Shareholders are clearly specified in the Articles of Association. Our Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can exercise their rights fully.

The shareholders' general meeting provides opportunities of constructive communications between our Company and its Shareholders. Shareholders are encouraged to attend the Shareholders' general meetings in person, or if they fail to attend such meetings, appoint proxies to attend and vote at the meetings for and on their behalves. Our Company highly values the opinions, suggestions and concerns of the Shareholders and has assigned dedicated persons to proactively and ethically carry out various types of investor relation activities to keep in contact with Shareholders and timely meet their reasonable demands.

Our Company's website (www.cicc.com) provides the Shareholders with corporate information, such as major business activities and the latest development of the Group, the Group's corporate governance, the structure and functions of the Board and each of the committees of our Company. To serve as a channel promoting effective communication with Shareholders, our Company also publishes announcements, circulars, notices of shareholders' general meeting, financial data and other information of our Company required to be disclosed under the Listing Rules from time to time through the "Investor Relations" section on our Company's website. Shareholders are encouraged to make enquiries by phone, by email or write directly to the office address of our Company, which will be dealt with appropriately in a timely manner. Please refer to "Company Profile – I. Overview" of this report for the contact details.

Our Company welcomes all Shareholders to attend shareholders' general meetings and makes appropriate arrangement for shareholders' general meetings to encourage Shareholders' participation. Our Company's Directors, Supervisors and senior management will attend shareholders' general meetings, and shall also ensure that the external auditor will attend annual general meetings to answer the relevant questions raised by Shareholders.

Shareholders may propose to convene an extraordinary general meeting or shareholders' class meeting or put forward proposals pursuant to the Articles of Association. The Shareholders may attend and vote in shareholders' general meetings in person and by proxy. The resolutions and the attendance records signed by the attending Shareholders and instruments of proxy shall be kept at our Company's principal address. Shareholders may inspect the copy of the resolutions of the meetings during our Company's business hours free of charge. The Articles of Association is set out on the websites of our Company and the Hong Kong Stock Exchange.

Our Company shall arrange the Directors, Supervisors and senior management to answer questions raised by Shareholders during the 2017 annual general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

(viii) Investor Relations

Our Company emphasizes on the importance of protecting the interest of investors and endeavors to provide comprehensive and effective investor relations services. After the successful listing of our Company, our Company has actively performed the duties of a listed company. We have established an investor relations service and management system, formed an investor relations service team led by the Secretary to the Board of Directors, set up a hotline and mail box for investor relations services and created an investor relations sector on the official website of our Company, to ensure the true, effective and timely communication of corporate information to investors, endeavoring to safeguard the interest of shareholders and ensure their rights to information.

In 2017, our Company actively received visits from domestic and overseas institutional investors and analysts, organized various forms of investor and analyst exchanges, and received over 30 visits for investors and analysts, and participated in more than 60 times of the group/one-to-one telephone/video conference with investors and analysts, effectively enhancing the investor's understanding of the Company's strategic layout and growth prospects; continuously optimizing the hotline, mailbox and website functions, so that investors could keep updated with the latest developments of our Company.

On June 12, 2017, the Company held the Annual General Meeting, on which directors, supervisors and management attended the meeting and answered questions from investors. In conjunction with the announcement of the regular reports, the Company held the 2016 annual result press conference and analysts' conference in Beijing, Shanghai and Hong Kong, etc., conducted 2016 Annual Report and 2017 Interim Results Roadshow, and participated in the Company's Investment Forum and the corporate day activities in New York and London.

(ix) Board of Directors Diversity Policy

The Nomination Committee has adopted a Board of Directors Diversity Policy concerning diversity of Board members pursuant to paragraph A.5.6 of the Corporate Governance Code. Our Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the composition of the Board, diversity of the Board members has been considered from a number of aspects, including but not limited to gender, age, cultural, educational background, professional experience and other factors. All appointments of the Board will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, the ultimate decision will be based on merit and contribution that the selected candidates can bring to the Board. The composition of the Board will be disclosed in the Corporate Governance Report annually. For further details about the Board of Directors Diversity Policy, please refer to Appendix I to the Terms of Reference of the Nomination and Corporate Governance Committee of the Board of Directors of our Company, which has been published on the websites of our Company and the Hong Kong Stock Exchange.

The Nomination and Corporate Governance Committee annually reviews and monitors the implementation of the Board of Directors Diversity Policy to ensure its effectiveness. The Nomination and Corporate Governance Committee listened to and discussed about the Report on the Composition of the Board and the Diversity of the Board Members of the Company on August 25, 2017 and no revision was needed out of the diversity considerations.

(x) Amendments to the Articles of Association

The shareholders' general meeting of the Company was convened on December 29, 2016 to approve the amendments to the Articles of Association, for the purposes of reflecting the changes to the registered capital of the Company due to the Acquisition. Such amendments took effect on April 12, 2017. In addition, the Company amended the Articles of Association during the Reporting Period to implement the regulatory requirements of the SAC and further improve the Company's management of the private investment fund subsidiaries and alternative investment subsidiaries. Such amendments were considered and approved at the 2016 annual general meeting held on June 12, 2017. Moreover, the Company completed issuance of Subscription Shares to Tencent Mobility Limited on March 23, 2018. In order to reflect the corresponding change in the registered capital of the Company as a result thereof, the Company has amended the corresponding provisions of the Articles of Association under the mandate approved at the 2016 annual general meeting held on June 12, 2017. Such amendments took effect on March 23, 2018.

(xi) Internal Control

1. *Establishment of the Internal Control System*

Our Company has been emphasizing on building a corporate internal control system since its establishment. Our Company's corporate internal control system has been gradually taking shape and enhanced in compliance with the PRC requirements of the "Guidelines for Internal Control of Securities Companies" and with reference to the "Basic Norms of Internal Control for Enterprises" and has taken the development of internal control throughout the operational development of our Company.

As at the end of the Reporting Period, our Company has established an internal control system suitable for its business nature, scale and complexity, and has achieved results in ensuring the legality of operations, the safety of assets and the authenticity and completeness of financial reports and relevant information, and improving operational efficiency and effectiveness.

2. *Major Characteristics of the Internal Control System*

Our Company has established a reasonable, effective and balanced internal control system, with clear division of work among the Board of Directors, the Supervisory Committee, the Management, functional departments, business departments and their branches within the structure of the entire internal control system and their duties and responsibilities are as follows:

- The Board of Directors is responsible for the sound establishment and effective implementation of internal control. The Board has established the Audit Committee which is responsible for reviewing the internal control of our Company, supervising the effective implementation of internal control and conducting self-evaluation on internal control, coordinating internal control audits and other relevant matters.

- The Supervisory Committee supervises the establishment and implementation of internal control by the Board.

- The management is responsible for organizing and steering the daily operation of the internal control of our Company.

- Each of the business departments and their branches will formulate and implement its business policy, internal process and control. Our Company requires all employees who participate in business operations to comply with the policies and processes in the ordinary course of business. Each of the business departments will conduct self-evaluation and assessment on the specific internal control procedures and measures for its scope of business, and will be responsible for reporting deficiencies of the internal control procedures to the management of our Company.

- The internal audit department is independent of the business departments of our Company and will report directly to the Audit Committee of the Board. The internal audit department will conduct reviews, appraisals, make reports and recommendations, independently and objectively, on the overall internal control environment, the design and implementation of the internal control measures and risks assessing measures in various business departments of our Company on a regular basis, in order to prevent risks, enhance the internal control standards and utilize resources properly and effectively.

- The functional departments participating in the internal control system including the Risk Management Department, Legal and Compliance Department and other middle and back office departments, will actively manage market risk, credit risk, operational risk, liquidity risk, compliance risk and legal risk faced by our Company's businesses and identify risks in the implementation of internal control and make recommendations to improve internal control deficiencies.

3. *Procedures for Evaluating the Effectiveness of the Internal Monitoring System and Rectifying Material Internal Control Deficiencies*

Our Company has established an internal audit department which is independent of other departments in our Company and report directly to the Audit Committee of the Board. The internal audit department will conduct reviews, appraisals, make reports and recommendations independently on risk management and the adequacy of the design and the effectiveness of the implementation of internal control for various business lines. For issues discovered during internal audits, the internal audit department will formulate improvement measures jointly with the various departments and on a regular basis will assist the management in following up on the issues which are discovered in the audits and requires improvement and on the implementation progress of improvement measures. As for continuing connected transactions of the Company, the Company implements a complete series of internal control measures to ensure legal compliance, while the internal audit department will also conduct regular reviews of the relevant internal control measures over the continuing connected transactions. For reviews by the internal audit department over the continuing connected transactions of the Company, please refer to "Other Significant Events – III. Connected Transaction – Non-exempt Continuing Connected Transactions".

During 2017, the internal audit department has conducted internal audits mainly on the investment banking business, NEEQ recommended listing business, brokerage business, financial product sales business, fixed income business, asset management business, direct investment business, wealth management business, OTC derivatives business, NEEQ market making business, custody business, Fund services business, budget management, liquidity risk management, compliance management of CICC, and the design and implementation of internal control of CICC Futures, CICC Fund Management, US subsidiary, UK subsidiary and Singapore subsidiary and brokerage business, credit business, asset management business of CISC. It has performed anti-money laundering audit, employee resignation audit and off-post audit of securities brokerage branches in Mainland China. Meanwhile, the internal audit department has also conducted audits on the application control of the relevant IT systems relating to the above Mainland China business and overseas business and on the IT general control of information systems. According to relevant the audit results of the internal audit department, no material abnormalities or material deficiencies in the internal control system have been discovered.

Through reviewing the work and investigation results of the internal audit department on a regular basis, the Audit Committee appraised on behalf of the Board the effectiveness of risk management and internal control system on a regular basis.

4. *Procedures for Processing and Releasing Inside Information*

With approval from the Board, and pursuant to the requirements of domestic and foreign laws and regulations, Listing Rules and Articles of Association, as well as the practical conditions of our Company, the "Policy on Information Disclosure Management of China International Capital Corporation Limited" has been formulated by our Company to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this system, our Company must, as soon as reasonably practicable after any inside information has come to its knowledge or a false market may be established, disclose the information to the public.

During the Reporting Period, our Company has truthfully, accurately, legally and timely disclosed information strictly in compliance with the requirements of domestic and foreign laws and regulations, Listing Rules, Articles of Association and the Policy on Information Disclosure Management of our Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information fairly, timely and effectively.

5. *Appraisal of Internal Control*

The Board and the management of our Company are jointly responsible for the establishment, the effective implementation and improvement of a sound internal control system. The objectives of internal control of our Company are: guaranteeing the legality of operations of our Company and the execution of internal regulatory system, protecting against operational risk and moral risk, securing the safety and completeness of the assets of the clients and our Company, ensuring the reliability, completeness and timeliness of the business records, financial information and other information of our Company and improving the operational efficiency and effectiveness of our Company.

As internal control have inherent restrictions, we can only reasonably guarantee that the above objectives can be achieved. Furthermore, the effectiveness of internal control may also change with the changes in our Company's internal and external environment and operating conditions. Our Company has set up an inspection and supervision mechanism through which our Company can take measures to rectify defects in the internal control once identified.

The Board concluded that, having based on the requirements of the relevant laws, regulations and regulatory rules of the "Guidelines for Internal Control for Securities Companies" and with reference to the requirements of the "Basic Norms of Internal Control for Enterprises" and the provisions of its ancillary guidelines, an appraisal on the internal control of the Group was conducted, as at the reference date (as at December 31, 2017) of the "2017 Internal Controls Assessment Report of China International Capital Corporation Limited", the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group has established an effective internal control system, which achieves our objectives of internal control and is free from material defect and significant defect.

During the course of the financial statements audit, in accordance with the China's Auditing Standards for the Chinese Certified Public Accountants No. 1211 – Identifying and Assessing the Risk of Material Misstatements through Understanding the Entity and its Environment, KPMG Huazhen LLP understood our Company's internal control in connection with the preparation of financial statements, in order to evaluate the risks of material misstatement and determine the nature, timing and scope of the audit procedures. Besides, KPMG Huazhen LLP performed tests on our Company's relevant internal controls in accordance with the China's Auditing Standards for the Chinese Certified Public Accountants No. 1231 – The Response to Assessed Risks of Material Misstatements. Based on the above understanding, testing and evaluation of the internal controls during the audit, KPMG Huazhen LLP was not aware of any material weaknesses of the internal controls, in connection with the preparation of the financial statements as at December 31, 2017, that may lead to material misstatements of the financial statements which are not timely prevented or detected and issued the "2017 Internal Control Report of China International Capital Corporation Limited".

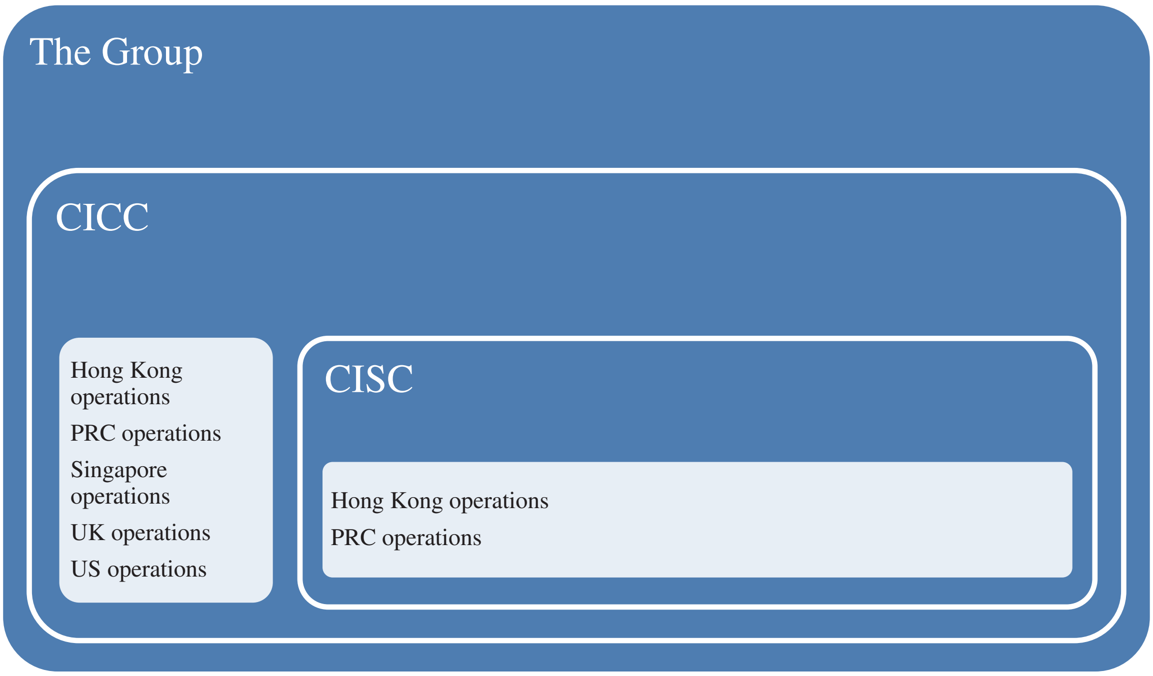
Environmental, Social and Governance Report

1. ABOUT THIS SECTION

a. Reporting Standard and Scope

This Environmental, Social and Governance ("ESG") Section is prepared in accordance with the requirements of the ESG Reporting Guide under Appendix 27 of the Listing Rules.

On March 21, 2017, CISC became a wholly-owned subsidiary of CICC. As a result, we included CISC's operations to the Group's existing operational boundaries:



This section offers an overview of the policies, initiatives and performance highlights of the Group for the Reporting Period.

Information relating to corporate governance and financial metrics can be found in the relevant sections of this annual report. To facilitate greater navigability and transparency, a detailed HKEX ESG Guide content index is included at the end of this section.

b. Materiality Assessment

In preparing this section, an independent consultant was commissioned to conduct an internal stakeholder engagement exercise. To collect employees' opinions regarding the Group's performance and future development strategies in relation to ESG issues and ask them to rank the importance of various aspects under the subject areas, the Group invited all CICC and CISC employees to participate in an online survey in 2016 and 2017, respectively.

HKEX recommends the disclosure of information on sustainability issues that are "material" to the Group's operations. Materiality is defined by HKEX as "the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported"[1]. To identify material sustainability issues for disclosure, the Group undertook a three-step materiality assessment.

Step 1: Identification

A comprehensive peer benchmarking was conducted. The independent consultant reviewed the ESG disclosures of six local and international peer companies to identify the material issues facing these companies and the industry in general.

As CISC was newly acquired by the Company, CISC's employees were invited to participate in an online survey to rank the importance of ESG issues faced by the Group. As employees possess in-depth operational knowledge, highly ranked ESG issues are likely to be considered material.

Step 2: Prioritisation

The results from the peer benchmarking exercise, CICC 2016 employee online survey and CISC 2017 employee online survey were consolidated to identify a list of high and medium-priority ESG issues for the Group.

Step 3: Validation

The findings from steps 1 and 2 were consolidated and discussed with the Group's senior management team, who considered the relevance of the Aspects and Key Performance Indicators (KPIs)[1] in relation to business operations. A set of material Aspects and KPIs was then confirmed for disclosure.

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1 Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Listing Rules issued by the HKEX is organised into two ESG subject areas – Environmental and Social. There are various Aspects under the two subject areas and each Aspect sets out key performance indicators ("KPIs") for listed companies to disclose so as to demonstrate their performance.

2. GOVERNANCE STRUCTURE FOR SUSTAINABILITY

a) Anti-corruption

As stated in the CICC Employee Code of Conduct ("Code"), we maintain a high standard of business ethics and adhere to stringent anti-corruption policies and control measures. We do not tolerate any form of corruption or malpractice such as bribery, money laundering, extortion and fraud.

All employees are required to comply with national laws and regulations. Our employees are expected to act in line with the qualities and requirements of financial industry practitioners, performing their duties in a moral, honest and fair manner.

Our Code explicitly prohibits employees from engaging in corruption, bribery, money laundering, and deceitful or fraudulent behaviour. It also makes provisions on the reporting of illegal acts and the accountability mechanism of the persons who violate laws and regulations.

Moreover, to minimise the risks of bribery, money laundering and financing for terrorism, we implemented and executed the "Anti-Commercial Bribery Policy", "Anti-Money Laundering Policy", "Procurement Policy" and counter-terrorist financing policies to manage gifts and hospitality, client on-boarding and anti-money laundering, products and services procurement and counter-terrorist financing.

Our "Anti-Commercial Bribery Policy" clearly defines bribe-offering, bribery-taking, and duty encroachment or corruption. In addition to this, the policy also makes detailed provisions on ex-ante approval, whistle-blowing, corporate investigation and accountability mechanism for excessive gifts and entertainment.

Our "Anti-Money Laundering Policy" clearly defines money laundering behaviour, clarifies the anti-money laundering responsibilities of our employees, and makes provisions on the basic working rules of four aspects including: client identity identification, data custody, large amount and suspicious transaction reports, and cash and third party deposits and withdrawals. We empower the Compliance Department to revise and interpret its anti-money laundering policy in order to maintain consistency with international and domestic regulatory trends.

Our "Procurement Policy" provides detailed guidance related to procurement, including product and service provider selection, price comparison, and contract signing. The policy also clarifies the reporting mechanism for fraudulent behaviour and establishes a complete and fully-monitored procurement system to prevent corruption and other non-compliance issues that may arise during the procurement process.

Our Counter-terrorist financing policies provide guidance to employees on the identification of high-risk transactions and specify procedures to follow from client on-boarding to data management. The policies also specify the duties and accountabilities of senior management and front-office staff in minimising the risk of the companies being used as a platform for financing terrorist activities.

During the reporting year, there were no legal cases regarding corrupt practices brought against the Group.

b) Product Responsibility and Customer Data Protection

CISC has formulated a series of management systems and business processes to fulfil our obligations in maintaining customer information confidentiality:

CISC's "Brokerage Business Practices" clearly define the process for account information transfer, filing and access. The account information is saved in dedicated locations and managed by professionals with the rights to access this information.

CISC's "Information Security Management System" and "Information System Data Management System" strictly control back-end data access permissions to prevent improper access to customer information.

CISC's "Measures for the Administration of Access Permission to Centralised Over-the-counter Trading System" clearly stipulates the principles of access permission, the scope of positions to which such permission can be granted, and the application, granting, and approval of access permission. Bulk downloading of customer information is managed by the data minimisation principle. In cases where our employees need to download customer information for preparing reports, they are required to apply for the right to download customer information. Both the head of the branch office and the headquarters shall approve and authorise designated personnel to oversee this process. In addition, we require regulatory authorities, public security organs and other authorities to hold legal instruments and complete registration before copying customer information.

3. OUR HUMAN CAPITAL

a) Working Conditions

As employees are the most important asset of the Company, we strive to provide a conducive working environment where they feel respected and are treated fairly. Making sure that employees are rewarded with favourable remuneration commensurate with their experience and work performance is our priority. CICC has strictly complied with the relevant laws and regulations, and has formulated and implemented comprehensive human resources policies to safeguard the rights, health and safety of our employees.

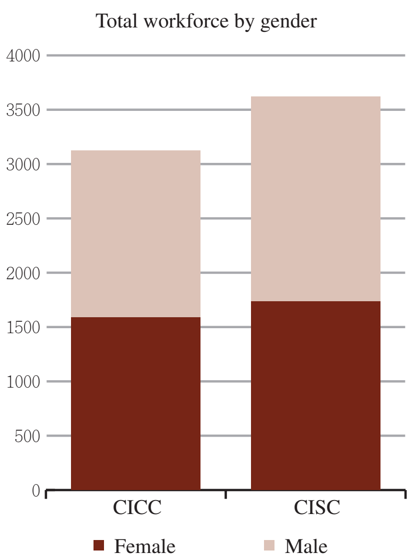
We proactively promote work-life balance as part of our company culture. At CISC, the staff club organises a variety of activities such as tennis, ping-pong, football and basketball trainings and competitions, which stimulate communication and bonding among employees and encourage a healthy lifestyle. As a caring company, we celebrate special occasions and employee birthdays with cakes and fruits. We also visit our employees and provide necessary support when they are hospitalised.

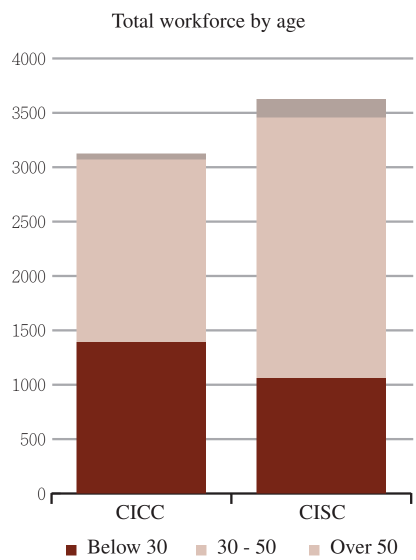
Case Study 1

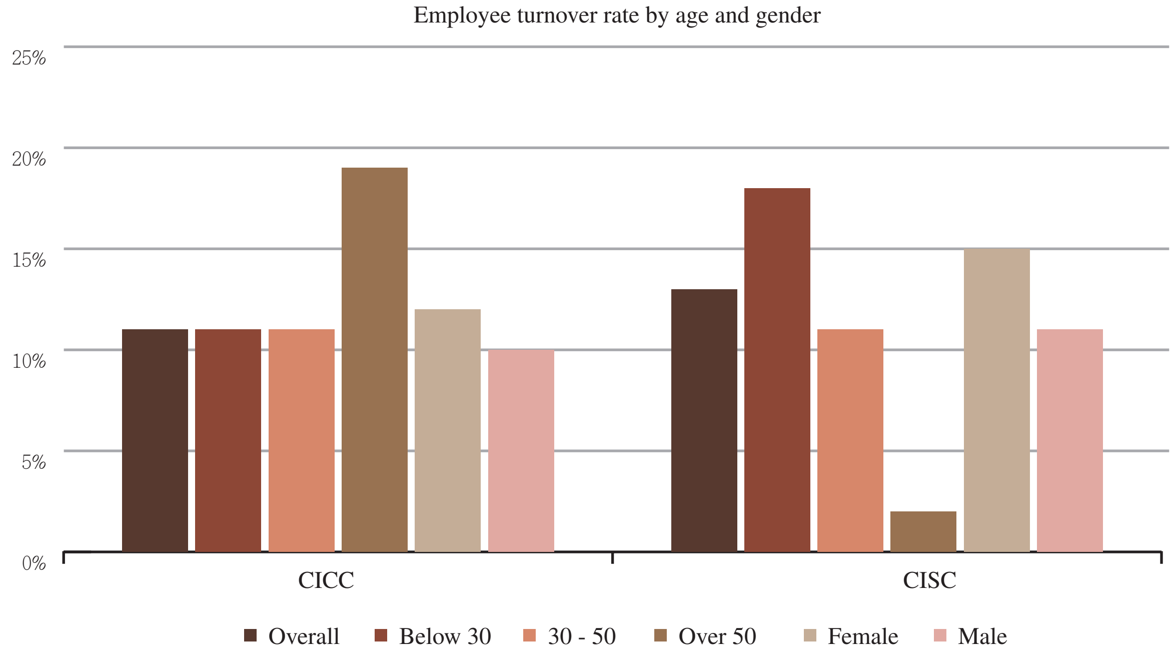
In October 2017, CISC held its third ping-pong competition. We were glad to see a total of 136 players, representing 17 teams from all regions participated in this competition.

To ensure that our staff management system is transparent and fair, we outline expectations for professional conduct in the Staff Manual and make sure that all employees are aware. Employees are assessed by a stringent performance appraisal system.

For the Reporting Period, the Group had a total of 6,746 full-time employees. Of this total number of employees, 49% are female. For details of our employee distribution by regional operations, please refer to the performance data overview.







We have a stable workforce and have kept the turnover rate lower than the industry average[2].

Case Study 2

In September 2017, CICC and CISC joined forces for the first time to compete in the fourth "CISC Cup" football game, held at the National Olympic Sports Center in Beijing Chaoyang District.

Our team made efforts to overcome travel fatigue and worked hard together to beat the teams from New China Life Insurance and China Jianyin Investment Limited by 3: 2 and 1:0, respectively. We were excited to rank at the top in the first two rounds of the games. The team players enjoyed themselves while bonding with their colleagues.

2 According to CompData's 2016 edition of their annual BenchmarkPro Survey, which features data submitted by more than 30,000 organisations, the total turnover rate of Banking and Finance industry in 2016 was 18.1%, relevant information was retrieved on January 16, 2018 from the following website: http://www.compensationforce.com/2017/04/2016-turnover-rates-by-industry.html.

For the Reporting Period, there have been no confirmed cases of non-compliance with national and regional economic and labour laws and regulations. CICC Hong Kong manages its tax affairs in compliance with all Hong Kong tax laws and pays all Hong Kong taxes, duties and levies for which it is liable, and there have been no confirmed cases of non-compliance with national and regional economic and labour laws and regulations.

b) Staff Development and Training

The Group upholds our "people-oriented" value and attaches great importance to staff training and development. Our aim is to create a working environment for each employee to nurture their strengths and to develop, thus attracting and retaining talents. We organise our training and development activities to meet the Group's strategic and business development goals, enhance the overall quality of our employees, increase employees' understanding and acceptance of our corporate culture and values, and enhance internal cohesion and overall competitiveness of the Group. To achieve the highest efficiency, we allow our subsidiary to arrange their own training programmes to tailor for the company needs and culture.

At CICC, our training and development work is based on the "CICC Training Management Regulations". The regulations describes our training and development objectives, different training programmes and our training plan. It also has clear, detailed, and specific requirements for the division of labour and responsibilities, training cost management and resource management.

At present, we have six main training programmes covering all levels of staff, including senior management training, key middle-level management personnel training, junior staff training, new staff induction training, industry research training, business office in house training and compliance and regulatory personnel qualification examination and follow-up training.

1) Senior Management Training includes executive in-house training, and Executive Development Programme courses for the company's executive director/managing director. The curriculum focuses on corporate strategy and leadership.

2) Key Middle-Level Management Personnel Training focuses on communication skills, leadership skills and management skills for the company's new VP as representative of the key middle-level management staff.

3) Junior Staff Training through the CICC Open Class is held once every two months. The curriculum covers numerous topics including front-line business knowledge, compliance and regulations, human resources, and office skills. All employees are eligible to participate in this class.

4) New Staff Induction Training is an annual one-week programme required for all new recruits. The content covers a comprehensive introduction of the company and its relevant departments. Upon completion of the training at the company level, the departments will conduct work-related skills training including the Investment Banking, Equities, Research, FICC, Asset Management and Mutual Fund.

5) Department Training covers internal training on business knowledge according to business needs. Amongst all, the internal training of the investment banking department and the industry research training of the research department stand out. The training covers all business line related personnel. In addition to internal programmes, departments will send relevant personnel to participate in training provided by regulators, associations, and industry.

6) Compliance and Regulatory Personnel Qualification Examination and Follow-up Training was attended by nearly 1,800 people this year. We apply for futures qualification examination 5 or more times per year. We also provide follow-up training for securities, fund, futures and insurance practitioners.

In addition to the above training programmes, we also encourage employees to participate in other work related qualification examinations. We reimburse employees for the examination, registration and membership fees required to maintain the validity of the qualification.

At CISC, the training and development work is guided by the company's "Interim Measures on Staff Training Management". These measures mainly include establishing and improving the training system, formulating the annual plan and budgeting of the Company, coordinating and planning specific training programmes and courses, organising and building the company's internal trainer team, and collecting training information and resources. CISC's training activities mainly comprise of new staff induction training, on-the-job training and on-going vocational training for financial practitioners.

In 2016, CISC proudly launched the "Young Managers Training Programme with Business Schools". This is a long-term learning project jointly launched by the Company's Business Schools and the Human Resources Department to vigorously develop and fully enhance the management skills of our young leaders. To date, the programme has provided classroom learning and on-the-job training for a total of 123 outstanding young leaders, enriching the Company's pool of talent with a myriad of young leaders. Not only has the programme been recognised by all branches and relevant departments, it also helped CISC win the Merit Award in The Second National Learning Design Competition (Shenzhen Division).

c) Occupational Health & Safety

The health and safety of our employees are closely linked with their productivity at work. We adopt a series of measures to encourage a healthy lifestyle for our employees.

We actively organise lectures and training on related topics, and provide our staff with complimentary medical insurance, annual physical examinations, psychological counselling and influenza vaccinations.

To help our employees maintain their fitness routine, and to ensure that every employee enjoys the same fitness facilities, CICC provides relatively large membership discounts every year for employees to join fitness clubs.

4. OUR ENVIRONMENT

The Group recognises our responsibility to operate in an environmentally friendly way as the world faces different environmental challenges such as the depletion of natural resources and climate change.

a) Emissions and Energy Use

To effectively manage our environmental performance, a working group on energy conservation and emissions reduction, led by the General Administration department and attended by the IT and HR departments, was set up in 2014 to promote energy conservation initiatives. These measures are executed by the working group according to plans in compliance with relevant requirements and initiatives. The working group submits the "CICC Energy Conservation and Emission Reduction Summary Report" to the Beijing Municipal Bureau of Financial Work annually.

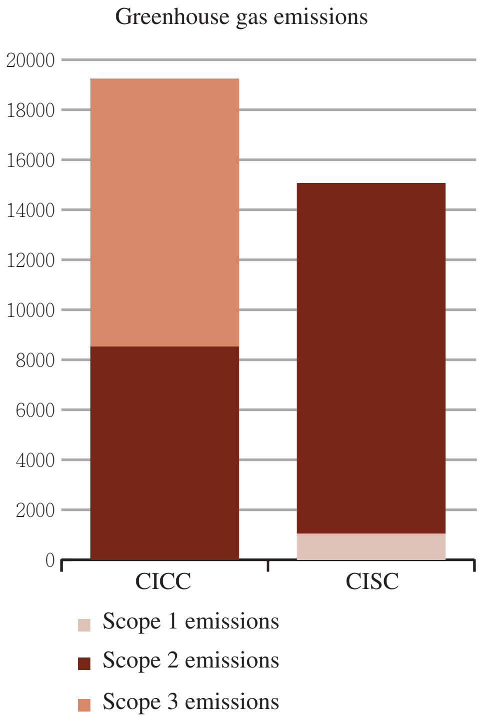
Our emissions and energy use mainly originate from our offices and employee commutes. To enhance energy efficiency in our office, we have adopted the following initiatives:

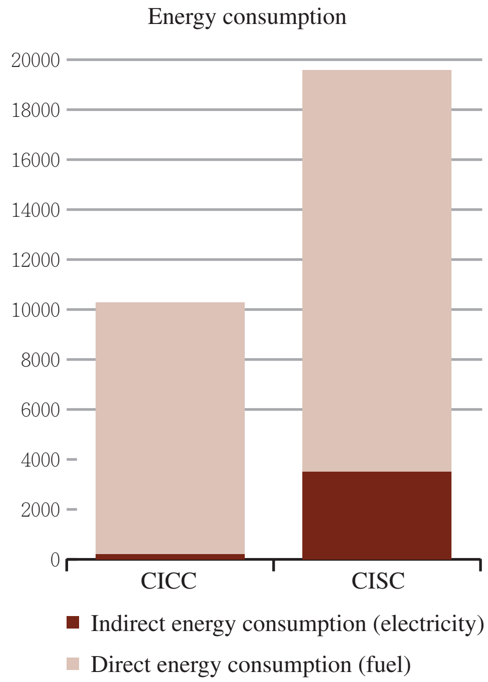
- Changing the lighting in public areas in different offices and control rooms to LED bulbs, which saved 113,478 kWh, compared to 2016
- Automatically turning off office lights after office hours
- Putting up reminders near light switches to remind employees to turn off lights after use
- Replacing computer servers with more energy efficient models
- Setting up timers for air conditioning

We also encourage employees to adopt a "green commute" to work. Compared to taking private vehicles, taking public transportation, carpooling, cycling and walking to work can reduce emissions. This contributes to improving the air quality in urban areas. Our office in Beijing runs several early bus lines for employees, which provides a convenient way for employees to come to work and protect the environment at the same time. We also promote the use of video conferencing, telephones, e-mail and other means of communication to reduce the number of unnecessary business trips.

Environmental, Social and Governance Report

During the Reporting Period, our total greenhouse gas (GHG) emissions accounted for 34,350.53 tonnes of CO2e, mainly from our electricity consumption. Our total energy consumption was 29,804,353.73 kWh. As a result of our employees' collaborative efforts in energy saving, CICC's electricity usage decreased 30% in 2017, compared to 2016.





b) Waste Management

We are aware of the importance of waste management at our offices and have systematically set up recycling bins in all offices to collect plastic bottles, cardboard and other forms of waste. We also request our office cleaners to properly sort out office waste for recycling. Toner cartridges and other consumables are handled by specialised agencies or vendors to ensure the safe and proper handling of waste. In 2017, CICC collected 22,800 kg of paper for recycling.

Battery Recycling Boxes in CICC's Offices

We developed an IT system which has migrated some of our work flow online and reduced the use and circulation of printed materials. We advocate a paperless workplace as much as possible by systemising and digitalising our workflow as well as encouraging paper recycling and reuse. Staff also reused stationery, envelopes, letter heads, cloth bags and other office supplies, which minimised waste.

We also organised regular donation activities to contribute used clothes, books and stationery to those in need in rural China.

Case Study 1

CICC organises the "CICC No Disposable Lunchboxes and Cutleries Day" twice a month across global offices. This event aims to encourage staff to reduce waste by reducing use of disposable lunchboxes and cutlery.

Bring your own cutlery, support environmental protection!

c) Building Awareness

Not only have we adopted different environmentally friendly initiatives in our workplace, we also extended our efforts in protecting the environment to our community by proactively participating in various external green programmes organised by external institutions. For instance, 125 employees in Shenzhen participated in a tree planting activity with Shenzhen Green Fund Association in May 2017 to promote the importance of urban ecology in a liveable city by planting 200 trees.

Case Study 2: Green Charity Marathon with SEE Foundation

To support SEE Foundation's ecological restoration work in the deserts in Inner Mongolia, 282 CISC employees joined force with thousands of colleagues from other financial companies on a "green journey" in June 2017. Our employees were excited to participate in a mini-marathon, where RMB10 and a sapling were donated to SEE foundation for every 10 km walked.

5. OUR COMMUNITY

As one of the platforms for CICC to conduct charity events, CICC Charity Foundation is committed to and cherishes the corporate culture of social responsibility. The foundation encourages CICC and its employees to actively participate in social welfare activities and made great effort in natural disaster relief, improvement of education, health care and sanitation in poverty-stricken areas, and environmental and natural resource protection.

Objectives

- Carry forward corporate social responsibility
- Promote the development of social welfare

Business Scope

- Help the sick and the wounded
- Help the victims in natural disaster and emergencies
- Assist the government in improving the medical and health conditions of poverty-stricken areas, and protect personal life and health
- Assist the government in improving school conditions in poverty-stricken areas and migrant schools
- Subsidise and support education
- Protect the environment and natural resources

Vision

- Focusing on education and bringing hope to students

In 2017, through the CICC Charity Foundation in Beijing, CICC donated RMB9,971,260.38 to help poverty-stricken areas improve the quality of education, enhance medical and sanitation facilities and protect the natural environment.

- **Beijing Daxing Dandelion Middle School CICC Teacher Development Fund and New School Building Construction Project:** a total of RMB1,371,260.38 was donated to improve the operating conditions of the school, recognise and encourage outstanding teachers, improve teachers' education and teaching skills, support teaching activities organised by volunteers and subsidise the construction of new school buildings.
- **School Renovation Project in An Jia Zao Cun, Shanxi:** CICC continued to support the school renovation project and donated RMB1,420,000. CICC staff also contributed their time and knowledge to build a mechanism for the school's affairs management. For more details of our volunteer work, please see the case studies below.

- **Education Subsidy Project for Poverty Alleviation through Social Welfare in Qilian County, Qinghai:** a total of RMB200,000 was donated to subsidise local schools in Qilian County to purchase teaching equipment such as computers and improve school conditions.
- **Poverty Alleviation Education Fund in Yuexi County, Anhui:** a donation totaling RMB2,000,000 was made to allow children from poverty-stricken families to go to school.
- **Mountain Village Kindergarten Project Volunteer Teachers Development Fund in Guzhang County, Hunan:** a donation totaling RMB250,000 was made. In May 2017, CICC also donated 85 tracksuits worth RMB14,185 to the Education Bureau and 25 desktop computers to the Physical Education Bureau of Guzhang County, Hunan to subsidise and improve the working and living conditions of volunteers.
- **Huiyu China Project in Guzhang County, Hunan:** a total of RMB1,500,000 was donated to provide parenting guidance via regular home visits. Nutrition packs for the growth and development of young children were distributed. Through this project, we aim to promote well-rounded development of infants and young children and to break intergenerational poverty.
- **Tibet Autonomous Region Maternal and Child Healthcare Association Village Doctor Training Programme:** a total of RMB200,000 was donated to support the training and development of doctors and communities in rural areas on maternal and child healthcare.
- **Dangerous Housing Renovation Project in Bai Miao, Yuechi County, Sichuan:** a total of RMB100,000 was donated to improve the living environment in poor areas and to ensure basic hygiene conditions are available.
- **Mountain Village Kindergarten Project Volunteer Teachers Development Fund in Guzhang County, Hunan Province:** a total of RMB1,500,000 was donated to help disabled persons to improve their living conditions.
- **Precision Poverty Alleviation Project for Disabled Persons from Recorded Underprivileged Families in Yuexi County, Anhui Province:** a total of RMB500,000 was donated to help disabled persons to improve their living conditions.
- **Poverty Alleviation Power Plant Project in Xi County, Shanxi Province:** a donation totaling RMB750,000 was made to promote an adjustment in the energy mix and ecological protection.
- **Financial Professionals Training Project in Guzhang County, Hunan Province:** a donation totaling RMB135,000 was made to support training of local financial professionals to manage local economy and strive for its development.
- **Financial Professionals Training Project in Yuexi County, Anhui Province:** a donation totaling RMB45,000 was made to support training of local financial professionals to manage local economy and strive for its development.

Case Study 1: Beijing Daxing Dandelion Middle School

Beijing Daxing Dandelion Middle School was established in 2005. It is the first private not-for-profit school specially created for migrant children for public welfare purposes. In order to improve school conditions, recognise and encourage outstanding teachers, provide teaching skills training for teachers, and support volunteer teaching activities, CICC has set up the CICC Teacher Development Fund since the establishment of the school. Since 2005, CICC has donated more than RMB4 million benefiting over 300 teachers. Furthermore, we actively organised employee donations to help the school construct a new school building.

Case Study 2: Mountain Village Kindergarten Project in Guzhang County, Hunan

This project aims to provide preschool education for left-behind children in impoverished rural areas and to advocate preschool education for young children in central and western rural areas.

Since 2012, CICC and CICC Charity Foundation have participated in this project, setting up more than 70 kindergartens in mountain villages in Guzhang County, Hunan (a state-level poverty-stricken county), which accounts for 71.42% of the total number of preschool education institutions in the whole county. Every year, we provide preschool education for 700 young children, raising the admission rate to 85%, a significant increase of 41% from 44% in 2012. At the same time, this project provides nearly 100 jobs every year for the local people.

Under the strategic guidance of CICC Party Committee for poverty alleviation, CICC and CICC Charity Foundation jointly set up the “Volunteer Teachers Development Fund” to support continuous learning and development of teachers and to ensure the sustainable development of this project.

Case Study 3: School Renovation Project in An Jia Zao Cun, Shanxi

An Jia Zao Primary School in Shanxi Province is a village public boarding school, located in the state-level poverty-stricken counties in Yanggao County, Datong City.

From May 22 to July 7, 2017, CICC employees acted as principal assistants at An Jia Zao Primary School to support and supervise work relating to the hygiene and safety of the school campus and the management and use of donated materials. They also helped the school set up a long-term mechanism for school affairs management and gave suggestions on enrollment and stabilising the teaching staff. Our employees acted as a bridge between the communication of CICC Charity Foundation and the school.

In June 2017, CICC organised staff to carry out charitable activities by bringing sporting goods and food to the school. Not only did they participate in teaching English and Science, they also prepared dumplings for the school canteen which everyone enjoyed very much.

In December 2017, to further improve the living conditions of the teachers and students, CICC Party Committee organised party members to carry out charitable activities and donate warm clothes for winter and hygiene kits to the school. We purchased the products from the counties that have been paired with CICC for An Jia Zao Primary School to realise our vision of poverty alleviation through consumption.

Case Study 4: Huiyu China Project in Guzhang County, Hunan

During the process of supporting preschool education in Guzhang County, we found that the county still lacked nutrition and education programmes for children under 3 years old. CICC and CICC Charity Foundation hence took the first step and introduced "Huiyu China" project to provide parenting guidance via regular home visits. Nutrition packs which essential for the growth and development of young children are also distributed. Through this project, we aim to promote well-rounded development of infants and young children and to break intergenerational poverty. We see this project as an important step for starting a programme focused on early childhood development in Guzhang County.

Case Study 5: Tibet Autonomous Region Maternal and Child Healthcare Association Village Doctor Training Programme

To promote prenatal and postnatal care and to increase hospital maternity delivery rate and lower the maternal and infant mortality rate in Lhasa, CICC and CICC Charity Foundation started to provide funding for this training programme in 2013, benefiting more than 1,000 village doctors/trainees to date. The training programme provides maternal and child healthcare training to village doctors in Tibet's farming and pastoral areas and raises awareness of villagers on maternal and child healthcare.

Adopting the same philosophy as CICC, our subsidiary CISC is also generous in giving back to the community. In 2017, CISC donated a total of RMB6,788,600 to support a variety of projects.

Charity Donations – Third and Fourth Batch of Donations for the Construction of Siyuan Experimental School in Huining County, Gansu: CISC has committed RMB8,000,000 for building this school. The construction work has been completed and this year, we paid the final installment totalling RMB2,400,000.

"One to One" Warm-hearted Education Aid Programme: this is the fourth consecutive year that CISC carried out the "One to One" Warm-hearted Education Aid Programme to help poor students in Huining County, Gansu to overcome financial difficulties. Our employees donated a total of RMB175,000 to help 175 students.

Poverty Alleviation Targeting the Industry – Beef Cattle Breeding for Precision Poverty Alleviation: donated RMB1,500,000 and along with Shenwan Hongyuan Securities, we carried out beef cattle breeding poverty alleviation projects in Huining County to provide recorded underprivileged families with subsidies for breeding cattle.

Poverty Alleviation Through Consumption – Purchasing High-Quality Specialty: to help promote high-quality products from Huining County, we purchased 3,409 boxes of local specialties worth RMB1,363,600 as Spring Festival gifts for our employees.

Targeted Donation – Construction of the Former Red Army Long March Consortium Site in Huining County: we donated RMB500,000 to a charitable poverty alleviation special fund to subsidize an infrastructure construction project for the Former Red Army Long March Consortium Site in Huining County.

Donation for Building Photovoltaic Power Plant in Pang Village, Xi County, Shanxi: to respond to the call of the Securities Association, and with CICC, we made a donation of RMB750,000 each to build a photovoltaic power plant.

Support Public Welfare Organisations in Nanshan District, Shenzhen: we participated in the Guangdong Provincial Poverty Alleviation and Care Day Campaign and donated RMB100,000 to public welfare organisations for carrying out poverty alleviation work.

6. PERFORMANCE DATA OVERVIEW

KPI A1.2 – Greenhouse gas emissions data in total and intensity

	CICC		CISC	
	Tonnes of CO_2	Tonnes of CO_2 per FTE[3]	Tonnes of CO_2	Tonnes of CO_2 per FTE
Scope 1 emissions (Fuel use)	39.81	0.013	1,044.60	0.29
Scope 2 emissions (Electricity use)	8,537.38	2.73	14,021.74	3.87
Scope 3 emissions (Business air travel)	10,707.00	3.43	/	/
Total	19,274.26	6.17	15,066.34	4.16

KPI A2.1 – Direct and indirect energy consumption and intensity

	CICC		CISC	
	Consumption (in 1,000 kWh)	Consumption Intensity (kWh per FTE)	Consumption (in 1,000 kWh)	Consumption Intensity (kWh per FTE)
Total direct energy consumption from fuel use	133.86	42.86	3,512.82	969.59
Total indirect energy consumption from the use of electricity	10,091.02	3,231.19	16,066.65	4,434.63

KPI B1.1 – Total workforce by gender, age group, employment type and geographical location

CICC			Age Group			Gender	
		Total	Below 30	30 – 50	Over 50	Female	Male
Hong Kong	Full-time	304	97	187	20	141	163
	Part-time	0	0	0	0	0	0
PRC	Full-time	2,749	1,276	1,443	30	1,410	1,339
	Part-time	0	0	0	0	0	0
Singapore	Full-time	17	4	13	0	10	7
	Part-time	0	0	0	0	0	0
UK	Full-time	22	4	18	0	13	9
	Part-time	0	0	0	0	0	0
US	Full-time	31	12	17	2	15	16
	Part-time	0	0	0	0	0	0
Total		3,123	1,393	1,678	52	1,589	1,534

[3] FTE: Full time equivalent employees. The total number of CICC's and CISC's FTE in 2017 are 3,123 and 3,623 respectively.

CISC			Age Group			Gender	
		Total	Below 30	30 – 50	Over 50	Female	Male
Hong Kong	Full-time	66	18	41	7	23	43
	Part-time	0	0	0	0	0	0
PRC	Full-time	3,557	1,041	2,357	159	1,712	1,845
	Part-time	0	0	0	0	0	0
Total		3,623	1,059	2,398	166	1,735	1,888

KPI B1.2 – Employee turnover rate by gender, age group and geographical region

CICC	Age Group			Gender	
	Below 30	30 – 50	Over 50	Female	Male
Hong Kong	14%	13%	30%	18%	11%
PRC	11%	10%	13%	11%	10%
Singapore	0%	8%	0%	0%	14%
UK	25%	22%	0%	15%	33%
US	8%	6%	0%	7%	6%
All locations	11%	11%	19%	12%	10%
CICC overall rate			11%		

CISC	Age Group			Gender	
	Below 30	30 – 50	Over 50	Female	Male
Hong Kong	83%	34%	0%	35%	61%
PRC	17%	11%	2%	14%	10%
All locations	18%	11%	2%	15%	11%
CISC overall rate			13%		

KPI B3.1 – Percentage of employees trained by employee category and gender

	CICC	CISC
General Staff	69%	98%
Middle Managers	78%	96%
Senior Managers	74%	100%
Female	71%	98%
Male	73%	97%
Overall	72%	98%

KPI B3.2 – Average training hours completed per employee by employee category and gender

	CICC	CISC
General Staff	18.4	77.9
Middle Managers	15.7	56.7
Senior Managers	15.5	32.7
Female	16.9	74.0
Male	17.4	77.2
Overall	17.2	75.6

7. HKEX ESG GUIDE CONTENT INDEX

Aspect	HKEX KPI	Description	Page Number/Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	
	A1.1	The type of emissions and respective emissions data	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.2	Greenhouse gas emissions in total and intensity	
	A1.3	Total hazardous waste produced	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.4	Total non-hazardous waste produced	
	A1.5	Description of measures to mitigate emissions and results achieved	
	A1.6	Description of how hazardous & non- hazardous wastes are handled, reduction initiatives & results achieved	
A2 Use of Resources	A2	General Disclosure	
	A2.1	Direct and indirect energy consumption by type in total and intensity	
	A2.2	Water consumption in total and intensity	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A2.3	Energy use efficiency initiatives and results achieved	
	A2.4	Issue in sourcing water, water efficiency initiatives	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A2.5	Total packaging material used for finished products	Not applicable to the Group.
A3 The Environment and Natural Resources	A3	General Disclosure	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A3.1	Description of the significant impacts of activities on the environment and natural resources	

Aspect	HKEX KPI	Description	Page Number/Remarks
B Social			
B1 Employment	B1	General Disclosure	
	B1.1	Total workforce by gender, employment type, age group and geographical region	
	B1.2	Employee turnover rate by gender, age group and geographical region	
B2 Health and Safety	B2	General Disclosure	
	B2.3	Occupational health & safety measures	
B3 Development and Training	B3	General Disclosure	
	B3.1	Percentage of employees trained by gender and employee category	
	B3.2	Average training hours completed per employee by gender and employee category	
B4 Labour Standards	B4	General Disclosure	We abide by relevant employment ordinances and statutory requirements in all locations of our operations. No relevant cases of non-compliance were recorded.
B5 Supply Chain Management	B5	General Disclosure	According to the materiality assessment result, this topic is regarded as not material to CICC.
B6 Product Responsibility	B6	General Disclosure	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	
B7 Anti-corruption	B7	General Disclosure	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer its employees during the reporting period and the outcomes of the cases	
	B7.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	
B8 Community Investment	B8	General Disclosure	
	B8.1	Focus areas of contribution	
	B8.2	Resources contributed to the focus area	

Independent Auditor's Report

Independent auditor's report to the shareholders of
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China International Capital Corporation Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with the ethical requirements that are relevant to our audit of the financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

<table>
<tr><td colspan="2">Revenue recognition: Fee and commission income</td></tr>
<tr><td colspan="2">Refer to note 6 to the consolidated financial statements and the accounting policies on page 220.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Fee and commission income represented 54.24% of the total revenue of the Group for the year ended 31 December 2017.

Fee and commission income principally comprises brokerage commission income, underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees.

Brokerage commission income arising from brokerage trading of securities is recognized on the trade date. Underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees are recognized when the corresponding service is provided or when the Group is entitled to receive the fees in accordance with the terms of the related service agreements. The determination of the timing of recognition of underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees can involve significant management judgment in assessing when the Group is entitled to receive the fees.</td><td>Our audit procedures to assess the recognition of fee and commission income included the following:

• assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition;

• reading client service agreements, on a sample basis and considering the Group's accounting policies for the recognition of revenue with reference to the terms of the agreements and the requirements of the prevailing accounting standards;

• for brokerage commission income, reconciling the daily transaction volume recorded by the Group with the transaction data received from the exchanges and clearing houses and comparing the commission rates for individual clients with the relevant client service agreements, on a sample basis;

• selecting underwriting and sponsoring fees and financial advisory fees recognized during the current year, on a sample basis, performing the following procedures:

– inquiring of the project teams about the status of the selected projects;

– reading client correspondence and information published on the websites of regulators or exchanges to ascertain the status of completion of the selected projects;

– comparing the fee income recognized with details in the related client service agreement and client correspondence;</td></tr>
</table>

<table>
<tr><td colspan="2">Revenue recognition: Fee and commission income (continued)</td></tr>
<tr><td colspan="2">Refer to note 6 to the consolidated financial statements and the accounting policies on page 220.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We identified the recognition of fee and commission income as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that the timing of revenue could be manipulated to meet specific targets or expectations and because the determination of the timing of recognition of fee and commission income can require management judgment, which could have a significant impact on the Group's net profit.</td><td>• selecting investment advisory fees and asset management fees recognized during the current year, on a sample basis, reading the client service agreements and relevant client correspondence and assessing whether the revenue recorded by the Group was recognized in accordance with the terms of the client service agreements and the Group's accounting policies for the recognition of revenue;

• comparing underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees recognized subsequent to the financial year end with the relevant client service agreement and client correspondence, on a sample basis and making inquiries of management to assess whether the related revenue was recognized in the appropriate accounting period;

• inspecting manual adjustments to revenue raised during and after the reporting period, on a sample basis, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation;

• for the key underlying systems used for processing transactions in relation to fee and commission income, utilizing our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key controls over these underlying systems, including controls over access to these systems and controls over data and change management.</td></tr>
</table>

<table>
<tr><td colspan="2">Assessing the fair value of financial instruments</td></tr>
<tr><td colspan="2">Refer to note 52 to the consolidated financial statements and the accounting policies on page 209.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2017, the carrying amount of the Group's financial assets and liabilities measured at fair value totalled RMB119,357 million and RMB15,643 million, respectively.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.

Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgment.

The Group has developed its own models to value certain financial instruments, which also involves significant management judgment.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;

• assessing the fair values of financial instruments traded in active markets on a sample basis by comparing the fair values applied by the Group with publicly available market data;

• reading investment agreements entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;

• engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain financial instruments and to perform, on a sample basis, independent valuations of the financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</td></tr>
</table>

Assessing the fair value of financial instruments (continued)	
Refer to note 52 to the consolidated financial statements and the accounting policies on page 209.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgment exercised by management in determining the inputs used in the valuation models.	• assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards; • for the key underlying systems used for processing transactions in relation to financial instruments, utilizing our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key controls over these underlying systems, including controls over access to these systems and controls over data and change management.

<table>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to note 49 to the consolidated financial statements and the accounting judgment and estimates on page 226.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust product or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

The factors which the Group needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and both qualitative and quantitative factors need to be considered collectively.</td><td>Our audit procedures to assess the consolidation of structured entities included the following:

• making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;

• selecting significant structured entities for each key product type, on a sample basis and performing the following procedures for each entity selected:

– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity;

– reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgment as to exposure, or rights, to variable returns from the Group's involvement in such an entity;</td></tr>
</table>

Consolidation of structured entities (continued)	
Refer to note 49 to the consolidated financial statements and the accounting judgment and estimates on page 226.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2017, the carrying amount of the Group's interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB16,869 million. The amount of assets held by the Group in the structured entities sponsored by the Group which the Group did not consolidate but in which it held an interest was RMB18,778 million. We identified the consolidation of structured entities as a key audit matter because it involves significant management judgment in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the Group's consolidated statement of financial position could be significant.	– reviewing management's analysis of the structured entity including qualitative analyzes and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgment over the Group's ability to influence its own returns from the structured entity; – evaluating management's judgment over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

<table>
<tr><th colspan="2">Recognition and impairment assessment of goodwill</th></tr>
<tr><td colspan="2">Refer to note 22 to the consolidated financial statements and the accounting policies on page 204 and page 218 and the accounting judgment and estimates on page 226.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Company acquired 100.00% equity interests in China Investment Securities Company Limited ("CISC") in March 2017 by issuing domestic shares, with the consideration amounting to RMB16,701 million in total.
Management engaged an external appraiser to assess the fair value of the net identifiable assets of CISC on the acquisition date and recognized relevant net identifiable assets of CISC accordingly, based on the asset appraisal report issued.
The Group recognized the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired as goodwill in the consolidated financial statements. As at 31 December 2017, the carrying amount of goodwill was RMB1,583 million, representing 4.29% of the Group's net assets as at that date.
There is a risk that the carrying value of goodwill may not be recoverable in full through the future cash flows to be generated from the relevant cash-generating units (the "CGUs") to which the goodwill has been allocated. In order to assess the recoverable amount of goodwill, management calculated the present value of the estimated future cash flows of the relevant CGUs using the discounted cash flow model with a cash flow forecast compiled by management.
</td><td>
Our audit procedures to assess the recognition and impairment assessment of goodwill included the following:

assessing the design, implementation and operating effectiveness of key internal controls over preparation of the discounted cash flow forecast on which the estimation of the recoverable amount of goodwill is based;
inspecting the acquisition agreement, the board resolution and other relevant documents in connection with the acquisition to identify the key transaction terms and conditions, including the purchase consideration and the acquisition date, which are relevant in considering the accounting treatment for the acquisition;
evaluating the independence, competence, capabilities and objectivity of the external appraiser appointed by management;
involving our internal valuation specialists to assist us to evaluate the valuation methodology adopted by the external appraiser in the valuation model and to perform an independent valuation of the net identifiable assets and compare with the external appraiser's valuation results, with reference to the requirements of the prevailing accounting standards;

</td></tr>
</table>

Recognition and impairment assessment of goodwill (continued)	
Refer to note 22 to the consolidated financial statements and the accounting policies on page 204 and page 218 and the accounting judgment and estimates on page 226.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the recognition and impairment assessment of goodwill as a key audit matter because of its significance to the consolidated financial statements, and because estimating the fair value of goodwill arising from the acquisition and determining whether any impairment is required is highly subjective as significant judgement and estimation is required to be exercised, particularly in terms of the key assumptions regarding forecasted income, the average long-term growth rate, forecasted margins and determining appropriate risk adjusted discount rates when forecasting future cash flows, all of which can be inherently uncertain and could be subject to management bias.	• assessing the mathematical accuracy of the goodwill calculation sheets prepared by management and evaluating the recognition of goodwill arising from the acquisition with reference to the requirements of the prevailing accounting standards; • assessing management's identification of CGUs and the allocation of goodwill to each CGU with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; • assessing the assumptions and critical judgements adopted in the discounted cash flow forecasts by comparing key inputs, including forecasted income, the average long-term growth rate and forecasted margins with the financial budgets approved by board of directors and industry statistics; • evaluating the risk adjusted discount rates applied in the discounted cash flow forecasts by benchmarking the discount rates against that of similar companies in the same industry; • obtaining management sensitivity analysis for the key assumptions adopted in the discounted cash flow forecast and assessing the impact of changes in the key assumptions to the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias; • assessing the disclosures in the consolidated financial statements in relation to the recognition and impairment assessment of goodwill with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all 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 the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Wong Yuen Shan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017 (Expressed in Renminbi ("RMB"), unless otherwise stated)

		Year ended 31 December	
	Note	**2017**	2016
Revenue:			
Fee and commission income	6	**8,282,173,466**	6,070,674,572
Interest income	7	**2,979,663,857**	983,585,880
Investment income	8	**4,008,480,883**	1,704,130,808
Total revenue		**15,270,318,206**	8,758,391,260
Other operating (losses)/income, net	9	**(10,075,646)**	182,945,467
Total revenue and other income		**15,260,242,560**	8,941,336,727
Expenses:			
Fee and commission expenses	10	**822,372,888**	331,414,050
Interest expenses	11	**3,267,583,160**	1,289,023,139
Staff costs	12	**5,522,433,419**	3,689,981,794
Depreciation and amortization expenses	15	**230,367,714**	72,499,434
Tax and surcharges		**61,843,589**	106,235,575
Other operating expenses and costs	16	**1,883,727,379**	1,136,545,316
(Reversal of)/provision for impairment losses	17	**(58,606,487)**	41,533,685
Total expenses		**11,729,721,662**	6,667,232,993
Operating profit		**3,530,520,898**	2,274,103,734
Share of profits of associates and joint ventures		**70,522,462**	55,550,187
Profit before income tax		**3,601,043,360**	2,329,653,921
Less: Income tax expense	18	**789,880,653**	489,582,960
Profit for the year		**2,811,162,707**	1,840,070,961
Attributable to:			
Shareholders of the Company and holders of other equity instruments		**2,766,349,249**	1,820,257,754
Non-controlling interests		**44,813,458**	19,813,207
Basic and diluted earnings per share (in RMB per share)	20	**0.76**	0.76

The notes on pages 200 to 312 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Note	Year ended 31 December 2017	2016
Profit for the year		**2,811,162,707**	1,840,070,961
Other comprehensive income for the year			
Items that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets:			
– Changes in fair value		**51,648,278**	31,022,503
– Tax effect		**53,374,400**	3,532,598
– Reclassified to profit or loss as investment income		**(307,842,578)**	(41,262,199)
Interest in associates and joint ventures:			
– Share of other comprehensive income		**3,935,459**	–
– Tax effect		**(983,865)**	–
Exchange differences on translation of financial statements of overseas subsidiaries		**(306,026,863)**	248,393,383
Total other comprehensive income for the year, net of tax		**(505,895,169)**	241,686,285
Total comprehensive income for the year		**2,305,267,538**	2,081,757,246
Attributable to:			
Shareholders of the Company and holders of other equity instruments		**2,260,425,866**	2,061,944,039
Non-controlling interests		**44,841,672**	19,813,207

The notes on pages 200 to 312 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2017 (Expressed in RMB, unless otherwise stated)

	Note	As at 31 December 2017	2016
Non-current assets:			
Property and equipment	21	**474,933,404**	208,497,860
Goodwill	22	**1,582,678,646**	–
Intangible assets	23	**227,205,975**	571,063
Interest in associates and joint ventures	24	**1,128,283,260**	550,502,725
Available-for-sale financial assets	25	**1,177,822,837**	730,290,776
Financial assets held under resale agreements ("reverse REPOs")	26	**1,015,578,267**	–
Refundable deposits	27	**2,785,186,146**	1,023,609,582
Deferred tax assets	28	**1,151,148,106**	830,089,639
Other non-current assets	29	**1,362,139,896**	70,100,033
Total non-current assets		**10,904,976,537**	3,413,661,678
Current assets:			
Accounts receivable	30	**9,401,697,222**	6,581,290,461
Receivable from margin clients	31	**21,882,853,461**	3,045,177,445
Available-for-sale financial assets	25	**17,719,553,617**	312,784,706
Financial assets at fair value through profit or loss	32	**97,011,710,932**	55,154,841,690
Derivative financial assets	33	**3,447,916,489**	1,722,006,524
Reverse REPOs	26	**13,422,695,660**	3,939,568,791
Interest receivable	34	**1,470,485,414**	480,752,367
Cash held on behalf of brokerage clients	35	**44,226,142,219**	16,717,391,180
Cash and bank balances	36	**18,130,922,701**	10,504,589,105
Other current assets		**192,995,384**	76,427,363
Total current assets		**226,906,973,099**	98,534,829,632
Total assets		**237,811,949,636**	101,948,491,310

Consolidated Statement of Financial Position

as at 31 December 2017 (Expressed in RMB, unless otherwise stated)

	Note	As at 31 December 2017	2016
Current liabilities:			
Financial liabilities at fair value through profit or loss	38	**12,194,242,171**	9,742,607,517
Derivative financial liabilities	33	**3,448,340,994**	1,676,431,070
Accounts payable to brokerage clients	39	**47,346,517,792**	17,392,360,452
Placements from financial institutions	40	**10,280,774,792**	3,528,516,500
Short-term debt securities issued	41	**10,626,880,896**	2,649,593,509
Financial assets sold under repurchase agreements ("REPOs")	42	**30,653,643,454**	5,478,467,755
Employee benefits payable		**4,681,413,346**	2,989,284,079
Income tax payable		**350,740,606**	565,657,276
Long-term debt securities issued due within one year	44	**5,098,498,424**	–
Other current liabilities	43	**28,479,611,982**	19,905,502,141
Total current liabilities		**153,160,664,457**	63,928,420,299
Net current assets		**73,746,308,642**	34,606,409,333
Total assets less current liabilities		**84,651,285,179**	38,020,071,011
Non-current liabilities:			
Non-current employee benefits payable		**628,212,952**	522,791,962
Long-term debt securities issued	44	**44,835,943,007**	18,948,469,092
Deferred tax liabilities	28	**226,771,876**	40,200,254
Other non-current liabilities	45	**2,067,919,722**	11,851,523
Total non-current liabilities		**47,758,847,557**	19,523,312,831
Net assets		**36,892,437,622**	18,496,758,180

Consolidated Statement of Financial Position

as at 31 December 2017 (Expressed in RMB, unless otherwise stated)

	Note	As at 31 December 2017	2016
Equity:			
Share capital	46	**3,985,130,809**	2,306,669,000
Other equity instruments	47	**1,000,000,000**	1,000,000,000
Reserves	46	**24,607,398,949**	9,639,367,087
Retained profits		**7,114,159,008**	5,500,908,886
Total equity attributable to shareholders of the Company and holders of other equity instruments		**36,706,688,766**	18,446,944,973
Non-controlling interests		**185,748,856**	49,813,207
Total equity		**36,892,437,622**	18,496,758,180

Approved and authorized for issue by the board of directors on 23 March 2018.

Bi Mingjian
Chief Executive Officer

Wong King Fung
Chief Financial Officer

Company chop

The notes on pages 200 to 312 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 46(i))	Other equity instruments (Note 47)	Capital reserve (Note 46(ii))	Surplus reserve (Note 46(ii))	General reserves (Note 46(ii))	Investment revaluation reserve (Note 46(ii))	Foreign currency translation reserve (Note 46(ii))	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	2,306,669,000	1,000,000,000	7,705,668,325	255,669,229	1,663,056,264	64,793,432	(49,820,163)	5,500,908,886	18,446,944,973	49,813,207	18,496,758,180
Profit for the year	-	-	-	-	-	-	-	2,766,349,249	2,766,349,249	44,813,458	2,811,162,707
Other comprehensive income for the year	-	-	-	-	-	(199,896,520)	(306,026,863)	-	(505,923,383)	28,214	(505,895,169)
Total comprehensive income for the year	-	-	-	-	-	(199,896,520)	(306,026,863)	2,766,349,249	2,260,425,866	44,841,672	2,305,267,538
Appropriation to surplus reserve	-	-	-	91,399,493	-	-	-	(91,399,493)	-	-	-
Appropriation to general reserves	-	-	-	-	367,078,705	-	-	(367,078,705)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	(637,620,929)	(637,620,929)	-	(637,620,929)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(17,831,593)	(17,831,593)
Issuance of shares for acquisition	1,678,461,809	-	14,993,768,126	-	-	-	-	-	16,672,229,935	-	16,672,229,935
Acquisition of subsidiary with contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	106,199,132	106,199,132
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	2,850,000	2,850,000
Others	-	-	21,708,921	-	-	-	-	-	21,708,921	(123,562)	21,585,359
Balance at 31 December 2017	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(135,103,088)	(355,847,026)	7,114,159,008	36,706,688,766	185,748,856	36,892,437,622
Balance at 1 January 2016	2,306,669,000	1,000,000,000	7,705,668,325	152,845,657	1,453,076,638	71,500,530	(298,213,546)	4,050,454,330	16,442,000,934	-	16,442,000,934
Profit for the year	-	-	-	-	-	-	-	1,820,257,754	1,820,257,754	19,813,207	1,840,070,961
Other comprehensive income for the year	-	-	-	-	-	(6,707,098)	248,393,383	-	241,686,285	-	241,686,285
Total comprehensive income for the year	-	-	-	-	-	(6,707,098)	248,393,383	1,820,257,754	2,061,944,039	19,813,207	2,081,757,246
Appropriation to surplus reserve	-	-	-	102,823,572	-	-	-	(102,823,572)	-	-	-
Appropriation to general reserves	-	-	-	-	209,979,626	-	-	(209,979,626)	-	-	-
Distributions to holders of perpetual subordinated bonds	-	-	-	-	-	-	-	(57,000,000)	(57,000,000)	-	(57,000,000)
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	30,000,000	30,000,000
Balance at 31 December 2016	2,306,669,000	1,000,000,000	7,705,668,325	255,669,229	1,663,056,264	64,793,432	(49,820,163)	5,500,908,886	18,446,944,973	49,813,207	18,496,758,180

The notes on pages 200 to 312 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2017	2016
Cash flows from operating activities:		
Profit before income tax	**3,601,043,360**	2,329,653,921
Adjustments for:		
Interest expenses on debt securities issued and other financing expenses	**1,765,748,590**	580,200,212
Depreciation and amortization expenses	**230,367,714**	72,499,434
(Reversal of)/provision for impairment losses	**(58,606,487)**	41,533,685
Net loss on disposal of property, equipment and other assets	**2,573,588**	3,597,854
Fair value losses on financial instruments at fair value through profit or loss	**167,181,505**	382,658,307
Foreign exchange losses/(gains)	**136,769,861**	(21,913,133)
Net gains on disposal of investments in financial assets and associates	**(331,665,056)**	(83,039,192)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	**(149,150,929)**	(229,793,384)
Operating cash flows before movements in working capital	**5,364,262,146**	3,075,397,704
(Increase)/decrease in receivables from margin clients	**(743,230,511)**	231,195,896
(Increase)/decrease in accounts receivable, other receivables and prepayments	**(2,581,807,978)**	2,601,638,065
Increase in reverse REPOs	**(3,847,999,109)**	(2,359,757,812)
Increase in financial instruments at fair value through profit or loss	**(32,433,412,715)**	(10,982,307,076)
Increase in available-for-sale financial assets	**(17,026,996,431)**	–
Decrease in cash held on behalf of brokerage clients	**3,105,609,386**	7,583,962,332
Increase in restricted bank deposits	**(112,808,981)**	(69,329,617)
Increase in refundable deposits	**(1,635,602,432)**	(499,183,142)
Decrease in accounts payable to brokerage clients	**(729,012,823)**	(7,676,523,901)
Increase/(decrease) in REPOs	**10,330,187,180**	(7,735,245,495)
Increase in other liabilities	**10,891,635,650**	6,402,502,880
Cash used in operating activities, before tax	**(29,419,176,618)**	(9,427,650,166)
Income taxes paid	**(1,065,361,648)**	(670,374,403)
Net cash used in operating activities	**(30,484,538,266)**	(10,098,024,569)

Consolidated Statement of Cash Flows

for the year ended 31 December 2017 (Expressed in RMB, unless otherwise stated)

	Note	Year ended 31 December 2017	2016
Cash flows from investing activities:			
Cash and cash equivalents from acquisition of a subsidiary		**7,631,792,908**	–
Proceeds from sales of investments		**670,903,195**	743,702,378
Investment returns received		**439,114,897**	256,639,718
Proceeds from disposal of property equipment and other assets		**4,096,476**	2,378,528
Payment for acquisition of investments		**(713,833,956)**	(803,951,808)
Payment for the purchase of property, equipment and other assets		**(305,779,090)**	(123,336,286)
Net cash generated from investing activities		**7,726,294,430**	75,432,530
Cash flows from financing activities:			
Cash received from beneficiary certificates issued		**18,545,294,000**	11,881,870,056
Cash received from corporate bonds issued		**16,500,000,000**	8,000,000,000
Cash received from subordinated bonds issued		**3,600,000,000**	5,500,000,000
Cash received from medium-term notes issued		**1,122,578,000**	3,315,600,000
Cash received from structured notes issued		**703,549,967**	–
Cash received relating to asset-backed securities ("ABS") issued		**1,900,000,000**	–
Capital contribution from non-controlling interests		**2,850,000**	30,000,000
Cash received relating to other financing activities		**2,048,028,117**	–
Repayment of beneficiary certificates		**(11,295,297,509)**	(10,932,276,547)
Cash paid for interest		**(1,028,898,970)**	(509,557,349)
Distribution paid to holders of other equity instruments		**(57,000,000)**	(57,000,000)
Dividends paid to shareholders of the Company		**(637,620,929)**	–
Transition period profit paid to Central Huijin Investment Ltd. ("Huijin")		**(736,164,495)**	–
Repayment of subordinated bonds		**–**	(3,000,000,000)
Repayment of syndication loan		**–**	(1,623,400,000)
Repayment of USD notes issued		**–**	(1,094,148,000)
Cash paid relating to other financing activities		**(113,647,932)**	(7,733,050)
Net cash generated from financing activities		**30,553,670,249**	11,503,355,110
Net increase in cash and cash equivalents		**7,795,426,413**	1,480,763,071
Cash and cash equivalents at the beginning of the year		**9,898,842,564**	7,992,199,885
Effect of changes in foreign exchange rate		**(281,901,798)**	425,879,608
Cash and cash equivalents at the end of the year	37	**17,412,367,179**	9,898,842,564
Net cash generated from/(used in) operating activities including:			
Interest received		**4,740,792,742**	942,254,330
Interest paid		**(1,486,129,540)**	(681,413,472)

The notes on pages 200 to 312 form part of these financial statements.

Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

1 General Information

China International Capital Corporation Limited (中國國際金融股份有限公司) (the "Company") was established on 31 July 1995 in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC").

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong on 9 November 2015.

The Company acquired 100% equity interests in China Investment Securities Company Limited ("CISC") in March 2017 and issued 1,678,461,809 domestic shares to Huijin as a consideration of this acquisition. After the completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing.

The Company and its subsidiaries (together "the Group") are principally engaged in investment banking business, equities business, fixed-income, currency and commodity ("FICC") business, wealth management business, investment management business and other business activities.

2 Significant Accounting Policies

(a) Statement of compliance

The Group has prepared the financial statements, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (the "financial statements") in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations issued by the International Accounting Standards Board (the "IASB"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results of operations and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been included in Note 37(b) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are effective for the accounting year ended 31 December 2017 and relevant to the Group for the year.

2 Significant Accounting Policies (continued)

(a) **Statement of compliance** (continued)

The Group has not adopted any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2017 are set out in Note 5.

(b) **Basis of preparation of the financial statements**

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: derivative financial assets and liabilities, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 2(g) (ii).

The financial statements are presented in RMB, which is the functional currency of the Group. Each entity in the Group determines its own functional currency which is used to measure the items included in its financial statements. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The accounting policies set out below have been consistently applied to all periods presented in the financial statements.

2 Significant Accounting Policies (continued)

(c) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized gains arising from intra-group transactions are eliminated in full when preparing the financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 Significant Accounting Policies (continued)

(c) **Basis of consolidation** (continued)

(ii) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between holders of non-controlling interests and shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see Note 2(c) (iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognized in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognized in the Group's other comprehensive income.

2 Significant Accounting Policies (continued)

(c) Basis of consolidation (continued)

(iii) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

In the Group's consolidated statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

2 Significant Accounting Policies (continued)

(d) Goodwill (continued)

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Foreign currency

(i) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowing used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value is measured. The exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in other comprehensive income.

2 Significant Accounting Policies (continued)

(e) **Foreign currency** (continued)

(ii) Foreign operations

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(g) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

2 Significant Accounting Policies (continued)

(g) **Financial instruments** (continued)

(i) Recognition and measurement of financial assets and liabilities (continued)

Financial assets and financial liabilities are categorized as follows:

(1) Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or designated as at fair value through profit or loss.

Financial assets and financial liabilities are designated as at fair value through profit or loss upon initial recognition when:

– the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; or

– the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities.

If the financial assets or financial liabilities contain one or more embedded derivatives, they are designated as at fair value through profit or loss unless:

– the embedded derivatives does not significantly modify the cash flows that would otherwise be required under the contract; or

– it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivatives is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognized in profit or loss.

2 Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(i) Recognition and measurement of financial assets and liabilities (continued)

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses (see Note 2(g) (iii)).

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than:

– those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

– those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses (see Note 2(g) (iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

– sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

– sales or reclassifications after the Group has collected substantially all of the asset's original principal; and

– sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

2 Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(i) Recognition and measurement of financial assets and liabilities (continued)

(4) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend (see Note 2(p) (iv)). Impairment losses are recognized in profit or loss (see Note 2(g) (iii)).

Other fair value changes, other than impairment losses, are recognized in other comprehensive income and presented in the investment revaluation reserve within equity. When the investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

(5) Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

2 Significant Accounting Policies (continued)

(g) **Financial instruments** (continued)

(ii) Fair value measurement principles (continued)

In estimating the fair value of a financial asset or financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset or financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

– significant financial difficulty of the borrower or issuer;

– a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

– disappearance of an active market for financial assets because of financial difficulties of the issuer;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

(1) Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant. If there is objective evidence of impairment, the impairment loss is recognized in the profit or loss. The Group performs a collective assessment for all other loans and receivables that are not individually significant or for which impairment has not yet been identified by including the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is an observable indication of a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

(2) Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

2 Significant Accounting Policies (continued)

(g) **Financial instruments** (continued)

(iii) Impairment of financial assets (continued)

(3) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the investment revaluation reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, 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 judgment. "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.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognized in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost would not be reversed.

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

– the contractual rights to the cash flows from the financial asset expire; or

– the Group transfers substantially all the risks and rewards of ownership of the financial assets or relinquishes the control over that asset where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred.

2 Significant Accounting Policies (continued)

(g) **Financial instruments** (continued)

(iv) Derecognition of financial assets and financial liabilities (continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(vii) Derivative financial instruments and hedge accounting

(1) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designated as hedging instrument are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

2 Significant Accounting Policies (continued)

(g) **Financial instruments** (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

(1) Derivative financial instruments (continued)

All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

(2) Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting periods for which they were designated.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognized in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

(3) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or unrecognized firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

2 Significant Accounting Policies (continued)

(g) Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

(3) Fair value hedges (continued)

For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item and the face value is amortized over the remaining term of the original hedge using the effective interest rate method. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. If the hedged items are derecognized, the unamortized fair value is recorded in profit or loss.

(h) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expenses over the life of each agreement using the effective interest method.

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(l)). Property and equipment under construction is stated at cost less impairment losses (Note 2(l)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as the cost of construction in progress.

2 Significant Accounting Policies (continued)

(i) Property and equipment (continued)

(ii) Subsequent costs

The subsequent costs including the cost of replacing part of an item of property or equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

	Estimated useful life	Estimated rate of net residual value
Buildings	20-35 years	3% – 5%
Office equipment	2 – 5 years	0% – 10%
Furniture and fixtures	3 – 5 years	0% – 10%
Motor vehicles	3 – 5 years	0% – 10%
Leasehold improvements	Benefit period	–

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and net residual values are reassessed at the end of the reporting period.

(iv) Gains or losses from the retirement or disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2 Significant Accounting Policies (continued)

(j) **Leased assets** (continued)

(i) Assets acquired under finance lease

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property and equipment and the corresponding liabilities, net of finance charges, are recorded as long-term finance leases payable. Depreciation is provided at rates which write off the cost over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) **Intangible assets**

Intangible assets are stated in the statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note 2(l)).

Amortization of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

2 Significant Accounting Policies (continued)

(l) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of year to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– property and equipment (other than properties carried at revalued amounts);

– intangible assets;

– investments in subsidiaries, associates and joint ventures; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amounts are estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

2 Significant Accounting Policies (continued)

(m) Provisions and contingent liabilities

A provision is recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the PRC, the Group participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit of loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

2 Significant Accounting Policies (continued)

(o) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Underwriting and sponsoring fees, financial advisory fees and investment advisory fees

Underwriting and sponsoring fees, financial advisory fees and investment advisory fees are recognized in profit or loss when the corresponding service is provided.

(ii) Asset management fees

Asset management fees are recognized when the Company is entitled to receive the fees according to the asset management agreement.

(iii) Brokerage commission income

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognized on the trade date. Commission income from leasing out trading seats is recognized on an accrual basis.

(iv) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established. Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognized in profit or loss by using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.

2 Significant Accounting Policies (continued)

(q) Expenses recognition

(i) Interest expenses

Interest expenses are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Fee and commission expenses

Fee and commission expenses are charged to profit or loss on an accrual basis.

(iii) Other expenses

Other expenses are recognized on an accrual basis.

(r) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss related to the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

2 Significant Accounting Policies (continued)

(r) **Income tax** (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to settle the current tax assets and the current tax liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

(s) **Dividends appropriated to investors**

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of the year are not recognized as a liability at the end of the year but disclosed separately in the notes to the financial statements.

2 Significant Accounting Policies (continued)

(t) Government grants

Government grants are recognized in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) The entity is controlled or jointly controlled by a person identified in Note 2(u) (i);

(7) A person identified in Note 2(u) (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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant Accounting Policies (continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Significant Accounting Judgment and Estimates

(a) Fair value of financial instruments

As indicated in Note 2(g) (i), financial instruments at fair value through profit or loss and available-for-sale investments are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(g) (ii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

3 Significant Accounting Judgment and Estimates (continued)

(b) Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

– In classifying financial assets or liabilities as "held for trading", the Group has determined that it meets the definition of financial assets and liabilities held for trading set out in Note 2(g)(i).

– In designating financial assets or liabilities as at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in Note 2(g)(i).

– In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold the assets until their maturity date as required by accounting policy set out in Note 2(g) (i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments.

(c) Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the historical data on market volatility as well as in the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial statements regarding the investee. The Group considers a decline to be significant if the fair value of the investment drops below its initial cost by 20% or more and to be prolonged if the fair value of the investment remains below its cost for one year or longer.

(d) Impairment of accounts receivable and receivables from margin clients

Accounts receivable and receivables from margin clients that are measured at amortized cost are reviewed at the end of year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flows of an individual debtor. If there is an indication that there has been a favorable change in the factors used to determine the provision for impairment, the impairment loss recognized in prior years is reversed.

3 Significant Accounting Judgment and Estimates (continued)

(e) Impairment of non-financial assets

Non-financial assets are reviewed at the end of year to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset (or a group of assets) is the greater of its fair value less costs of disposal and value in use. In assessing value in use, significant judgments are exercised over the asset's selling price, related operating revenue and expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related revenue and operating expenses based on reasonable and supportable assumption.

(f) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(g) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance indicating that the Group is a principal. The structured entities shall be consolidated if the Group acts in the role of principal.

(Expressed in RMB, unless otherwise stated)

4 Taxation

(a) Business tax and surcharges

Services provided by the Company and its domestic subsidiaries are subject to business tax before 1 May 2016. The business tax rate applicable to the Company and its domestic subsidiaries is 5%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of business tax respectively.

(b) Value-added tax ("VAT") and surcharges

Services provided by the Company and its domestic subsidiaries are subject to VAT since 1 May 2016. The mainly applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(c) Income tax

The income tax rate applicable to the Company and its domestic subsidiaries is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong is 16.5%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

5 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2017

Up to the date of issuing these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019

5 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2017 (continued)

The Group is in the process of making an assessment of what the impact of these new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards that may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts of the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified when the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 9, *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and for classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognize any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

- *Classification and measurement*

  IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

  - The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognized in profit or loss.

  - For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognized in profit or loss. Gains, losses and impairments on that security will be recognized in other comprehensive income without recycling.

  The Group has assessed that its financial assets currently measured at amortized cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

5 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2017 (continued)

IFRS 9, *Financial instruments* (continued)

- *Classification and measurement (continued)*

  With respect to the Group's financial assets currently classified as "available-for-sale", these are certain investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. The Group plans not to elect this designation option for a majority of the investments held on 1 January 2018 and will recognize any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognizes the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in Notes 2(g). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of IFRS 9, fair value gains of RMB58 million related to the available-for-sale investments will be transferred from the investment revaluation reverse to retained profits at 1 January 2018.

  The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from the requirements under IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognized in other comprehensive income (without reclassification to profit or loss). The Group has assessed that this new requirement will not have any material impact on the Group's financial statements on adoption of IFRS 9.

- *Impairment*

  The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would increase by approximately RMB36 million as compared with that recognized under IAS 39. As a consequence, an adjustment of approximately RMB27 million will be made to the opening balances of net assets and retained profits at 1 January 2018.

- *Hedge accounting*

  IFRS 9 does not fundamentally change the requirements for measuring and recognizing ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

5 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2017 (continued)

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programs*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Some of these apply to interim financial reports prepared under IAS 34 as well as to annual financial statements. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date.

Based on its assessment, the Group does not expect the application of IFRS 15 to result in a significant impact on its financial statements.

IFRS 16, *Leases*

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance-sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB1,638,972,850, on an undiscounted basis (see Note 48(b)). In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and with an interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact on the financial performance is expected for the Group's finance leases.

(Expressed in RMB, unless otherwise stated)

5 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2017 (continued)

IFRS 16, *Leases* (continued)

- *Determining whether an arrangement contains a lease*

  On transition to IFRS 16, if the Group has an arrangement that is not in the legal form of a lease but contains a lease of equipment under IFRIC 4, the Group can choose whether to:

  – Apply the IFRS 16 definition of a lease to all its contracts; or

  – Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

  The Group is assessing whether to apply the practical expedient and the potential impact on its financial statements.

- *Transition*

  As a lessee, the Group can either apply the standard using a:

  – Retrospective approach; or

  – Modified retrospective approach with optional practical expedients.

  The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

  The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, among other things, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

6 Fee and Commission Income

	Year ended 31 December	
	2017	2016
Brokerage commission income	**3,468,719,770**	1,707,502,357
Underwriting and sponsoring fees	**2,234,954,556**	2,639,275,449
Asset management fees	**1,671,526,103**	816,407,916
Financial advisory fees	**637,237,013**	719,089,397
Investment advisory fees	**233,088,215**	188,399,453
Others	**36,647,809**	–
Total	**8,282,173,466**	6,070,674,572

(Expressed in RMB, unless otherwise stated)

7 Interest Income

	Year ended 31 December	
	2017	2016
Interest income from financial institutions	**1,279,700,703**	533,767,998
Interest income from margin financing and securities lending	**1,213,783,728**	300,734,509
Interest income from reverse REPOs	**459,228,640**	140,852,120
Others	**26,950,786**	8,231,253
Total interest income on financial assets not at fair value through profit or loss	**2,979,663,857**	983,585,880

8 Investment Income

	Year ended 31 December	
	2017	2016
Net gains from disposal of available-for-sale financial assets	**307,842,578**	41,262,199
Dividend and interest income from available-for-sale financial assets	**497,020,986**	174,244,494
Net gains from financial instruments at fair value through profit or loss	**5,182,016,919**	1,626,178,017
Gains from disposal of associates	**23,430,294**	41,776,993
Net losses from derivative financial instruments	**(2,001,822,608)**	(179,330,895)
Others	**(7,286)**	–
Total	**4,008,480,883**	1,704,130,808

9 Other Operating (Losses)/Income, Net

		Year ended 31 December	
	Note	**2017**	2016
Tax refunds		**46,685,130**	33,576,778
Government grants	(a)	**38,188,086**	35,515,457
Commitment fee		**–**	76,004,916
Others	(b)	**(94,948,862)**	37,848,316
Total		**(10,075,646)**	182,945,467

(a) The government grants were received by the Company and its subsidiaries from the local government where they reside with no condition attached.

(b) Others are mainly related to gains or losses resulting from foreign exchange rates fluctuation.

(Expressed in RMB, unless otherwise stated)

10 Fee and Commission Expenses

	Year ended 31 December 2017	2016
Brokerage expenses	**689,261,882**	186,605,212
Underwriting and sponsoring expenses	**81,520,184**	99,256,065
Asset management expenses	**48,960,414**	45,552,773
Investment advisory expenses	**2,630,408**	–
Total	**822,372,888**	331,414,050

11 Interest Expenses

	Year ended 31 December 2017	2016
Interest expenses on REPOs	**920,302,746**	362,892,655
Interest expenses on corporate bonds	**772,622,174**	68,288,000
Interest expenses on subordinated bonds	**567,615,558**	242,879,695
Interest expenses on other placements from financial institutions	**312,308,777**	189,877,686
Interest expenses of accounts payable to brokerage clients	**198,591,767**	120,574,529
Interest expenses on beneficiary certificates	**198,130,388**	122,521,973
Interest expenses on notes payable	**109,253,242**	84,851,021
Interest expenses on syndication loan	**–**	57,557,736
Others	**188,758,508**	39,579,844
Total interest expenses on financial liabilities not at fair value through profit or loss	**3,267,583,160**	1,289,023,139

12 Staff Costs

	Year ended 31 December 2017	2016
Salaries, bonus and allowance	**4,983,194,237**	3,437,872,963
Retirement scheme contributions	**210,609,282**	97,741,848
Other social welfare	**217,304,252**	93,605,513
Other benefits	**111,325,648**	60,761,470
Total	**5,522,433,419**	3,689,981,794

The Group is required to participate in pension schemes in the PRC, Hong Kong and other jurisdictions whereby the Group is required to pay annual contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

(Expressed in RMB, unless otherwise stated)

13 Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration is as follows:

	Year ended 31 December 2017				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (ii)	–	1,363,509	3,588,235	50,589	5,002,333
Non-executive Director					
Ding Xuedong (iii)	–	–	–	–	–
Zhao Haiying	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David	–	–	–	–	–
Shi Jun	–	–	–	–	–
Johnson Cha	–	–	–	–	–
Independent Non-executive Director					
Edwin Roca Lim	525,200	–	–	–	525,200
Siu Wai Keung	550,200	–	–	–	550,200
Ben Shenglin	521,000	–	–	–	521,000
Liu Li (iv)	532,000	–	–	–	532,000
Supervisor					
Gao Tao (v)	–	–	–	–	–
Han Weiqiang (vi)	–	–	–	–	–
Liu Haoling	–	–	–	–	–
Jin Lizuo	263,400	–	–	–	263,400
Total	2,391,800	1,363,509	3,588,235	50,589	7,394,133

(Expressed in RMB, unless otherwise stated)

13 Directors' and Supervisors' Remuneration (continued)

Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
	Year ended 31 December 2016				
Executive Director					
Bi Mingjian (ii)	–	1,705,537	4,931,419	47,307	6,684,263
Non-executive Director					
Ding Xuedong (iii)	–	–	–	–	–
Zhao Haiying	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David	–	–	–	–	–
Shi Jun	–	–	–	–	–
Johnson Cha	–	–	–	–	–
Independent Non-executive Director					
Edwin Roca Lim	550,000	–	–	–	550,000
Cao Tong	209,800	–	–	–	209,800
Siu Wai Keung	560,600	–	–	–	560,600
Ben Shenglin	538,600	–	–	–	538,600
Liu Li (iv)	296,733	–	–	–	296,733
Supervisor					
Han Weiqiang (vi)	–	–	–	–	–
Liu Haoling	–	–	–	–	–
Jin Lizuo	259,600	–	–	–	259,600
Total	2,415,333	1,705,537	4,931,419	47,307	9,099,596

(Expressed in RMB, unless otherwise stated)

13 Directors' and Supervisors' Remuneration (continued)

(i) The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.

(ii) The remuneration of Mr. Bi Mingjian includes the compensation for the services provided by Mr. Bi Mingjian acting as the Chief Executive Officer of the Company.

(iii) Resigned as Chairman of the Board in February 2017.

(iv) Appointed as independent non-executive director in June 2016.

(v) Appointed as Chairman of the Supervisory Committee in June 2017. The remuneration of Mr. Gao Tao with the Group in accordance with the employee remuneration system is not included.

(vi) Resigned as supervisor in June 2017. The remuneration of Mr. Han Weiqiang with the Company in accordance with the employee remuneration system is not included.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

14 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 13. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2017	2016
Salaries and other emoluments	**8,174,822**	8,316,253
Discretionary bonuses	**72,435,091**	72,432,583
Retirement scheme contributions	**306,961**	259,524
Total	**80,916,874**	81,008,360

(Expressed in RMB, unless otherwise stated)

14 Individuals with Highest Emoluments (continued)

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2017	2016
From RMB14,000,001 to RMB14,500,000	**1**	–
From RMB14,500,001 to RMB15,000,000	**–**	1
From RMB15,000,001 to RMB15,500,000	**–**	1
From RMB15,500,001 to RMB16,000,000	**2**	2
From RMB16,500,001 to RMB17,000,000	**1**	–
From RMB18,000,001 to RMB18,500,000	**1**	–
From RMB19,500,001 to RMB20,000,000	**–**	1

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

15 Depreciation and Amortization Expenses

	Year ended 31 December	
	2017	2016
Depreciation of property and equipment	**157,640,471**	71,631,582
Amortization of intangible assets	**29,597,963**	867,852
Amortization of land use right	**26,129,815**	–
Others	**16,999,465**	–
Total	**230,367,714**	72,499,434

16 Other Operating Expenses and Costs

	Year ended 31 December	
	2017	2016
Business development expenses	**472,600,871**	319,119,480
Operating lease charges in respect of property and equipment	**460,728,808**	257,247,830
Information technology related expenses	**238,806,273**	112,449,737
Travelling and transportation expenses	**216,759,190**	152,807,679
Professional service fees	**168,841,139**	107,470,293
Securities Investor Protection Fund	**96,402,054**	36,872,715
Utilities and maintenance	**57,504,472**	40,408,608
Auditors' remuneration	**11,620,000**	14,071,000
Others	**160,464,572**	96,097,974
Total	**1,883,727,379**	1,136,545,316

(Expressed in RMB, unless otherwise stated)

17 (Reversal of)/Provision for Impairment Losses

	Year ended 31 December	
	2017	2016
(Reversal of)/provision for impairment losses against accounts receivable and other non-current assets	**(56,959,663)**	11,602,017
(Reversal of)/provision for impairment losses against receivable from margin clients	**(802,096)**	20,328,808
(Reversal of)/provision for impairment losses against reverse REPOs	**(844,523)**	9,602,860
Others	**(205)**	–
Total	**(58,606,487)**	41,533,685

18 Income Tax Expense

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2017	2016
Current tax		
– PRC income tax	**540,590,741**	556,157,974
– Hong Kong profits tax	**86,893,796**	66,828,410
Subtotal	**627,484,537**	622,986,384
Deferred tax		
– Origination and reversal of temporary differences	**162,396,116**	(133,403,424)
Total	**789,880,653**	489,582,960

(Expressed in RMB, unless otherwise stated)

18 Income Tax Expense (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China (for the purpose of this report, Mainland China excludes Hong Kong, Macau and Taiwan). Taxes on profits assessable outside Mainland China have been calculated at the applicable rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation of income tax expenses calculated by applying the PRC statutory income tax rate to profit before tax to the income tax expense in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Year ended 31 December	
	2017	2016
Profit before income tax	**3,601,043,360**	2,329,653,921
Income tax expenses calculated at the applicable tax rate	**900,260,840**	582,413,480
Non-deductible expenses	**27,153,890**	22,915,512
Non-taxable interest income	**(23,339,617)**	(45,309,071)
Non-taxable dividend income	**(17,435,601)**	(832,082)
Effect of different applicable tax rates of the subsidiaries	**(94,225,895)**	(67,702,310)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	**29,909,019**	10,538,813
Effect of using the deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized in previous period	**(14,043,658)**	(14,995,234)
Others	**(18,398,325)**	2,553,852
Total income tax expense	**789,880,653**	489,582,960

19 Profit Attributable to Shareholders of the Company and Holders of Other Equity Instruments

The consolidated profit attributable to shareholders of the Company and holders of other equity instruments includes a profit of RMB913,994,931 and RMB1,028,235,718 which have been dealt with in the financial statements of the Company in 2017 and 2016, respectively.

(Expressed in RMB, unless otherwise stated)

20 Basic and Diluted Earnings Per Share

	Note	Year ended 31 December **2017**	 2016
Profit attributable to shareholders of the Company and holders of other equity instruments		**2,766,349,249**	1,820,257,754
Interest for holders of perpetual subordinated bonds for the year		**(57,000,000)**	(57,000,000)
Subtotal		**2,709,349,249**	1,763,257,754
Weighted average number of ordinary shares in issue	*(a)*	**3,565,515,357**	2,306,669,000
Basic earnings per share (in RMB per share)		**0.76**	0.76

(a) Pursuant to the acquisition of 100% equity interests in CISC, the Company issued 1,678,461,809 consideration shares at a price of RMB9.95 per share to Huijin during the year.

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

There were no dilutive potential ordinary shares during the year ended 31 December 2017 and 2016, and therefore, diluted earnings per share are the same as the basic earnings per share.

(Expressed in RMB, unless otherwise stated)

21 Property and Equipment

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 1 January 2017	4,294,530	634,432,682	56,231,767	810,588	483,080,566	–	1,178,850,133
Arising from acquisition of a subsidiary	81,697,674	451,815,531	24,927,857	68,197,008	183,438,336	2,535,307	812,611,713
Additions	–	140,306,794	2,791,418	1,091,785	32,816,726	3,121,313	180,128,036
Transfer during the year	–	–	–	–	–	(3,855,812)	(3,855,812)
Disposals	–	(59,146,069)	(2,757,910)	(5,168,257)	(33,833,928)	–	(100,906,164)
Effect of changes in foreign exchange rate	–	(3,733,782)	(608,464)	(34,747)	(4,177,454)	–	(8,554,447)
As at 31 December 2017	85,992,204	1,163,675,156	80,584,668	64,896,377	661,324,246	1,800,808	2,058,273,459
Accumulated depreciation							
As at 1 January 2017	(1,241,044)	(486,964,982)	(45,271,794)	(679,269)	(436,195,184)	–	(970,352,273)
Arising from acquisition of a subsidiary	(23,925,905)	(352,010,499)	(18,427,839)	(37,767,082)	(127,163,238)	–	(559,294,563)
Additions	(3,250,018)	(98,976,994)	(5,007,587)	(6,296,457)	(44,109,415)	–	(157,640,471)
Disposals	–	52,890,293	2,517,648	4,820,692	33,853,393	–	94,082,026
Effect of changes in foreign exchange rate	–	4,900,527	596,451	34,747	4,333,501	–	9,865,226
As at 31 December 2017	(28,416,967)	(880,161,655)	(65,593,121)	(39,887,369)	(569,280,943)	–	(1,583,340,055)
Carrying amount							
As at 31 December 2017	57,575,237	283,513,501	14,991,547	25,009,008	92,043,303	1,800,808	474,933,404
As at 31 December 2016	3,053,486	147,467,700	10,959,973	131,319	46,885,382	–	208,497,860

(Expressed in RMB, unless otherwise stated)

21 Property and Equipment (continued)

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
Cost						
As at 1 January 2016	4,294,530	585,294,403	47,850,560	1,366,588	458,001,732	1,096,807,813
Additions	–	88,038,875	8,830,513	–	23,695,615	120,565,003
Disposals	–	(42,800,303)	(750,121)	(556,000)	(1,447,891)	(45,554,315)
Effect of changes in foreign exchange rate	–	3,899,707	300,815	–	2,831,110	7,031,632
As at 31 December 2016	4,294,530	634,432,682	56,231,767	810,588	483,080,566	1,178,850,133
Accumulated depreciation						
As at 1 January 2016	(868,222)	(471,865,598)	(42,781,533)	(1,028,889)	(413,894,650)	(930,438,892)
Additions	(372,822)	(48,368,021)	(2,836,372)	(150,780)	(19,903,587)	(71,631,582)
Disposals	–	37,084,897	675,511	500,400	1,317,125	39,577,933
Effect of changes in foreign exchange rate	–	(3,816,260)	(329,400)	–	(3,714,072)	(7,859,732)
As at 31 December 2016	(1,241,044)	(486,964,982)	(45,271,794)	(679,269)	(436,195,184)	(970,352,273)
Carrying amount						
As at 31 December 2016	3,053,486	147,467,700	10,959,973	131,319	46,885,382	208,497,860
As at 31 December 2015	3,426,308	113,428,805	5,069,027	337,699	44,107,082	166,368,921

(Expressed in RMB, unless otherwise stated)

22 Goodwill

(a) Changes in goodwill

	Note	As at 1 January 2017	Additions	Disposal	As at 31 December 2017
Book value					
Arising from acquisition of a subsidiary	(i)	–	1,582,678,646	–	1,582,678,646
Less: Provision for impairment losses		–	–	–	–
Carrying amount		–	1,582,678,646	–	1,582,678,646

(i) Taking 30 June 2016 as the base day, the consideration of the Company's acquisition of the entire equity interest of CISC was based on the valuation report issued by China Enterprise Appraisals Co., Ltd (Valuation report reference number: [2016] No. 1350). The above report was examined and approved by the Ministry of Finance of the PRC ("the MOF") (Approval reference number: Caijin [2016] No. 94). According to the valuation report, the total consideration was RMB16,700,695,000. The Company issued 1,678,461,809 domestic shares to Huijin at a price of RMB9.95 per share. The difference between the consideration and the fair value of the net identifiable assets attributable to the Company was RMB1,582,678,646, which was recognized as goodwill.

(b) Impairment test

The Company acquired 100% equity interests in CISC in March 2017, aiming to generate long-term synergetic value leveraging product, service and distribution strength across the enlarged group. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the wealth management CGU (see Note 22(a)).

The recoverable amount of the CGU is determined based on the present value calculations of expected future cash flows, which was determined on financial budgets approved by management covering certain period (including budgeted income and profit margins based on the CGU's past performance and management's expectations for the market development) and a pre-tax discount rate based on weighted average return of equity of the Group. Cash-flows beyond the certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts.

As at 31 December 2017, the Group performed its annual goodwill impairment test. There was no impairment recognized for the goodwill related to the aforesaid CGU since the recoverable amounts were greater than its carrying amount.

(Expressed in RMB, unless otherwise stated)

23 Intangible Assets

	Securities trading seat rights	Others	Total
Cost			
As at 1 January 2017	41,268,843	939,535	42,208,378
Arising from acquisition of a subsidiary	122,731,804	195,031,566	317,763,370
Additions	–	82,037,215	82,037,215
Disposal	–	(14,284,247)	(14,284,247)
Effect of changes in foreign exchange rate	(51,900)	(120,337)	(172,237)
As at 31 December 2017	163,948,747	263,603,732	427,552,479
Accumulated amortization			
As at 1 January 2017	(41,153,426)	(483,889)	(41,637,315)
Arising from acquisition of a subsidiary	(36,044,000)	(107,230,049)	(143,274,049)
Additions	(7,248,002)	(22,349,961)	(29,597,963)
Disposal	–	14,084,135	14,084,135
Effect of changes in foreign exchange rate	–	78,688	78,688
As at 31 December 2017	(84,445,428)	(115,901,076)	(200,346,504)
Carrying amount			
As at 31 December 2017	79,503,319	147,702,656	227,205,975
As at 31 December 2016	115,417	455,646	571,063

(Expressed in RMB, unless otherwise stated)

23 Intangible Assets (continued)

	Securities trading seat rights	Others	Total
Cost			
As at 1 January 2016	41,268,843	911,170	42,180,013
Effect of changes in foreign exchange rate	–	28,365	28,365
As at 31 December 2016	41,268,843	939,535	42,208,378
Accumulated amortization			
As at 1 January 2016	(40,295,799)	(473,664)	(40,769,463)
Additions	(857,627)	(10,225)	(867,852)
As at 31 December 2016	(41,153,426)	(483,889)	(41,637,315)
Carrying amount			
As at 31 December 2016	115,417	455,646	571,063
As at 31 December 2015	973,044	437,506	1,410,550

24 Interest in Associates and Joint Ventures

	As at 31 December	
	2017	2016
Share of net assets		
– Associates	**704,593,206**	419,436,703
– Joint ventures	**423,690,054**	131,066,022
Total	**1,128,283,260**	550,502,725

(Expressed in RMB, unless otherwise stated)

24 Interest in Associates and Joint Ventures (Continued)

The following list contains only the particulars of major associates and joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associates and joint ventures	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zheshang Jinhui Trust Co., Ltd ("Zheshang Jinhui") (Note)	Incorporated	Hangzhou, PRC	RMB1,700,000,000	17.5%	17.5%	–	Trust business
CMI Capital Limited ("CMI")	Incorporated	Hong Kong	HKD232,050,000	40%	–	40%	Investment advisory business

Note: The Group holds 17.5% equity interest of Zheshang Jinhui but has significant influence over Zheshang Jinhui as the Company can appoint directors. Zheshang Jinhui is accounted for as an associate of the Company.

The summary financial information of the Group's major associates and joint ventures and the reconciliation between the financial information of these associates and joint ventures and their carrying amounts in the Group's financial statements are disclosed below:

(a) Zheshang Jinhui

	As at 31 December 2017	2016
Financial information of the associate		
– Assets	**2,649,432,536**	897,921,098
– Liabilities	**734,186,076**	91,694,772
– Net assets	**1,915,246,460**	806,226,326
– Operating income	**518,891,820**	193,529,631
– Net profit	**152,300,134**	60,420,819
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	**1,915,246,460**	806,226,326
Group's effective interest	**17.5%**	35%
Group's share of net assets of the associate	**335,168,130**	282,179,214
Carrying amount in the consolidated financial statements	**335,168,130**	282,179,214

(Expressed in RMB, unless otherwise stated)

24 Interest in Associates and Joint Ventures (Continued)

(b) CMI

	As at 31 December	
	2017	2016
Financial information of the associate		
– Assets	**193,092,114**	202,786,529
– Liabilities	**78,123**	193,310
– Net assets	**193,013,991**	202,593,219
– Operating income	**4,643,681**	240,176
– Net profit/(loss)	**3,692,801**	(2,250,352)
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	**193,013,991**	202,593,219
Group's effective interest	**40%**	40%
Group's share of net assets of the associate	**77,205,596**	81,037,288
Carrying amount in the consolidated financial statements	**77,205,596**	81,037,288

(c) Aggregate information of other associates and joint ventures:

	As at 31 December	
	2017	2016
Aggregate carrying amount of other associates and joint ventures in the consolidated financial statements	**715,909,534**	187,286,223
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures		
– Profit for the year	**37,676,736**	35,289,708
– Total comprehensive income	**41,612,195**	35,289,708

(Expressed in RMB, unless otherwise stated)

25 Available-for-sale Financial Assets

	As at 31 December	
Non-current	**2017**	2016
At fair value:		
– Equity investments	**1,112,184,827**	730,290,776
– Funds and other investments	**65,638,010**	–
Total	**1,177,822,837**	730,290,776
Analyzed into:		
– Listed, outside Hong Kong	**44,269,556**	–
– Unlisted	**1,133,553,281**	730,290,776
Total	**1,177,822,837**	730,290,776

	As at 31 December	
Current	**2017**	2016
At fair value		
– Debt investments	**17,426,114,971**	–
– Equity investments	**188,202,859**	302,350,439
– Funds and other investments	**105,259,082**	10,434,267
– Less: Provision for impairment losses	**(23,295)**	–
Total	**17,719,553,617**	312,784,706
Analyzed into:		
– Listed, in Hong Kong	**2,753,521,747**	–
– Listed, outside Hong Kong	**14,697,216,934**	20,786,207
– Unlisted	**268,814,936**	291,998,499
Total	**17,719,553,617**	312,784,706

(Expressed in RMB, unless otherwise stated)

26 Financial Assets Held under Resale Agreements ("Reverse REPOs")

(a) Analyzed by collateral type:

	As at 31 December	
Non-current	**2017**	2016
Stocks	**1,016,332,500**	–
Less: Provision for impairment losses	**(754,233)**	–
Total	**1,015,578,267**	–

	As at 31 December	
Current	**2017**	2016
Stocks	**10,909,702,283**	3,056,352,061
Debt securities	**2,518,779,381**	898,498,490
Funds	**7,897,000**	–
Less: Provision for impairment losses	**(13,683,004)**	(15,281,760)
Total	**13,422,695,660**	3,939,568,791

(b) Analyzed by market:

	As at 31 December	
Non-current	**2017**	2016
Stock exchanges	**884,494,267**	–
Over-the-counter market	**131,084,000**	–
Total	**1,015,578,267**	–

	As at 31 December	
Current	**2017**	2016
Stock exchanges	**12,220,216,827**	3,678,970,520
Inter-bank market	**685,322,000**	–
Over-the-counter market	**517,156,833**	260,598,271
Total	**13,422,695,660**	3,939,568,791

(Expressed in RMB, unless otherwise stated)

27 Refundable Deposits

	As at 31 December 2017	2016
Self-owned refundable deposits	**1,276,007,633**	955,943,900
Refundable deposits held on behalf of clients	**1,509,178,513**	67,665,682
Total	**2,785,186,146**	1,023,609,582

Refundable deposits are mainly placed at stock exchanges and clearing house, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

28 Deferred Tax Assets/(Liabilities)

(a) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movement during the year are as follows:

	As at 1 January 2017	Arising from acquisition of a subsidiary	Credited/ (charged) to profit or loss	Credited/ (charged) to equity	Exchange differences in translation of financial statements of overseas subsidiaries	As at 31 December 2017 Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:								
Staff cost	730,454,894	369,532,069	62,490,409	–	(671,035)	1,161,806,337	1,161,806,337	–
Deductible tax losses	34,301,021	–	(10,445,318)	–	(1,981,217)	21,874,486	21,874,486	–
Depreciation and amortization	6,321,454	–	(1,551,641)	–	(347,504)	4,422,309	4,422,309	–
Changes in fair values of financial instruments at fair value through profit or loss	(15,458,855)	45,006,597	(279,478,404)	–	–	(249,930,662)	–	(249,930,662)
Changes in fair values of available-for-sale financial assets	(18,975,370)	(23,480,877)	–	53,374,400	–	10,918,153	10,918,153	–
Fair value adjustment arising from acquisition of a subsidiary	–	(198,231,250)	6,570,094	–	–	(191,661,156)	–	(191,661,156)
Others	53,246,241	54,814,704	60,018,744	(983,865)	(149,061)	166,946,763	166,946,763	–
Subtotal	789,889,385	247,641,243	(162,396,116)	52,390,535	(3,148,817)	924,376,230	1,365,968,048	(441,591,818)
Set off							(214,819,942)	214,819,942
Deferred tax assets/(liabilities) recognized in the consolidated statement of financial position							1,151,148,106	(226,771,876)

(Expressed in RMB, unless otherwise stated)

28 Deferred Tax Assets/(Liabilities) (continued)

(a) Deferred tax assets and liabilities recognized (continued)

	As at 1 January 2016	Credited/(charged) to profit or loss	Credited to equity	Exchange differences on translation of financial statements of overseas subsidiaries	As at 31 December 2016 Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	653,347,219	75,804,092	–	1,303,583	730,454,894	730,454,894	–
Deductible tax losses	40,103,936	(8,269,986)	–	2,467,071	34,301,021	34,301,021	–
Depreciation and amortization	5,969,610	(37,827)	–	389,671	6,321,454	6,321,454	–
Changes in fair values of financial instruments at fair value through profit or loss	(88,990,859)	73,532,004	–	–	(15,458,855)	–	(15,458,855)
Changes in fair values of available-for-sale financial assets	(22,507,968)	–	3,532,598	–	(18,975,370)	–	(18,975,370)
Others	60,717,260	(7,624,859)	–	153,840	53,246,241	53,246,241	–
Subtotal	648,639,198	133,403,424	3,532,598	4,314,165	789,889,385	824,323,610	(34,434,225)
Set off						5,766,029	(5,766,029)
Deferred tax assets/(liabilities) recognized in the consolidated statement of financial position						830,089,639	(40,200,254)

(Expressed in RMB, unless otherwise stated)

28 Deferred Tax Assets/(Liabilities) (continued)

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(r), the Group has not recognized deferred tax assets in respect of deductible temporary differences and cumulative deductible tax losses amounted to RMB216 million and RMB270 million as at 31 December 2017 and 2016, respectively.

Deferred tax assets not recognized in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognized only to the extent that an entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilized may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

29 Other Non-current Assets

	As at 31 December	
	2017	2016
Land use rights	**1,179,022,246**	–
Rental deposits	**131,218,127**	64,630,117
Others	**51,899,523**	5,469,916
Total	**1,362,139,896**	70,100,033

(Expressed in RMB, unless otherwise stated)

30 Accounts Receivable

(a) Analyzed by nature:

	As at 31 December	
	2017	2016
Trade receivable	**7,561,248,773**	4,871,670,457
Underwriting and advisory fees receivable	**829,733,557**	1,177,001,142
Asset management fees receivable	**668,660,456**	349,553,354
Trading seat rental fees receivable	**135,751,976**	102,630,660
Others	**231,857,710**	106,770,348
Less: Provision for impairment losses	**(25,555,250)**	(26,335,500)
Total	**9,401,697,222**	6,581,290,461

(b) Analyzed by aging:

	As at 31 December 2017			
	Gross amount		**Provision for impairment losses**	
	Amount	%	Amount	%
Within 1 year (inclusive)	**8,994,489,065**	**95.41%**	**(1,889,643)**	**7.40%**
1 – 2 years (inclusive)	**197,068,581**	**2.09%**	**(1,521,642)**	**5.95%**
2 – 3 years (inclusive)	**53,860,831**	**0.57%**	**(1,627,667)**	**6.37%**
More than 3 years	**181,833,995**	**1.93%**	**(20,516,298)**	**80.28%**
Total	**9,427,252,472**	**100.00%**	**(25,555,250)**	**100.00%**

	As at 31 December 2016			
	Gross amount		Provision for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	6,251,042,750	94.61%	–	–
1 – 2 years (inclusive)	130,777,384	1.98%	(12,026,200)	45.66%
2 – 3 years (inclusive)	158,773,923	2.40%	(3,621,000)	13.75%
More than 3 years	67,031,904	1.01%	(10,688,300)	40.59%
Total	6,607,625,961	100.00%	(26,335,500)	100.00%

(Expressed in RMB, unless otherwise stated)

30 Accounts Receivable (continued)

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2017	2016
At the beginning of the year	**26,335,500**	18,488,540
Arising from acquisition of a subsidiary	**8,653,451**	–
(Reversed)/provided for the year	**(7,510,375)**	11,602,017
Write-offs for the year	**(40,288)**	(4,707,071)
Recoveries of accounts receivable previously written off	**–**	18,561
Effect of changes in foreign exchange rate	**(1,883,038)**	933,453
At the end of the year	**25,555,250**	26,335,500

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record of payments with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in the credit quality of these receivables and the balances are still considered fully recoverable.

31 Receivable from Margin Clients

(a) Analyzed by nature:

	As at 31 December	
	2017	2016
Individuals	**20,323,973,978**	2,013,018,847
Institutions	**1,582,632,074**	1,058,066,403
Less: Provision for impairment losses	**(23,752,591)**	(25,907,805)
Total	**21,882,853,461**	3,045,177,445

As at 31 December 2017, the receivable from margin clients that the Group transferred to the securitisation vehicle amounted to RMB2,000 million. The securitisation vehicle issued ABS to investors with the receivable from margin clients as the underlying assets, of which all subordinated tranche were held by the Group.

(Expressed in RMB, unless otherwise stated)

31 Receivable from Margin Clients (continued)

(b) Analyzed by fair value of collaterals:

	Fair value of collaterals As at 31 December	
	2017	2016
Stocks	**59,354,039,719**	12,706,864,393
Cash	**1,222,699,181**	379,275,312
Debt securities	**46,197,644**	48,362,698
Funds	**60,855,249**	–
Total	**60,683,791,793**	13,134,502,403

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2017	2016
At the beginning of the year	**25,907,805**	5,777,853
(Reversed)/provided for the year	**(802,096)**	20,328,808
Write-offs for the year	**–**	(261,201)
Effect of changes in foreign exchange rate	**(1,353,118)**	62,345
At the end of the year	**23,752,591**	25,907,805

(Expressed in RMB, unless otherwise stated)

32 Financial Assets at Fair Value through Profit or Loss

(a) Analyzed by type:

	As at 31 December 2017		
	Financial assets held for trading	**Financial assets designated as at fair value through profit or loss**	**Total**
Equity investments	**20,883,996,306**	**18,046,213,074**	**38,930,209,380**
Debt investments	**46,770,992,879**	**167,524,609**	**46,938,517,488**
Funds and other investments	**4,273,156,707**	**6,869,827,357**	**11,142,984,064**
Total	**71,928,145,892**	**25,083,565,040**	**97,011,710,932**

	As at 31 December 2016		
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Total
Equity investments	8,655,836,818	12,248,488,320	20,904,325,138
Debt investments	20,643,012,947	–	20,643,012,947
Funds and other investments	3,162,444,175	10,445,059,430	13,607,503,605
Total	32,461,293,940	22,693,547,750	55,154,841,690

(Expressed in RMB, unless otherwise stated)

32 Financial Assets at Fair Value through Profit or Loss (continued)

(b) Analyzed by listing status:

(i) Financial assets held for trading:

	As at 31 December	
	2017	2016
Listed		
– In Hong Kong	**3,641,387,711**	67,794,789
– Outside Hong Kong	**44,391,826,871**	25,033,627,843
Unlisted	**23,894,931,310**	7,359,871,308
Total	**71,928,145,892**	32,461,293,940

(ii) Financial assets designated as at fair value through profit or loss:

	As at 31 December	
	2017	2016
Listed		
– In Hong Kong	**1,513,141,044**	1,080,725,882
– Outside Hong Kong	**16,605,820,853**	11,041,662,866
Unlisted	**6,964,603,143**	10,571,159,002
Total	**25,083,565,040**	22,693,547,750

(Expressed in RMB, unless otherwise stated)

33 Derivative Financial Assets/(Liabilities)

	As at 31 December 2017		
		Fair value	
	Notional amount	Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	10,100,000,000	7,688,506	(60,342,640)
Non-Hedging instruments			
– Interest rate contracts	68,512,583,777	310,848,617	(386,052,410)
– Currency contracts	7,685,476,409	44,042,978	(94,624,931)
– Equity contracts	69,813,915,504	2,562,114,764	(2,426,551,170)
– Credit contracts	1,728,125,872	5,151,263	(20,969,394)
– Other contracts	24,638,042,672	519,284,255	(489,245,689)
Total	182,478,144,234	3,449,130,383	(3,477,786,234)
Less: Settlement		(1,213,894)	29,445,240
Net position		3,447,916,489	(3,448,340,994)

	As at 31 December 2016		
		Fair value	
	Notional amount	Assets	Liabilities
Non-Hedging instruments			
– Interest rate contracts	152,299,321,494	461,613,648	(528,091,611)
– Currency contracts	8,936,208,038	141,751,336	(135,767,618)
– Equity contracts	32,183,452,492	799,394,616	(703,445,622)
– Credit contracts	1,614,679,684	13,781,114	(15,875,848)
– Other contracts	14,482,631,498	307,035,150	(301,050,998)
Total	209,516,293,206	1,723,575,864	(1,684,231,697)
Less: Settlement		(1,569,340)	7,800,627
Net position		1,722,006,524	(1,676,431,070)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures in Mainland China are settled daily and the corresponding receipts and payments are reflected in "deposits with clearing houses". Accordingly, the Group did not hold any net position of the above contracts at 31 December 2017 and 2016.

(Expressed in RMB, unless otherwise stated)

33 Derivative Financial Assets/(Liabilities) (continued)

(a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest rate risk of long-term debt securities issued.

The effectiveness of hedges based on changes in fair value of the derivatives and on the profit or loss of the hedged items attributable to the hedged risk during the year is presented as follows:

	Year ended 31 December	
	2017	2016
Gains arising from fair value hedges, net:		
– Interest rate contracts	**(37,747,475)**	–
– Hedged items attributable to the hedged risk	**45,391,075**	–
Total	**7,643,600**	–

34 Interest Receivable

	As at 31 December	
	2017	2016
Interest receivable from debt securities	**837,269,921**	296,137,310
Interest receivable from margin financing and securities lending	**404,642,132**	90,370,451
Interest receivable from reverse REPOs	**162,906,199**	74,360,558
Others	**65,667,162**	19,884,048
Total	**1,470,485,414**	480,752,367

35 Cash Held on Behalf of Brokerage Clients

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified their clients' monies as cash held on behalf of brokerage clients under the current assets of the consolidated statement of financial position and recognized the corresponding accounts payable to brokerage clients on the grounds that the Group is liable for any misappropriation of their clients' monies. In the PRC, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong, clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

(Expressed in RMB, unless otherwise stated)

36 Cash and Bank Balances

	As at 31 December	
	2017	2016
Cash on hand	**295,540**	214,170
Deposits with banks	**16,121,531,319**	8,563,759,155
Deposits with clearing houses	**2,009,095,842**	1,940,615,780
Total	**18,130,922,701**	10,504,589,105

37 Cash and Cash Equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2017	2016
Cash on hand	**295,540**	214,170
Deposits with banks	**16,121,531,319**	8,563,759,155
Deposits with clearing houses	**2,009,095,842**	1,940,615,780
Less: Fixed or restricted bank deposits	**(718,555,522)**	(605,746,541)
Total	**17,412,367,179**	9,898,842,564

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

(b) Reconciliation of liabilities arising from financing activities:

			Non-cash changes			
	As at 1 January 2017	Cash flows	Arising from acquisition of a subsidiary	Amortization and effect of changes in foreign exchange rate	Fair value changes	As at 31 December 2017
Short-term debt securities issued	2,649,593,509	7,201,414,458	800,000,000	(24,127,071)	–	10,626,880,896
Long-term debt securities issued due within one year	–	1,074,710,000	4,006,173,657	17,614,767	–	5,098,498,424
Long-term debt securities issued	18,948,469,092	20,893,138,849	5,204,693,479	(164,967,338)	(45,391,075)	44,835,943,007
Total liabilities arising from financing activities	21,598,062,601	29,169,263,307	10,010,867,136	(171,479,642)	(45,391,075)	60,561,322,327

(Expressed in RMB, unless otherwise stated)

38 Financial Liabilities at Fair Value through Profit or Loss

	As at 31 December 2017		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity investments	**1,901**	**10,524,776,252**	**10,524,778,153**
Debt investments	**822,546,784**	**–**	**822,546,784**
Funds and other investments	**846,917,234**	**–**	**846,917,234**
Total	**1,669,465,919**	**10,524,776,252**	**12,194,242,171**

	As at 31 December 2016		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity investments	9,236,164	7,615,908,270	7,625,144,434
Debt investments	2,117,463,083	–	2,117,463,083
Total	2,126,699,247	7,615,908,270	9,742,607,517

39 Accounts Payable to Brokerage Clients

	As at 31 December	
	2017	2016
Clients' deposits for brokerage trading	**44,764,529,711**	17,072,589,456
Clients' deposits for margin financing and securities lending	**2,581,988,081**	319,770,996
Total	**47,346,517,792**	17,392,360,452

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

(Expressed in RMB, unless otherwise stated)

40 Placements from Financial Institutions

(a) Analyzed by funding source:

	As at 31 December	
	2017	2016
Placements from banks	**10,280,774,792**	1,928,516,500
Placements from China Securities Finance Co., Ltd.	**–**	1,600,000,000
Total	**10,280,774,792**	3,528,516,500

(b) Analyzed by residual maturity:

	As at 31 December			
	2017		2016	
	Book value	**Range of interest rate**	Book value	Range of interest rate
Within 1 month (inclusive)	**5,644,055,700**	**1.55% – 4.50%**	342,286,500	1.00% – 3.00%
1 – 3 months (inclusive)	**1,116,880,000**	**4.50%**	2,178,740,000	2.00% – 5.00%
3 months – 1 year (inclusive)	**3,519,839,092**	**4.50% – 5.42%**	1,007,490,000	3.00% – 5.00%
Total	**10,280,774,792**		3,528,516,500	

41 Short-term Debt Securities Issued

		As at 31 December	
	Note	**2017**	2016
Beneficiary certificates	(a)	**8,824,880,000**	2,649,593,509
Notes payable	(b)	**1,802,000,896**	–
Total		**10,626,880,896**	2,649,593,509

(Expressed in RMB, unless otherwise stated)

41 Short-term Debt Securities Issued (continued)

(a) Beneficiary certificates:

The Group has issued beneficiary certificates bearing nominal interest with:

– fixed rates, ranging from 3.10% to 6.80% per annum;

– a fixed rate plus floating rate; or

– a floating rate.

The floating interest rate is calculated based on Shanghai & Shenzhen 300 Index, China Securities Index (CSI) 500, gold price or CSI 500 Total Return.

Name of beneficiary certificates	Book value as at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Book value as at 31 December 2017
CICC Caifuzijin Series	459,651,000	–	7,850,920,000	(4,055,694,000)	4,254,877,000
CICC Index B Series	1,300,000	–	744,400,000	(127,900,000)	617,800,000
CICC Jinyintong Series	2,000,000,000	–	3,500,000,000	(4,500,000,000)	1,000,000,000
CICC Shangpin A Series	46,167,000	–	31,642,000	(76,317,000)	1,492,000
CICC Shangpin B Series	960,509	–	3,000,000	(3,960,509)	–
CICC Tongde Series	37,000,000	–	–	(37,000,000)	–
CICC Tongxin Series	104,515,000	–	107,000,000	(211,515,000)	–
CICC Anrun Series	–	–	500,000,000	–	500,000,000
CICC Duozichan A Series	–	–	3,117,000	(3,117,000)	–
CICC Index A Series	–	–	982,015,000	(728,684,000)	253,331,000
CICC Tongli Series	–	–	30,800,000	–	30,800,000
CICC Xinyong A Series	–	–	6,000,000	–	6,000,000
CISC Jinhui Series	–	300,000,000	800,000,000	(300,000,000)	800,000,000
CISC Nongyin Series	–	500,000,000	–	(500,000,000)	–
CISC Anying Series	–	–	173,910,000	(31,960,000)	141,950,000
CISC Anxiang Series	–	–	1,092,000,000	(350,000,000)	742,000,000
CISC Ruyi Series	–	–	476,630,000	–	476,630,000
CISC Xinhubao Series	–	–	1,450,000	(1,450,000)	–
CISC Zhuanxiang Series	–	–	167,700,000	(167,700,000)	–
Total	2,649,593,509	800,000,000	16,470,584,000	(11,095,297,509)	8,824,880,000

(Expressed in RMB, unless otherwise stated)

41 Short-term Debt Securities Issued (continued)

(a) Beneficiary certificates: (continued)

Name of beneficiary certificates	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
CICC Tianxinbao Series	550,000,000	–	(550,000,000)	–
CICC Jinyintong Series	1,150,000,000	9,700,000,000	(8,850,000,000)	2,000,000,000
CICC Shangpin A Series	–	752,032,000	(705,865,000)	46,167,000
CICC Shangpin B Series	–	2,772,056	(1,811,547)	960,509
CICC Index B Series	–	4,200,000	(2,900,000)	1,300,000
CICC Caifuzijin Series	–	1,104,151,000	(644,500,000)	459,651,000
CICC Tongde Series	–	37,000,000	–	37,000,000
CICC Tongxin Series	–	281,715,000	(177,200,000)	104,515,000
Total	1,700,000,000	11,881,870,056	(10,932,276,547)	2,649,593,509

(b) Notes payable:

Name	Book value as at 1 January 2017	Issuance	Redemption	Amortization and others	Book value as at 31 December 2017
Medium-term notes (i)	–	1,122,578,000	–	(11,764,000)	1,110,814,000
CICCFP-2017-034 (ii)	–	19,742,007	–	(270,871)	19,471,136
CICCFP-2017-002 (ii)	–	135,828,000	–	(5,144,000)	130,684,000
CICCFP-2017-010 (ii)	–	98,295,000	–	(282,000)	98,013,000
CICCFP-2017-012 (ii)	–	99,288,000	–	(1,275,000)	98,013,000
CICCFP-2017-016 (ii)	–	232,291,500	–	(3,594,500)	228,697,000
CICCFP-2017-019 (ii)	–	33,136,500	–	(465,500)	32,671,000
CICCFP-2017-022 (ii)	–	45,211,160	–	(778,600)	44,432,560
CICCFP-2017-025 (ii)	–	39,757,800	–	(552,600)	39,205,200
Total	–	1,826,127,967	–	(24,127,071)	1,802,000,896

(i) CICC Hong Kong Finance 2016 MTN Limited issued the medium-term notes with a principal amount of USD170 million on 15 November 2017 and a maturity date of 15 May 2018. The corresponding interest is due upon maturity with the principal.

(ii) CICC Financial Products Ltd. has issued structured notes during 2017 bearing nominal interest rates ranging from 1.10% to 2.46% per annum.

(Expressed in RMB, unless otherwise stated)

42 Financial Assets Sold under Repurchase Agreements ("REPOs")

(a) Analyzed by collateral type:

	As at 31 December	
	2017	2016
Debt securities	**26,562,260,712**	4,862,723,146
Others	**4,091,382,742**	615,744,609
Total	**30,653,643,454**	5,478,467,755

(b) Analyzed by market:

	As at 31 December	
	2017	2016
Inter-bank market	**7,939,384,535**	3,022,272,792
Stock exchanges	**17,210,957,030**	1,654,033,000
Over-the-counter market	**5,503,301,889**	802,161,963
Total	**30,653,643,454**	5,478,467,755

43 Other current liabilities

	As at 31 December	
	2017	2016
Trade payable	**21,852,867,481**	16,737,957,957
Payables to the investors of consolidated structured entities	**3,225,830,492**	205,870,690
Interest payable	**1,117,799,714**	285,042,611
Accrued expenses	**482,611,963**	353,810,382
Sundry tax payable	**398,513,863**	1,596,974,622
Others	**1,401,988,469**	725,845,879
Total	**28,479,611,982**	19,905,502,141

(Expressed in RMB, unless otherwise stated)

44 Long-term Debt Securities Issued

	Note	As at 31 December 2017	2016
Due within one year			
– Beneficiary certificates	(a)	**1,600,700,609**	–
– Corporate bonds	(c)	**3,497,797,815**	–
Subtotal		**5,098,498,424**	–
Due after one year			
– Beneficiary certificates	(a)	**1,032,320,546**	–
– Subordinated bonds	(b)	**16,074,294,509**	7,500,000,000
– Corporate bonds	(c)	**24,473,332,658**	8,000,000,000
– Notes payable	(d)	**3,255,995,294**	3,448,469,092
Subtotal		**44,835,943,007**	18,948,469,092
Total		**49,934,441,431**	18,948,469,092
Fair value		**49,460,153,719**	19,362,628,466

(a) Beneficiary certificates:

The Group has issued beneficiary certificates bearing nominal interest with:

– fixed rates, ranging from 3.44% to 5.20% per annum;

– a fixed rate plus floating rate; or

– a floating rate.

The floating interest rate is calculated based on certain ABS. The Company has an early-repurchase option on certain beneficiary certificates.

Name of beneficiary certificates	Book value as at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Interest accrued	Redemption	Book value as at 31 December 2017
CISC Jinhui No.45	–	204,693,479	–	2,167,672	(206,861,151)	–
CISC Jinhui No.47	–	511,272,603	–	14,691,780	–	525,964,383
CISC NongYin No.2	–	–	500,000,000	16,224,657	–	516,224,657
CISC NongYin No.3	–	–	500,000,000	16,095,889	–	516,095,889
CISC AnYing No.8	–	–	5,860,000	26,226	–	5,886,226
CICC Caifuzijin No.66	–	–	50,000,000	–	–	50,000,000
CICC Xinyong A Series No.1	–	–	5,700,000	–	–	5,700,000
CICC Xinyong A Series No.2	–	–	5,900,000	–	–	5,900,000
CICC Xinyong A Series No.3	–	–	7,250,000	–	–	7,250,000
CICC Jinyintong Series No.35	–	–	1,000,000,000	–	–	1,000,000,000
Total	–	715,966,082	2,074,710,000	49,206,224	(206,861,151)	2,633,021,155

(Expressed in RMB, unless otherwise stated)

44 Long-term Debt Securities Issued (continued)

(b) Subordinated bonds:

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Amortization and others	Book value as at 31 December 2017
15 CICC C1 (i)	29/05/2015	29/05/2021	1st – 3rd years 5.25% 4th – 6th years 8.25%	2,000,000,000	–	–	–	–	2,000,000,000
16 CICC C1 (ii)	21/07/2016	21/07/2021	1st – 2nd years 3.25% 3rd – 5th years 6.25%	2,000,000,000	–	–	–	–	2,000,000,000
16 CICC C2 (iii)	15/12/2016	15/12/2021	4.60%	3,400,000,000	–	–	–	–	3,400,000,000
16 CICC Futures (iv)	16/12/2016	16/12/2024	1st – 5th years 5.00% 6th – 8th years 8.00%	100,000,000	–	–	–	–	100,000,000
17 CICC C1 (v)	22/05/2017	22/05/2022	5.39%	–	–	600,000,000	–	1,136,664	601,136,664
17 CICC C2 (vi)	24/07/2017	24/07/2022	4.98%	–	–	1,500,000,000	–	(19,860,397)	1,480,139,603
17 CICC C3 (vii)	16/11/2017	16/11/2022	5.50%	–	–	1,500,000,000	–	–	1,500,000,000
16 CISC 01 (viii)	07/12/2016	07/12/2019	4.00%	–	2,200,000,000	–	–	(2,730,134)	2,197,269,866
17 CISC 01 (ix)	23/02/2017	23/02/2020	4.85%	–	1,000,000,000	–	–	(1,377,175)	998,622,825
17 CISC 02 (x)	23/02/2017	23/02/2022	5.00%	–	1,800,000,000	–	–	(2,874,449)	1,797,125,551
Total				7,500,000,000	5,000,000,000	3,600,000,000	–	(25,705,491)	16,074,294,509

(Expressed in RMB, unless otherwise stated)

44 Long-term Debt Securities Issued (continued)

(b) Subordinated bonds: (continued)

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Amortization and others	Book value as at 31 December 2016
13 CICC bonds	25/07/2013	25/07/2019	1st – 3rd years 6.00% 4th – 6th years 9.00%	3,000,000,000	–	(3,000,000,000)	–	–
15 CICC C1 (i)	29/05/2015	29/05/2021	1st – 3rd years 5.25% 4th – 6th years 8.25%	2,000,000,000	–	–	–	2,000,000,000
16 CICC C1 (ii)	21/07/2016	21/07/2021	1st – 2nd years 3.25% 3rd – 5th years 6.25%	–	2,000,000,000	–	–	2,000,000,000
16 CICC C2 (iii)	15/12/2016	15/12/2021	4.60%	–	3,400,000,000	–	–	3,400,000,000
16 CICC Futures (iv)	16/12/2016	16/12/2024	1st – 5th years 5.00% 6th – 8th years 8.00%	–	100,000,000	–	–	100,000,000
Total				5,000,000,000	5,500,000,000	(3,000,000,000)	–	7,500,000,000

(i) The Company issued subordinated bonds with a principal amount of RMB2 billion on 29 May 2015 and a maturity date of 29 May 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 29 May 2018.

(ii) The Company issued subordinated bonds with a principal amount of RMB2 billion on 21 July 2016 and a maturity date of 21 July 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 21 July 2018.

(iii) The Company issued subordinated bonds with a principal amount of RMB3.4 billion on 15 December 2016 and a maturity date of 15 December 2021. Interests of the subordinated bonds are paid annually.

(iv) CICC Futures Co., Ltd. ("CICC Futures") issued subordinated bonds with a principal amount of RMB0.1 billion on 16 December 2016 and a maturity date of 16 December 2024. Interests of the subordinated bonds are paid annually. CICC Futures has an option to redeem the bonds on 16 December 2021.

(v) The Company issued subordinated bonds with a principal amount of RMB0.6 billion on 22 May 2017 and a maturity date of 22 May 2022. Interests of the subordinated bonds are paid annually.

(vi) The Company issued subordinated bonds with a principal amount of RMB1.5 billion on 24 July 2017 and a maturity date of 24 July 2022. Interests of the subordinated bonds are paid annually.

(vii) The Company issued subordinated bonds with a principal amount of RMB1.5 billion on 16 November 2017 and a maturity date of 16 November 2022. Interests of the subordinated bonds are paid annually.

(viii) CISC issued subordinated bonds with a principal amount of RMB2.2 billion on 7 December 2016 and a maturity date of 7 December 2019. Interests of the subordinated bonds are paid annually.

(ix) CISC issued subordinated bonds with a principal amount of RMB1 billion on 23 February 2017 and a maturity date of 23 February 2020. Interests of the subordinated bonds are paid annually.

(x) CISC issued subordinated bonds with a principal amount of RMB1.8 billion on 23 February 2017 and a maturity date of 23 February 2022. Interests of the subordinated bonds are paid annually.

(Expressed in RMB, unless otherwise stated)

44 Long-term Debt Securities Issued (continued)

(c) Corporate bonds:

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Amortization and others	Book value as at 31 December 2017
16 CICC 01 (i)	18/07/2016	18/07/2021	2.99%	3,000,000,000	–	–	–	–	3,000,000,000
16 CICC 02 (ii)	18/07/2016	18/07/2023	3.29%	1,000,000,000	–	–	–	–	1,000,000,000
16 CICC 03 (iii)	27/10/2016	27/10/2021	2.95%	1,100,000,000	–	–	–	–	1,100,000,000
16 CICC 04 (iv)	27/10/2016	27/10/2023	3.13%	900,000,000	–	–	–	–	900,000,000
16 CICC 05 (v)	26/12/2016	26/12/2019	4.50%	2,000,000,000	–	–	–	–	2,000,000,000
17 CICC 01 (vi)	20/01/2017	20/01/2020	4.35%	–	–	4,000,000,000	–	(25,632,082)	3,974,367,918
17 CICC 02 (vii)	08/05/2017	08/05/2020	4.97%	–	–	1,000,000,000	–	5,797,807	1,005,797,807
17 CICC 03 (viii)	08/05/2017	08/05/2022	5.19%	–	–	1,000,000,000	–	7,657,164	1,007,657,164
17 CICC 04 (ix)	27/07/2017	27/07/2020	4.78%	–	–	2,000,000,000	–	(14,490,231)	1,985,509,769
17 CICC 05 (x)	20/10/2017	20/10/2020	5.13%	–	–	2,000,000,000	–	–	2,000,000,000
17 CICC 06 (xi)	21/11/2017	21/11/2020	5.45%	–	–	2,500,000,000	–	–	2,500,000,000
15 CISC G1 (xii)	24/07/2015	24/07/2018	3.62%	–	3,494,901,054	–	–	2,896,761	3,497,797,815
17 CISC F1 (xiii)	18/07/2017	18/07/2020	4.95%	–	–	3,000,000,000	–	–	3,000,000,000
17 CISC F2 (xiv)	18/07/2017	18/07/2022	5.10%	–	–	1,000,000,000	–	–	1,000,000,000
Total				8,000,000,000	3,494,901,054	16,500,000,000	–	(23,770,581)	27,971,130,473

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Amortization and others	Book value as at 31 December 2016
16 CICC 01 (i)	18/07/2016	18/07/2021	2.99%	–	3,000,000,000	–	–	3,000,000,000
16 CICC 02 (ii)	18/07/2016	18/07/2023	3.29%	–	1,000,000,000	–	–	1,000,000,000
16 CICC 03 (iii)	27/10/2016	27/10/2021	2.95%	–	1,100,000,000	–	–	1,100,000,000
16 CICC 04 (iv)	27/10/2016	27/10/2023	3.13%	–	900,000,000	–	–	900,000,000
16 CICC 05 (v)	26/12/2016	26/12/2019	4.50%	–	2,000,000,000	–	–	2,000,000,000
Total				–	8,000,000,000	–	–	*8,000,000,000*

44 Long-term Debt Securities Issued (continued)

(c) Corporate bonds: (continued)

(i) The Company issued corporate bonds with a principal amount of RMB3 billion on 18 July 2016 and a maturity date of 18 July 2021. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 18 July 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(ii) The Company issued corporate bonds with a principal amount of RMB1 billion on 18 July 2016 and a maturity date of 18 July 2023. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised at the end of the fifth year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(iii) The Company issued corporate bonds with a principal amount of RMB1.1 billion on 27 October 2016 and a maturity date of 27 October 2021. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised at the end of the third year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(iv) The Company issued corporate bonds with a principal amount of RMB0.9 billion on 27 October 2016 and a maturity date of 27 October 2023. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised at the end of the fifth year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(v) The Company issued corporate bonds with a principal amount of RMB2 billion on 26 December 2016 and a maturity date of 26 December 2019. Interests of the corporate bonds are paid annually.

(vi) The Company issued corporate bonds with a principal amount of RMB4 billion on 20 January 2017 and a maturity date of 20 January 2020. Interests of the corporate bonds are paid annually.

(vii) The Company issued corporate bonds with a principal amount of RMB1 billion on 8 May 2017 and a maturity date of 8 May 2020. Interests of the corporate bonds are paid annually.

(viii) The Company issued corporate bonds with a principal amount of RMB1 billion on 8 May 2017 and a maturity date of 8 May 2022. Interests of the corporate bonds are paid annually.

(ix) The Company issued corporate bonds with a principal amount of RMB2 billion on 27 July 2017 and a maturity date of 27 July 2020. Interests of the corporate bonds are paid annually.

(x) The Company issued corporate bonds with a principal amount of RMB2 billion on 20 October 2017 and a maturity date of 20 October 2020. Interests of the corporate bonds are paid annually.

(xi) The Company issued corporate bonds with a principal amount of RMB2.5 billion on 21 November 2017 and a maturity date of 21 November 2020. Interests of the corporate bonds are paid annually.

(xii) CISC issued corporate bonds with a principal amount of RMB3.5 billion on 24 July 2015 and a maturity date of 24 July 2018. Interests of the corporate bonds are paid annually.

(xiii) CISC issued corporate bonds with a principal amount of RMB3 billion on 18 July 2017 and a maturity date of 18 July 2020. Interests of the corporate bonds are paid annually.

(xiv) CISC issued corporate bonds with a principal amount of RMB1 billion on 18 July 2017 and a maturity date of 18 July 2022. Interests of the corporate bonds are paid annually.

(Expressed in RMB, unless otherwise stated)

44 Long-term Debt Securities Issued (continued)

(d) Notes payable:

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2017	Issuance	Redemption	Amortization and others	Book value as at 31 December 2017
Medium-term notes (i)	18/05/2016	18/05/2019	2.75%	3,448,469,092	–	–	(192,473,798)	3,255,995,294

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Amortization and others	Book value as at 31 December 2016
Medium-term notes (i)	18/05/2016	18/05/2019	2.75%	–	3,315,600,000	–	132,869,092	3,448,469,092
USD notes	28/04/2011	28/04/2021	6.38%	1,071,444,000	–	(1,071,444,000)	–	–
Total				1,071,444,000	3,315,600,000	(1,071,444,000)	132,869,092	3,448,469,092

(i) CICC Hong Kong Finance 2016 MTN Limited issued the medium-term notes with a principal amount of USD0.50 billion on 18 May 2016 and a maturity date of 18 May 2019. Interests of the notes are paid semi-annually.

45 Other Non-current liabilities

	As at 31 December 2017	2016
Deferred income	**155,958,000**	–
Long-term borrowings	**10,200,000**	10,200,000
Long-term finance leases payable	**1,761,722**	1,651,523
Others (Note)	**1,900,000,000**	–
Total	**2,067,919,722**	11,851,523

Note: As at 31 December 2017, the payment that the Group was obligated to made to other investors regarding the securitisation vehicle (Note 31(a)) amounted to RMB1.90 billion.

Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

46 Capital, Reserves and Dividends

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's components of equity between the beginning and the end of the years are set out below:

			Reserves					
	Share capital (Note 46(i))	Other equity instruments (Note 47)	Capital reserve (Note 46(ii))	Surplus reserve (Note 46(ii))	General reserves (Note 46(ii))	Investment revaluation reserve (Note 46(ii))	Retained profits	Total
Balance at 1 January 2017	2,306,669,000	1,000,000,000	9,927,667,914	255,669,229	1,630,307,151	(14,517)	1,730,043,230	16,850,342,007
Profit for the year	–	–	–	–	–	–	913,994,931	913,994,931
Other comprehensive income for the year	–	–	–	–	–	(101,366,176)	–	(101,366,176)
Total comprehensive income for the year	–	–	–	–	–	(101,366,176)	913,994,931	812,628,755
Appropriation to surplus reserve	–	–	–	91,399,493	–	–	(91,399,493)	–
Appropriation to general reserves	–	–	–	–	182,801,049	–	(182,801,049)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Dividends to shareholders of the Company	–	–	–	–	–	–	(637,620,929)	(637,620,929)
Issuance of shares for acquisition	1,678,461,809	–	14,993,768,126	–	–	–	–	16,672,229,935
Others	–	–	21,708,921	–	–	–	–	21,708,921
Balance at 31 December 2017	3,985,130,809	1,000,000,000	24,943,144,961	347,068,722	1,813,108,200	(101,380,693)	1,675,216,690	33,662,288,689

			Reserves					
	Share capital (Note 46(i))	Other equity instruments (Note 47)	Capital reserve (Note 46(ii))	Surplus reserve (Note 46(ii))	General reserves (Note 46(ii))	Investment revaluation reserve (Note 46(ii))	Retained profits	Total
Balance at 1 January 2016	2,306,669,000	1,000,000,000	9,927,667,914	152,845,657	1,424,660,007	26,219	1,067,278,228	15,879,147,025
Profit for the year	–	–	–	–	–	–	1,028,235,718	1,028,235,718
Other comprehensive income for the year	–	–	–	–	–	(40,736)	–	(40,736)
Total comprehensive income for the year	–	–	–	–	–	(40,736)	1,028,235,718	1,028,194,982
Appropriation to surplus reserve	–	–	–	102,823,572	–	–	(102,823,572)	–
Appropriation to general reserves	–	–	–	–	205,647,144	–	(205,647,144)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Balance at 31 December 2016	2,306,669,000	1,000,000,000	9,927,667,914	255,669,229	1,630,307,151	(14,517)	1,730,043,230	16,850,342,007

(Expressed in RMB, unless otherwise stated)

46 Capital, Reserves and Dividends (continued)

(i) Share capital

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. After the conversion, the Company issued 1,667,473,000 ordinary shares with par value of RMB1 each.

On 9 November 2015, the Company issued 555,824,000 H Shares with a par value of RMB1 at an offering price of HKD10.28 per share. On 18 November 2015, the Company exercised the over-allotment option and issued 83,372,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share.

Pursuant to the acquisition of 100% equity interests in CISC, the Company issued 1,678,461,809 consideration shares at a price of RMB9.95 per share to Huijin during the year. Accordingly, the registered capital and share capital of the Company increased to RMB3,985,130,809 respectively, which was divided into 2,464,953,440 domestic shares and 1,520,177,369 H shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(ii) Reserves

(1) Capital reserve

The Group

	As at 31 December	
	2017	2016
Share premium (Note)	**22,674,410,544**	7,680,642,418
Others	**46,734,828**	25,025,907
Total	**22,721,145,372**	7,705,668,325

The Company

	As at 31 December	
	2017	2016
Share premium (Note)	**24,921,436,040**	9,927,667,914
Others	**21,708,921**	–
Total	**24,943,144,961**	9,927,667,914

Note: The premium arising from the Company's H Shares offering and the issuance of shares for acquisition (see Note 46(i)) was recorded in share premium.

46 Capital, Reserves and Dividends (continued)

(ii) Reserves (continued)

(2) Surplus reserve

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF after offsetting prior year's accumulated loss, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before the capitalization.

(3) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accruement could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds, which are under custody, at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

The Company makes the appropriation of general reserves at the end of each year.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

(4) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net changes in fair values of available-for-sale financial assets held at the end of year.

(5) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

(iii) Dividends

With the approval of its Annual General Meeting of Shareholders on 12 June 2017, the Company announced the payment of cash dividend for its 2016 profit distribution. The amount of cash dividend distribution was RMB637,620,929 (or RMB1.60 every 10 shares, tax inclusive) and the distribution was made on 11 August 2017.

On 23 March 2018, the 2017 profit distribution plan was approved by the board of directors. For details, please refer to Note 59(f).

Dividends proposed by the directors are not deducted from equity, until approved by the Annual General Meeting. After being approved and declared, the dividends are recognized as a liability.

(Expressed in RMB, unless otherwise stated)

47 Other Equity Instruments

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bonds resets every 5 years thereafter based on a benchmark rate and a predetermined spread.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

48 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2017 and 2016 not provided for in the financial statements were as follows:

	As at 31 December	
	2017	2016
Contracted, but not provided for	**1,593,343,836**	1,300,534,042

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2017	2016
Within 1 year (inclusive)	**539,104,713**	257,638,939
1 – 2 years (inclusive)	**389,937,802**	252,494,773
2 – 3 years (inclusive)	**240,323,288**	168,040,541
More than 3 years	**469,607,047**	303,385,046
Total	**1,638,972,850**	981,559,299

(c) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for as at 31 December 2017 was RMB3,346 million for the Group (31 December 2016: RMB650 million).

(Expressed in RMB, unless otherwise stated)

49 Interests in Structured Entities

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group are certain asset management products where the Group is involved as manager or investor. The Group assesses whether the combination of its investments in these products and its remuneration generated from the investments creates an exposure to the variability of returns from the activities of these asset management products to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2017 and 2016, the total assets of the consolidated asset management products are RMB11,308,667,321 and RMB12,523,125,335 respectively, and the carrying amount of interests held by the Group in the consolidated asset management products are RMB5,882,626,511 and RMB11,087,121,777 respectively.

(b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by other financial institutions.

The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors.

	As at 31 December	
	2017	2016
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**16,692,530,126**	14,292,236,816
– Available-for-sale financial assets	**176,031,966**	15,002,767

The Group's exposure to the variable returns in these structured entities is not significant from the perspective of the structured entities and the maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

(Expressed in RMB, unless otherwise stated)

49 Interests in Structured Entities (continued)

(c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group serves as general partner or manager, therefore has power over them during the years include private equity funds, mutual funds, trust products and asset management products. These structured entities are mainly financed through issuing units to investors.

	As at 31 December	
	2017	2016
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**16,984,847,652**	551,158,466
– Available-for-sale financial assets	**887,869,621**	623,797,693
– Accounts receivable	**668,660,456**	349,553,354
– Interest in associates and joint ventures	**237,048,506**	–

For the year ended 31 December 2017 and 2016, the Group obtained management fee and performance fee amounting to RMB1,671,526,103 and RMB816,407,916 respectively from these structured entities.

Except for those which have been consolidated by the Group as set out in Note 49(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

(Expressed in RMB, unless otherwise stated)

50 Related Party Relationships and Transactions

(a) The largest shareholder of the Company – Huijin

Pursuant to acquisition of 100% equity interests in CISC, the Company issued 1,678,461,809 consideration shares to Huijin. Accordingly, as at 31 December 2017, Huijin directly or indirectly owned 58.65% of the equity interest of the Company (31 December 2016: 28.57%).

(i) Related party transactions with the largest shareholder and its related parties

	Year ended 31 December	
	2017	2016
Brokerage commission income	**17,663,580**	3,471,878
Underwriting and sponsoring fees	**36,347,361**	20,643,903
Asset management fees	**50,560,418**	41,333,277
Interest income	**403,419,307**	128,831,726
Net gains from available-for-sale financial assets	**30,258,649**	–
Net gains from financial instruments at fair value through profit or loss	**67,638,580**	150,078,679
Other operating income, net	**715,457**	–
Brokerage expenses	**10,801,459**	–
Interest expenses	**334,677,819**	87,734,517
Other operating expenses and costs	**15,165,031**	–
Transition period profit paid to Huijin (Note)	**736,164,495**	–

Note: According to the equity transfer agreement between Huijin and the Company, the profit of CISC attributable to Huijin during the transition period (from 1 July 2016 to 31 March 2017) was distributed as a special dividend.

(Expressed in RMB, unless otherwise stated)

50 Related Party Relationships and Transactions (Continued)

(a) The largest shareholder of the Company – Huijin (Continued)

(ii) The balances of transactions with the largest shareholder and its related parties

	As at 31 December	
	2017	2016
Accounts receivable	**77,867,649**	38,629,655
Available-for-sale financial assets	**1,339,861,115**	–
Financial assets at fair value through profit or loss	**1,574,288,790**	1,128,887,205
Interest receivable	**25,579,258**	–
Cash and bank balances (Note)	**24,741,694,582**	5,323,204,901
Financial liabilities at fair value through profit or loss	**170,835,700**	644,751,524
Accounts payable to brokerage clients	**2,357,793**	8,929,089
Placements from financial institutions	**2,811,696,500**	1,586,230,000
Short-term debt securities issued	**–**	24,167,000
REPOs	**1,395,040,000**	179,825,096
Long-term debt securities issued	**4,443,000,000**	3,543,800,000
Other current liabilities	**60,215,961**	9,618,630
Entrusted funds	**12,989,062,105**	13,134,242,674

Note: The cash and bank balances deposited with the largest shareholder and its related parties includes self-owned cash and bank balances and cash held on behalf of brokerage clients.

(Expressed in RMB, unless otherwise stated)

50 Related Party Relationships and Transactions (continued)

(b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Year ended 31 December	
	2017	2016
Salaries, allowances and benefits in kind	**33,404,862**	29,264,251
Discretionary bonuses (Note)	**127,790,512**	143,849,090
Retirement scheme contributions	**873,766**	765,396
Total	**162,069,140**	173,878,737

Note: Total remuneration of key management personnel is included in "staff costs" (see Note 12).

(c) Related party transactions with other shareholders

(i) Related party transactions with other shareholders and their related parties

	Year ended 31 December	
	2017	2016
Brokerage commission income	**2,613,202**	216,431
Underwriting and sponsoring fees	**573,873**	–
Interest expenses	**92,234**	52,778

(ii) The balances of transactions with other shareholders and their related parties

	As at 31 December	
	2017	2016
Accounts payable to brokerage clients	**50,075,947**	17,268,760

(Expressed in RMB, unless otherwise stated)

50 Related Party Relationships and Transactions (continued)

(d) Related party transactions with the Group's associates and joint ventures

(i) Related party transactions with associates and joint ventures and their related parties

	Year ended 31 December	
	2017	2016
Asset management fees	**17,057,503**	–
Brokerage commission income	**5,510,865**	19,431,994
Investment advisory fees	**1,747,573**	5,155,551
Asset management expenses	**4,457,309**	8,215,494
Other operating expenses and costs	**1,886,792**	3,773,585
Interest income	**–**	28,603
Other operating income, net	**–**	2,912,621

(ii) The balances of transactions with associates and joint ventures and their related parties

	As at 31 December	
	2017	2016
Accounts receivable	**932,055**	–
Other current liabilities	**474,283**	5,869,378

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Reports.

(f) Directors' and supervisors' interests in contracts and service contracts

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors have entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

51 Segment Reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the Group:

– that engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and

– for which financial statements regarding financial position, results of operations and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

– the nature of services;

– the type or class of customers for the services;

– the methods used to provide the services; and

– the nature of the regulatory environment.

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 unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

– the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations ("NEEQ") services, to clients in the PRC and overseas.

51 Segment Reporting (continued)

- the Equities segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, and product services, to institutional investors, including financial institutions, corporations and governmental entities, and other investors.

- the FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.

- the Wealth Management segment provides a wide range of wealth management products and services, consisting of advisory services, transactional services, capital-based intermediary services and product services, to high-net-worth individuals, family offices and corporate clients.

- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.

- The Company acquired 100% equity interests in CISC in March 2017 (see Note 54). As of 31 December 2017, the restructuring and integration work are still in progress. Thus, CISC is currently managed and presented as a separate segment.

  The CISC segment principally engages in securities brokerage, investment consulting, financial advisory, securities underwriting and sponsorship, securities proprietary trading, asset management, margin financing and securities lending, distribution of financial products and other business activities as approved by the CSRC.

- the Others segment mainly comprises of other business departments and back offices.

(Expressed in RMB, unless otherwise stated)

51 Segment Reporting (continued)

(a) Segment results

	Year ended 31 December 2017							
	Investment banking	Equities	FICC	Wealth management	Investment management	CISC	Others	Total
Segment revenue								
– Fee and commission income	2,442,476,991	1,447,830,614	243,852,819	679,122,665	1,409,581,557	2,054,805,536	4,503,284	8,282,173,466
– Interest income	5,618,554	197,312,958	152,941,612	520,012,273	21,543,125	1,917,906,886	164,328,449	2,979,663,857
– Investment income	137,157,831	1,428,439,438	1,445,659,938	463,701,123	346,802,203	114,612,741	72,107,609	4,008,480,883
– Other operating income/(losses), net	16,754,447	(133,920,566)	42,669,500	29,192,189	11,910,492	24,207,761	(889,469)	(10,075,646)
Segment revenue and other income	2,602,007,823	2,939,662,444	1,885,123,869	1,692,028,250	1,789,837,377	4,111,532,924	240,049,873	15,260,242,560
Segment expenses	(1,644,522,643)	(1,379,002,685)	(1,720,399,094)	(1,164,215,359)	(854,091,922)	(3,465,742,801)	(1,501,747,158)	(11,729,721,662)
Segment operating profit/(loss)	957,485,180	1,560,659,759	164,724,775	527,812,891	935,745,455	645,790,123	(1,261,697,285)	3,530,520,898
Share of (losses)/profits of associates and joint ventures	–	–	–	(52,640)	38,088,347	(840,188)	33,326,943	70,522,462
Profit/(loss) before income tax	957,485,180	1,560,659,759	164,724,775	527,760,251	973,833,802	644,949,935	(1,228,370,342)	3,601,043,360
Interest expenses (Note)	(33,265,237)	(484,550,097)	(1,351,595,028)	(506,339,733)	(55,536,621)	(938,511,844)	102,215,400	(3,267,583,160)
Depreciation and amortization expenses	(5,690,042)	(7,001,018)	(5,081,905)	(18,335,009)	(13,238,920)	(108,660,930)	(72,359,890)	(230,367,714)
Reversal of/(provision for) impairment losses	6,962,044	3,280,107	–	1,111,551	–	(3,091,582)	50,344,367	58,606,487

(Expressed in RMB, unless otherwise stated)

51 Segment Reporting (continued)

(a) Segment results (continued)

	Year ended 31 December 2016						
	Investment Banking	Equities	FICC	Wealth Management	Investment Management	Others	Total
Segment revenue							
– Fee and commission income	2,772,726,196	1,395,864,143	363,914,008	735,004,472	803,140,108	25,645	6,070,674,572
– Interest income	5,190,523	286,924,765	105,154,099	446,136,635	14,132,071	126,047,787	983,585,880
– Investment income	129,124,481	534,139,359	543,132,304	183,667,377	255,790,298	58,276,989	1,704,130,808
– Other operating income, net	76,157,326	13,210,933	26,946,669	28,580,665	473,210	37,576,664	182,945,467
Segment revenue and other income	2,983,198,526	2,230,139,200	1,039,147,080	1,393,389,149	1,073,535,687	221,927,085	8,941,336,727
Segment expenses	(1,598,284,166)	(986,341,756)	(1,030,211,084)	(1,005,047,543)	(720,580,610)	(1,326,767,834)	(6,667,232,993)
Segment operating profit/(loss)	1,384,914,360	1,243,797,444	8,935,996	388,341,606	352,955,077	(1,104,840,749)	2,274,103,734
Share of profits of associates and joint ventures	–	–	–	–	35,289,708	20,260,479	55,550,187
Profit/(loss) before income tax	1,384,914,360	1,243,797,444	8,935,996	388,341,606	388,244,785	(1,084,580,270)	2,329,653,921
Interest expenses (Note)	(54,932,309)	(170,522,405)	(721,426,052)	(314,086,457)	(93,390,877)	65,334,961	(1,289,023,139)
Depreciation and amortization expenses	(3,762,113)	(6,646,511)	(5,434,755)	(15,843,460)	(10,104,187)	(30,708,408)	(72,499,434)
(Provision for)/reversal of impairment losses	(8,742,107)	(2,341,474)	18,561	(30,468,665)	–	–	(41,533,685)

Note: The Group allocates interest expenses across the reportable segments according to the capital used during the reporting periods for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

(Expressed in RMB, unless otherwise stated)

51 Segment Reporting (continued)

(b) Geographical information

The following table sets out the Group's operating income from external clients and the Group's non-current assets (excluding available-for-sale financial assets, deferred tax assets and reverse REPOs, same as below) in terms of geographical locations. The geographical locations of the operating income from external clients are identified based on the locations of the clients to whom the services are rendered. The geographical locations of the non-current assets are identified based on the locations where the fixed assets are located or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers Year ended 31 December	
	2017	2016
Mainland China	**12,589,486,164**	6,913,977,857
Outside Mainland China	**2,670,756,396**	2,027,358,870
Total	**15,260,242,560**	8,941,336,727

	Non-current assets As at 31 December	
	2017	2016
Mainland China	**6,700,115,080**	1,595,326,553
Outside Mainland China	**860,312,247**	257,954,710
Total	**7,560,427,327**	1,853,281,263

Reconciliation of segment non-current assets:

	Non-current assets As at 31 December	
	2017	2016
Total non-current assets for segments	**25,852,713,418**	4,420,390,849
Elimination of inter-segment non-current assets	**(18,292,286,091)**	(2,567,109,586)
Total	**7,560,427,327**	1,853,281,263

51 Segment Reporting (continued)

(c) Major clients

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the year.

52 Fair Value Information

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, their carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flows or other valuation techniques.

(iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 44. The carrying amounts of short-term debt securities issued approximate their fair values.

(iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate the fair values.

52 Fair Value Information (continued)

(a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level II valuations: Fair value measured using Level II inputs, i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

(Expressed in RMB, unless otherwise stated)

52 Fair Value Information (continued)

(a) Financial assets and liabilities measured at fair value (continued)

The tables below analyze financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	As at 31 December 2017			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Equity investments	14,481,171,235	6,402,825,071	–	20,883,996,306
– Debt investments	7,987,691,486	37,803,171,393	980,130,000	46,770,992,879
– Funds and other investments	1,882,010,847	2,385,910,631	5,235,229	4,273,156,707
Financial assets designated as at fair value through profit or loss				
– Equity investments	17,864,495,511	181,717,563	–	18,046,213,074
– Debt investments	–	167,524,609	–	167,524,609
– Funds and other investments	–	6,869,827,357	–	6,869,827,357
Derivative financial assets	13,575,605	3,434,340,884	–	3,447,916,489
Available-for-sale financial assets				
– Equity investments	56,281,305	12,084,840	1,231,998,246	1,300,364,391
– Debt investments	4,677,778,640	12,748,336,331	–	17,426,114,971
– Funds and other investments	527,121	170,369,971	–	170,897,092
Total	46,963,531,750	70,176,108,650	2,217,363,475	119,357,003,875
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(1,660)	(241)	–	(1,901)
– Debt investments	–	(822,546,784)	–	(822,546,784)
– Funds and other investments	–	(846,917,234)	–	(846,917,234)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	(945,835,168)	(9,578,941,084)	–	(10,524,776,252)
Derivative financial liabilities	(10,585,083)	(3,437,755,911)	–	(3,448,340,994)
Total	(956,421,911)	(14,686,161,254)	–	(15,642,583,165)

(Expressed in RMB, unless otherwise stated)

52 Fair Value Information (continued)

(a) **Financial assets and liabilities measured at fair value** (continued)

	As at 31 December 2016			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Equity investments	8,415,171,966	240,664,852	–	8,655,836,818
– Debt investments	2,800,615,145	17,842,397,802	–	20,643,012,947
– Funds and other investments	702,770,435	2,451,604,643	8,069,097	3,162,444,175
Financial assets designated as at fair value through profit or loss				
– Equity investments	12,058,862,161	189,626,159	–	12,248,488,320
– Funds and other investments	–	10,445,059,430	–	10,445,059,430
Derivative financial assets	39,976,985	1,682,029,539	–	1,722,006,524
Available-for-sale financial assets				
– Equity investments	20,351,940	–	1,012,289,275	1,032,641,215
– Funds and other investments	434,267	–	10,000,000	10,434,267
Total	24,038,182,899	32,851,382,425	1,030,358,372	57,919,923,696
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(9,235,906)	(258)	–	(9,236,164)
– Debt investments	–	(2,117,463,083)	–	(2,117,463,083)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	(254,349,156)	(7,361,559,114)	–	(7,615,908,270)
Derivative financial liabilities	(29,685,607)	(1,646,745,463)	–	(1,676,431,070)
Total	(293,270,669)	(11,125,767,918)	–	(11,419,038,587)

(Expressed in RMB, unless otherwise stated)

52 Fair Value Information (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 31 December	
	2017	2016
Financial assets at fair value through profit or loss	**1,519,884,063**	249,756,216

For the years ended 31 December 2017 and 2016, there were no other significant transfer between Level I and Level II of the fair value hierarchy.

(ii) *Information about Level III fair value measurements*

As at 31 December 2017 and 2016, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**
As at 1 January 2017	**8,069,097**	**1,022,289,275**
Gains or losses for the year	**82,778,560**	**321,626,128**
Changes in fair value recognized in other comprehensive income	**–**	**5,251,201**
Arising from acquisition of a subsidiary	**–**	**83,855,404**
Purchases	**913,481,160**	**352,739,461**
Sales and settlements	**(18,963,588)**	**(541,678,588)**
Transfer out of Level III	**–**	**(12,084,635)**
As at 31 December 2017	**985,365,229**	**1,231,998,246**
Total gains or losses for the year included in profit or loss for assets held at the end of the year	**82,922,660**	**173,981,544**

(Expressed in RMB, unless otherwise stated)

52 Fair Value Information (continued)

(a) **Financial assets and liabilities measured at fair value** (continued)

(ii) Information about Level III fair value measurements (continued)

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial liabilities
As at 1 January 2016	392,480,728	1,178,744,923	(15,098,759)
Gains or losses for the year	3,923,673	215,505,396	(29,418,183)
Changes in fair value recognized in other comprehensive income	–	(9,016,524)	–
Purchases	8,976,855	352,560,876	–
Sales and settlements	(397,312,159)	(715,505,396)	44,516,942
As at 31 December 2016	8,069,097	1,022,289,275	–
Total gains or losses for the year included in profit or loss for assets held at the end of the year	(907,758)	175,519,108	–

52 Fair Value Information (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Information about Level III fair value measurements (continued)

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds and other investments	Level III	Allocated net assets value	Net asset value	The higher the allocated net assets value, the higher the fair value
Unlisted equity investments	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group, which are classified as Level II categories and disclosed in Note 44.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortized cost in the Group's statement of financial position approximate their fair values.

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management

The Group monitors and controls key exposures to the credit risk, liquidity risk and market risk from its use of financial instruments.

(a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debt borrowers or bond issuers' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts; (2) Credit risk from a counterparty's default on the OTC derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) The settlement risk from a business partner's failure in delivery of funds or securities when the Group has fulfilled its delivery obligation.

The Group adopted the following measures to manage credit risk in the trading and investment activities: setting up investment criteria and limits on products and issuers; reviewing credit terms in agreements with counterparties; and monitoring the credit exposure to counterparties.

The Group has adopted the following measures to manage credit risk in capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.

(i) Maximum exposure to credit risk of the Group without taking into account of any collateral or other credit enhancements

	As at 31 December	
	2017	2016
Refundable deposits	**2,785,186,146**	1,023,609,582
Financial assets at fair value through profit or loss	**46,967,273,718**	20,643,012,947
Derivative financial assets	**3,434,340,884**	1,682,029,539
Reverse REPOs	**14,438,273,927**	3,939,568,791
Receivable from margin clients	**21,882,853,461**	3,045,177,445
Available-for-sale financial assets	**17,426,114,971**	–
Cash held on behalf of brokerage clients	**44,226,142,219**	16,717,391,180
Bank balances	**18,130,627,161**	10,504,374,935
Accounts receivable	**9,401,697,222**	6,581,290,461
Others	**1,470,485,414**	480,752,367
Total maximum credit risk exposure	**180,162,995,123**	64,617,207,247

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management (continued)

(a) Credit risk (continued)

(ii) Risk concentrations

The Group's maximum credit risk exposure categorized by geographical area without taking into account of any collateral and other credit enhancements:

	By geographical area		
	Mainland China	**Outside Mainland China**	**Total**
31 December 2017			
Refundable deposits	**2,482,895,963**	**302,290,183**	**2,785,186,146**
Financial assets at fair value through profit or loss	**46,748,451,164**	**218,822,554**	**46,967,273,718**
Derivative financial assets	**2,164,939,632**	**1,269,401,252**	**3,434,340,884**
Reverse REPOs	**13,921,117,095**	**517,156,832**	**14,438,273,927**
Receivable from margin clients	**20,895,980,306**	**986,873,155**	**21,882,853,461**
Available-for-sale financial assets	**15,499,805,407**	**1,926,309,564**	**17,426,114,971**
Cash held on behalf of brokerage clients	**39,210,288,875**	**5,015,853,344**	**44,226,142,219**
Bank balances	**15,106,403,437**	**3,024,223,724**	**18,130,627,161**
Accounts receivable	**3,761,966,527**	**5,639,730,695**	**9,401,697,222**
Others	**1,374,572,896**	**95,912,518**	**1,470,485,414**
Total maximum credit risk exposure	**161,166,421,302**	**18,996,573,821**	**180,162,995,123**

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2016			
Refundable deposits	894,944,862	128,664,720	1,023,609,582
Financial assets at fair value through profit or loss	20,215,751,419	427,261,528	20,643,012,947
Derivative financial assets	551,316,352	1,130,713,187	1,682,029,539
Reverse REPOs	3,678,970,520	260,598,271	3,939,568,791
Receivable from margin clients	2,621,195,130	423,982,315	3,045,177,445
Cash held on behalf of brokerage clients	14,361,703,849	2,355,687,331	16,717,391,180
Bank balances	7,312,284,678	3,192,090,257	10,504,374,935
Accounts receivable	1,832,275,560	4,749,014,901	6,581,290,461
Others	451,719,078	29,033,289	480,752,367
Total maximum credit risk exposure	51,920,161,448	12,697,045,799	64,617,207,247

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management (continued)

(a) **Credit risk** (continued)

(iii) Credit rating analysis of financial assets

The Group refers the credit ratings of its debt securities to the credit ratings of the debt securities or the debt securities' issuers from Bloomberg comprehensive ratings or the local major rating agencies. The carrying amount of debt securities investments analyzed by the rating agency designations at the end of the reporting periods are as follows:

	As at 31 December	
	2017	2016
Outside Mainland China (by international rating agencies)		
– AAA	**11,898,782**	207,500,287
– From AA- to AA+	**85,797,055**	103,432,866
– From A- to A+	**2,987,295,466**	1,458,846,099
– Below A-	**7,234,437,261**	2,047,591,703
Sub-total	**10,319,428,564**	3,817,370,955
Mainland China (by domestic rating agencies)		
– AAA	**34,405,865,376**	12,655,508,993
– From AA- to AA+	**5,141,572,582**	978,824,661
– From A- to A+	**89,000,000**	43,000,000
– Below A-	**10,630,108**	–
Sub-total	**39,647,068,066**	13,677,333,654
Non-rated I (Note 1)	**7,438,391,798**	2,015,978,399
Non-rated II (Note 2)	**6,988,500,261**	1,132,329,939
Total	**64,393,388,689**	20,643,012,947

Note 1: These non-rated financial assets mainly include government bonds, central bank bills, policy financial bonds, non-rated local government bonds and Special Drawing Rights ("SDR") denominated bonds.

Note 2: These non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies.

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk refers to the risks arising from the Group's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

The Group implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on regulatory requirement and the Group's overall situation; conducting cash flow forecast and stress testing on liquidity risk indicators on a regular and irregular basis to analyze and assess the liquidity risk exposure; holding cash balances in hand and substantial high-quality liquid asset for a long term to support normal business operations, and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the year), categorized by their remaining contractual maturities at the end of the year calculated based on the earliest date the Group can be required to pay:

	As at 31 December 2017					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	47,346,517,792	–	–	–	–	47,346,517,792
Placements from financial institutions	–	10,517,039,490	–	–	–	10,517,039,490
Financial liabilities at fair value through profit or loss	–	12,194,242,171	–	–	–	12,194,242,171
Derivative financial liabilities	–	3,148,791,177	299,549,817	–	–	3,448,340,994
REPOs	–	30,758,576,151	–	–	–	30,758,576,151
Short-term debt securities issued	–	10,933,706,871	–	–	–	10,933,706,871
Long-term debt securities issued	–	7,243,188,060	48,150,012,625	2,077,070,000	–	57,470,270,685
Others	14,789,727,641	11,289,271,945	2,109,917,102	2,759,015	–	28,191,675,703
Total	62,136,245,433	86,084,815,865	50,559,479,544	2,079,829,015	–	200,860,369,857

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management (continued)

(b) Liquidity risk (continued)

	As at 31 December 2016					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	17,392,360,452	–	–	–	–	17,392,360,452
Placements from financial institutions	–	3,582,117,222	–	–	–	3,582,117,222
Financial liabilities at fair value through profit or loss	–	9,742,607,517	–	–	–	9,742,607,517
Derivative financial liabilities	–	1,454,213,190	222,217,880	–	–	1,676,431,070
REPOs	–	5,407,474,573	107,000,000	–	–	5,514,474,573
Short-term debt securities issued	–	654,111,473	2,151,116,438	–	–	2,805,227,911
Long-term debt securities issued	–	652,311,875	19,757,747,500	2,146,140,000	–	22,556,199,375
Others	9,222,180,284	8,169,265,647	2,675,978	3,499,488	–	17,397,621,397
Total	26,614,540,736	29,662,101,497	22,240,757,796	2,149,639,488	–	80,667,039,517

(c) Market risk

Market risk is the risk of loss in the Group's income and value of financial instruments held arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and etc. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximize the risk adjusted return. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

(i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities and available-for-sale financial assets. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis, stress test, and etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

53 Financial Risk Management (continued)

(c) **Market risk** (continued)

(i) Market risk of investment portfolios (continued)

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to the adverse market movements, such as interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group compute VaR by using a historical simulation method and implement relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

– When there is severe market illiquidity for a prolonged period, the realizable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;

– The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and

– The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management (continued)

(c) **Market risk** (continued)

(i) Market risk of investment portfolios (continued)

The following tables set forth the Group (excluding CISC) computed VaRs by risk categories as of the dates and for the years of 2017 and 2016 respectively:

		For the year ended 31 December 2017		
	As at 31 December 2017	**Average**	**Highest**	**Lowest**
Price-sensitive financial instruments	**50,069,733**	**24,772,390**	**50,890,817**	**6,037,812**
Interest-rate-sensitive financial instruments	**35,152,513**	**28,075,901**	**40,290,082**	**19,351,240**
Exchange-rate-sensitive financial instruments	**20,612,420**	**10,832,594**	**21,498,471**	**5,123,628**
Total portfolio	**71,607,917**	**42,367,250**	**73,762,052**	**23,402,695**

		For the year ended 31 December 2016		
	As at 31 December 2016	Average	Highest	Lowest
Price-sensitive financial instruments	11,808,293	10,028,777	20,130,221	2,271,047
Interest-rate-sensitive financial instruments	24,091,328	22,357,613	28,431,350	15,675,647
Exchange-rate-sensitive financial instruments	7,641,385	9,380,023	15,659,515	5,180,069
Total portfolio	29,686,979	27,366,626	35,990,332	21,212,473

(Expressed in RMB, unless otherwise stated)

53 Financial Risk Management (continued)

(c) **Market risk** (continued)

(i) Market risk of investment portfolios (continued)

The Company acquired 100% equity interests in CISC in March 2017. The following table sets forth the Group (including CISC) computed VaRs by risk categories as of the dates and for the year of 2017:

	As at 31 December 2017	For the year ended 31 December 2017 Average	Highest	Lowest
Price-sensitive financial instruments	**57,015,113**	**26,997,690**	**59,398,188**	**6,037,812**
Interest-rate-sensitive financial instruments	**43,486,492**	**36,726,175**	**50,399,277**	**19,351,240**
Exchange-rate-sensitive financial instruments	**20,612,420**	**10,832,594**	**21,498,471**	**5,123,628**
Total portfolio	**83,306,657**	**50,121,176**	**83,598,736**	**23,402,695**

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity As at 31 December 2017	2016
Change in basis points		
Increase by 50 basis points	**(170,963,514)**	(45,389,091)
Decrease by 50 basis points or decrease to 0	**196,251,104**	45,882,054

53 Financial Risk Management (continued)

(c) **Market risk** (continued)

(ii) Market risk of non-trading portfolios (continued)

(1) Interest rate risk (continued)

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

– The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rate;

– There are no changes to the assets and liabilities portfolios;

– Other variables (including exchange rate) remain unchanged; and

– Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

(2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency and is considered not material, because the proportion of the non-trading portfolios denominated in foreign currencies is relatively low.

(Expressed in RMB, unless otherwise stated)

54 Acquisition of a Subsidiary

The Company acquired 100% equity interests in CISC in March 2017 and completed the issuance of 1,678,461,809 domestic shares to Huijin on 12 April 2017. After completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809. This transaction will help the Company further broaden its customer base, achieve a deeper penetration in the large, medium and small enterprises as well as institutional and individual customers, and build a more balanced business structure across the primary and secondary markets, so as to enhance the Company's ability to weather risks and volatility in the capital market and greatly enhance its overall competitiveness.

CISC was formed out of the securities-related assets from China Southern Securities Joint Stock Co., Ltd., one of the first PRC securities service providers. Leveraging its proven track record and full securities business licenses, CISC provides a comprehensive range of securities products and services to serve various needs of corporate, individual, institutional and government clients.

(a) Consideration transferred

	Amount
Equity instruments (1,678,461,809 domestic shares)	**16,700,695,000**

(b) Acquisition-related costs

The costs incurred for the Group in connection with the Acquisition amounted to RMB56 million. These costs have been capitalized or expensed in accordance with the relevant accounting standards.

(Expressed in RMB, unless otherwise stated)

54 Acquisition of a Subsidiary (continued)

(c) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	As at 31 March 2017
Property and equipment	253,317,152
Intangible assets	174,489,321
Interest in associates	233,543,117
Available-for-sale financial assets	960,155,080
Reverse REPOs	6,649,861,504
Refundable deposits	125,974,132
Deferred tax assets	471,422,525
Accounts receivable	397,501,395
Receivable from margin clients	18,092,290,291
Financial assets at fair value through profit or loss	7,467,010,890
Interest receivable	1,232,403,220
Cash held on behalf of brokerage clients	30,614,360,425
Cash and bank balances	7,631,792,908
Other assets	1,475,519,356
Accounts payable to brokerage clients	(30,683,170,163)
Placements from financial institutions	(315,169,000)
REPOs	(14,844,988,519)
Employee benefits payable	(1,604,618,460)
Income tax payable	(236,516,976)
Debt securities issued	(10,010,867,136)
Deferred tax liabilities	(223,781,282)
Other liabilities	(2,636,314,294)
Net assets	15,224,215,486

(d) Goodwill arising from acquisition

	As at 31 March 2017
Consideration transferred	16,700,695,000
Plus: Non-controlling interests	106,199,132
Less: Net identifiable assets acquired	15,224,215,486
Goodwill arising from acquisition	1,582,678,646

54 Acquisition of a Subsidiary (continued)

(d) Goodwill arising from acquisition (continued)

Goodwill arose in the acquisition of CISC because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from the acquisition is expected to be deductible for tax purposes.

(e) Impact of acquisition of CISC on the results of the Group

From 1 January 2017 to 31 December 2017, the total revenue and profit for the year that CISC generated is 5,506 million and 799 million. As the Acquisition occurred in March, CISC contributed revenue of RMB4,087 million and profit of RMB480 million to the Group's results.

55 Capital Management

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximize returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction which may be significantly different from the regulations in other jurisdictions. The Company calculates regulatory capital in accordance with the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (CSRC Announcement [2016] No. 10) issued by the CSRC on 16 June 2016.

(Expressed in RMB, unless otherwise stated)

55 Capital Management (continued)

In accordance with CSRC Announcement [2016] No. 10, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) Risk Coverage Ratio (Net capital/Total risk capital reserves × 100%) shall be no less than 100% ("Ratio 1");

(ii) Capital Leverage Ratio (Core net capital/Total balance sheet & off-balance sheet assets × 100%) shall be no less than 8% ("Ratio 2");

(iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days × 100%) shall be no less than 100% ("Ratio 3");

(iv) Net Stable Funding Ratio (Available amount of stable funding/Required amount of stable funding × 100%) shall be no less than 100% ("Ratio 4");

(v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");

(vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");

(vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");

(viii) The ratio of the value of equity securities and related derivatives held divided by net capital shall not exceed 100% ("Ratio 8");

(ix) The ratio of the value of non-equity securities and related derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

As at 31 December 2017 and 2016, the Company maintained the above ratios as follows:

	As at 31 December	
	2017	2016
Net Capital	**19,347,368,732**	14,164,169,146
Ratio 1	**137.16%**	144.90%
Ratio 2	**10.40%**	14.76%
Ratio 3	**354.84%**	227.31%
Ratio 4	**129.42%**	130.32%
Ratio 5	**57.47%**	84.06%
Ratio 6	**23.61%**	34.77%
Ratio 7	**41.08%**	41.37%
Ratio 8	**51.20%**	46.87%
Ratio 9	**269.92%**	242.93%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, and etc.

The above data is calculated based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises.

(Expressed in RMB, unless otherwise stated)

56 Statement of Financial Position of the Company

	Note	As at 31 December 2017	2016
Non-current assets:			
Property and equipment		**241,333,641**	223,217,923
Intangible assets		**41,583,600**	1,263,572
Interest in subsidiaries	57	**21,621,245,353**	4,772,542,988
Interest in associates and joint ventures		**362,474,368**	309,676,508
Reverse REPOs		**286,485,767**	–
Refundable deposits		**1,019,638,439**	1,075,203,978
Deferred tax assets		**571,311,196**	737,442,581
Other non-current assets		**66,217,926**	44,218,552
Total non-current assets		**24,210,290,290**	7,163,566,102
Current assets:			
Accounts receivable		**3,109,363,064**	1,820,473,236
Receivable from margin clients		**2,601,117,119**	2,621,195,130
Available-for-sale financial assets		**12,441,158,265**	434,267
Financial assets at fair value through profit or loss		**57,636,833,184**	36,726,065,593
Derivative financial assets		**2,174,603,119**	610,189,406
Reverse REPOs		**7,512,429,927**	3,045,270,301
Interest receivable		**799,484,436**	434,951,931
Cash held on behalf of brokerage clients		**14,817,565,572**	11,080,975,024
Cash and bank balances		**5,112,381,051**	5,176,262,871
Other current assets		**77,070,429**	54,582,419
Total current assets		**106,282,006,166**	61,570,400,178
Total assets		**130,492,296,456**	68,733,966,280

(Expressed in RMB, unless otherwise stated)

56 Statement of Financial Position of the Company (continued)

	Note	As at 31 December 2017	2016
Current liabilities:			
Financial liabilities at fair value through profit or loss		**473,797,949**	1,828,406,388
Derivative financial liabilities		**895,172,310**	807,708,721
Accounts payable to brokerage clients		**14,893,153,400**	11,148,640,706
Placements from financial institutions		**5,036,719,092**	3,186,230,000
Short-term debt securities issued		**6,724,300,000**	2,649,593,509
REPOs		**20,156,178,836**	3,906,305,792
Employee benefits payable		**2,421,535,592**	2,178,304,517
Income tax payable		**82,411,622**	432,117,526
Long-term debt securities issued due within one year		**1,068,850,000**	–
Other current liabilities		**13,265,220,399**	9,972,110,879
Total current liabilities		**65,017,339,200**	36,109,418,038
Net current assets		**41,264,666,966**	25,460,982,140
Total assets less current liabilities		**65,474,957,256**	32,624,548,242
Non-current liabilities:			
Non-current employee benefits payable		**358,059,642**	374,206,235
Long-term debt securities issued		**31,454,608,925**	15,400,000,000
Total non-current liabilities		**31,812,668,567**	15,774,206,235
Net assets		**33,662,288,689**	16,850,342,007
Equity:			
Share capital	46	**3,985,130,809**	2,306,669,000
Other equity instruments	47	**1,000,000,000**	1,000,000,000
Reserves	46	**27,001,941,190**	11,813,629,777
Retained profits		**1,675,216,690**	1,730,043,230
Total equity		**33,662,288,689**	16,850,342,007

(Expressed in RMB, unless otherwise stated)

57 Interest in Subsidiaries

	As at 31 December	
	2017	2016
Unlisted shares, at cost or deemed cost	**21,621,245,353**	4,772,542,988

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2017	2016	Principal activity	Auditor[1]
CICC Hong Kong	Hong Kong	HKD1,349,400,000	**100%**	100%	Overseas investment holding business	KPMG
CISC	Shenzhen, PRC	RMB8,000,000,000	**100%**	–	Investment banking and securities brokerage business	KPMG PRC
CICC Capital management Co., Ltd	Beijing, PRC	RMB899,377,084	**100%**	–	Direct investment business	KPMG PRC
CICC Pucheng Investment Corporation Limited	Shanghai, PRC	RMB300,000,000	**100%**	100%	Financial products Investment business	KPMG PRC
CICC Fund Management Co., Ltd.	Beijing, PRC	RMB250,000,000	**100%**	100%	Management of mutual funds business	KPMG PRC
CICC Futures	Xining, PRC	RMB350,000,000	**100%**	100%	Futures brokerage business	KPMG PRC
CICC Jiacheng Investment Management Co., Ltd.[3]	Beijing, PRC	RMB410,000,000	**100%**	100%	Direct investment business	KPMG PRC
CICC Zhide Capital Co., Ltd.[3]	Shanghai, PRC	RMB100,000,000	**100%**	100%	Direct investment business	KPMG PRC
China International Capital Corporation Hong Kong Securities Limited [3]	Hong Kong	HKD843,220,000	**100%**	100%	Investment banking and securities brokerage business	KPMG

Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

57 Interest in Subsidiaries (continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2017	2016	Principal activity	Auditor[(1)]
CICC Financial Products Ltd. [(3)]	British Virgin Islands	USD1	**100%**	100%	Financial products investment business	KPMG
CICC Hong Kong Asset Management Limited [(3)]	Hong Kong	HKD245,740,000	**100%**	100%	Assets management	KPMG
China International Capital Corporation (Singapore) Pte. Limited [(3)]	Singapore	SGD52,000,000	**100%**	100%	Investment banking and securities brokerage business	KPMG Singapore
China International Capital Corporation (UK) Limited [(3)]	UK	GBP21,000,000	**100%**	100%	Investment banking and securities brokerage business	KPMG UK
CICC US Securities, Inc. [(3)]	USA	USD61,000,000	**100%**	100%	Investment banking and securities brokerage business	KPMG US
China International Capital Corporation Hong Kong Futures Limited [(3)]	Hong Kong	HKD36,000,000	**100%**	100%	Futures brokerage business	KPMG
CICC Financial Trading Limited [(3)]	Hong Kong	HKD1	**100%**	100%	Securities business	KPMG
CICC Investment Group Company Limited [(2)] [(3)]	British Virgin Islands	USD100	**100%**	100%	Investment holding business	–
CICC Investment Management Co. Ltd. [(2)] [(3)]	Cayman Islands	USD1	**100%**	100%	Direct investment business	–
CICC Jiahe (Tianjin) Equity Investment Fund Management Limited [(3)]	Tianjin, PRC	RMB100,000,000	**100%**	100%	Direct investment business	KPMG PRC
CICC Capital (Cayman) Limited[(3)]	Cayman Islands	USD1	**100%**	100%	Direct investment business	–

57 Interest in Subsidiaries (continued)

Note:

(1) Statutory auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)), a firm of certified public accountants registered in the PRC. The official name of KPMG Huazhen LLP is in Chinese;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- KPMG Singapore represents KPMG Service Pte. Ltd. in Singapore, a firm of certified public accountants registered in Singapore;
- KPMG UK represents KPMG LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland; and
- KPMG US represents KPMG LLP in the US, a firm of certified public accountants registered in the United States of America.

(2) These subsidiaries were not subject to statutory audit according to the local regulations.

(3) The equity interest of these subsidiaries were indirectly held by the Company.

58 Contingencies

As at 31 December 2017, the Company's subsidiary CISC held one piece of land under construction for which CISC had obtained the corresponding land use right certificates and construction permits required under PRC laws. Up to the date of approving the financial statements, construction of the land has not commenced. According to relevant laws and regulations, in the event of delay in commencement of construction work on land, CISC may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or force majeure, CISC may negotiate with relevant government authorities for postponing the commencement date and extending the time period for the development and construction of the land. CISC received the idle land verification from relevant government authorities on 1 February 2018. According to this verification, the aforesaid land was recognized as idle land, and the idling was caused by government and corporate reasons. Upon now, CISC is still in the process of communicating with the relevant government authorities for postponing the construction commencement date and for extending the construction period. The amount of fee is subject to the decision of the relevant government authorities, and CISC is of the view that such amount cannot be reliably measured. As such, no relevant accured liabilities was recognized as at 31 December 2017.

Except for the above, the Group has no other outstanding matters which have a material impact on its consolidated financial position as at 31 December 2017.

Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

59 Subsequent Events

(a) Issuance of corporate bonds

(i) The Group issued a corporate bond with a total principal amount of RMB2 billion on 26 January 2018. The corporate bond is divided into two types:

– Type one bears interest at a rate of 5.58% per annum with a principal amount of RMB1 billion and maturity date of 26 January 2020;

– Type two bears interest at a rate of 5.70% per annum with a principal amount of RMB1 billion and maturity date of 26 January 2021.

(ii) The Group issued a corporate bond with a total principal amount of RMB1 billion on 23 March 2018, bearing interest at a rate of 5.95% per annum and maturity date of 23 March 2021.

(b) Issuance and repayment of beneficiary certificates

During the period from 1 January 2018 to the date of approval of these financial statements, the Group issued and redeemed beneficiary certificates with total principal amounts of RMB4.75 billion and RMB5.73 billion, respectively.

(c) Issuance of structured notes

During the period from 1 January 2018 to the date of approval of these financial statements, the Group issued structured notes with total principal amounts of RMB70 million, HKD234 million and USD252 million, respectively, and redeemed with a total principal amount of USD68 million.

(d) Drawdown of a medium-term note

On 7 February 2018, the Group drew down a medium-term note with a total principal amount of USD0.10 billion and the maturity date of 7 November 2018.

(e) Issuance of shares

On 23 March 2018, the Company issued 207,537,059 Shares to Tencent Mobility Limited (wholly-owned subsidiary of Tencent Holdings Limited). Correspondingly, the total issued Shares of the Company has been increased to 4,192,667,868 Shares, which was divided into 2,464,953,440 domestic Shares and 1,727,714,428 H Shares.

(f) Proposed profit distribution after the reporting period

In accordance with the 2017 profit distribution plan approved by the Board of Directors on 23 March 2018, the Company proposed cash dividends RMB670,826,858.88 (tax inclusive) in total. On the basis of 4,192,667,868 shares issued to the date of these financial statements, a cash dividend of RMB1.6 (tax inclusive) for every ten shares held will be distributed

Appendix

Company Business Qualifications

(1) In 1995, obtained license for operating foreign exchange business, the State Administration of Foreign Exchange (replaced by license of securities business in foreign currency in 2015)

(2) In 1996, qualification of member of the Shanghai Stock Exchange, the Shanghai Stock Exchange

(3) In 1997, qualification of member of the Shenzhen Stock Exchange, the Shenzhen Stock Exchange

(4) In 1999, qualification for underwriting business, proprietary trading and brokerage business for domestic and overseas government bonds, debenture and corporate bonds, the CSRC

(5) In 1999, obtained approval to enter the national interbank market, the PBOC

(6) In 2000, qualification of member of National Debt Association of China, the National Debt Association of China

(7) In 2001, qualification for RMB ordinary equities brokerage business, the CSRC

(8) In 2002, qualification for securities investment advisory business, the CSRC

(9) In 2002, qualification for entrusted investment management business, the CSRC

(10) In 2004, obtained approval to become one of the first batch of sponsor institutions, the CSRC

(11) In 2004, qualification for internet securities entrustment business, the CSRC

(12) In 2004, qualification of sales agent for open-ended securities investment funds, the CSRC

(13) In 2004, securities firm engaging in innovative activities, the SAC

(14) In 2004, qualification of SSF investment manager, the SSF

(15) In 2005, obtained approval to set up collective asset management plans for CICC's short-term bonds, the CSRC

(16) In 2005, qualification for underwriting business of short-term commercial papers, the PBOC

(17) In 2005, qualification for bond forward transactions business in the national interbank bond market, the PBOC

(18) In 2005, qualification of bilateral market maker for block transactions of bonds, the Shanghai Stock Exchange

(19) In 2005, qualification for warrant trading business, the Shanghai Stock Exchange

(20) In 2005, qualification of corporate annuity fund manager, the MOHRSS

(21) In 2005, qualification for foreign exchange asset management business, the SAC

(22) In 2006, qualification of first-class dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (i.e. ETF), the Shanghai Stock Exchange

(23) In 2006, qualification of SSF offshore investment manager, the SSF

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(24) In 2006, qualification of Participant of China Securities Depository and Clearing Corporation, the CSDC

(25) In 2007, approval of proposal of third party custodian for settlement funds of client transactions, the CSRC Beijing Bureau

(26) In 2007, qualification of dealer on Integrated Electronic Platform of Fixed-income Securities of the Shanghai Stock Exchange, the Shanghai Stock Exchange

(27) In 2007, engaged in offshore securities investment management business as a qualified domestic institutional investor (QDII), the CSRC

(28) In 2007, commence the business of "SSE Fund Connect (上證基金通)", the Shanghai Stock Exchange

(29) In 2007, obtained approval to commence direct investment business (through establishing a 100%-owned direct investment comapny), the CSRC

(30) In 2007, consent to engage in interbank market interest rate swap business, the CSRC

(31) In 2008, became Class A Clearing Participant of China Securities Depository and Clearing Corporation, the CSDC

(32) In 2008, lead underwriting qualification for short-term commercial paper, the PBOC

(33) In 2008, obtained approval to set up collective asset management plan for gains from CICC's enhanced bonds, the CSRC

(34) In 2009, qualification of member of the Tianjin Climate Exchange, the Tianjin Climate Exchange

(35) In 2010, qualification to commence RMB ordinary equities proprietary trading, the CSRC

(36) In 2010, qualification to provide introducing brokerage business to futures companies, the CSRC

(37) In 2010, market maker in the national interbank bond market,the PBOC

(38) In 2010, qualification to commence offshore securities investment specific asset management business, the CSRC

(39) In 2010, qualification of ordinary member of the Interbank Market Clearing House Co., Ltd., the Interbank Market Clearing House Co., Ltd.

(40) In 2010, business qualification for margin financing and securities lending, the CSRC

(41) In 2011, business qualification of Nominated Advisers & Brokers on the Third Board (Agency Share Transfer System), the SAC

(42) In 2011, obtained approval to increase agency sale institutions for collective asset management plan for gains from CICC's enhanced bonds and collective asset management plans for CICC's selective funds, the Beijing Bureau of the CSRC

(43) In 2011, qualification of member of book-entry government bond underwriting syndicates from 2012-2014, the MOF, the PBOC and the CSRC

(44) In 2011,obtained approval to set up investment funds for strategic emerging industries, the National Development and Reform Commission

(45) In 2012, qualification to commence placing business for SME bonds, the SAC

(46) In 2012, qualification for bond pledged quotation and repo transaction, the CSRC

(47) In 2012, qualification of insurance funds investment manager, the CIRC

(48) In 2012, authorization for trading in securities under repurchase agreements, the Shanghai Stock Exchange

(49) In 2012, business qualification to provide refinancing for margin financing and securities lending business, the CSF

(50) In 2012, expanded the financing investment of bond pledged quotation and repo transaction, the Shanghai Stock Exchange

(51) In 2012, consent to establish a professional subsidiary for commencing real estate direct investment fund business qualification association, the CSRC

(52) In 2013, qualification for over-the-counter trading business, the SAC

(53) In 2013, authorization for stock pledged repo transaction, the Shanghai Stock Exchange and Shenzhen Stock Exchange

(54) In 2013, qualification for equities swap transaction business, the SAC

(55) In 2013, qualification for agency business of financial products, the CSRC Beijing Bureau

(56) In 2013, qualifications for sponsor, brokerage business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(57) In 2013, business qualification for witnessing account opening, the CSDC

(58) In 2013, business qualification for split conversion and merger conversion of funds, the CSDC

(59) In 2013, qualification of advisory service for military industry and confidential business (renewed in 2017 with a valid term of 3 years), the SASTIND

(60) In 2013, authorization for trading in securities under repurchase agreement, the Shenzhen Stock Exchange

(61) In 2014, business qualification for mutual funds (through the promotion and establishment of a wholly-owned fund company), the CSRC

(62) In 2014, business for special institutional customers of insurance institutions, the CIRC

(63) In 2014, business qualification for internet account opening, the CSDC

(64) In 2014, qualifications for market-making business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(65) In 2014, qualification for Southbound Trading (Shanghai-Hong Kong Stock Connect), the Shanghai Stock Exchange

(66) In 2014, business qualification for over-the-counter issuance of beneficiary certificates, China Securities Inter-organization Quotation System Co., Ltd.

(67) In 2015, stock options brokerage business and proprietary trading business qualifications, the Shanghai Stock Exchange and Shenzhen Stock Exchange

(68) In 2015, qualification of internet finance business, the CSRC

(69) In 2015, qualification of integrated custodian business for private funds, the CSIPF

(70) In 2015, qualification of security agency business for long-distance pledge and registration business, the CSDC

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(71) In 2015, qualifications for spot precious metals agency business and spot gold proprietary trading business and member of the Shanghai Gold Exchange, the CSRC and the Shanghai Gold Exchange

(72) In 2015, qualification of custodian business for securities investment funds, the CSRC

(73) In 2016, business qualification of standard bond futures settlement with Shanghai Clearing House, Interbank Market Clearing House Co., Ltd.

(74) In 2016, qualification for Southbound Trading (Shenzhen-Hong Kong Stock Connect), the Shenzhen Stock Exchange

(75) In 2017, obtained the "Northbound Bond Connect" quotation bureau qualification granted by the National Interbank Funding Center, the China Foreign Exchange Trading System & National Interbank Funding Center

(76) In 2017, replaced the original permit to operate securities business with the permit to operate securities and futures business, the CSRC