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

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

(Stock Code: 6030)

2019 INTERIM RESULTS ANNOUNCEMENT

The Board of CITIC Securities Company Limited is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2019. This interim results announcement, containing the full text of the 2019 interim report of the Company, and complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information accompanying the preliminary announcement of interim results. The 2019 interim results announcement of the Company is available for viewing on the HKExnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.cs.ecitic.com>.

IMPORTANT NOTICE

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

This interim results announcement was considered and approved at the 44th Meeting of the Sixth Session of the Board. All Directors attended the meeting. No Director raised any objection to this interim results announcement.

The 2019 interim financial statements of the Company were unaudited. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers issued review opinions in accordance with the China and international review standards, respectively.

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

There was no profit distribution plan or plan of conversion of the capital reserve into the share capital of the Company for the first half of 2019.

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

There was no appropriation of funds of the Company by the related/connected parties for non-operating purposes.

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

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

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CHAPTER I DEFINITIONS

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

“A Share(s)”	the domestic Share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the SSE (stock code: 600030)
“A Shareholder(s)”	holder(s) of A Shares
“Board”	the board of the Company
“CITIC Corporation Limited”	CITIC Corporation Limited (中國中信有限公司)
“CITIC Futures”	CITIC Futures Company Limited (中信期貨有限公司)
“CITIC Global Trade”	CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿(上海)有限公司)
“CITIC GoldStone Fund”	CITIC GoldStone Fund Management Company Limited
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“CITIC PE Fund”	CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司)
“CITIC Securities Finance MTN”	CITIC Securities Finance MTN Co., Ltd.
“CITIC Securities Investment”	CITIC Securities Investment Limited (中信証券投資有限公司)
“CITIC Securities (Shandong)”	CITIC Securities (Shandong) Co., Ltd. (中信証券(山東)有限責任公司)
“China AMC”	China Asset Management Company Limited (華夏基金管理有限公司)
“CLSA”	the brand name of the offshore business of the Company
“CLSA B.V.”	Crédit Agricole Securities Asia B.V., a private limited company incorporated under the laws of the Netherlands and becoming a wholly-owned subsidiary of CSI on 31 July 2013
“Company” or “CITIC Securities”	CITIC Securities Company Limited (中信証券股份有限公司)
“Company Law”	the Company Law of the People’s Republic of China
“connected transaction(s)”	has the same meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
“CSDCC”	China Securities Depository and Clearing Corporation Limited
“CSI”	CITIC Securities International Co., Ltd. (中信証券國際有限公司)
“CSRC”	China Securities Regulatory Commission
“Financial Holdings Limited”	Guangzhou Yuexiu Financial Holdings Group Limited (廣州越秀金融控股集團有限公司)
“GoldStone Investment”	GoldStone Investment Co., Ltd. (金石投資有限公司)
“GoldStone Zexin”	GoldStone Zexin Investment Management Co., Ltd. (金石澤信投資管理有限公司)
“Group”	CITIC Securities Company Limited and its subsidiaries
“Guangzhou Securities”	Guangzhou Securities Company Limited (廣州證券股份有限公司)
“H Share(s)”	the overseas-listed foreign Share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6030)
“H Shareholder(s)”	holder(s) of H Shares

“HKEx”	Hong Kong Exchanges and Clearing Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jiantou Zhongxin”	Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司)
“Jindingxin Microfinance”	Qingdao Jindingxin Microfinance Company Limited (青島金鼎信小額貸款股份有限公司)
“Kington Securities”	Kington Securities Limited Liability Company (金通證券有限責任公司)
“Ministry of Finance”	the Ministry of Finance of the People’s Republic of China
“New OTC Market” or “NEEQ”	National Equities Exchange and Quotations
“NSSF”	National Social Security Fund of the PRC
“related party transaction(s)”	has the same meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time
“Reporting Period”	the six months ended 30 June 2019
“PRC” or “China”	the People’s Republic of China
“PwC Hong Kong”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“Securities Law”	the Securities Law of the People’s Republic of China
“Senior Management”	the senior management of the Company
“Share(s)”	A Share(s) and H Share(s)
“Shenzhen Securities Regulatory Bureau”	the Shenzhen Securities Regulatory Bureau of the CSRC
“SOE”	State-owned enterprise
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“STAR Market”	science and technology innovation board market
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Wind Info”	Wind Information Co., Ltd.
“Yuexiu Financial Holdings”	Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司)

CHAPTER II COMPANY INFORMATION AND MAJOR FINANCIAL INDICATORS

2.1 Company Information

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

Registered Capital and Net Capital

	As at the end of the Reporting Period (30 June 2019)	As at the end of last year (31 December 2018)
Registered Capital	12,116,908,400.00	12,116,908,400.00
Net Capital	95,159,742,582.35	91,996,332,088.63

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

Business Qualifications for Each Individual Business of the Company

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

In addition, the Company possesses the following business qualifications:

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

2.2 Contact Person and Methods

Secretary to the Board, Company Secretary	
Name	ZHENG Jing
Contact Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province (Note: This is a postal address and is in the same building as that of the registered address of the Company. The registered address of the Company corresponds to the name of the building registered with the Shenzhen Real Estate Ownership Registration Centre) CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Telephone	0086-755-23835383, 0086-10-60836030
Facsimile	0086-755-23835525, 0086-10-60836031
Email	ir@citics.com

2.3 Basic Information

During the Reporting Period, except for the change of business address in Hong Kong, there was no other change in the basic information of the Company.

Registered Address of the Company	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Postal Code of Registered Address of the Company	518048
Office Address of the Company	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Postal Code of Office Address of the Company	518048, 100026
Business Address in Hong Kong	18/F, One Pacific Place, 88 Queensway, Hong Kong
Website of the Company	http://www.cs.ecitic.com
Email	ir@citics.com
Telephone	0086-755-23835888, 0086-10-60838888
Facsimile	0086-755-23835861, 0086-10-60836029
Customer Service Hotline for Brokerage and Asset Management Business	95548, 4008895548
Investor Relations Hotline	0086-755-23835383, 0086-10-60836030
United Social Credibility Code	914403001017814402

2.4 Changes of Information Disclosure and Availability Places

Newspapers Designated for Information Disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times
The Websites designated for the Publication of the Interim Report of the Company	Website designated by the CSRC: http://www.sse.com.cn (website of the SSE) Website designated by the Hong Kong Stock Exchange: http://www.hkexnews.hk (HKExnews website of HKEx)
Places Where the Interim Report of the Company is Available	16/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province 10/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing 18/F, One Pacific Place, 88 Queensway, Hong Kong

2.5 Shares of the Company

Class of shares	Stock exchange of listing	Stock name	Stock code	Stock name before change
A Shares	SSE	CITIC Securities	600030	N/A
H Shares	Hong Kong Stock Exchange	CITIC SEC	6030	N/A

2.6 Financial Summary

2.6.1 Key Accounting Data and Financial Indicators

In RMB million			
Items	30 June 2019	31 December 2018	Variance in comparison with the end of last year (%)
Total assets	723,866	653,133	10.83%
Total liabilities	564,134	496,301	13.67%
Equity attributable to owners of the parent	156,001	153,141	1.87%
Issued share capital	12,117	12,117	—
Net assets per Share attributable to owners of the parent (yuan/share)	12.87	12.64	1.82%
Gearing ratio (%) ^{Note}	73.45%	71.76%	Increased by 1.69 percentage points

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

Items	Six months ended 30 June 2019	Six months ended 30 June 2018	Variance in comparison with the corresponding period of last year (%)
Total revenue and other income	28,394	27,148	4.59%
Operating profit	8,632	7,009	23.16%
Profit before income tax	8,932	7,394	20.80%
Net profit attributable to owners of the parent	6,446	5,565	15.83%
Net cash inflow/(outflow) from operating activities	17,181	27,558	-37.66%
Basic earnings per Share (yuan/share)	0.53	0.46	15.22%
Diluted earnings per Share (yuan/share)	0.53	0.46	15.22%
Return on weighted average equity (%)	4.11 %	3.65%	Increased by 0.46 percentage point

2.6.2 Net Capital and Relevant Risk Control Indices of the Parent Company

Items	30 June 2019	31 December 2018
Net capital (RMB million)	95,160	91,996
Net assets (RMB million)	126,521	125,476
Total risk capital reserves (RMB million)	54,443	50,019
Risk coverage ratio (%)	174.79	183.92
Capital leverage ratio (%)	15.12	16.22
Liquidity coverage ratio (%)	200.27	247.92
Net stable funding ratio (%)	131.74	156.16
Net capital/net assets (%)	75.21	73.32
Net capital/liabilities (%)	26.95	28.91
Net assets/liabilities (%)	35.83	39.44
Value of proprietary equity securities and derivatives held/net capital (%)	34.34	28.91
Value of proprietary non-equity securities and derivatives held/net capital (%)	230.78	230.75

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

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Operation Discussion and Analysis

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

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

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

The Group provides asset management services and products to clients in China and globally. The Group has been engaged in asset management businesses including collective asset management (“CAM”), separately managed account (“SMA”) and specialized asset management (“SAM”), fund management and other investment accounts management.

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

The Group provides services such as custody and research.

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

3.1.1 Investment Banking

(1) *Domestic equity financing market conditions*

Market conditions

In the first half of 2019, the pace of IPOs remained stable with a cumulative approval rate of approximately 82% for IPOs (excluding those on the STAR Market). With the normalization of IPOs, the approval rate increased significantly. Since 2019, regulatory authorities including SSE published information continuously to accelerate the process of the STAR Market. As at 22 July 2019, the STAR Market officially opened for trading and until now, dozens of IPOs have completed the listing on STAR Market.

In the first half of 2019, A-share equity underwriting (for cash) amounted to RMB388,615 million, representing a year-on-year decrease of 21.12%; A-share equity underwriting (including private placements for asset transactions) amounted to RMB610,305 million, representing a year-on-year decrease of 13.45%. The market share of the top ten securities companies in A-share equity underwriting (for cash) amounted to 68.56%, indicating a high level of concentration.

Actions and achievements

In the first half of 2019, the Company consolidated and expanded its client base by further enhancing full-product coverage for clients with major layout in the STAR Market. The Company has advised on 13 STAR Market IPOs as at 30 June 2019. In addition, the Company actively explored business opportunities in the mixed-ownership reform of SOEs and market-oriented debt-to-equity swaps and other business opportunities and achieved positive results. Meanwhile, the Company continuously improved the internal control system of investment banks to put project risks under strict control, thereby consolidating and increasing its comprehensive competitive strength.

In the first half of 2019, the Company completed a total of 36 A-share lead underwriting projects with an aggregate lead underwriting amount of RMB122,869 million (including private placements for asset transactions), accounting for a market share of 20.13% and ranking the first in the market. Among them, 10 were IPO projects, with an aggregate lead underwriting amount of RMB16,029 million; 26 were re-financing issuance projects, with a total lead underwriting amount of RMB106,840 million.

Projects	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
IPOs	16,029	10	7,950	7
Re-financing issuances	106,840	26	83,266	29
Total	122,869	36	91,216	36

Source: Wind Info and the Company’s internal statistics

- Notes: ① When compiling the above table, the date of completion of an IPO, a public issuance of shares, an issuance of convertible bonds/exchangeable bonds, a private placement, a rights issue and an issuance of preference shares is the listing date.
- ② In the event that the amount undertaken by the underwriter is not specified, the underwriting amount of joint-lead underwriting projects is calculated by dividing the total project size by the number of lead underwriters.

Outlook for the second half of 2019

In 2019, the Company will further expand its coverage of domestic and overseas clients, improve the client coverage effectiveness and build a stronger pipeline; strengthen the research on emerging industries, clients and innovative products; actively optimize its business structure according to market development and client needs, obtain key transactions from important clients and further enhance its market influence. The Company will act closely in line with policy changes and give play to the overall advantages of investment banks to continuously develop the layout for the STAR Market, Shanghai-London Stock Connect and other innovative businesses; and provide clients with integrated investment banking services by strengthening the building of abilities in equity underwriting and leveraging its platform strength.

(2) Domestic bonds and asset-backed securitization

Market conditions

In the first half of 2019, with the continuous recovery of bond issuance in primary market, the net financing proceeds from debentures amounted to RMB2.08 trillion. Though a majority of credit ratings were adjusted downward, the ratings of urban construction investment entities and real estate issuers were upgraded mostly. While rating spread narrowed and term spread expanded, bonds with low ratings and short duration witnessed a better performance. In addition, there were still many defaults in bond market. Specifically, private enterprises had a relatively higher default rate, as evidenced by the 80 defaults involving an amount of RMB55,687 million in the first half of the year. China’s bond market recorded a total issuance size of RMB13.38 trillion (excluding interbank certificates of deposit), representing a year-on-year increase of 38.80%. The aggregate issuance size of debentures (net of treasury bonds, policy bank financial bonds and local government bonds) amounted to RMB6.61 trillion, representing a year-on-year increase of 40.04%.

Actions and achievements

In the first half of 2019, the Company undertook a total of 942 lead underwriting projects relating to different debentures, with a lead underwriting amount of RMB452,869 million, representing 4.92% of the market share. The Company ranked the first in the industry in terms of both the underwriting amount and the number of underwriting projects, maintaining its leading position in bond underwriting market.

Projects	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
Enterprise bonds	3,830	6	23,315	18
Corporate bonds	71,233	113	56,459	69
Financial bonds	128,104	57	68,579	31
Medium-term notes	23,217	21	15,119	15
Short-term commercial papers	4,460	6	3,610	8
Private placement notes	3,975	9	3,510	10
Asset-backed securities	96,340	251	80,465	145
Convertible bonds/exchangeable bonds	65,145	13	6,137	3
Local government bonds	56,565	466	5,220	110
Total	452,869	942	262,435	409

Source: Wind Info and the Company's internal statistics

Outlook for the second half of 2019

In 2019, the Company will continue to expand its client coverage of bonds, capitalize its overall business advantages to provide clients with comprehensive and integrated debt financing services; continue to consolidate and enhance the competitive edge for traditional bond underwriting business, step up efforts in product and business innovation and focus on exploring opportunities in bond business with local state owned enterprises and private enterprises. The Company will further increase its market share and influence in asset-backed securitization business and increase innovation inputs mainly in public offering of REITs and securitization of supply chain financial assets. The Company will strengthen project risk management to effectively control operational risks, credit risks and issuance risks.

Besides, with the two-way opening of both domestic and overseas capital markets, financing opportunities including panda bonds, overseas USD-denominated bonds and the Belt and Road Initiative bonds will gradually increase. The Company will further integrate its domestic and foreign client resources to explore cross-border business opportunities and enhance its ability to serve diversified domestic and international financing needs of clients.

(3) Financial advisory services

Market conditions

In the first half of 2019, the total value of global merger and acquisition transactions announced reached USD2.16 trillion and the number of transactions amounted to 16,360. On a sector basis, the medical and healthcare sector was the most active with the value of merger and acquisition transactions announced in the first half of 2019 amounting to USD392.2 billion, which accounted for 18.15% of the total value of merger and acquisition transactions announced; followed by the computer sector with a transaction amount of USD366.3 billion, accounting for 16.95% of the total value of merger and acquisition transactions announced.

In the first half of 2019, the number of announced merger and acquisition transactions in market involving Chinese enterprises was 2,360, involving a transaction size of approximately USD234.1 billion, of which, 394 were cross-border transactions, involving a total transaction size of approximately USD34.4 billion.

Actions and achievements

In the first half of 2019, the size of A-share material assets restructuring transactions completed by the Company amounted to approximately RMB37.5 billion and ranked the third in the industry. The Company closely followed market and policy trend, enhanced the coverage of full products of merger and acquisition and completed a number of innovative merger and acquisition restructuring transactions with market influence in fields of internal restructuring of central SOEs, market-oriented merger and acquisition and cross-border merger and acquisition, particularly, the debt-to-equity swaps of Chalco, absorption and merger of Sinoair by Sinotrans, absorption and merger of LittleSwan by Midea Group and acquisition of Joy City Property by COFCO Property, which continuously built up the Company's market competitiveness in the merger and acquisition field.

In the first half of 2019, the Company continued to actively carry out cross-border merger and acquisition business and helped COFCO Property complete the acquisition of the controlling interest in Joy City Property with consideration of RMB14.7 billion, thereby giving COFCO the access to both A-share and H-share financing platform for its real estate sector; and assisted BY-HEALTH in obtaining the approval from the CSRC on the acquisition of Life-Space Group, an Australian probiotics brand, which further expanded the overseas strategic layout of BY-HEALTH.

Outlook for the second half of 2019

In the second half of 2019, the Company will strengthen its coverage of high quality enterprises and keep close track of market movements. It will actively formulate plans in relation to merger and acquisition of large enterprises, restructuring and listing of high-tech enterprises, return of China concept stocks, market-oriented debt-to-equity swaps, enterprise bankruptcy and reorganization, etc., actively grasp business opportunities and continuously improve its ability to provide integrated merger and acquisition services.

Besides, the Company will continue to leverage its global layout with the further opening of domestic market. In active response to the Belt and Road Initiative of China, it will grasp the demand of enterprises in business integration and market expansion and provide domestic and overseas clients with integrated solutions for cross-border merger and acquisition to accelerate industrial transformation and internationalization of Chinese enterprises.

(4) The business of New OTC Market

Market conditions

As at the end of the Reporting Period, the number of companies listed on the New OTC Market amounted to 9,921, with total issued shares of 598,666 million shares and a total market capitalization of RMB3,249,410 million. In the first half of 2019, the total trading volume of the New OTC Market amounted to RMB38,575 million, and the total funds raised from the issuance of shares amounted to RMB17,416 million. As at the end of the Reporting Period, the NEEQ component index closed at 938.47, representing a decrease of 1.71% as compared to the end of 2018; the NEEQ market-making component index closed at 760.68, representing an increase of 5.81% as compared to the end of 2018.

Actions and achievements

In the first half of 2019, the New OTC Market business of the Company continued to operate on the basis of expanding the client coverage with value identification and actualization as the core. On the one hand, it continuously optimized the market-making and position structures and enhanced the coverage of high quality enterprises. On the other hand, it placed great emphasis on quality control and effectively controlled business risks.

As at the end of the Reporting Period, the Company, as the sponsorship broker, conducted continuous supervision over a total of 22 listed enterprises, rated at the first level in the evaluation of the practice quality of sponsorship brokers for listed companies on the New OTC Market in 2018. In the first half of 2019, the Company provided market-making services for 93 listed companies, among which, 44 companies entered the innovative layer.

Outlook for the second half of 2019

In the second half of 2019, the Company will continue to improve the business management system and market development system with value realization and actualization as the core, to drive the development of other relevant business and provide quality integrated services in the New OTC Market. It will select high quality enterprises, and deepen the exploration of enterprise value, in order to create good returns.

3.1.2 Brokerage (Onshore, Same for the Relevant Business below; Offshore Business Set out Separately)

Market conditions

In the first half of 2019, the overall market trading of the domestic securities market increased as compared with the same period in 2018, with SSE Composite Index rising by 19.45%, SSE SME Composite rising by 19.99% and ChiNext Composite Index rising by 20.94%.

Actions and achievements

In the first half of 2019, the Company improved the customer classification service system, deeply sorted out customer service demands and corporate service ability, realized accurate identification and service matching of customers' differentiated demands; enriched the investment product system and explored a new method for serving ultra-high net worth customers; deeply applied such technologies as artificial intelligence and big data and independently built a wealth management platform integrating "product sale, investment consultancy and asset allocation", and leveraged intelligence engine to upgrade wealth management under the drive of data and financial technology; improved the internal organizational structure, rationalized the wealth management promotion systems from the headquarters to the branches, took branches as regional platform for all businesses of the Company and kept improving the comprehensive quality of employees. In the first half of 2019, the Company continued to expand the customer market. The total number of individual customers exceeded 8.5 million and the number of general legal person institutional customers reached 36,000. Customer assets under custody in aggregate exceeded RMB5 trillion and the total trading volume of securities and funds handled on behalf of customers amounted to RMB8.2 trillion.

Outlook for the second half of 2019

In the second half of 2019, the brokerage business of the Company will be continuously transformed and updated toward wealth management for further development. The Company will explore to establish a wealth management development mode of CITIC Securities, deeply practice the customer-oriented operating philosophy and business goal of helping clients preserve and enhance their assets, and improve the perception and experience of service for customers, so as to provide an integrated financial solution for customers.

3.1.3 Trading

In the first half of 2019, the previous macro stabilization policies have started to bear fruit, e.g. social financing rebounded, credit environment was improved, monetary policy was neither too tight nor too loose, fiscal policy was strengthened and made more effective, and expectation for stable macroeconomic operation was increased. In the first half of 2019, the stock market reversed unilateral downward trend in 2018 and showed a significant rebound, with the CSI Free Float Index rising 23.6% and the average daily trading volume of the market rising 32% compared with the same period in 2018. The value-oriented style was strong, led by the consumer industry. The bond market showed a moderate growth, with the ChinaBond Composite Total Return Index rising 1.82%, the interest rates on medium and long-term and key terms treasury bonds fluctuating within a narrow range, short-term interest rates remaining low and interbank liquidity relatively loose.

Actions and Achievements

(1) Flow-based business

For the equity derivatives business, the Company provided its institutional clients with OTC derivatives services such as OTC options quotation transactions covering onshore and offshore targets and return swaps, solving clients' needs for risk management, global asset allocation and strategic investment and others; provided institutional clients and retail clients with OTC products such as floating return-linked beneficiary certificates and structured products to meet clients' needs for wealth management and large-scale asset allocation; provided liquidity market-making services for exchange-traded fund products and options products. In the first half of 2019, OTC derivatives business of the Company continued to develop, cater to the needs of the market, and expand the application scope; OTC products further enriched the linked target and revenue structure. The market-making business developed in the direction of multiple products and diversification and the SSE 50 ETF options market-making continued to rank at the forefront of the market. The Company kept the business model with an extensive client base, a rich supply of products, and relatively stable yields.

In respect of the fixed income business, the Company made good use of its customer resources and enhanced its comprehensive capabilities for customer service. Through strengthening cooperation among various business segments, enriching transaction categories, it covered various fixed income products, market and clients. In the first half of 2019, the Company ranked the first in the industry in terms of the total sales of interest rate products. It devoted more efforts in bond and derivative market-making. With further expansion in OTC options business, it carried out credit risk protection agreement and credit risk mitigation warrant businesses. The Company improved market and credit research and enhanced its ability of risk management. Moreover, the Company actively promoted the investment advisory services for financial institutions such as joint-stock banks and urban commercial banks, and its investment advisory business steadily developed.

In respect of the commodities business, the Company focused on commodities derivatives and provided such services as commodity allocation, hedging and risk management for onshore and offshore corporate and institutional investors, implemented the concept of finance serving the real economy, conducted trading business, and strengthened the profitability and customer coverage of commodities swap and commodities OTC option businesses. This formed a business model where commodities derivatives trading and quotation and market-making businesses developed together, to further offer customized and professional financial services related to commodities to a wide range of domestic and foreign industry and institutional customers.

In respect of securities financing business, while maintaining an industry leading position in business scale, the Company further strengthened the unified and standardized management of financing business, improved pricing management and risk management, continued to optimize the construction of financing business systems and processes and improve service quality in line with the new rules of the capital market, so as to provide customized comprehensive solutions for corporate customers' financing needs at different stages and different levels.

(2) *Proprietary trading*

In the first half of 2019, with respect to the stock proprietary business, the Company, leveraging the study on industrial fundamentals, focused on high-quality growth enterprises and continued to adhere to the absolute return-oriented strategy from the perspective of macro asset allocation to achieve steady growth in performance. The Company formed a flexible fund management system through the combination of futures and spot trading, which saved capital cost, reduced performance fluctuation and effectively put the market risks of portfolio under control.

In the first half of 2019, the Company actively responded to market changes in respect of the alternative investment business. Based on macro analysis and judgment, the Company focused on quantitative trading, flexibly used various financial instruments and derivatives for risk management, developed multi-market diversified investment strategies, thus effectively diversified investment risks and enriched sources of income. The use of the latest technology of artificial intelligence/machine learning in strategy development has achieved results. Currently, the businesses or strategies we have commenced include: stock index arbitrage, long/short equity, macroeconomic hedging, block trading, statistical arbitrage, fundamental quantification, convertible bonds arbitrage, exchangeable bonds strategy, commodity strategy, options strategies.

Outlook for the second half of 2019

For the equity derivatives business, the Company will adhere to the vision and business position of “becoming the major equity solution suppliers in the corporate customer market, becoming the major trader (market maker) for OTC derivatives in the institutional customer market and becoming the major market maker for exchange-based derivatives in the retail customer market”, continue to improve capabilities in products supply and risk management and strengthen exchange-based and OTC derivatives businesses, step up efforts in developing new products and structures, and improve the capability in integrated equity management. We will continue to promote cross-selling with clients’ departments and business collaboration with other business departments and strengthen the coverage of professional investors, with meeting clients’ needs as our core values, so as to enhance capabilities in offering comprehensive financial service.

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

In respect of securities financing business, the Company will continue to strengthen the construction of core competitiveness and promote business model innovation and scale growth. The Company will conduct systematic scrutiny of various financing business opportunities inside and outside the Company, and further refine the business model of corporate institutional customer and retail customer service system. Meanwhile, the Company will also seize the opportunities of innovation through combination of such businesses as securities lending on the STAR Market and public funds lending to drive the development of the securities lending business.

Regarding stock proprietary business, the Company will continue to strengthen building of investment research system, make further studies on industrial fundamentals, flexibly use derivatives to manage portfolio risks more effectively, and continue to explore the development of all-weather multi-strategy investment systems.

In respect of alternative investment business, the Company will increase investment in artificial intelligence/machine learning, further research and develop new strategies, build up a more efficient trading system and capture investment opportunities emerging in various markets, so as to steadily increase investment yields.

3.1.4 Asset Management

Market conditions

Since the publication of the new regulation regarding the asset management businesses, various regulatory rules and detailed rules have been gradually implemented, and a new operational framework for the asset management industry has been fundamentally established to guide businesses to return to active management and complete net-asset value-oriented transformation and upgrading. Under the new market environment, the industry scale experienced structural changes. Asset management institutions need to be fully aware of their own strength and specialties, cultivate the ability of asset allocation, risk pricing, product and service innovation, seek suitable position in the industry chain of asset management, and highlight the differentiated core competitive advantages.

(1) Asset management business of the Company

Actions and achievements

In the first half of 2019, for asset management business, the Company continued to adhere to the overall development idea of “serving both institutional and retail clients”, endeavored to improve its professional level in investment research, actively promoted transformation of investment research achievements, sped up business transformation in response to regulatory changes, actively developed pension business in broad sense, expanded occupational annuity business, strived to develop new business model in line with the transformation of banking businesses, continued to focus on the scale growth of retail businesses, paid extra attention to individual customers with high net value, and reduced the scale of channel business in an orderly way.

As at the end of Reporting Period, the AUM of the Company was RMB1,296,913 million, and the assets under active management amounted to RMB563,111 million, of which the size of CAM, SMA and SAM was RMB117,912 million, RMB1,178,236 million and RMB766 million, respectively. As at the end of the Reporting Period, the market share of the privately-offered asset management business as defined under the new regulation regarding the asset management businesses (excluding social security fund, basic pension, corporate annuity and occupational annuity business, publicly-offered collective investment scheme, collective pension products and asset-backed securitization products) of the Company was 9.98%, ranking the first in the industry.

Type	AUM (RMB million)		Management fees (RMB million)	
	The first half of 2019	The first half of 2018	The first half of 2019	The first half of 2018
CAM	117,912	152,929	232.09	284.26
SMA	1,178,236	1,379,327	484.01	669.98
SAM	766	1,543	6.52	9.63
Total	1,296,913	1,533,800	722.62	963.87

Source: The Company's internal statistics

Notes: ① The CAM included publicly-offered collective investment scheme and excluded collective pension products; the SMA included social security fund, basic pension, corporate annuity and occupational annuity business; and the SAM excluded asset-backed securitization products.

② The minor difference between the figure listed under "Total AUM" and the aggregation of respective figures listed under "CAM", "SMA" and "SAM" above was due to rounding.

Outlook for the second half of 2019

In the second half of 2019, for asset management business, the Company will continue to adhere to the overall development idea of "serving both institutional and retail clients", endeavor to improve its professional level in investment research, actively promote transformation of investment research achievements and constantly expand active management size and promote the steady growth in long-term fund management size; systematically promote customer development by regions and constantly expand customer channels; and keep enriching product categories and improving product structures.

In particular, it will keep improving its services for pension funds, institutional and retail clients. The Company will endeavor to meet the challenges brought by banking business transformation from the two aspects of funds and assets; provide high net worth individual customers with investment management service different from private banking and adhere to the customer-centered principle to create values for customers; continuously promote the transformation of large CAM business and create brand values for small CAM products. For retail business, the Company will energetically develop fixed-income products and properly make investments in retail equity products to effectively convert good performance of the products into satisfactory returns of the clients.

(2) China AMC

Actions and achievements

During the Reporting Period, China AMC firmly grasped the opportunity in the STAR Market to launch new funds, emphatically arranged fixed-income products, optimize the product mix, effectively promoted the sales of mutual funds, achieved the healthy development of pension business for institutional clients, continuously expanded international business and kept improving risk prevention ability. As a result, all work was under sound operation and the AUM of China AMC was further increased.

As at 30 June 2019, the total AUM of China AMC, excluding those of its subsidiaries, was RMB918,112 million, of which, the AUM of mutual funds reached RMB487,483 million and the AUM of non-monetary mutual funds (excluding short-term wealth management products) ranked the second in the industry, and the AUM of institutional business reached RMB411,641 million (excluding investment consultancy business, etc.), maintaining a leading position in the industry.

Outlook for the second half of 2019

China AMC will continue to comprehensively improve the investment performance and the investment research capabilities, enhance the risk prevention and control measures, seize the strategic market opportunities, optimize the product mix, intensify efforts for the sales of ETF products, vigorously promote the pension business, pursue better operation management and advance business model on an ongoing basis to maintain its comprehensive competitiveness in the industry.

3.1.5 Custody

Market conditions

In the first half of 2019, the financial market performed smoothly, the total AUM of the domestic asset management industry increased steadily and the policies and measures for preventing and dissolving systematic financial risks produced evident effects.

Actions and achievements

In the first half of 2019, the Company earnestly performed its duties as a fund custodian and enhanced supervision and control over fundraising, investment and information disclosure of fund managers to maintain the legitimate rights and interests of fund investors. In terms of the fund outsourcing service, the Company enhanced investment in building information technology system, built an intelligent customer service system, continuously researched and developed innovative fund operation systems and launched services for fund investors. As at the end of the Reporting Period, the Company offered 4,403 asset custody service products and 4,759 fund service products.

Outlook for the second half of 2019

Albeit slowing growth, the domestic asset management industry witnessed more sound development on the whole. The Company will actively adhere to the concept of “risk control and service foremost”, take it its mission to faithfully fulfil the fiduciary duties and intensify efforts to provide refined, customized and professional services in line with the international fund service standards, so as to maintain benign development of businesses.

3.1.6 Investment

Market conditions

In the first half of 2019, given sluggish macroeconomic environment and tightened financial regulation, the private equity fundraising market remained at a low point and the fundraising situation was still grim. As of the end of second quarter of 2019, a total of 917 funds completed a new round of fundraising, with approximately RMB480,366 million raised, representing a decrease of approximate 8.2%. Valuation in the primary and secondary markets experienced increasing negative spreads and equity investment needed more cautions. In the first half of 2019, PE market witnessed 1,472 investment cases, involving a total investment of RMB194,814 million, representing approximate half of that for the same period in 2018.

In 2019, the private equity investment market is expected to extend the trend in 2018 on the whole. With constantly tightened financial regulation and increasingly mature equity investment market in China, management institutions will face increasingly fierce competition, and difficulty in fundraising and seeking quality projects will become a “new normal” of the equity investment market. Leading institutions with platform resource advantages and industry integration ability will see further enhanced advantages and embrace better development prospects.

Actions and achievements

(1) CITIC Securities Investment

At present, CITIC Securities Investment has invested in a wide range of industries, including technology and advanced manufacturing, modern service, healthcare and M&A and integrated finance, developing a plan based on domestic market and focusing on international frontier technology industry. As the platform for equity investment with proprietary funds, CITIC Securities Investment has been actively participating in support for the development of technological innovation-based business. After the launch of the STAR Market, nine enterprises it has invested in have applied for IPOs on the STAR Market, and meanwhile, according to regulatory requirements, CITIC Securities Investment has made strategic investment in the IPOs on the STAR Market in which the Company is the sponsor.

(2) GoldStone Investment

As a wholly-owned subsidiary of the Company, GoldStone Investment raises and manages private equity investment funds, and has been devoted to the private equity investment business since its establishment in 2007. In the first half of 2019, GoldStone Investment completed an external investment of approximately RMB1.4 billion, involving such fields as medical appliances, advanced manufacturing, new energy and new materials. As at the end of the Reporting Period, there were 15 private equity investment funds under GoldStone Investment's management, with an amount of approximately RMB40 billion.

CITIC GoldStone Fund, a wholly-owned subsidiary of GoldStone Investment, collected and managed customers' funds for real estate equity investment and provided financial consultancy, investment management and relevant consultancy services for equity investment. Since its establishment in 2013, CITIC GoldStone Fund has been committed to fund management, policy consultancy and research of Real Estate Investment Trusts (REITs) in China. From the establishment of the first Quasi-REITs in China in 2014 to the end of the Reporting Period, CITIC GoldStone Fund set up funds similar to REITs with an amount of approximately RMB24,250 million in total, making CITIC GoldStone Fund the private equity fund manager that has managed the most Quasi-REITs in China. As at 30 June 2019, the existing funds under the management of CITIC GoldStone Fund and its subsidiaries amounted to RMB11,455 million. In the first half of 2019, CITIC GoldStone — R&F Hotel Investment Phase I Private Equity Fund was set up, in which CITIC GoldStone Fund was the fund manager.

Outlook for the second half of 2019

In the second half of 2019, CITIC Securities Investment will follow the national development strategy and keep monitoring innovative sectors represented by integrated circuit, mobile communication, artificial intelligence, high-end equipment and biomedical industries, and lending support to the development of innovative enterprises. Meanwhile, it continues to push forward the structural reform of SOEs through mixed ownership reform, debt-to-equity swaps and deleveraging. In respect of management, CITIC Securities Investment will continue to strengthen its system, staff, management and information infrastructure; further enhance post-investment management for investment projects and select diversified exit ways such as IPO, M&A and restructuring and equity transfer according to market conditions.

GoldStone Investment will continue to adhere to the development strategy of giving priority to growth of management scale. On one hand, it will expand fundraising scale by multiple channels and systematically develop banks, insurance, social security fund and corporate annuity institutions, to expand its client base. On the other hand, it will take the initiative to diversify its product lines and expand its presence in terms of investment phase, region, industry and asset category.

GoldStone Investment aims to create excellent returns for fund investors and realize management fee revenues and performance rewards for the Company. On one hand, GoldStone Investment will focus on industry integration and upgrading, give full play to its resource advantages as a leading enterprise in the industry and conduct cooperation in an all-round way to improve its project resource development ability and industry integration ability. On the other hand, it will strengthen forward-looking research in the fields of emerging economic sectors and national strategic target industries and pay attention to VC projects with development potentials.

3.1.7 Research

In 2019, the Company continues to implement the comprehensive transformation strategy for sell-side research business, continuously adjusting and improving researcher evaluation and incentive mechanism and encouraging researchers to set improving market reputation and creating more values as the primary goal. Regarding research business, in the first half of 2019, the Company greatly enhanced coverage of A share and overseas listed companies. Besides, the Company provided research services to key institutional customers in an all-round way.

The research business will focus on serving each corporate business line customers in an all-round way, deepen the industry research system, substantially improve research coverage and customer service coverage and put more efforts on research service for internal business lines to jointly make services more professional and build a research brand for the Company. It has comprehensively strengthened the coverage of companies in industry research, including overseas market, China concept stocks and various leading companies in the world, to achieve full coverage of research services for key institutional customers in the world. Moreover, the research business will continue to focus on improving their influence among industrial and domestic and overseas institutional customers and strive to maintain top ranking in relevant overseas research evaluation. In the meantime, the research business will continue to strengthen collaboration with CLSA in research business, and speed up integration between business and staff, so as to gradually achieve integration between domestic and overseas research and service.

3.1.8 International Business

In the first half of 2019, CLSA had maintained or advanced its leading market positions in most of its principal business areas including Brokerage, Investment Banking and FICC within those market segments in the Asia Pacific Region where we choose to focus.

In the first half of 2019, CLSA implemented strict operation and management. These built a solid foundation to accommodate CLSA's next stage of further developments. One of its key future focuses is to further intensify its capacities and capabilities of working on cross-border opportunities in relation to outbound interests of Chinese enterprises and investors, and inbound interests of international enterprises and investors. The objective is to position it as the preferred provider of capital market products and solutions, particularly those relating to China.

CLSA completed 8 IPOs in Hong Kong and 1 in the U.S. during the first half of 2019. It continued to be a top player in the Hong Kong IPO market and ranked number 3 with a market share of 23% as measured by the size of funds raised. It completed 39 bond transactions with clients in Mainland China, Hong Kong, the Philippines and India, which ranked it at number 5 with a market share of 1% as measured by the size of debts raised. In M&A it advised 5 transactions with total deal size of US\$2.2 billion, which is an area that offers tremendous room for further growth.

The Asset Management business of CLSA, mainly focusing on private equity and real estate investment funds, had gone through a comprehensive review of its strategies, resulting in a restructuring of some funds it managed. It will continue to seek out opportunities to increase its AUM.

3.2 Financial Statement Analysis

3.2.1 Profitability Analysis of the Company for the Reporting Period

For the first half of 2019, the total revenue and other income realized by the Group was RMB28,394 million, representing a year-on-year increase of 4.59%, of which the revenue from the brokerage business amounted to RMB6,844 million, representing a year-on-year increase of 0.57%; the revenue realized by the asset management business decreased by 7.33% year-on-year to RMB3,223 million; the revenue realized by the securities trading business increased by 3.76 % year-on-year to RMB10,444 million; the revenue realized by the investment banking business increased by 0.62% year-on-year to RMB1,623 million; and the revenue realized by other businesses increased by 20.71% year-on-year to RMB6,260 million. For the first half of 2019, operating expenses of the Group amounted to RMB19,762 million, representing a year-on-year decrease of 1.88%.

For the first half of 2019, the Group's net profit attributable to owners of the parent increased by 15.83% year-on-year to RMB6,446 million, basic earnings per share increased by 15.22% year-on-year to RMB0.53, and return on weighted average equity was 4.11%, increased by 0.46 percentage point year-on-year.

3.2.2 Assets Structure and Assets Quality

As at 30 June 2019, the Group's equity attributable to owners of the parent amounted to RMB156,001 million, representing an increase of RMB2,860 million or 1.87% as compared to the end of 2018, primarily due to the increase in the Group's net profit and the proposed payment of the 2018 final dividend.

As at 30 June 2019, the total assets of the Group amounted to RMB723,866 million, representing an increase of RMB70,733 million or 10.83% as compared to the end of the previous year; excluding customer brokerage deposits, the total assets of the Group amounted to RMB601,655 million, representing an increase of RMB46,296 million or 8.34% as compared to the end of the previous year. As at 30 June 2019, the total liabilities of the Group amounted to RMB564,134 million, representing an increase of RMB67,833 million or 13.67% as compared to the end of the previous year; excluding customer brokerage deposits, the total liabilities of the Group amounted to RMB441,922 million, representing an increase of RMB43,395 million or 10.89% as compared to the end of the previous year.

The structure of assets and liabilities was stable. As at 30 June 2019, the total assets of the Group excluding customer brokerage deposits amounted to RMB601,655 million, among which investment assets mainly included investments in associates/joint ventures and financial assets, accounting for 56.12% of the total assets; margin accounts and reverse repurchase agreements, accounting for 22.12% of the total assets; cash and bank balances, accounting for 12.05% of the total assets; and fixed assets, construction in progress, land-use rights and intangible assets, investment properties, right-of-use assets, in aggregate, accounting for 2.35% of the total assets.

As at 30 June 2019, excluding customer brokerage deposits, the Group's total liabilities amounted to RMB441,922 million, among which repurchase agreements amounted to RMB136,961 million, accounting for 30.99% of the total liabilities; debt instruments issued and long-term loans were RMB74,914 million, accounting for 16.95% of the total liabilities; short-term loans, due to banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year amounted to RMB109,145 million, accounting for 24.70% of the total liabilities; financial liabilities measured at fair value through profit or loss and derivative financial liabilities were RMB59,120 million, accounting for 13.38% of the total liabilities; and other liabilities amounted to RMB61,782 million in aggregate, accounting for 13.98% of the total liabilities.

The gearing ratio increased slightly. As at 30 June 2019, excluding customer brokerage deposits, the gearing ratio of the Group was 73.45%, increased by 1.69 percentage points as compared to the end of the previous year.

3.2.3 Cash Flow Status

Excluding customer brokerage deposits, the Group's net increase in cash and cash equivalents was RMB20,207 million in the first half of 2019, as compared to RMB11,541 million for the same period in 2018, which was mainly due to an increase in the net inflow of cash generated from investment activities and financing activities.

From a structural perspective, in the first half of 2019, the Group's net cash inflow from operating activities was RMB17,181 million, as compared to a net inflow of RMB27,558 million for the same period in 2018, which was mainly attributable to the year-on-year increase in net cash outflow from operating assets.

Net cash inflow from investing activities in the first half of 2019 was RMB1,018 million, as compared to a net outflow of RMB8,186 million for the same period in 2018, which was mainly attributable to the year-on-year increase of the net cash inflow of debt instruments at fair value through other comprehensive income.

Net cash inflow from financing activities in the first half of 2019 was RMB2,008 million, as compared to a net outflow of RMB7,831 million for the same period in 2018, which was mainly attributable to the year-on-year decrease in the amount of payment of debts during the Reporting Period.

3.2.4 Explanation of Change in Consolidation Scope of Financial Statements

During the Reporting Period, the Company liquidated one off-shore fund, CITICS Pan-Asian Multi-Strategy Fund, the number of structured entities which were included in the consolidation scope of the first-level financial statements were 6. The number of first-level units included in the consolidation scope of the Company's financial statements were 21.

3.2.5 Changes in Major Accounting Policies and Accounting Estimates

The Group has adopted IFRS 16 effectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance of Consolidated Statement of Financial Position on 1 January 2019.

3.2.6 Fair Value Measurement

During the Reporting Period, the principle for determination of fair value is: the fair value of the relevant assets or liabilities of the Group is measured by prices in principal markets. If no principal market exists, the fair value of the relevant assets and liabilities will be measured by the prices in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For a financial asset or financial liability with an active market, the Group adopts quotation in the active market to determine the fair value. If no active market exists for a financial instrument, the Group adopts valuation techniques to determine its fair value. The valuation techniques used by the Group mainly include a discounted cash flow analysis, and the market comparison approach, etc. In applying the valuation techniques, the Group prioritizes to use relevant observable inputs, and unobservable inputs are used when relevant ones are unavailable or impractical.

For liabilities measured at fair value, the Group has considered the default risk and assumed that such default risk will remain unchanged before and after the transfer of liabilities. Default risk refers to the risk that obligations are not performed by the enterprise, including but not limited to the enterprise's own credit risk.

3.2.7 Analysis of Operation and Results of Principal Subsidiaries and Companies with Non-Controlling Interest

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

Name	Shareholding of the Company (%)	Date of Establishment	Registered Capital	Place of Business	Registered Address	Responsible Officer	Contact Number
CITIC Securities (Shandong)	100	1988.6.2	RMB2,500 million	5/F, East Wing, Tower 1, Longxiang Plaza, No. 28 Dong Hai West Road, Shinan District, Qingdao 15/F, International Wealth Center, No.156 Jingqi Road, Shizhong District, Jinan	Unit 2001, Tower 1, No. 222 Shenzhen Road, Laoshan District, Qingdao	JIANG Xiaolin	0532-85022309
CSI	100	1998.4.9	Paid-up capital of HK\$6,516.05 million	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	ZHANG Youjun	00852-26008188
GoldStone Investment	100	2007.10.11	RMB3,000 million	17/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	No.48 Liangmaqiao Road, Chaoyang District, Beijing	JIN Jianhua	010-60837869
CITIC Securities Investment	100	2012.4.1	RMB14,000 million	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Unit 2001, Tower 1, International Finance Plaza, No. 222 Shenzhen Road, Laoshan District, Qingdao	ZHANG Youjun	010-60838936
CITIC Futures	100	1993.3.30	RMB3,600 million	1301–1305, 13/F and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	1301–1305, 13/F and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	ZHANG Hao	0755-83217780
China AMC	62.20	1998.4.9	RMB238 million	Building 7, No. 1 Yuetan South Street, Xicheng District, Beijing	Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing	YANG Minghui	010-88066688
CITIC PE Fund	35	2008.6.6	RMB1,800 million	10/F, Jin Bao Building, No. 89 Jinbao Street, Dongcheng District, Beijing	District C, Incubator Building, Technology Education and Startup Park, Technology City, Mianyang, Sichuan	JIN Jianhua	010-60837869
Jiantou Zhongxin	30	2005.9.30	RMB1,900 million	Room 501, 5/F, Financial Street Centre, No. A9 Financial Street, Xicheng District, Beijing Room 2601, 26/F, Block B, the Third Property Building, No. A1 Shuguang Xili, Sanyuan Bridge, Chaoyang District, Beijing	9/F, Easyhome Tower, No. A3 Dongzhimen South Street, Dongcheng District, Beijing	LI Mei	010-66562611

Particulars of the principal subsidiaries of the Company and companies with non-controlling interest are as follows (all figures are unaudited):

- (1) CITIC Securities (Shandong) is a wholly-owned subsidiary of the Company with a registered capital of RMB2,500 million. As at the end of the Reporting Period, the total assets and net assets of CITIC Securities (Shandong) amounted to RMB19,394.10 million and RMB6,248.49 million, respectively, and the operating revenue, gross profit and net profit realized in the first half of 2019 amounted to RMB668.99 million, RMB276.63 million and RMB207.58 million, respectively. CITIC Securities (Shandong) had 70 securities branches and 2,225 staffs (brokers and dispatched staffs inclusive).

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

- (2) CSI is a wholly-owned subsidiary of the Company with paid-up capital of HKD6,516.05 million. As at the end of the Reporting Period, the total assets and net assets of CSI amounted to approximately RMB114,651.18 million and approximately RMB8,299.57 million, respectively; the operating revenue, gross profit and net profit realized in the first half of 2019 amounted to approximately RMB2,181.37 million, approximately RMB143.33 million and approximately RMB120.29 million, respectively. CSI had 2,048 staffs (brokers inclusive) in Hong Kong and its subsidiary CITIC Securities Brokerage (HK) had 4 branches.

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

- (3) GoldStone Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB3.0 billion. As at the end of the Reporting Period, the total assets and net assets of GoldStone Investment amounted to RMB23,383.64 million and RMB9,682.19 million, respectively; the operating revenue, gross profit and net profit realized in the first half of 2019 amounted to RMB1,215.00 million, RMB1,147.44 million and RMB875.03 million, respectively. GoldStone Investment had 91 staffs (6 dispatched staffs inclusive).

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

- (4) CITIC Securities Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB14.0 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC Securities Investment amounted to RMB17,045.11 million and RMB16,413.93 million, respectively; the operating revenue, gross profit and net profit realized in the first half of 2019 amounted to RMB562.46 million, RMB533.79 million and RMB390.41 million, respectively. CITIC Securities Investment had 22 staffs.

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

- (5) CITIC Futures is a wholly-owned subsidiary of the Company with a registered capital of RMB3.6 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC Futures amounted to RMB43,074.90 million and RMB4,319.29 million, respectively; the operating revenue, gross profit and net profit realized in the first half of 2019 amounted to RMB4,490.16 million, RMB273.92 million and RMB205.55 million, respectively. CITIC Futures had 43 branches and 1,149 staffs.

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

- (6) China AMC is held as to 62.20% by the Company and has a registered capital of RMB238 million. As at the end of the Reporting Period, the total assets and net assets of China AMC amounted to RMB10,724.15 million and RMB8,323.04 million, respectively; the operating revenue, gross profit and net profit realized in the first half of 2019 amounted to RMB1,911.59 million, RMB755.15 million and RMB593.68 million, respectively. China AMC had 992 staffs (dispatched staffs inclusive).

The principal businesses of China AMC include: fundraising, fund distribution, asset management, engaging in specific client asset management activities and other businesses permitted by the CSRC.

- (7) CITIC PE Fund is held as to 35% by the Company and has a registered capital of RMB1.8 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC PE Fund amounted to RMB4,357.10 million and RMB3,989.01 million, respectively; and the net profit realized in the first half of 2019 amounted to RMB225.18 million.

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

- (8) Jiantou Zhongxin is held as to 30% by the Company and has a registered capital of RMB1.9 billion. As at the end of the Reporting Period, the total assets and net assets of Jiantou Zhongxin amounted to RMB2,302.23 million and RMB1,972.68 million, respectively; and the net profit realized in the first half of 2019 amounted to RMB24.61 million.

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

3.2.8 Securities Branch Offices of the Company

The Company has established a total of 33 securities branch offices in Beijing, Shanghai, Guangdong, Hubei, Jiangsu, Shanghai Pilot Free Trade Zone, Shenzhen, Northeast, Zhejiang, Fujian, Jiangxi, Wenzhou, Ningbo, Sichuan, Shaanxi, Tianjin, Inner Mongolia, Anhui, Shanxi, Yunnan, Hebei, Hunan, Chongqing, Hainan, Gansu, Ningxia, Guangxi, Jilin, Heilongjiang, Jiaxing, Jinhua, Shaoxing and Taizhou, particulars of which are as follows:

No.	Branch Office	Responsible Officer	Place of Business	Contact Method
1	Beijing Branch Office	ZHANG Qing	4/F, 5 Jinchengjianguo, No. 5 Jianguomen Beidajie, Dongcheng District, Beijing	010-65128320
2	Shanghai Branch Office	WANG Lihua	Units 06 and 07, 8/F (Actual Floor: 7/F), and Units 01-03A and 07, 10/F (Actual Floor: 9/F), 1568 Century Avenue, Shanghai	021-61768697
3	Guangzhou Branch Office	HU Xingyi	Rooms 01-08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou	020-66609919
4	Hubei Branch Office	CHEN Keke	Level 51, Block 1 Guangdong Development Bank Building, No. 737 Jianshe Avenue, Jiangnan District, Wuhan	027-85355366
5	Jiangsu Branch Office	FENG Enxin	Level 1, Area B and Level 10, Phase II of Sunny World, No. 168 Lushan Road, Jianye District, Nanjing	025-83282416
6	Shanghai Pilot Free Trade Zone Branch Office	ZHENG Yonghan	19/F and 20/F, No. 1568 Century Avenue, Pilot Free Trade Zone, Shanghai	021-20262006
7	Shenzhen Branch Office	LIANG Qi	12/F and 20/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian Street, Futian District, Shenzhen	0755-23911668
8	Northeast Branch Office	LI Zhe	Level 30, Tower A, China Resources Building, No. 286 Qingnian Avenue, Heping District, Shenyang, Liaoning	024-23972693
9	Zhejiang Branch Office	CHEN Gang	Units 1902, 2201, 2202, 2203, 2204, 2301, 2303 and 2304 of Dikai Yinzu, Jiangnan District, Hangzhou, Zhejiang	0571-85783714
10	Jiangxi Branch Office	ZHANG Xinqing	Units 2801, 2802, 2807, 2808, 2809 and 2810 (28/F) of Lianfa Plaza Office Building, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi	0791-83970561
11	Fujian Branch Office	SUI Yanping	Units 1901, 1902, 1905A and 1907 of Sino Plaza, No. 137 Wusi Road, Gulou District, Fuzhou, Fujian	0591-87905705
12	Ningbo Branch Office	YAO Feng	Block 2 (15-1), No. 235 Heji Street, Jiangdong District, Ningbo, Zhejiang	0574-87033718
13	Wenzhou Branch Office	PAN Ye	Rooms 701, 702 and 703, 7/F, Fortune Center, No. 577 Station Avenue, Wenzhou, Zhejiang	0577-88107230
14	Sichuan Branch Office	HONG Wei	1/F, West Wing, La Defense Building, No. 1480 North Section of Tianfu Avenue, High-tech Industrial Development Zone, Chengdu, Sichuan	028-65728888
15	Shaanxi Branch Office	SHI Lei	Room 11301, Building 1, E-Yang International Building, No. 27 Keji Road, Hi-tech Zone, Xi'an, Shaanxi Province	029-88222554
16	Tianjin Branch Office	LIU Jinkun	Level 7, Tianjin Technology Building, No. 23 Youyi Road, Hexi District, Tianjin	022-28138825

No.	Branch Office	Responsible Officer	Place of Business	Contact Method
17	Inner Mongolia Branch Office	FAN Yaqiong	Jintailiwan No. 10 Complex, Siwei Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region	0471-5982233
18	Anhui Branch Office	WU Jianfeng	Rooms 1-Shang-101 and 1-701-708, Block A, Jinding International Square, No. 287 Suixi Road, Luyang District, Hefei, Anhui Province	0551-65662889
19	Shanxi Branch Office	ZHENG Wenhui	Shop 1, Northeast Corner of Hongsheng Times Financial Plaza, No. 1 Jifu Road, Jinyuan District, Taiyuan, Shanxi Province	0351-6191968
20	Yunnan Branch Office	ZHANG Rui	11/F, Block 2, Huahai Xinjingjie Commercial Building, Milesi New Village, Huancheng West Road, Xishan District, Kunming, Yunnan Province	0871-68353618
21	Hunan Branch Office	LUO Hua	2/F, New Century Building, No. 198 Second Section of Furong Middle Road, Tianxin District, Changsha, Hunan	0731-85175379
22	Hebei Branch Office	ZHANG Xinyu	3501-3504, 35/F, Tower B, Letai Center, No. 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei Province	0311-66188908
23	Chongqing Branch Office	HAN Han	5-1 (underground) and 12-1-2 of Citic Bank Building, No. 5 West Avenue, Jiangbei Town, Jiangbei District, Chongqing	023-67518668
24	Hainan Branch Office	YAN Changsheng	1-2/F, Block B, East Area of Sheng Da Jing Du, No. 65 Guoxing Avenue, Meilan District, Haikou, Hainan	0898-65361268
25	Guangxi Branch Office	LIU Yuyang	Room 1805, 18F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Qingxiu District, Nanning	0771-2539031
26	Gansu Branch Office	XU Ying	Level 2, Jiangong Times Building, No. 575 East Xijin Road, Qilihe District, Lanzhou, Gansu	0931-2146560
27	Ningxia Branch Office	REN Gaopeng	Room 301, Complex Commercial Building, No. 16 (formerly No. B4) Yuehai Xintiandi, East Side of Yinjiaqu and South Side of Zhenshui Road, Jinfeng District, Yinchuan, Ningxia	0951-5102568
28	Jilin Branch Office	LIU Mingxu	C101 on 1-2/F, C301-302 on 3/F, Tower C, Pearl Plaza, No. 8988 Renmin Avenue, Nangan District, Changchun, Jilin Province	0431-81970899
29	Heilongjiang Branch Office	FU Shen	21/F, No. 236 Hongqi Avenue, Nangang District, Harbin	0451-51990358
30	Jiaxing Branch Office	WU Jinglan	North Side of 1/F, 6/F and 7/F of Commercial and Office Complex at the Intersection of Zhongshan Road and Jishui Road, Nanhu District, Jiaxing, Zhejiang Province	0573-82069341
31	Jinhua Branch Office	XU Honglai	No. 331 Zhongshan Road, Jinhua, Zhejiang Province	0579-82337102
32	Shaoxing Branch Office	TONG Weijia	No. 117 Pianmenzhi Street, Yuecheng District, Shaoxing, Zhejiang Province	0575-88096598
33	Taizhou Branch Office	LIN Binxian	Rooms 1901, 2001, 103 and 104 of Development and Investment Mansion, No. 188 Fuzhong Road, Taizhou, Zhejiang Province	0576-88896598

3.2.9 Access to and Ability of Financing

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

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

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

Please refer to Note 36 "Short-term loans", Note 37 "Short-term financing instruments payable", Note 40 "Debt instruments issued" and Note 41 "Long-term loans" to the financial statements in this Results Announcement for the information on the debt financing instruments and liquidity of the Company in the first half of 2019.

3.3 Possible Risks Exposure

The external environment becomes more complicated and harsher for China, as global economy is experiencing further slowdown and trade frictions remain; meanwhile, domestic demand wanes and the economy is facing new downward pressure. The outstanding structural problem of overcapacity and generally insufficient demand and aggravated financial risks will bring corresponding risks to the Company. Against the backdrop of changing regulatory policies and external environment, the growth in credit derivatives, commodities, foreign exchange and other new businesses will increase market risks correspondingly. Financing business and fixed income product investment are exposed to changes in credit risk and counterparty risk. Therefore, efforts should be made to ensure risks are detectable and controllable amid business expansion.

3.4 Core Competitiveness Analysis

In the course of more than 20 years of development, backed by powerful shareholder background, the Company has developed and achieved a sound corporate governance structure, prospective strategic layout and complete business system, solid capital strength and industry-leading operating results, profound customer resources, excellent corporate culture and core value, all of which contribute to the core competitiveness of the Company.

3.4.1 Powerful shareholder background and sound corporate governance structure

The largest Shareholder of CITIC Securities is CITIC Corporation Limited, which directly holds 16.50% shares. Founded on integrating the securities business under CITIC Group, the Company has grown from a small and medium-sized securities company into a large integrated securities group with the full support from CITIC Group. Listed on SSE in 2003 and on the Hong Kong Stock Exchange in 2011, the Company is China's first securities company engaging in IPO projects relating to A shares, H shares and A+H shares. The Company has formed a sound corporate governance structure centering on the Board, the Supervisory Committee and the general meeting, which ensures the Company's sustained healthy development under the long-term market-based operation mechanism.

3.4.2 Prospective strategic layout and complete business system

The Company has been exploring and putting into practice new business models over the years. It took the lead in the industry in proposing and practicing the new buyer business to engage in such business as direct investment, bond market-making and block trading; by acquisition and continuous cultivation, it has established its leading edge in futures, fund, commodity and other business; it has expanded investment in such business as fixed income, margin financing and securities lending, equity derivatives and alternative investment and established the financial market business system. The headquarters of the Company has obtained qualifications for multiple businesses permitted by domestic regulatory authorities, forming a full-product, full-market and full-business coverage landscape, with increasingly improving basic financial functions in investment, financing, trading, payment and custody.

3.4.3 Solid capital strength and industry-leading operating results

Since its establishment, the Company has boasted prominent strength of scale advantage in net capital, net assets and total assets as well as remarkable profitability. With sustained leadership in the market in respect of investment banking, wealth management, fixed income and asset management, it has achieved wide reputation and brand strength in domestic market. Over the years, the Company has won many awards granted by Asiamoney, Financial Times, Forbes, SSE, SZSE and other domestic and overseas institutions.

3.4.4 Profound customer resources and extensive network layout

In 1996, the Company underwrote the listing of Yaohua Glass as the lead underwriter, the first IPO project of the Company. Over the past two decades, the Company has accumulated a group of trustworthy strategic customers including Three Gorges Corporation, China Yangtze Power and ICBC. At present, the Company has more than 8 million retail customers and 35,000 domestic corporate and institutional customers engaging in key fields of national economy, achieving in-depth coverage of major central SOEs, important local SOEs and influential listed companies. The Company has kept developing as driven by the philosophy of putting customers at the center and growing together with customers.

3.4.5 PRC investment bank covering the most areas along the Belt and Road Initiative

CLSA, an overseas business platform under the Company, has currently set up more than 20 offices in the UK, the US, Australia and Southeast Asia, with its research services covering more than 1,000 listed companies in areas along the Belt and Road Initiative. It is a Chinese-funded securities company leading peers in the number of local branches, research coverage, sales network and liquidation and settlement infrastructure in areas along the Belt and Road Initiative and also an investment bank best fitting the Belt and Road Initiative in the world. With its unique industrial position and accumulated strength, CLSA provides enterprises participating in the Belt and Road Initiative projects with the best-quality and effective assistances and suggestions regarding such business fields as transnational acquisition in Asia, establishment of joint ventures and in-depth understanding of local markets.

3.4.6 Excellent corporate culture and core value

The Company has inherited excellent cultural genes of CITIC Group. Following CITIC's style of abiding by laws and discipline and acting honestly, seeking truth from facts and innovation, being prudent and modest and advocating teamwork spirit, being industrious and self-motivated and effective and resolute, CITIC's core value highlighting "honesty, innovation, cohesion, integration, devotion and excellence" and CITIC's development mission of "offering the best services to customers, providing a platform for staff to display their ability, creating maximum value for shareholders and making the biggest contribution to the country", the Company has gradually formed its operating philosophy of law abidance, standardized management and strict risk control; forged the enterprising spirit of seeking excellence, striving to make innovations and allowing trial and error; developed the crisis awareness of facing up to problems, respecting market and actively seeking changes; cultivated the interpersonal style of keeping a low profile in interpersonal communication and work and being modest and prudent; and formed the admirable tradition of being diligent, advocating frugality and conciseness and abandoning unnecessary formalities.

3.5 Risk Management

3.5.1 Overview

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

The Company has established an overall risk management system led by the Chief Risk Officer, in the charge of the Risk Management Department and involving its departments/business lines, branches, subsidiaries and all the staff, and is committed to building risk management as its core competitiveness. In the first half of 2019, while ensuring stable operation of the overall risk management system and putting various risks under effective control, the Company continued to implement consolidated management for the Group's risks, with a focus on improving the data quality of subsidiaries, optimizing the functions of its overall risk management system, enhancing risk screening and response and promoting integrated risk control at home and abroad.

The Company is well aware that excellent overall risk management system and advanced information technology platform are essential to achieve the development vision of "becoming global customers' most trustworthy PRC investment bank with leading position in the PRC and high ranking in the world". Therefore, in recent years, the Company continued to increase its resource contributions into compliance and risk control and information technology, intensified efforts for recruitment of relevant professionals, and strengthened the development of financial technology platforms and the application of new technologies such as big data and artificial intelligence. The Company will continue to increase contributions into independent research and development, boost building and optimization of the compliance and risk control module in the professional compliance and risk control system and business system, and reinforce standardized and automatic risk management process to achieve the systematic calculation and monitoring of risk indicators of the Group.

3.5.2 Structure of Risk Management

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

Level 1: The Board

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

Level 2: Operation Management

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

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

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

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

The Company has established the Product Committee. Under the authority of the Board and the Operation Management of the Company, the Product Committee uniformly makes plans, preparation and decisions regarding the products and service business of the Company. It reviews the launch or sales of products and related services provided by the Company, and is the decision-making body of the appropriateness management for the launch of financial products of the Company. The Risk Evaluation Group and the Appropriateness Management Group were established under the Product Committee. The Risk Evaluation Group is responsible for reviewing the qualification of the principal which entrusted the Company to sell products, and is tasked with organizing the specific product evaluation, establishing the classification criteria and methods of risks associated with products or services of the Company, performing risk assessment and risk grading on products or services, as well as supervising the management of product terms. The Appropriateness Management Group is responsible for formulating the criteria for investor classification and principles and procedures for appropriate matching of investors, supervising departments to implement investor appropriateness management work, organizing appropriateness training and appropriateness self-examination and rectification at the company level, and supervising the establishment and improvement of investor appropriateness evaluation database and other work related to appropriateness management.

Level 3: Division/Business Lines

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

Being the Company’s first line of defense in risk management, front-office business departments/business lines of the Company bear the first-line responsibility for risk management. These departments are responsible for the establishment of business management systems and risk management systems for various businesses and perform supervision, assessment and reporting on business risks and contain such risks within the approved limits.

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

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

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance system of the Company, provides compliance advice and enquiries to the Operation Management, departments/business lines and branches of the Company, monitors lawful compliance of management and operating activities; supervises and instructs the departments/business lines and branches of the Company to assess, develop, modify and improve internal management systems and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on internal management systems, important decisions, new products, new businesses and key business activities launched by the Company; fulfills the regular and non-regular obligations of reporting to regulatory authorities; organizes and performs money laundering risk control in accordance with the anti-money laundering system of the Company, etc.

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

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

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

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

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

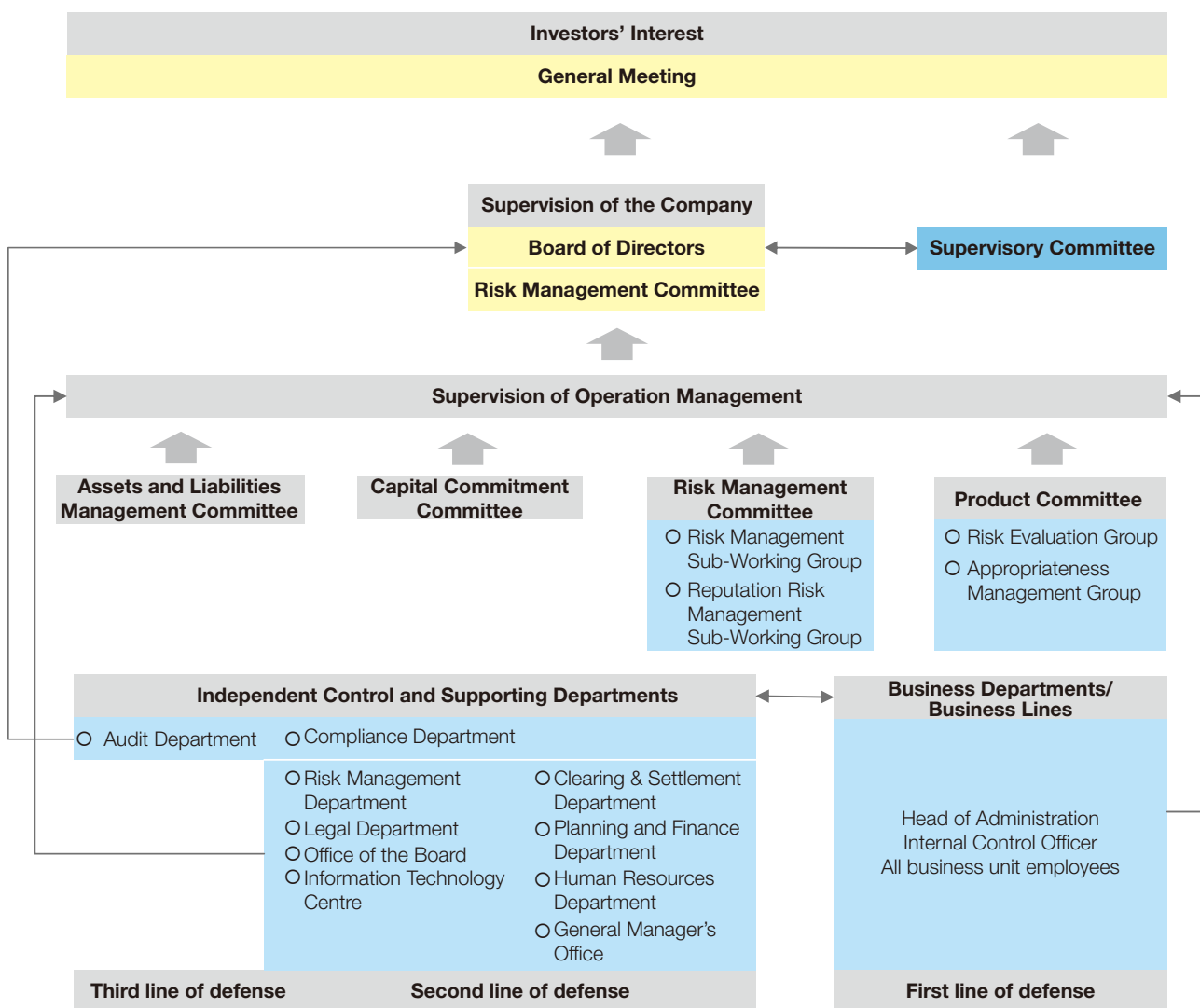


Chart: Structure of the Risk Management

3.5.3 Market Risk

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

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

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

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

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

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company with full position upon the concurrence of different events under a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macroeconomic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management of the Company. Through stress tests, the Company could focus more on the possible losses to the Company, analyze its risk return and compare its risk resistant capacities, and evaluate whether the overall market risk portfolio of the Company is within its expected limits. In view of the market condition and risk characteristics in the first half of 2019, the Company further enhanced the research and optimization of stress test methodology by adding more stress tests under specific scenarios, in order to better evaluate and manage its possible material loss under extreme circumstances.

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

The Company continues to modify the risk limits system, defines unified limit management measures and a hierarchical authorization mechanism, and on the basis of such authorization mechanism, reorganizes the measures for the management of the system with different levels of risk limit indicators for the Company, its respective business departments/business lines and investment accounts.

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

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

Please refer to Note 49 to the financial statements for details of the market risk of the Group.

3.5.4 Credit Risk

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

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

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

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

Credit risk arising from securities financing business is mainly managed through client education, credit reference checks, credit approval, risk assessment on collateralized (pledged) securities, daily mark to market, risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means.

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

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

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

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

In RMB ten thousand

Investment Rating	30 June 2019	31 December 2018
China's Sovereign Credit Rating	1,690,204	2,817,028
AAA	6,358,965	6,249,261
AA	1,220,685	1,052,249
A	1,285	39,612
A-1	655,324	477,858
Others	2,040,963	1,876,051
Total exposure	11,967,426	12,512,059

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

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

In RMB ten thousand

Investment Rating	30 June 2019	31 December 2018
A	3,033	11,591
B	432,077	458,622
C	1,063,350	913,890
D	17,931	5,388
NR	-977,565	-973,088
Total exposure	538,826	416,403

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

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

As at the end of the Reporting Period, the Group maintained an average margin ratio of 293% for the Group's margin financing and securities lending clients with outstanding liabilities; an average maintenance margin ratio of 260% for the Group's stock repo clients with outstanding liabilities; and an average maintenance margin ratio of 251% for the Group's stock-pledged repo clients with outstanding liabilities.

3.5.5 Liquidity Risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a timely manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to the overall operation of capital. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases. At the same time, the Company has replenished its long-term working capital through public or private offering of corporate bonds, subordinated bonds, income vouchers and the like to enable the Company to maintain its overall liquidity at a relatively secured level.

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

In the first half of 2019, in view of a market condition characterized by reasonably adequate liquidity, the Group strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards. On the other hand, the Group evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

3.5.6 Operational Risk

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

During the Reporting Period, all the established management tools were on continuous effective operation. The Company carried out assessment on new businesses, streamlined business processes and reviewed rules and regulations to ensure that its internal control procedures were comprehensive and to prevent risks from occurring; made early warning of the operational risk in time through key risk indicator (KRI) monitoring; investigated and reported on risk events and followed corrective measures and optimized process so as to mitigate risks in a timely manner. The Company carried out operational risk trainings to continuously raise all the staff's awareness of operational risk management and foster a culture of operational risk management. With the implementation of the Guidelines for the Management of Operational Risk for Subsidiaries (Trial), the above management tools have been applied among each direct subsidiary. The Company continued to optimize the operational risk management system and used automated devices to better support the management and monitoring of headquarters and subsidiaries.

CHAPTER IV SIGNIFICANT EVENTS

4.1 Details of the Annual General Meeting and Extraordinary General Meeting Convened during the Reporting Period

Session of the meeting	Convening date	Designated websites for publication of the resolutions of the meeting	Date of publication of the resolutions of the meeting
2019 First Extraordinary General Meeting	2019.5.27	www.sse.com.cn www.hkexnews.hk	2019.5.27
2018 Annual General Meeting	2019.6.28	www.cs.ecitic.com	2019.6.28

Note: For details of the resolutions approved at the above meetings, please refer to the disclosure on the HKExnews website of HKEx (<http://www.hkexnews.hk>) published on the date of the meeting, on/in the SSE website (<http://www.sse.com.cn>), China Securities Journal, Shanghai Securities News and Securities Times published on the following day, and the website of the Company (<http://www.cs.ecitic.com>).

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

The Company held the 2019 First Extraordinary General Meeting at Beijing Ruicheng Four Seasons Hotel on 27 May 2019, through a combination of on-site voting and online voting. Eleven special resolutions and two ordinary resolutions were considered and approved at the meeting (please refer to the relevant announcement). The general meeting was chaired by Mr. ZHANG Youjun, the Chairman of the Board. Other Directors, Supervisors, and certain members of the Senior Management attended the meeting.

The Company held the 2018 Annual General Meeting at Beijing Ruicheng Four Seasons Hotel on 28 June 2019, through a combination of on-site voting and online voting. One special resolution and eight ordinary resolutions were considered and approved at the meeting (please refer to the relevant announcement). The general meeting was chaired by Mr. ZHANG Youjun, the Chairman of the Board. Other Directors, Supervisors, and certain members of the Senior Management attended the meeting.

4.2 Performance of Undertakings

4.2.1 Undertakings of the De Facto Controller, Shareholders, Related Parties, Acquirer of the Company and the Company Made or Subsisting during the Reporting Period

Undertaking in Respect of the Share Reform

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

Since CITIC Group has transferred all the Shares held by it to CITIC Corporation Limited, the above undertaking is taken up by CITIC Corporation Limited. The above long-term undertaking is still valid. It is currently in good implementation and will continue to be duly performed.

Undertaking in Respect of Non-competition

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

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

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

Undertaking in relation to Asset Restructuring

On 9 January 2019, in relation to the proposed acquisition of the 100% equity interests in Guangzhou Securities by issuance of Shares of the Company, CITIC Corporation Limited, the largest shareholder of the Company, has undertaken that: “During the period from the date of resumption of trading of the A shares of CITIC Securities to the completion of the acquisition of assets by issuance of Shares, if CITIC Corporation Limited intends to reduce its shareholding in CITIC Securities, it will strictly comply with the laws and regulations and relevant requirements of the SSE and will fulfill the obligation of information disclosure in a prompt manner.”

4.2.2 There are No Public Undertakings that Need to be Performed by the Company.

4.3 Appointment or Termination of Service of Accounting Firms

As approved at the 2018 Annual General Meeting, the Company reappointed PwC Zhong Tian and PwC Hong Kong as the external auditors for 2019 to be responsible for the provision of the relevant annual audit and interim review services in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards, respectively; and appointed PwC Zhong Tian as the auditor for internal control of the Company for 2019. The total amount of the fees in relation to the above audit and review services will not exceed RMB33 million (including the audit and review services to be provided to the primary subsidiaries of the Company and for relevant consolidated items). If additional fees are incurred due to a change in scope and contents of the audit or review, the Board has been authorized by the 2018 Annual General Meeting to determine the fees according to the actual scope and contents of the audit or review.

4.4 Material Litigation and Arbitration

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

The litigation or arbitration of the Group with an involved amount of over RMB10 million, which was newly raised or had progress from the beginning of the Reporting Period until the date of publication of this results announcement and has not been disclosed, is as follows:

4.4.1 Dispute among the Company, CHENG Shaobo and ZHU Lixin on Stock-pledged Repo Transaction

Due to the breach of contract by CHENG Shaobo when conducting the stock-pledged repo transactions with the Company, the Company applied to the Higher People’s Court of Shandong Province (hereinafter referred to as the “**Shandong Higher Court**”) for compulsory enforcement in March 2018, requesting CHENG Shaobo and ZHU Lixin to pay the outstanding principal of RMB124,870,000 and the corresponding interests, liquidated damages, expenses incurred for realizing the claim and other fees. The Shandong Higher Court accepted the case on 12 March 2018. On 12 and 28 March 2018, the Shandong Higher Court froze the bank accounts under the name of CHENG Shaobo as well as the shares of Shandong Longlive Bio-Technology Co., Ltd. (hereinafter referred to as the “**Longlive Bio**”) held by CHENG Shaobo. The Shandong Higher Court assigned this case to the People’s Court of Yucheng (hereinafter referred to as the “**Yucheng Court**”) for enforcement. On 1 April 2019, the Yucheng Court issued the first auction announcement which would last for one month, proposing to formally auction the 24,542,832 shares of Longlive Bio held by CHENG Shaobo with the initial bidding price of RMB57,430,226 (For the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 6 May 2019, the share auction failed. The Company has made corresponding provision for impairment of this transaction.

4.4.2 Dispute between the Company and DING Sheng on Margin Financing and Securities Lending Transaction

On 11 May 2018, the Company submitted an application to Beijing Arbitration Commission (hereinafter referred to as the “**BAC**”) for property preservation in relation to the dispute between DING Sheng and the Company on margin financing and securities lending transaction. On 28 May 2018, the BAC accepted the case. On 21 June 2018, the People’s Court of Haimen made a ruling of property preservation. On 22 August 2018, DING Sheng filed a counterclaim with the BAC, requesting the Company to repay his loss of RMB20.10 million. The BAC accepted the case on 24 August 2018 and heard the case on 23 December 2018. On 14 January 2019, the BAC made an award in favor of the claims of the Company of the principal, the interests accrued thereon, the liquidated damages and other case expenses, and rejected the counterclaims raised by DING Sheng. The Company won the case. On 13 March 2019, the Company applied to the Intermediate People’s Court of Nantong for compulsory enforcement (For the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 19 March 2019, the case was designated to be enforced by the People’s Court of Haimen, which is currently in the process of compulsory enforcement. The Company has made corresponding provision for impairment of this transaction.

4.4.3 Dispute between the Company and HITHT on Margin Financing and Securities Lending Transaction

On 4 June 2018, the Company submitted an application for arbitration to the BAC against Harbin Institute of Technology High-Tech Development Corporation (哈爾濱工業大學高新技術開發總公司)(hereinafter referred to as the “**HITHT**”) in relation to default on the margin financing and securities lending transaction between the Company and HITHT, requesting HITHT to repay the principal of RMB406.73 million, the corresponding interests, liquidated damages and other expenses incurred for realizing the creditor’s rights, and applied for property preservation. On 8 June 2018, the BAC accepted the case. The case was heard on 5 September 2018. On 28 September 2018, the BAC made an award, requesting HITHT to repay the principal, the interests accrued thereon, liquidated damages and case expenses totaling RMB418,624,645.99 as of 4 June 2018. On 26 October 2018, the Company applied to the Third Intermediate People’s Court of Beijing (hereinafter referred to as the “**Beijing Third Intermediate Court**”) for compulsory enforcement (For the relevant information of this case, please refer to the 2018 Annual Report of the Company). On 14 January 2019, the case was transferred to the Intermediate People’s Court of Harbin for enforcement. Currently, the case is in the process of compulsory enforcement. The Company has made corresponding provision for impairment of this transaction.

4.4.4 Dispute between the Company and Tianjin Pipe Plant and Tianjin Pipe Group on Two Financial Loan Agreements in connection with the TAM managed by the Company

Due to the breach of contract by Tianjin Seamless Pipe Plant (天津無縫鋼管廠)(hereinafter referred to as the “**Tianjin Pipe Plant**”) as the borrower and Tianjin Pipe (Group) Corporation (天津鋼管集團股份有限公司)(hereinafter referred to as the “**Tianjin Pipe Group**”) as the guarantor, the Company filed a lawsuit with the Fourth Intermediate People’s Court of Beijing (hereinafter referred to as the “**Beijing Fourth Intermediate Court**”) against the Tianjin Pipe Plant and the Tianjin Pipe Group on 20 July 2018, requesting the Tianjin Pipe Plant to repay the principal, interest, penalty interest and other fees totaling RMB207,926,616.36 and the Tianjin Pipe Group to assume joint and several liabilities. The Company also applied for property preservation to the Beijing Fourth Intermediate Court. The court accepted the case and the application for property preservation on 4 July 2018. The Beijing Fourth Intermediate Court made the first instance judgment in favor of the claims of the Company on 18 December 2018. The defendants in the case had appealed on 3 January 2019 (For the relevant information of this case, please refer to the 2018 Annual Report of the Company). The Higher People’s Court of Beijing (hereinafter referred to as the “**Beijing Higher Court**”) made the final judgment, dismissing the defendant’s appeal on 17 May 2019.

4.4.5 Dispute between the Company and Landian Investment on the Consulting Contract

Shanghai Landian Investment Consultant Company Limited (上海藍點投資有限公司)(hereinafter referred to as the “**Landian Investment**”) claimed that the Company failed to pay the consultancy fee in a timely manner in accordance with the agreement, and therefore applied for arbitration to the BAC, requesting the Company to pay the consultancy fee of RMB20,656,312 together with corresponding liquidated damages. The BAC accepted the case on 10 August 2018, and heard the case on 13 December 2018 (For the relevant information of this case, please refer to the 2018 Annual Report of the Company). The Company received the arbitration award from the BAC on 22 May 2019, which decided that the Company shall pay the financial consultancy fee of RMB17,836,312 as well as liquidated damages and arbitration fee. On 3 July 2019, the Company paid relevant fees in accordance with the arbitration award, and the case was closed.

4.4.6 Dispute between the Company and CHE Meiyun on Margin Financing and Securities Lending Transaction

Due to the breach of contract on margin financing and securities lending transaction by CHE Meiyun, the Company submitted an application for arbitration to the BAC, requesting CHE Meiyun to repay the financing principal of RMB10,297,743.83 and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees of the Company, and applied for property preservation. The BAC accepted the case on 27 August 2018. On 6 September 2018, the Company seized and froze the property under CHE Meiyun’s name through the People’s Court of Jiaojiang District of Taizhou City. The BAC heard the case on 9 November 2018, and made an award for this case in favor of the Company on 21 February 2019 (For the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 17 April 2019, the Company applied to the Intermediate People’s Court of Taizhou City for compulsory enforcement. Enforcement of the case was transferred to the People’s Court of Jiaojiang District of Taizhou City after it was accepted. The case is currently in the process of compulsory enforcement. The Company has made corresponding provision for impairment of this transaction.

4.4.7 Dispute between the Company and CHEN Jiang on Margin Financing and Securities Lending Transaction

Due to the breach of contract on margin financing and securities lending transaction by CHEN Jiang, the Company submitted an application for arbitration to the BAC, requesting CHEN Jiang to repay the financing principal and interests of RMB18,501,775.34, and the corresponding liquidated damages, expenses incurred for realizing the creditor's rights and other fees of the Company, and applied for property preservation. The BAC accepted the case on 31 August 2018. On 17 September 2018, the Company seized and froze the property under CHEN Jiang's name through the People's Court of West Lake District of Hangzhou City. CHEN Jiang filed an appeal on confirmation of the validity of the arbitration agreement on 14 November 2018. The case was accepted by the Beijing Fourth Intermediate Court and was heard on 6 December 2018. The Beijing Fourth Intermediate Court made a ruling and dismissed the appeal of CHEN Jiang on 12 December 2018. The BAC heard the case on 27 March 2019 (For the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 31 May 2019, the BAC made an arbitral award in favor of the Company. The Company has made corresponding provision for impairment of this transaction.

4.4.8 Arbitration of Dispute on Stock Return Swap Transaction between the Company and the Gangtai Group

Due to the breach of contract on stock return swap transaction by Gangtai Group Co., Ltd. (剛泰集團有限公司)(hereinafter referred to as the **"Gangtai Group"**), the Company applied for the arbitration to the China International Economic and Trade Arbitration Commission (hereinafter referred to as the **"CIETAC"**) on 31 August 2018, requesting Gangtai Group to pay the transaction settlement amount of RMB14,624,409.12, liquidated damages of RMB133,161.06 and relevant fees, and also applied for property preservation simultaneously. The CIETAC accepted the case on 24 October 2018 and heard the case on 11 January 2019 (For the relevant information of this case, please refer to the 2018 Annual Report of the Company). On 12 April 2019, the Company received the arbitral award in favor of the Company from the arbitral tribunal. On 29 May 2019, the Company applied to the Shanghai Financial Court for enforcement. On 5 July 2019, enforcement of the case was transferred to the People's Court of Pudong New District of Shanghai. The Company has made corresponding provision for impairment of this transaction.

4.4.9 Dispute between the Company and Xingyuan Holding Group on Stock-pledged Repo Transaction

Due to the breach of contract on stock-pledged repo transaction by Xingyuan Holding Group Co., Ltd. (興源控股集團有限公司)(hereinafter referred to as the **"Xingyuan Holding Group"**), the Company applied to the Shanghai Financial Court for compulsory enforcement, requesting Xingyuan Holding Group to repay the outstanding principal of RMB171,147,397.17 and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Financial Court accepted the case on 16 November 2018. On 4 March 2019, the Company entered into a settlement agreement with Xingyuan Holding Group, HAN Xiaofang and ZHOU Liwu. On 16 April 2019, Xingyuan Holding Group has fully paid the settlement payments in accordance with the settlement agreement (For the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 18 April 2019, the Shanghai Financial Court issued the notification of case termination to close the case.

4.4.10 Dispute between the Company and Kangde Group on the Guarantee Contract

Due to the breach of contract by Shenzhen Qianhai Fengshi Yunlan Capital Management Co., Ltd. (深圳前海豐實雲蘭資本管理有限公司)(hereinafter referred to as the **"Fengshi Yunlan"**) when conducting the stock-pledged repo transaction with the Company, Kangde Investment Group Co., Ltd. (康得投資集團有限公司)(hereinafter referred to as the **"Kangde Group"**) also failed to fulfill its guarantee obligations in a timely manner to repay the relevant debts to the Company on behalf of Fengshi Yunlan. On 22 January 2019, the Company filed a lawsuit with the Beijing Higher Court, requesting the Kangde Group to assume the joint and several liability as the guarantor and repay the amount of RMB1,418,245,278.08 owed to the Company (For the relevant information of this case, please refer to the 2018 Annual Report of the Company). On 15 May 2019, the Company submitted the application for compulsory enforcement to the First Intermediate People's Court of Beijing (hereinafter referred to as the **"Beijing First Intermediate Court"**), Fengshi Yunlan, as debtor, ZHONG Yu, as guarantor, Tianming Yujie Investment Management Co., Ltd. (天明禹捷投資管理有限公司) and Beijing Yisheng Hengtong Technology Partnership (Limited Partnership) (北京益聖恒通科技合夥企業(有限合夥)), as pledgors, are persons subject to the enforcement. The case was formally accepted on 27 May 2019. The Company has made corresponding provision for impairment of this transaction.

4.4.11 Dispute between the Company and WANG Yongmei on the Fund Contract

The Company, as fund trustee, and WANG Yongmei, as fund trustor, entered into private equity fund (for securities investment) businesses. WANG Yongmei submitted an application for arbitration to the BAC under the belief that the Company failed to fulfil the relevant obligations specified in the fund contract, requesting the Company to compensate for her economic losses of RMB12.032 million. On 5 March 2019, the Company received the notification of arbitration and answer from the BAC (for the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 2 August 2019, the BAC heard the case and has not made an award yet.

4.4.12 Dispute between the Company and Yinlong Energy on Financial Advisory Contract

From May 2014 to the end of 2015, the Company provided financial advisory service to Yinlong Energy Co., Ltd. (銀隆新能源股份有限公司)(hereinafter referred to as the “**Yinlong Energy**”) in connection with its first and second capital raising activities in 2015, incurring financial advisory fees of RMB40.00 million in total payable by but has not been paid by Yinlong Energy. Due to unsuccessful communication, the Company applied to the BAC for arbitration of this dispute on 15 May 2019. On 27 May 2019, the BAC accepted the case. The BAC heard the case on 7 August 2019, and no ruling has been made so far.

4.4.13 Dispute Between the Company and Shanghai Sunho and National Business on Bond Pledged Repo

On 30 April 2018, the Company submitted an application for arbitration to the Beijing Arbitration Commission (hereinafter referred to as the “**BAC**”) in relation to disputes on the bond pledged repo, requesting Shanghai Sunho Capital Management Co., Ltd.(上海昇和資產管理有限公司)(hereinafter referred to as “**Shanghai Sunho**”), the manager of Jacaranda Private Securities Investment Fund (藍花楹私募證券投資基金)(hereinafter referred to as “**Jacaranda Fund**”), and National Business Holdings Group Co., Ltd.(國能商業集團有限公司)(hereinafter referred to as “**National Business**”), the trustor of Jacaranda Fund, to jointly assume the repayment obligations. The BAC accepted the case on 10 May 2018 and heard the case on 27 February 2019 (relevant information of this case is contained in the Company’s 2018 Annual Report). The second hearing was held on 28 April 2019, and the Company received the arbitral award from the BAC on 15 August 2019, which decided that Jacaranda Fund breached the contract and shall repay the advancement to the Company and assume the liabilities for breach of contract, but the arbitration request against Shanghai Sunho and National Business was dismissed. The Company has made corresponding provision for impairment of this transaction.

4.4.14 Dispute between the Company and HE Qiaonv and TANG Kai on Stock-pledged Repo Transaction

On 13 April 2018, the Company entered into the Agreement on the Stock-pledged Repo Transaction Business and the Transaction Agreement attached with HE Qiaonv and TANG Kai, pursuant to which, HE Qiaonv pledged 39,700,000 tradable shares of Orient Landscape (stock code: 002310) held by her to the Company and lent the initial amount of RMB295,520,000 from the Company. As of the closing of market on 11 October 2018, the proportion of the performance guarantee of the transaction has fallen below the close-out threshold. As HE Qiaonv did not fulfill the obligation of margin calls according to the agreement, a substantial default occurred. On 26 October 2018, the Company filed an application for the issuance of a certificate of enforcement with Fangyuan Notary Public Office. On 22 November 2018, Fangyuan Notary Public Office issued the certificate of enforcement according to the law. On 15 May 2019, the Company submitted an application for enforcement to the Beijing Third Intermediate Court, and the case was accepted on the same day. The Company has made corresponding provision for impairment of this transaction.

4.4.15 Dispute between the Company and Aipu on the Guarantee Contract

In June 2017, the Company entered into the Agreement on the Stock-pledged Repo Transaction Business and the Transaction Agreement with Loncin Holdings Co., Ltd. (隆鑫控股有限公司)(hereinafter referred to as the “**Loncin Holdings**”), pursuant to which, Loncin Holdings pledged the tradable shares of Loncin Motor (stock code: 603766) held by the Loncin Holdings to the Company for conducting the stock-pledged repo transaction with the Company. In July 2018, Chongqing Aipu (Group) Co., Ltd. (重慶愛普地產(集團)有限公司)(hereinafter referred to as the “**Aipu**”) entered into a Guarantee Contract with the Company, voluntarily providing guarantee for all liabilities of Loncin Holdings under the foregoing transaction. Due to the default of Loncin Holdings, the Company requested Aipu to assume guarantee responsibility, however, Aipu rejected to perform such responsibility. On 27 December 2018, the Company applied for issuance of a certificate of enforcement with the notary office and applied for compulsory enforcement with the court, requesting Aipu to assume joint and several guarantee liability for the outstanding principal of RMB1,507.3 million due from Loncin Holdings. The Beijing Higher Court accepted the case on 2 January 2019 and appointed the Beijing Third Intermediate Court to perform the enforcement on 24 January 2019. As the Company reached a settlement agreement with Aipu subsequently, the Company applied with the court on 19 March 2019 to withdraw the case. On 12 June 2019, due to the failure of performance of the settlement agreement by Aipu, the Company applied with the Beijing Third Intermediate Court to resume the enforcement and the court accepted the case on 20 June 2019. The Company has made corresponding provision for impairment of this transaction.

4.4.16 Dispute between the Company and Tempus Group on Margin Financing and Securities Lending Transaction

In 2016, Tempus Group Co., Ltd. (騰邦集團有限公司) (hereinafter referred to as the “**Tempus Group**”) conducted margin financing and securities lending transactions with the Company, to which, ZHONG Baisheng assumed joint and several guarantee liability. Given Tempus Group and ZHONG Baisheng failed to repay the debt upon the expiration of the relevant business contract, the Company submitted an application to the BAC on 27 May 2019, requesting Tempus Group and ZHONG Baisheng to repay the principal of RMB62,629,798.43 and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees to the Company, and applied for property preservation. The BAC accepted the case on 30 May 2019.

4.4.17 Dispute between the Company and Zhongrong Group

As Zhongyin Cashmere International Group Co., Ltd. (中銀絨業國際集團有限公司) (Hereinafter referred to as the “**Zhongrong Group**”) breached its undertakings set out in the Letter of Undertaking to the CITIC Securities Company Limited Issued by the Ningxia Zhongyin Cashmere International Group Co., Ltd. issued to the Company on 30 June 2017, the Company filed a lawsuit with the Intermediate People’s Court of Shenzhen on 26 June 2019, requesting the court to confirm the Company’s ownership of the shares and relevant interests in the partnership held under the name of Zhongrong Group and to order Zhongrong Group to transfer such shares and interests to the Company, or if it fails to do so, to compensate the Company’s loss of RMB110,962,689.95 in total. The Intermediate People’s Court of Shenzhen accepted the case on 26 June 2019.

4.4.18 Dispute between GoldStone Haorui and Zhuhai Henggu and WEI Yincang on Capital Increase Agreement and Dispute between GoldStone Haorui and Yinlong Investment Group on Guarantee Agreement

In February 2015, six companies including Qingdao GoldStone Haorui Investment Company Limited (青島金石灝納投資有限公司) (hereinafter referred to as the “**GoldStone Haorui**”), a subsidiary of GoldStone Investment, entered into the Capital Increase Agreement and the Supplementary Agreement to the Capital Increase Agreement with Yinlong Energy, Zhuhai Henggu Investment Co., Ltd. (珠海恒古投資有限公司) (formerly known as Zhuhai Henggu New Energy Technology Co., Ltd., hereinafter referred to as the “**Zhuhai Henggu**”) and WEI Yincang, pursuant to which, GoldStone Haorui subscribed for the newly increased registered capital of Yinlong Energy of RMB32.00 million (accounting for 5% of the enlarged registered capital) at a consideration of RMB200 million. Due to triggering repurchase and performance compensation provisions, GoldStone Haorui filed an application for arbitration with Shenzhen Arbitration Commission (hereinafter referred to as the “**SAC**”) on 24 April 2019, requesting repurchase obligor, Zhuhai Henggu and WEI Yincang, to repurchase its equity interest. The SAC accepted the case on 5 June 2019.

In January 2016, GoldStone Haorui, Zhuhai Henggu, WEI Yincang, Yinlong Investment Group (HK) Limited (銀隆投資集團(香港)有限公司) (hereinafter referred to as the “**Yinlong Investment Group**”) and other two parties entered into the Pledge Agreement, pursuant to which, Yinlong Investment Group agreed to provide security with two properties under its name as the mortgaged property for GoldStone Haorui’s investment principal and the relevant obligations and liabilities of Zhuhai Henggu and WEI Yincang in relation to the investment up to an amount of RMB16.00 million. GoldStone Haorui filed an application for arbitration with the BAC on 24 April 2019, requesting Yinlong Investment Group to assume its mortgage liability. The BAC accepted the case on 30 April 2019.

4.4.19 Dispute among GoldStone Haorui and Sanxia GoldStone Fund, and ZHANG Yonggang and LI Jianqiong on Equity Contract

In March 2016, GoldStone Haorui entered into the Capital Increase Agreement and the Supplementary Agreement with Sichuan Gangyi Technology Group Co., Ltd (四川剛毅科技集團有限公司) (hereinafter referred to as “**Gangyi Group**”), ZHANG Yonggang and LI Jianqiong, pursuant to which, GoldStone Haorui agreed to make capital increase into Gangyi Group; in May 2016, Sanxia GoldStone Fund Management Company (三峽金石基金管理公司), a subsidiary of GoldStone Investment, Sanxia GoldStone (Wuhan) Equity Investment Fund Partnership (Limited Partnership) (三峽金石(武漢)股權投資基金合夥企業(有限合夥)) (hereinafter referred to as “**Sanxia GoldStone Fund**”) entered into the Capital Increase Agreement and the Supplementary Agreement with Gangyi Group, ZHANG Yonggang and LI Jianqiong, pursuant to which, Sanxia GoldStone Fund agreed to make capital increase into Gangyi Group. After the payment of investment amount by GoldStone Haorui and Sanxia GoldStone Fund, Gangyi Group failed to achieve operation performance as agreed and ZHANG Yonggang and LI Jianqiong failed to pay the compensation as agreed, which constituted breach of the above contracts. In addition, Gangyi Group failed to submit the application materials for listing before 31 December 2018. Each of GoldStone Haorui and Sanxia GoldStone Fund submitted an application for arbitration with the CIETAC, requesting ZHANG Yonggang and LI Jianqiong to purchase the 3.89% equity interest in Gangyi Group held by GoldStone Haorui (at an aggregate consideration of RMB37,684,932 as of 4 March 2019) and 3.90% equity interest in Gangyi Group held by Sanxia GoldStone Fund (at an aggregate consideration of RMB37,684,932 as of 4 March 2019), respectively, and to pay the lawyer’s fee and arbitration fee, etc. The CIETAC accepted the two cases on 12 April 2019.

4.4.20 Dispute between GoldStone Investment and Chuanjiao Agriculture and Animal Husbandry on Breach of Contract

Due to the breach of contract of equity transfer by LI Xuemei, LI Xuejie, Chengdu Chuangyi Investment Management Co., Ltd. (成都創邑投資管理有限公司) (hereinafter referred to as the “**Chengdu Chuangyi**”), Sichuan Cheriso Agriculture and Husbandry Technology Co., Ltd (四川川嬌農牧科技股份有限公司) (hereinafter referred to as the “**Cheriso Agriculture and Husbandry**”) and LI Shuzhong (hereinafter collectively referred to as the “**Covenanters**”), GoldStone Investment filed an application for arbitration with the CIETAC on 13 June 2018, requesting the Covenanters to pay the consideration for transfer of shares of RMB60,866,459.65 and preservation fees. The CIETAC accepted the case on 25 July 2018 and heard the case on 7 November 2018 (For the relevant information of this case, please refer to the 2019 First Quarterly Results Announcement of the Company). On 11 July 2019, CIETAC made an award, requesting LI Xuemei, LI Xuejie and Chengdu Chuangyi to pay the consideration of equity transfer, as well as preservation fee, arbitration fee and lawyer’s fee to GoldStone Investment, and requesting Cheriso Agriculture and Husbandry to compensate part of the damages. GoldStone Investment has made corresponding provision for impairment of this transaction.

4.4.21 Dispute between Jindingxin Microfinance and Qingxinda

On 11 January 2016, Qingdao Jindingxin Microfinance, a subsidiary of CITIC Securities (Shandong), filed a lawsuit against the borrower, Qingdao Qingxinda Trading Company Limited (青島青鑫達貿易有限公司) (hereinafter referred to as “**Qingxinda**”), as well as the joint liability guarantors (Shandong Boxing Changhong Steel Plat. Co., Ltd., WANG Yongqing, WANG Wei, WANG Qiang and WANG Zhong) in relation to the default on a loan agreement for recovery of approximately RMB14,160,200 from Qingxinda. The People’s Court of Shinan District of Qingdao (hereinafter referred to as “**Shinan Court**”) accepted the case on the same day. Shinan Court heard the case on 21 February 2017 and made a judgement in favor of Jindingxin Microfinance on 2 June 2017. Jindingxin Microfinance applied to Shinan Court for compulsory enforcement on 11 October 2017 and submitted an auction application letter to Shinan Court on 21 November 2017. On 27 December 2018, Shinan Court made a ruling in writing to launch an auction (For the relevant information of this case, please refer to the 2018 Annual Report of the Company). On 27 June 2019, Shinan Court issued an auction notice and initiated the first auction on 5 August 2019 with the initial bidding price of RMB20,922,440, but failed. The time of the second auction will be further announced by Shinan Court. Jindingxin Microfinance has degraded Qingxinda to “subordinated” in the “Five-Level Classification” and has made full provision for impairment.

4.5 Punishment and Rectifications against the Company and its Directors, Supervisors, Senior Management, Controlling Shareholder, De Facto Controller and Acquirer

4.5.1. The Company and certain outlets were subject to the following administrative supervision and management measures taken by the regulatory authorities during the Reporting Period:

On 2 April 2019, the Shanghai Regulatory Bureau of the CSRC issued the Decision on Taking Regulatory Measure of Issuing a Warning Letter to the Shanghai World Financial Centre Securities Outlet of CITIC Securities Company Limited (《關於對中信証券股份有限公司上海環球金融中心證券營業部採取出具警示函監管措施的決定》) (Decision on Administrative Regulatory Measures taken by the Shanghai Securities Regulatory Bureau of the CSRC [2019] No. 29) (中國證監會上海監管局行政監管措施決定書[2019]29號) to the Shanghai World Financial Centre Securities Outlet of the Company. It was decided in the aforementioned regulatory letter that some employees of the Shanghai World Financial Centre Securities Outlet sold financial products that were not issued by or sold on behalf of the issuer by the Company without proper authorization from October 2015 to March 2017, which violated relevant external regulatory provisions. The Company immediately conducted self-inspection and took measures to eliminate potential risks. Meanwhile, the Company strengthened the management of financial products agency sales business, compliance trainings to employees, compliance monitoring and investor education. Up to now, the matter has been rectified.

On 16 July 2019, the CSRC announced and issued the Decision on Taking Regulatory Measure of Issuing a Warning Letter to CITIC Securities Company Limited (《關於對中信証券股份有限公司採取出具警示函監管措施的決定》) to the Company. It was decided in the aforementioned regulatory letter that in the process of sponsoring the application by Shanghai Friendess Electronic Technology Co., Ltd. for the initial public offering and listing on the STAR Market, the Company deleted the contents which are required to be disclosed pursuant to previous comments such as “analysis of the reasons for significantly higher comprehensive gross profit margin, net profit margin on sales and return on net assets but much lower expense ratio than comparable listed companies in the same industry” in the prospectus registration draft (dated 28 June 2019) on the grounds of implementing the comment relating to “collating and refining disclosure contents in the prospects”; and the seven registration drafts of the prospectus and the feedback letter submitted from 1 July 2019 to 3 July 2019 were all shown as signed and chopped on 1 July 2019, which is not consistent with the actual execution date. After receiving the aforementioned regulatory letter, the Company attached great importance to, and promptly rectified the problem existing in the internal control system of the Company according to the requirements of the CSRC, further strengthened the internal control, and urged the project teams to diligently conduct business, prudently make judgements and decisions, improve the quality of practice and risk awareness and avoid the recurrence of such incidents.

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

4.6 Credibility of the Company, Its Controlling Shareholder and De Facto Controller during the Reporting Period

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

4.7 Share Incentive Scheme, Employee Shareholding Plan or Other Employee Incentive Measures of the Company and Their Influences

The Company implemented a share incentive scheme in 2006. Please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 7 September 2006 and the website of the SSE for details.

4.8 Material Related Party Transactions/Non-exempt Connected Transactions

4.8.1 Related Party Transactions/Non-exempt Connected Transactions in Relation to Day-to-day Operation

(1) *Related party/connected transactions between the Company and its subsidiaries and CITIC Group, its subsidiaries and associates*

During the Reporting Period, the Company conducted related party/connected transactions in strict compliance with the Resolution in Relation to Entering into the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group considered and approved at the 2017 First Extraordinary General Meeting, the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2019 considered and approved at the 2018 Annual General Meeting as well as the Securities and Financial Products Transactions and Services Framework Agreement, the Miscellaneous Services Framework Agreement and the Supplemental Agreement II to the Property Leasing Framework Agreement renewed/entered into between the Company and CITIC Group in February 2017 and the annual caps for the transaction amount for 2017 to 2019 as set out in the aforesaid agreements. Details of the implementation were as follows:

In RMB ten thousand

Related/connected party	Class of related party/connected transactions	Annual caps for transactions in 2019	Actual transaction amount/highest balance in a single day during January to June 2019	Percentage of the total amount of similar transactions (%)	Impact on the profit of the Company
CITIC Group and its associates	Cash inflow derived from securities and financial products transactions (net of the amount of inter-financial institutions borrowings and repurchase agreements)	18,000,000	441,528	—	—
	Cash outflow incurred for securities and financial products transactions (net of the amount of reverse repurchase agreements)	16,000,000	1,580,828	—	—
	Amount of inter-financial institutions borrowings	Not applicable ^{Note}	23,398,500	—	—
	Maximum daily balance (including interest) of repurchase agreements	2,500,000	48,500	—	—
	Maximum daily balance (including interest) of loans to inter-financial institutions and reverse repurchase agreements	500,000	—	—	—
Related/connected party	Class of related party/connected transactions	Annual caps for transaction in 2019	Actual transaction amount during January to June 2019	Percentage to net income/expenses of the Company (%)	Impact on the profit of the Company
CITIC Group and its associates	Income derived from securities and financial services	250,000	40,228	1.85	40,228
	Expenses incurred for securities and financial services	74,000	8,527	0.66	-8,527
	Income derived from miscellaneous services	800	235	0.01	235
	Expenses incurred for miscellaneous Services	46,000	6,383	0.50	-6,383
	Income derived from property leasing	5,500	2,703	0.12	2,703
	Expenses incurred for property leasing	9,000	1,563	0.12	-1,563

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

(2) ***Related party/connected transactions between the Company and its subsidiaries and other related/connected parties***

During the Reporting Period, the Company conducted related party/connected transactions in strict compliance with the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2019 considered and approved at the 2018 Annual General Meeting. Details of the implementation were as follows:

- 1) *There were no related party transactions between the Company (or its subsidiaries) and the companies (excluding the subsidiaries of the Company) in which the Directors, Supervisors or the Senior Management of the Company hold positions as directors or senior management during the Reporting Period.*
- 2) *Related party/connected transactions entered into between the Company (or its subsidiaries) and companies which hold over 10% equity interest in the significant subsidiaries of the Company*

In RMB ten thousand

Related/connected party	Class of related party/connected transactions	Estimated transaction amount for the year 2019	Actual transaction amount during January to June 2019	Percentage to net income/ expenses of the Company (%)	Impact on the profit of the Company
POWER CORPORATION OF CANADA	Income	800	132.82	Less than 0.01	132.82
MACKENZIE FINANCIAL CORPORATION	Income	500	14.28	Less than 0.01	14.28
	Expense	500	16.76	Less than 0.01	-16.76

- 3) *There were no related party transactions entered into during the Reporting Period between the Company (or its subsidiaries) and companies whose equity interest in the Company will exceed 5%.*

(3) **Other related party/connected transactions**

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

Pursuant to the Bareboat Charter Contract entered into between CITIC Global Trade, a wholly-owned subsidiary of CITIC Securities Investment, and Shanghai CITIC Shipping Corporation Limited, the rental income for the first half of 2019 amounted to RMB6.2893 million. For details of the approval of this related party/connected transaction, please refer to the 2014 Annual Report of the Company.

4.8.2 Related Party Credits and Debts

Unit: RMB

Related parties	Related party relationship	Funds provided to related parties			Funds provided to the Company by related parties		
		Balance at the beginning of the Reporting Period	Amount incurred	Balance at the end of the Reporting Period	Balance at the beginning of the Reporting Period	Amount incurred	Balance at the end of the Reporting Period
Subsidiaries of CITIC Group	Shareholder's subsidiary	549,681,587.56	-75,571,628.77	474,109,958.79	21,850,909.12	-13,571,661.43	8,279,247.69
Total		549,681,587.56	-75,571,628.77	474,109,958.79	21,850,909.12	-13,571,661.43	8,279,247.69
Cause of the related party credits and debts		Mainly referring to prepaid equity investment, payables to the above related parties in connection with fund sales agency services and receivables from/payables to the above related parties in respect of deposits and margins					
Impact of the related party credits and debts on the Company's operating results and financial positions		No adverse effect					

4.8.3 Others

Guarantees provided by related/connected parties to the Company

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

4.9 Guarantees

During the Reporting Period, the total amount of guarantees provided by the Company and its subsidiaries to subsidiaries was RMB5,847 million. As at the end of the Reporting Period, the total balances of guarantees provided by the Company was RMB49,338 million, all of which were guarantees provided by the Company and its subsidiaries to subsidiaries, representing 31.61% of the equity attributable to owners of the parent company as at the end of the Reporting Period.

4.9.1 Guarantees Provided by the Company

According to the resolution approved at the 2013 Annual General Meeting, the duly authorized small group approved the provision of an unconditional and irrevocable guarantee on a joint and several basis for repayment obligations under each batch of notes to be issued pursuant to an overseas medium-term notes program set up by CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company. The scope of the guarantee includes the principal, interest and other contingent payables of overseas notes. In 2014, CITIC Securities Finance MTN made its first drawdown of this medium-term notes program in the amount of USD650 million. In 2015, CITIC Securities Finance MTN made eight drawdowns under the medium-term notes program with an issue size amounting to USD439.68 million in aggregate, all of which have been repaid at maturity. In 2007, CITIC Securities Finance MTN made a drawdown under the medium-term notes program with an issue size amounting to USD800 million, including USD300 million of three-year notes and USD500 million of five-year notes. In 2018, CITIC Securities Finance MTN made five drawdowns under the medium-term notes program with an issue size amounting to USD729.2 million in aggregate, USD429.2 million of which have matured and have been repaid. The medium-term notes programs mentioned above were unconditionally and irrevocably guaranteed by the Company on a joint and several basis.

According to the resolution approved at the 2016 Annual General Meeting and upon deliberation by the Company's management, the Company provided an unconditional and irrevocable guarantee for the Euro-commercial papers project set up by CITIC Securities Finance MTN with a guarantee period from 4 May 2018 to 4 May 2023 and an amount of USD3,000 million. In 2018, CITIC Securities Finance MTN issued two tranches of Euro-commercial papers in aggregate with a total issue size of USD170 million, all of which have been repaid at maturity. In 2019, CITIC Securities Finance MTN issued two tranches of Euro-commercial papers in aggregate with a total issue size of USD500 million, which were unconditionally and irrevocably guaranteed by the Company on a joint and several basis.

In 2015, the Company and GoldStone Investment provided a guarantee (mortgage on land-use right) with a size of RMB5,000 million in favor of GoldStone Zexin, an indirect wholly-owned subsidiary of the Company, in its application for a bank loan. GoldStone Zexin repaid the bank loan in advance on 1 April 2019. Please refer to Note 17 to the Consolidated Financial Statements as set out in this results announcement for detailed information.

4.9.2 Guarantees Provided by Subsidiaries

During the Reporting Period, among all the subsidiaries of the Company, CSI had provided guarantees for the benefits of the relevant subsidiaries of CSI in connection with their business operations which were mainly loan guarantees, medium-term notes guarantees and the transaction guarantees involved in the entry into of the International Swaps and Derivatives Association (ISDA) agreements, Global Master Securities Lending agreements (GMSLA) and other guarantees. As at 30 June 2019, the guarantee amount above was approximately RMB33,870 million in aggregate.

In addition, CSI and CLSA B.V. have issued unlimited guarantees for various International Swaps and Derivatives Association (ISDA) agreements, Global Master Repurchase agreements (GMRA), Global Master Securities Lending agreements (GMSLA) and Broker-Dealer agreements. The above-mentioned unlimited guarantees have been issued in accordance with normal international banking and capital market practices, which allow the banks and other financial institutions with which CSI, CLSA B.V. and their subsidiaries deal with to support large market trading volume and fluctuating demands, therefore ensuring CSI, CLSA B.V. and their subsidiaries are not unnecessarily constrained in the normal course of business. Quantifying the maximum exposure underlying such unlimited guarantees are impracticable, however, since both CSI and CLSA B.V. are companies with limited liabilities, therefore the absolute maximum exposure of these guarantees in aggregate would alternatively be limited to the respective net asset values of CSI and CLSA B.V.

4.10 Interim Dividend

The Company will not distribute any interim dividends for 2019.

4.11 Repurchase, Sale or Redemption of the Securities of the Company

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

4.12 Audit Committee Review

The Audit Committee of the Board has reviewed the unaudited interim financial statements and the interim report of the Company for the six months ended 30 June 2019, and did not raise any objection to the accounting policies and practices adopted by the Company.

4.13 Other Significant Events and Events after Reporting Period

4.13.1 Changes to Securities Business Outlets

The Company

During the Reporting Period, the Company completed same-city relocation of eight branches. Details of the relocation are as follows:

No.	Original name of branches	Current name of branches	Address after relocation
1	Chongqing Branch Office	Chongqing Branch Office	B5-1 and 12-1-2, No. 5 Jiangbei Chengxi Avenue, Jiangbei District, Chongqing
2	Hangzhou Ding'an Road Securities Outlet	Hangzhou Wujiang Road Securities Outlet	8/F and Room 105-2, 1/F, Dongtie Tower, No. 399 Wujiang Road, Hangzhou, Zhejiang Province
3	Beijing Headquarter Securities Outlet	Beijing Headquarter Securities Outlet	Room 301, 3/F, No. 4 Building, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
4	Hangzhou Ding'an Road Securities Outlet	Hangzhou Wujiang Road Securities Outlet	8/F and Room 105-2, 1/F, Dongtie Tower, No. 399 Wujiang Road, Hangzhou, Zhejiang Province
5	Haiyan West Hebin Road Securities Outlet	Haiyan West Hebin Road Securities Outlet	1/F and 3/F, Office Building of Haiyan Yinyan Economic and Trade Co., Ltd., No. 126 West Hebin Road, Wuyuan Street, Haiyan County, Jiaxing, Zhejiang Province
6	Shenzhen Futian South Securities Outlet	Shenzhen Futian South Securities Outlet	No. 9-2 Fumin Road, Fuminjiayuan, No. 9 Fumin Road, Haibin Community, Futian Street, Futian District, Shenzhen
7	Shenzhen Futian Jintian Road Securities Outlet	Shenzhen Futian Jintian Securities Outlet	10C, Main Building of Nuode Financial Center, Fuzhong 3rd Road, Futian District, Shenzhen
8	Shenzhen Qianhai FTA Securities Outlet	Shenzhen Qianhai FTA Securities Outlet	Rooms 502 and 503, Hedge Fund Center, Qianhai Shenzhen-Hong Kong Fund Town, No. 128 Guiwan 5th Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen

As at the end of the Reporting Period, the Company had 33 branch offices and 207 securities outlets.

CITIC Securities (Shandong)

During the Reporting Period, CITIC Securities (Shandong) established one new securities outlet and closed one securities outlet (Jining Guhuai Road Securities Outlet), completed relocation of one securities outlet.

Details of the new securities outlet are as follows:

No.	Name of the new securities outlet	Address of the securities outlet
1	Jinan Huaxin Road Securities Outlet	1/F and 2/F, Licheng Jinrong Tower, No.3 Huaxin Road, Licheng District, Jinan, Shandong Province

Details of the relocation of securities outlets are as follows:

No.	Name before relocation	Name after relocation	Address after relocation
1	Zaozhuang Middle Wenhua Road Securities Outlet	Zaozhuang West Wenhua Road Securities Outlet	Rooms 98-7 and 8, Building 1, Wenxi Huayuan, 98 West Wenhua Road, Shizhong District, Zaozhuang, Shandong Province

As at the end of Reporting Period, CITIC Securities (Shandong) had 6 branch offices and 64 securities outlets.

CITIC Futures

During the Reporting Period, CITIC Futures did not establish any new outlets; two branches were renamed; and eight branches completed same-city relocation.

Details of change of name of branches are as follows:

No.	Name before the change	Name after the change
1	Beijing Dongcheng Branch Office	Beijing Chaoyang Branch Office
2	Shanghai Futures Building Outlet	Shanghai Songlin Road Branch Office

Details of the relocation of branches are as follows:

No.	Name of branches	Address before relocation	Address after relocation
1	Beijing Chaoyang Branch Office	47-(07) 702, 7/F, No. 47 Guangqumennei Avenue, Dongcheng District, Beijing	Room 302, 3/F, No. 4 Building, No. 48 Courtyard, Liangmaqiao Road, Chaoyang District, Beijing
2	Hebei Branch Office	Room 843/845/847/849/851/853/857, 8/F, Fubon Building, No. 5 North Jianshe Main Street, Shijiazhuang	Room 2803, Tower B, Zhifeng Office Building, Letai Center, No. 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei Province
3	Shanghai Branch Office	Unit 03, 22/F and Unit 02, 23/F, No. 799 South Yanggao Road, China (Shanghai) Pilot Free Trade Zone	Unit 03, 22/F, No. 799 South Yanggao Road, China (Shanghai) Pilot Free Trade Zone
4	Shanghai CITIC Plaza Branch Office	Room 2904, 29/F, CITIC Plaza, No. 859 Sichuan North Road, Hongkou District, Shanghai	Room 2504, No. 859 Sichuan North Road, Hongkou District, Shanghai
5	Hainan Branch Office	4/F, Jinshan Plaza, No. 6 Jinmao West Road, Longhua District, Haikou, Hainan Province	No. B1304, 13/F, West Building B, Guorui Tower, No. 11 Guoxing Avenue, Meilan District, Haikou, Hainan Province
6	Western Branch Office	Room 4D, 4/F, East Wing Podium, Gaoxin Telecom Plaza, 56 Gaoxin Road, High and New-Tech Development Zone, Xi'an City	3C, 3/F, East Wing Podium, Gaoxin Telecom Plaza, 56 Gaoxin Road, Zhangba Street Office, High and New-Tech Development Zone, Xi'an City, Shaanxi Province
7	Gansu Branch Office	Rooms 1302 and 1303, 13/F, Poly Tower A, No. 1 Zhangye Road, Chengguan District, Lanzhou, Gansu Province	Rooms 1715, 1716 and 1717, 17/F, Ya Ou International, No. 149 Qingyang Road, Chengguan District, Lanzhou, Gansu Province
8	Chongqing Branch Office	17-2 and 17-3, No.2 Building, No.2 Qiaobei Court, Jiangbei District, Chongqing	12-1 (self-numbered 12-1-3), No. 5 Jiangbei Chengxi Avenue, Jiangbei District, Chongqing

As at the end of Reporting Period, CITIC Futures had 39 branch offices and 4 futures outlets.

CSI

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

Kington Securities

During the Reporting Period, there were no changes in the branches of Kington Securities. Currently, Kington Securities has two securities outlets.

4.13.2 Subsequent Progress of Matters Previously Announced

Planning for acquisition of 100% equity interest in Guangzhou Securities by issuance of Shares

The 34th Meeting of the Sixth Session of the Board (held on 9 January 2019), the 37th Meeting of the Sixth Session of the Board (held on 4 March 2019) and the 2019 First Extraordinary General Meeting (held on 27 May 2019) considered and approved the relevant resolutions in relation to the acquisition of 100% equity interest in Guangzhou Securities by issuance of Shares (hereinafter referred to as the “**Transaction**”), successively. According to the Proposal of the Transaction, the Company intends to acquire 100% equity interests in Guangzhou Securities (the “**Target Assets**”) by issuance of Shares to Yuexiu Financial Holdings and its wholly-owned subsidiary, Financial Holdings Limited, among which the Company will acquire 32.765% equity interests in Guangzhou Securities held by Yuexiu Financial Holdings, and will acquire 67.235% equity interests in Guangzhou Securities held by Financial Holdings Limited. On the date of transfer of the Target Assets, 0.1% equity interest in Guangzhou Securities held by Yuexiu Financial Holdings will be transferred and registered under the name of CITIC Securities Investment, a wholly-owned subsidiary of the Company, and the rest 99.9% equity interest in Guangzhou Securities held by Yuexiu Financial Holdings and Financial Holdings Limited will be transferred and registered under the name of the Company. Upon completion of the Transaction, Guangzhou Securities will be held as to 99.9% by the Company and 0.1% by CITIC Securities Investment. Guangzhou Securities shall transfer 99.03% equity interest in Guangzhou Futures Co., Ltd. and 24.01% equity interest in Golden Eagle Fund Management Co., Ltd. held by it before the transfer of the Target Assets under the Transaction, which is a precondition of the Transaction. On 3 June 2019, the Company received the Notice on the Supplementary Application for Administrative Permission from the CSRC (《中國證監會行政許可申請補正通知書》) (No. 191359) issued by the CSRC (hereinafter referred to as the “**Notice**”). The Company supplemented the materials strictly according to the requirements in the Notice, and received the Notice on Acceptance of the Application for Administrative Permission from the CSRC (《中國證監會行政許可申請受理單》) issued by the CSRC (Acceptance No.: 191359) on 5 July 2019. On 24 July 2019, the Company received the Notice regarding the First Round of Comments on the Review of Administrative Permission Items from the CSRC (No. 191359) issued by the CSRC, and the Company is preparing relevant feedback documents. The Transaction is still subject to approval by the CSRC.

4.13.3 Others

1. Reducing capital in CITIC Securities (Shandong)

On 28 December 2018, the 33rd Meeting of the Sixth Session of the Board considered and approved the Resolution on Reducing Capital in CITIC Securities (Shandong) Co., Ltd., pursuant to which, it was agreed to transfer 3,406 sq.m. of land (current price: RMB6.47 million) located at No. 67-1, Haiquan Road, Wenquan subdistrict office, Jimo City, Shandong Province, which is currently owned by CITIC Securities (Shandong), to the parent company at a consideration of the price of such asset upon completion of the transfer of title; i.e. to reduce capital in CITIC Securities (Shandong) accordingly, the amount of which shall not exceed RMB6.47 million, and the registered capital of CITIC Securities (Shandong) shall be reduced accordingly; and the management of the Company was authorised to deal with, at its sole discretion, all relevant procedures related to the capital reduction on the condition that all the risk control indicators of the Company are in line with the regulatory requirements. The reduction of capital of CITIC Securities (Shandong) is still subject to the approval by Qingdao Regulatory Bureau of the CSRC.

2. Standardizing the publicly-offered collective investment schemes of the Company

On 21 January 2019, the 35th Meeting of the Sixth Session of the Board considered and approved the Resolution on Standardizing the Publicly-offered Collective Investment Schemes of the Company. It was agreed to authorise the management of the Company to proceed with matters relating to rectification and standardization, as well as changes to contracts of the publicly-offered collective investment schemes of the Company according to market conditions, regulatory requirements and the Company’s needs. The matters relating to rectification and standardization of the publicly-offered collective investment schemes of the Company are being executed in an orderly manner, and the first application for change of contracts of the Company’s publicly-offered collective investment schemes has been approved by the CSRC.

3. *Delegating Chairman to proceed with matters relating to acquisition of assets by issuance of Shares of the Company*

On 28 June 2019, the 42nd Meeting of the Sixth Session of the Board considered and approved the Resolution on Delegating Chairman to proceed with matters relating to acquisition of assets by issuance of Shares of the Company, according to the authorization granted to the Board of the Company and any person it legally authorized at 2019 First Extraordinary General Meeting, it is agreed that to further delegate Chairman of the Company the power to proceed with following matters in relation to the acquisition of 100% equity interest in Guangzhou Securities from Yuexiu Financial Holdings and its wholly-owned subsidiary Financial Holdings Limited (hereinafter referred to as the “**Transaction**”): 1) to approve and sign the pro forma financial statements and review report of the Company in relation to the Transaction and its updates and supplements; 2) to make all filings in relation to the Transaction; 3) to proceed with the closing of the transfer of assets and adjustments after the closing, to determine or authorize the management to plan, deploy, transfer or make other internal adjustments to the organizational structure, governance structure, management level, etc. of the Target Assets based on the operation and management need, business development need or other actual needs, in accordance with the relevant provisions of laws and regulations as well as regulatory requirements; 4) to proceed with the change of registration with the relevant industrial and commercial administrations and other procedural matters with authorized authorities and departments including signing relevant legal documents; to proceed with the registration, lock-up, listing and other relevant matters for the newly issued Shares of the Company with the SSE and the Shanghai branch of CSDC. This delegation shall be valid during the period of authorization to the Board by the Shareholders’ general meeting of the Company.

4. *Increasing capital in CITIC Futures*

As considered and approved by the 43rd Meeting of the Six Session of the Board held on 30 July 2019, the Company increased capital of RMB1,995,207,018 in CITIC Futures. After such capital increase, the registered capital of CITIC Futures increased to RMB3.6 billion, which will be used to improve the financial strength, expand business scale and enhance the market competitiveness of CITIC Futures. CITIC Futures had completed the approval (filing) formalities with relevant industry and commerce administration authority on 14 August 2019.

4.14 Classification of the Company by Regulatory Authorities

In the 2019 classification assessment of securities companies, the Company, together with its securities subsidiaries, CITIC Securities (Shandong) and Kington Securities, were jointly classified as AA level of the A class in the PRC’s securities industry.

4.15 As at the Date of Publication of this Results Announcement, there was no Subsequent Event which has Material Impact on the Company and its Subsidiaries.

CHAPTER V CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

5.1 Share Capital Structure

The share capital structure of the Company as at 30 June 2019 was as follows:

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

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

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

5.3 Information on Shareholders

Total number of Shareholders of the Company as at 30 June 2019: 607,764 shareholders, including 607,603 A shareholders and 161 registered H shareholders.

5.3.1 Shareholdings of the Top 10 Shareholders as at the End of the Reporting Period

Unit: Shares

Name of Shareholders (Full Name)	Change during the Reporting Period	Shareholdings of the top 10 Shareholders			Shares pledged or		Nature of the Shareholders
		Number of Shares held as at the end of the period	Percentage (%)	Number of Shares held subject to trading moratorium	Status	Number	
HKSCC Nominees Limited ^{Note 1}	-101,500	2,277,214,267	18.79	—	Unknown	—	Foreign legal person
CITIC Corporation Limited	—	1,999,695,746	16.50	—	Nil	—	State-owned legal person
China Securities Finance Corporation Limited	—	362,296,197	2.99	—	Nil	—	Unknown
Hong Kong Securities Clearing Company Limited ^{Note 2}	13,424,383	215,943,935	1.78	—	Nil	—	Foreign legal person
Central Huijin Asset Management Corporation Limited	—	198,709,100	1.64	—	Nil	—	State-owned legal person
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	—	153,726,217	1.27	—	Nil	—	Unknown
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	—	144,472,197	1.19	—	Nil	—	Unknown
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	—	140,178,900	1.16	—	Nil	—	Unknown
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	—	140,049,999	1.16	—	Nil	—	Unknown
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	—	139,589,061	1.15	—	Nil	—	Unknown

Note 1: HKSCC Nominees Limited is the nominal holder of the shares held by non-registered H shareholders of the Company.

Note 2: The shares held by Hong Kong Securities Clearing Company Limited refer to shares held by non-registered shareholders of northbound of the Shanghai-Hong Kong Stock Connect.

Note 3: Nature of A shareholders represents the nature of account held by A shareholders registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited.

Note 4: Except for HKSCC Nominees Limited, the shareholding information listed above was extracted from the register of members of A shares of the Company as at 30 June 2019.

Note 5: As the shares of the Company could be used as underlying securities for margin financing and securities lending, the shareholdings of the shareholders are the aggregate of all the shares and interests held in ordinary securities accounts and credit securities accounts.

5.3.2 Shareholdings of the Top 10 Holders of Tradable Shares not Subject to Trading Moratorium as at 30 June 2019

Unit: Shares

Name of Shareholders	Number of tradable Shares held not subject to trading moratorium	Class and number of Shares	
		Class	Number
HKSCC Nominees Limited	2,277,214,267	Overseas-listed foreign shares	2,277,214,267
CITIC Corporation Limited	1,999,695,746	RMB ordinary Shares	1,999,695,746
China Securities Finance Corporation Limited	362,296,197	RMB ordinary Shares	362,296,197
Hong Kong Securities Clearing Company Limited	215,943,935	RMB ordinary Shares	215,943,935
Central Huijin Asset Management Corporation Limited	198,709,100	RMB ordinary Shares	198,709,100
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	153,726,217	RMB ordinary Shares	153,726,217
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	144,472,197	RMB ordinary Shares	144,472,197
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	140,178,900	RMB ordinary Shares	140,178,900
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	140,049,999	RMB ordinary Shares	140,049,999
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	139,589,061	RMB ordinary Shares	139,589,061
Details of related party or concert party relationship among the above shareholders	The Company is unaware of whether there is any related party/connected relationship among the above shareholders, or they are parties acting in concert.		

5.3.3 Shareholdings of the Shareholders Subject to Trading Moratorium as at 30 June 2019

Unit: Shares

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

5.3.4 Largest Shareholder of the Company

The largest Shareholder of the Company is CITIC Corporation Limited. As at 30 June 2019, it directly held 16.50% of the Shares of the Company.

5.3.5 Interest and Short Positions of Substantial Shareholders

Pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), substantial Shareholders are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed threshold. The following table is derived from the latest interest information of the substantial Shareholders disclosed on the HKExnews website of HKEx as at 30 June 2019. As they are only required to disclose the change of their interests when it reaches certain prescribed threshold, the information set out in the following table may be inconsistent with their actual interests as at 30 June 2019.

Name of Shareholders	Capacity	Class of Shares	Number of Shares (Shares)/ type of Shares held	Percentage of the number of A Shares/H Shares of the Company as at 30 June 2019 (%) ^{Note 6}	Percentage of total Shares of the Company as at 30 June 2019 (%) ^{Note 6}
CITIC Group Corporation	Interest of controlled corporations of the major shareholder ^{Note 1}	A Shares	1,999,695,746/Long positions	20.33	16.50
National Council for Social Security Fund	Beneficial owner	H Shares	690,359,200 ^{Note 2} /Long positions	30.30	5.70
The Bank of New York Mellon Corporation	Interest of corporation controlled by you ^{Note 3}	H Shares	284,095,840/Long positions 280,373,840/Shares available for lending	12.47 12.31	2.34 2.31
Citigroup Inc.	Person having a security interest in shares	H Shares	249,925,545 ^{Note 4} /Long positions	10.97	2.06
	Interest of corporations controlled by you		5,059,340 ^{Note 4} /Short positions	0.22	0.04
	Approved lending agent		217,461,245 ^{Note 4} /Shares available for lending	9.54	1.79
BlackRock, Inc.	Interest of corporations controlled by you ^{Note 5}	H Shares	162,941,706/Long positions	7.15	1.34
			487,500/Short positions	0.02	0.004
GIC Private Limited	Investment manager	H Shares	157,341,873/Long positions	6.91	1.30

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

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

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

Note 4: Citigroup Inc., through a series of its controlled corporations, indirectly held a long position in 249,925,545 H Shares of the Company, of which 217,461,245 Shares were held in the capacity of approved lending agent, and a short position in 5,059,340 H Shares of the Company.

Note 5: BlackRock, Inc. indirectly held the relevant interests and short positions through a series of its controlled corporations.

Note 6: The relevant percentages are calculated based on 2,278,327,700 H Shares or 9,838,580,700 A Shares of the Company in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, our Directors were not aware of any other persons (other than Directors, Supervisors and the Chief Executive) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

6.1 Changes in Shareholdings of Directors, Supervisors and Senior Management

During the Reporting Period, there was no change in the shareholdings of incumbent Directors, Supervisors and Senior Management or those who resigned during the Reporting Period.

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

Name	Position	Change
JIN Jianhua	Member of the Senior Management	Appointed
GAO Yuxiang	Member of the Senior Management	Appointed
CAI Jian	Former Chief Risk Officer	Resigned
TANG Zhenyi	Former Member of the Executive Committee	Resigned
LIU Hao	Supervisor and Chairman of the Supervisory Committee	Being elected
LEI Yong	Former Convener of the Supervisory Committee	Re-designation
GE Xiaobo	Former Chief Financial Officer, Former Member of the Executive Committee and Former Chief Risk Officer	Resigned
LI Jiong	Chief Financial Officer	Appointed
ZHANG Guoming	Chief Risk Officer	Appointed
CHAN, Charles Sheung Wai	Former Independent Non-executive Director	Resigned
ZHOU Zhonghui	Independent Non-executive Director	Being elected

After being elected at the 21st Meeting of the Sixth Session of the Board and obtained relevant qualifications, Mr. JIN Jianhua and Mr. GAO Yuxiang were formally appointed as members of Senior Management of the Company on 22 January 2019.

Mr. CAI Jian ceased to serve as the Chief Risk Officer of the Company from 18 February 2019 due to retirement. After consideration and approval at the 36th Meeting of the Sixth Session of the Board, Mr. GE Xiaobo concurrently served as the Chief Risk Officer of the Company.

Mr. TANG Zhenyi resigned his position as a member of the Executive Committee from the Board of the Company on 5 March 2019.

Having been elected at the 2017 Annual General Meeting and the 17th Meeting of the Sixth Session of Supervisory Committee of the Company and obtained relevant qualifications, Mr. LIU Hao officially served as the Supervisor of the Company on 11 March 2019, and officially served as the Chairman of the Supervisory Committee on 14 March 2019. Mr. LEI Yong ceased to be the convener of the Supervisory Committee.

Mr. GE Xiaobo has tendered his resignation and ceased to be a member of the Executive Committee, the Chief Financial Officer and the Chief Risk Officer of the Company from 8 April 2019. As considered and approved at the 39th Meeting of the Sixth Session of the Board held on 8 April 2019, Mr. LI Jiong concurrently served as the Chief Financial Officer of the Company, and Mr. ZHANG Guoming concurrently served as the Chief Risk Officer of the Company from the date of passing of the relevant resolution by the Board.

As being elected at the 37th Meeting of the Sixth Session of the Board and the 2019 First Extraordinary General Meeting, from 27 May 2019, Mr. ZHOU Zhonghui officially served as an independent non-executive Director, Chairman of the Audit Committee of the Board, and a member of each of the Risk Management Committee, Nomination Committee, Remuneration and Appraisal Committee and Related Party Transactions Control Committee under the Board. Mr. CHAN, Charles Sheung Wai ceased to perform his duties as an independent non-executive Director and a member of the relevant specialized committees under the Board.

6.3 Number of Employees, Remuneration and Training Programmes

As at 30 June 2019, the Group had a total number of 15,846 employees (including brokers and dispatched staff), of which 8,941 (including brokers and dispatched staff) were employees of the parent company.

During the Reporting Period, there was no change in the remuneration policy and training programmes of the Company as compared with the disclosures in the 2018 Annual Report of the Company.

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

As at 30 June 2019, the following persons had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter referred to as the “Model Code”) set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

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

Pursuant to the Securities and Futures Ordinance, the chief executive who was required to disclose his interests to the Hong Kong Stock Exchange was the President of the Company and did not include other Senior Management. In addition, as at 30 June 2019, no other Directors, Supervisors or Senior Management or their respective spouses or children under 18 years of age had been granted equity securities or warrants of the Company.

CHAPTER VII CORPORATE GOVERNANCE

During the Reporting Period, the Company had strictly complied with the provisions of the Company Law, Securities Law, the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the “Code”) as set out in Appendix 14 of the Hong Kong Listing Rules and the Articles of Association of the Company, continued to improve its corporate governance structure and was in full compliance with all the code provisions under the Code. The corporate governance of the Company in practice complied with the requirements of the Company Law, relevant regulations of the CSRC as well as satisfied the requirements of most of the recommended best practices set out in the Code.

According to the domestic regulatory requirements, the 23rd Meeting of the Third Session of the Board of the Company considered and approved the Measures for the Management of the Holding and Changes in the Shares of CITIC Securities Company Limited by Directors, Supervisors and Senior Management (hereinafter referred to as the “**Management Measures**”) on 13 March 2008, to regulate the behavior of holding of and dealing in the Shares of the Company by Directors, Supervisors and Senior Management of the Company. The Management Measure are stricter than the compulsory provisions in the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter referred to as the “**Model Code**”) set out in Appendix 10 to the Hong Kong Listing Rules. Having made enquires, all Directors and Supervisors of the Company have confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period.

In accordance with the requirements of relevant laws and regulations, after the preliminary review of the Risk Management Committee of the Board and the considerations of the 38th Meeting of the Sixth Session of the Board of the Company, the Company agreed to amend the Risk Appetite Statement, the Comprehensive Risk Management System and the Administrative Measures on Anti-Money Laundering of the Company, and formulated Strategies of Money Laundering Risk Management of the Company, so that all of the terms are in line with the latest regulatory requirements and the actual risk management needs of the Company.

The Resolution on the Amendments to the Articles of Association of the Company was considered and approved at the 22nd Meeting of the Sixth Session of the Board of the Company and the 2017 Annual General Meeting, respectively, to amend the relevant articles in the Articles of Association of the Company and its Appendices, namely the Rules of Procedure for the General Meeting and the Rules of Procedure for the Board of Directors. In April 2019, the above-mentioned amendments to the material articles in the Articles of Association of the Company and its Appendices were approved by the Shenzhen Securities Regulatory Bureau. In addition, the amendments to the non-material articles of the Articles of Association of the Company have completed the filing procedures. The Company is currently in the process of making the industrial and commercial registration of the relevant changes.

CHAPTER VIII UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of CITIC Securities Company Limited
(Incorporated in the People's Republic of China with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 61 to 132, which comprises the condensed consolidated interim statement of financial position of CITIC Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2019

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Revenue			
Fee and commission income		10,186,214	10,589,976
Interest income	5	6,630,449	7,277,675
Net Investment income	6	7,174,172	4,605,799
		<u>23,990,835</u>	<u>22,473,450</u>
Other income	7	4,403,391	4,674,948
Total revenue and other income		<u>28,394,226</u>	<u>27,148,398</u>
Fee and commission expenses	8	1,632,118	1,493,093
Interest expenses	8	5,252,831	6,002,989
Staff costs	8	5,848,785	5,401,252
Depreciation		188,115	255,219
Tax and surcharges		141,452	134,766
Other operating expenses and costs	8	5,944,394	6,150,704
Expected credit losses	9	521,670	701,793
Impairment losses on other assets	10	232,718	—
Total operating expenses		<u>19,762,083</u>	<u>20,139,816</u>
Operating profit		<u>8,632,143</u>	<u>7,008,582</u>
Share of profits and losses of:			
Associates		303,206	392,088
Joint ventures		(3,085)	(6,251)
Profit before income tax		<u>8,932,264</u>	<u>7,394,419</u>
Income tax expense	11	2,268,265	1,571,638
Profit for the period		<u>6,663,999</u>	<u>5,822,781</u>
Attributable to:			
Owners of the Parent		6,445,622	5,565,152
Non-controlling interests		218,377	257,629
		<u>6,663,999</u>	<u>5,822,781</u>
Earnings per share attributable to Owners of the Parent (in RMB yuan)			
— Basic	13	<u>0.53</u>	<u>0.46</u>
— Diluted	13	<u>0.53</u>	<u>0.46</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit for the period	6,663,999	5,822,781
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Net gains on investments in debt instruments measured at fair value through other comprehensive income	139,519	130,927
Net gains on debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	(55,212)	(24,474)
Income tax relating to these items	(34,880)	(26,613)
	<u>49,427</u>	<u>79,840</u>
Share of other comprehensive income of associates and joint ventures	2,496	17,026
Exchange differences on translation of foreign operations	(187,435)	139,502
Other	(33,081)	6,441
	<u>(168,593)</u>	<u>242,809</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Net gains/(losses) on investments in equity instruments designated as at fair value through other comprehensive income	1,057,127	(718,291)
Income tax relating to these items	(262,520)	179,573
	<u>794,607</u>	<u>(538,718)</u>
Share of other comprehensive income of associates and joint ventures	9,026	(6,225)
Other	735	—
	<u>804,368</u>	<u>(544,943)</u>
Other comprehensive income for the period, net of tax	635,775	(302,134)
Total comprehensive income for the period	<u>7,299,774</u>	<u>5,520,647</u>
Attributable to:		
Owners of the Parent	7,085,306	5,280,416
Non-controlling interests	<u>214,468</u>	<u>240,231</u>
	<u><u>7,299,774</u></u>	<u><u>5,520,647</u></u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

(In RMB thousands, unless otherwise stated)

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Non-current assets			
Property, plant and equipment	14	7,923,239	8,046,233
Investment properties	15	1,311,244	1,332,508
Goodwill	16	10,337,265	10,507,495
Land-use rights and intangible assets	17	3,164,802	3,269,423
Investments in associates	18	8,600,056	8,638,309
Investments in joint ventures	18	384,321	399,986
Financial assets at fair value through other comprehensive income	19	16,589,752	15,532,415
Financial assets at fair value through profit or loss	25	26,679,577	22,561,994
Refundable deposits	20	1,243,434	1,112,777
Deferred income tax assets	21	4,195,062	4,223,026
Right-of-use assets	22	1,718,086	
Other non-current assets	23	2,812,193	4,049,183
Total non-current assets		84,959,031	79,673,349
Current assets			
Fee and commission receivables		1,491,268	1,397,133
Margin accounts	24	64,487,894	57,197,814
Financial assets at fair value through other comprehensive income	19	36,874,504	36,327,828
Financial assets at fair value through profit or loss	25	239,654,323	224,875,080
Derivative financial assets	26	8,871,292	11,388,102
Reverse repurchase agreements	27	68,605,311	67,370,441
Other current assets	28	31,386,869	30,255,394
Cash held on behalf of customers	29	115,016,070	92,420,971
Cash and bank balances	30	72,519,702	52,226,605
Total current assets		638,907,233	573,459,368
Current liabilities			
Customer brokerage deposits	31	122,211,351	97,773,997
Derivative financial liabilities	26	11,684,471	9,311,899
Financial liabilities at fair value through profit or loss	32	39,158,235	38,880,234
Repurchase agreements	33	136,961,236	121,669,027
Due to banks and other financial institutions	34	30,708,985	19,314,867
Taxes payable	35	2,266,339	2,872,998
Short-term loans	36	7,489,199	5,656,710
Short-term financing instruments payable	37	19,756,316	18,059,345
Lease liabilities	38	264,290	
Other current liabilities	39	105,383,858	82,013,442
Total current liabilities		475,884,280	395,552,519
Net current assets		163,022,953	177,906,849
Total assets less current liabilities		247,981,984	257,580,198

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Non-current liabilities			
Debt instruments issued	40	74,525,011	88,057,370
Deferred income tax liabilities	21	2,352,177	1,967,608
Long-term loans	41	388,677	953,229
Financial liabilities at fair value through profit or loss	32	8,277,202	8,765,605
Lease liabilities	38	1,379,453	
Other non-current liabilities	42	1,326,970	1,004,890
Total non-current liabilities		88,249,490	100,748,702
Net assets		159,732,494	156,831,496
Equity			
Equity attributable to Owners of the Parent			
Issued share capital	43	12,116,908	12,116,908
Reserves	44	86,599,622	85,826,084
Retained earnings		57,284,047	55,197,777
		156,000,577	153,140,769
Non-controlling interests		3,731,917	3,690,727
Total equity		159,732,494	156,831,496

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

Approved and authorized for issue by the Board of Directors on 22 August 2019.

ZHANG Youjun
Chairman

YANG Minghui
Executive Director and President

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In RMB thousands, unless otherwise stated)

Attributable to owners of the Parent											
Reserves											
Notes	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total	
At 1 January 2019	12,116,908	54,426,233	8,410,205	22,811,407	(454,624)	632,863	55,197,777	153,140,769	3,690,727	156,831,496	
Profit for the period	—	—	—	—	—	—	6,445,622	6,445,622	218,377	6,663,999	
Other comprehensive income for the period	—	—	—	—	823,210	(183,526)	—	639,684	(3,909)	635,775	
Total comprehensive income for the period	—	—	—	—	823,210	(183,526)	6,445,622	7,085,306	214,468	7,299,774	
Dividend — 2018	12	—	—	—	—	—	(4,240,918)	(4,240,918)	—	(4,240,918)	
Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—	
Appropriation to general reserves	—	—	—	116,701	—	—	(116,701)	—	—	—	
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	—	—	
— Others	—	17,153	—	—	—	—	(1,733)	15,420	1,671	17,091	
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(174,949)	(174,949)	
At 30 June 2019 (Unaudited)	12,116,908	54,443,386	8,410,205	22,928,108	368,586	449,337	57,284,047	156,000,577	3,731,917	159,732,494	

	Attributable to owners of the Parent								Non-controlling interests	Total
	Reserves						Retained earnings	Subtotal		
	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 31 December 2017	12,116,908	54,449,057	8,164,570	20,826,927	2,131,888	102,709	52,006,987	149,799,046	3,343,513	153,142,559
Changes in accounting policy	—	—	88,986	143	(1,048,577)	9,719	782,076	(167,653)	—	(167,653)
At 1 January 2018 (Restated)	12,116,908	54,449,057	8,253,556	20,827,070	1,083,311	112,428	52,789,063	149,631,393	3,343,513	152,974,906
Profit for the period	—	—	—	—	—	—	5,565,152	5,565,152	257,629	5,822,781
Other comprehensive income for the period	—	—	—	—	(441,636)	156,900	—	(284,736)	(17,398)	(302,134)
Total comprehensive income for the period	—	—	—	—	(441,636)	156,900	5,565,152	5,280,416	240,231	5,520,647
Dividend — 2017	—	—	—	—	—	—	(4,846,763)	(4,846,763)	—	(4,846,763)
Appropriation to surplus reserves	—	—	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	97,979	—	—	(97,979)	—	—	—
Capital increase/(decrease) by equity holders										
— Others	—	(19,163)	—	—	—	—	3,217	(15,946)	(177,412)	(193,358)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	—
At 30 June 2018 (Unaudited)	12,116,908	54,429,894	8,253,556	20,925,049	641,675	269,328	53,412,690	150,049,100	3,406,332	153,455,432

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities		
Profit before income tax	8,932,264	7,394,419
Adjustments for:		
Financing interest expense	3,015,822	3,461,011
Share of profits and losses of associates and joint ventures	(300,121)	(385,837)
Interest income from debt instruments at fair value through other comprehensive income	(566,460)	(342,795)
Net gains on disposal of debt instruments at fair value through other comprehensive income	(85,142)	(23,216)
Net gains on disposal of property, plant and equipment and other assets	(73)	(287)
Gains on disposal of associates, joint ventures and subsidiaries	(1,223)	(16,823)
Fair value gains on financial assets and liabilities measured at fair value through profit or loss	796,443	(3,239,083)
Depreciation	542,927	268,848
Amortization	196,189	231,817
Expected credit losses	521,670	701,793
Impairment on other assets	232,718	—
	<u>13,285,014</u>	<u>8,049,847</u>
Net (decrease)/increase in operating assets		
Financial assets at fair value through profit or loss	(12,284,341)	(36,485,758)
Cash held on behalf of customers	(22,595,099)	(8,288,686)
Other assets	(4,233,425)	29,483,339
	<u>(39,112,865)</u>	<u>(15,291,105)</u>
Net increase/(decrease) in operating liabilities		
Customer brokerage deposits	24,247,513	29,822,709
Repurchase agreements	15,292,209	(11,830,395)
Other liabilities	6,321,948	18,405,860
	<u>45,861,670</u>	<u>36,398,174</u>
Net cash inflow from operating activities before tax	20,033,819	29,156,915
Income tax paid	(2,852,632)	(1,598,762)
Net cash inflow from operating activities	<u>17,181,187</u>	<u>27,558,153</u>

	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Cash flows from investing activities			
Net cash flow from purchases and sales of items of property, plant and equipment and other assets		(171,966)	(142,494)
Net cash flow from disposal of subsidiaries		11,521	—
Net cash flow from acquisition of subsidiaries		—	(97,391)
Net cash flow from investments in associates and joint ventures		213,135	(196,435)
Net cash flow of debt instruments at fair value through other comprehensive income		965,589	(7,749,281)
Net cash inflow/(outflow) from investing activities		1,018,279	(8,185,601)
Cash flows from financing activities			
Cash inflows from financing activities		—	1,000
Cash inflows from borrowing activities		7,482,887	7,012
Cash inflows from issuing bonds		42,555,272	67,692,519
Payment of debts		(44,179,561)	(71,301,652)
Dividends and interest expense		(3,544,924)	(3,424,255)
Other cash outflows from financing activities		(305,777)	(805,520)
Net cash inflow/(outflow) from financing activities		2,007,897	(7,830,896)
Net increase in cash and cash equivalents		20,207,363	11,541,656
Cash and cash equivalents at the beginning of the period		47,575,304	30,938,954
Effect of exchange rate changes on cash and cash equivalents		(39,084)	299,048
Cash and cash equivalents at the end of the period	45	67,743,583	42,779,658

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In RMB thousands, unless otherwise stated)

1 CORPORATE INFORMATION

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

According to a resolution relating to the issue and listing of H Shares in Hong Kong passed in the first extraordinary general meeting of shareholders in 2011, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities” (CSRC [2011] No. 1366) issued by the CSRC, the Company conducted its initial public offering of overseas-listed foreign shares (“H shares”) from September to October 2011. Under this offering, the Company offered a total of 1,071,207,000 H shares (including over-allotment of 75,907,000 H shares) with a nominal value of RMB1.00 per share. As at 31 December 2011, the total share capital of the Company increased to RMB11,016,908,400.00. The capital increase has been verified by Ernst & Young Hua Ming according to the capital verification report of Ernst & Young Hua Ming Yan Zi (2011) 60469435_A09.

According to a resolution relating to the additional issuance and listing of H shares in Hong Kong passed in the first extraordinary general meeting of the shareholders in 2015, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities the Approval relating to Additional Issuance of Overseas Listed Foreign Shares of CITIC Securities Company Limited (CSRC [2015] No. 936)” issued by the CSRC, on 23 June 2015, the Company completed its additional issuance and listing of H shares in Hong Kong. Under this offering, the Company offered a total of 1,100,000,000 H shares with offering price of HKD24.60 per share. As at 31 December 2015, the total share capital of the Company increased to RMB12,116,908,400.00. The capital increase has been verified by PricewaterhouseCoopers Zhong Tian Yan Zi (2015) No. 748.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”), as well as with all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are the same as those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

Relevant standards and amendments effective in 2019 and adopted by the Group:

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015–2017 Cycle
Amendments to IAS 19	Employee Benefits Regarding Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

The impacts on adoption of IFRS 16 are disclosed in Note 2.4 and the adoption of the remaining aforesaid standards and amendments does not have a significant impact on the consolidated financial statements of the Group.

Relevant standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group are as follows:

			Effective for annual periods beginning on or after
(1)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. 1 January 2020
(2)	Amendments to IAS 1 and IAS 8	The Definition of Material	1 January 2020
(3)	Amendments to IFRS 3	The Definition of A Business	1 January 2020

Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES

In January 2016 the International Accounting Standards Board ("IASB") issued IFRS 16, 'Leases', which addresses the definition of a lease, recognition and measurement of leases. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or of short lease term, in the statement of financial position. The impact of the Group's adoption of IFRS 16 'Leases' as a lessee since 1 January 2019 has been described in Note 2.4. Specific accounting policies which have been significantly impacted by IFRS 16 are described as follows:

Leases

- (1) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability,
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial direct costs are defined as incremental costs that would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease — this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

(2) Subsequent measurement of the right-of-use asset and lease liability

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When the recoverable amount is less than the book value of the right-to-use assets, the Group shall write down its book value to the recoverable amount.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(3) Recognition of short-term leases and leases for which the underlying asset is of low value

Short-term leases are defined as leases with a lease term of less than 12 months from the commencement date. Leases for which the underlying asset is of low value are defined as underlying assets of low value when new. The right-of-use asset and lease liability are not recognized by the Group for short-term leases and leases for which the underlying asset is of low value.

2.4 THE IMPACT OF CHANGES IN PRINCIPAL ACCOUNTING POLICIES

The Group has adopted IFRS 16 effectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance of Consolidated Statement of Financial Position on 1 January 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. As at 1 January 2019, the incremental borrowing rate applied to the lease liabilities ranged from 2.50% to 11.00%, within which those related to entities in Mainland China ranged from 4.10% to 5.42%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and the right-of-use assets and lease liabilities were not recognized. The adoption of the expedients has no significant impact on the Group’s consolidated financial statements.

Right of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

- (1) As at 1 January 2019, the Group adjusted the unpaid minimum operating lease payments disclosed under the original leasing standards to the leasing liabilities recognized under the new leasing standards as follows:

Operating lease commitments disclosed as at 31 December 2018	2,225,884
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	1,942,457
Add: finance lease liabilities recognised as at 31 December 2018	—
Less: short-term leases recognised on a straight-line basis as expense	120,184
Less: low-value leases recognised on a straight-line basis as expense	—
Lease liabilities recognized on 1 January 2019	1,822,273

- (2) The change in accounting policy affected the following items in the Consolidated Statement of Financial Position on 1 January 2019

Impacted statement items	Impacted amounts 1 January 2019
Right-of-use assets	1,925,410
Other current assets	(89,816)
Lease liabilities	1,822,273
Other current liabilities	13,321

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainties were the same as those that applied to the Group’s consolidated financial statements for the year ended 31 December 2018.

3 TAXATION

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

(1) Income tax

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

(2) Value added tax

Pursuant to the “Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the “VAT Pilot Programs”)” (Cai Shui [2016] No. 36), the “Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46), the “Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions” (Cai Shui [2016] No. 70) issued by the Ministry of Finance (the “MOF”) and the State Administration of Taxation (the “SAT”) of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No. 140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No. 2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No. 56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018.

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

(4) Urban maintenance and construction taxes, education surcharges and local education surcharges are levied at 7%, 3% and 2%, respectively, of the payable amount of relevant turnover taxes.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group’s operating segments represents a strategic business engaged in the following activities, which are subject to risks and returns that are different from the other operating segments.

Investment Banking — Securities placement and underwriting activities, and financial advisory services;

Brokerage — Securities and futures dealing and brokerage, as well as the sale of financial products as agent;

Trading — Equity, fixed income and derivatives trading and market-making, margin financing and securities lending and alternative investment activities;

Asset Management — Asset management services to collective assets management, directive assets management, special assets management, fund management and other investment account management; and

Others — Private equity investment, principal investment, bulk commodity trading and other financial activities.

Management monitors the results of the Group’s operating segments for the purposes of resource allocation and operating decision-making. Operating segment performance is measured consistently, and on the same basis as, operating profit or loss in the Group’s consolidated financial statements.

Income taxes are managed as a whole and are not allocated to operating segments.

Six months ended 30 June 2019 (Unaudited)	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	1,622,290	5,344,009	152,447	2,848,128	219,340	10,186,214
Interest income	1,733	1,430,831	4,961,309	88,384	148,192	6,630,449
Investment income	—	29,198	5,029,983	217,607	1,897,384	7,174,172
Other income	(1,334)	40,250	300,252	69,014	3,995,209	4,403,391
Subtotal	1,622,689	6,844,288	10,443,991	3,223,133	6,260,125	28,394,226
Operating expenses	1,017,982	5,544,044	6,795,620	1,657,947	4,746,490	19,762,083
Including: Interest expenses	50	275,262	4,475,952	18,010	483,557	5,252,831
Expected credit losses	—	236	504,734	—	16,700	521,670
Impairment losses on other assets	—	174,489	—	—	58,229	232,718
Operating profit	604,707	1,300,244	3,648,371	1,565,186	1,513,635	8,632,143
Share of profits and losses of associates and joint ventures	—	—	—	—	300,121	300,121
Profit before income tax	604,707	1,300,244	3,648,371	1,565,186	1,813,756	8,932,264
Income tax expenses						2,268,265
Net profit for the period						6,663,999
Other segment information:						
Depreciation and amortization	2,100	357,833	10,169	93,750	275,264	739,116
Capital expenditure	15,878	117,310	6,640	30,893	2,985	173,706

Six months ended 30 June 2018 (Unaudited)	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	1,599,650	5,351,929	101,697	3,148,253	388,447	10,589,976
Interest income	1,692	1,368,108	5,630,715	88,994	188,166	7,277,675
Investment income	—	16,279	3,990,429	214,536	384,555	4,605,799
Other income	11,328	68,579	342,787	26,489	4,225,765	4,674,948
Subtotal	1,612,670	6,804,895	10,065,628	3,478,272	5,186,933	27,148,398
Operating expenses	942,174	5,320,955	7,583,851	1,810,571	4,482,265	20,139,816
Including: Interest expenses	38	354,208	5,286,319	37,445	324,979	6,002,989
Expected credit losses	—	2,495	653,955	399	44,944	701,793
Impairment losses on other assets	—	—	—	—	—	—
Operating profit	670,496	1,483,940	2,481,777	1,667,701	704,668	7,008,582
Share of profits and losses of associates and joint ventures	—	—	—	—	385,837	385,837
Profit before income tax	670,496	1,483,940	2,481,777	1,667,701	1,090,505	7,394,419
Income tax expenses						1,571,638
Net profit for the period						5,822,781
Other segment information:						
Depreciation and amortization	1,474	140,257	6,791	29,541	322,602	500,665
Capital expenditure	11,369	89,038	5,090	13,592	24,456	143,545

5 INTEREST INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest income on margin and other financing	3,710,924	4,845,845
Bank interest income	2,319,323	1,952,440
Interest income on debt instruments at fair value through other comprehensive income	566,460	342,795
Others	33,742	136,595
Total	6,630,449	7,277,675

6 NET INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Net gains/(losses) from financial assets at fair value through profit or loss	9,476,147	(1,697,514)
Net gains from disposal of debt instruments at fair value through other comprehensive income	85,142	23,216
Net (losses)/gains from financial liabilities at fair value through profit or loss	(793,196)	1,322,903
Net (losses)/gains from derivatives and others	(1,593,921)	4,957,194
Total	7,174,172	4,605,799

7 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Income from bulk commodity trading	3,809,244	4,059,277
Others	594,147	615,671
Total	4,403,391	4,674,948

8 OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Fee and commission expenses:		
— Commission expense	1,510,484	1,383,565
— Others	121,634	109,528
Total	1,632,118	1,493,093

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Interest expenses:		
— Due to banks and other financial institutions	1,809,831	2,075,289
— Debt instruments issued and short-term financing instruments payable	2,816,707	3,194,173
— Customer brokerage deposits	263,634	161,630
— Others	362,659	571,897
Total	5,252,831	6,002,989

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Staff costs (including directors', supervisors' and senior executives' remuneration):		
— Salaries and bonuses	4,978,518	4,592,664
— Staff benefits	550,028	506,904
— Contributions to defined contribution schemes (i)	320,239	301,684
Total	5,848,785	5,401,252

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

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

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Other operating expenses and costs:		
— Cost of bulk commodity trading	3,755,824	4,077,891
— Depreciation of right-of-use assets	297,755	
— Fund distribution and administration expenses	296,589	263,262
— Electronic device operating costs	257,094	224,619
— Business travel expenses	196,424	157,215
— Amortization of intangible assets	140,393	186,189
— Leasing expenses	113,995	399,147
— Business publicity expenses	96,136	94,587
— Postal and communication expenses	95,299	110,038
— Consulting expenses	93,483	78,928
— Auditor's remuneration	12,080	11,317
— Others	589,322	547,511
Total	<u>5,944,394</u>	<u>6,150,704</u>

9 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Reverse repurchase agreements	385,042	440,224
Margin accounts	(50,943)	45,959
Financial assets at fair value through other comprehensive income (debt instruments)	37,109	39,554
Other assets	150,462	176,056
Total	<u>521,670</u>	<u>701,793</u>

10 IMPAIRMENT LOSSES ON OTHER ASSETS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Impairment losses on goodwill	174,139	—
Others	58,579	—
Total	<u>232,718</u>	<u>—</u>

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current income tax expense	2,136,574	1,193,803
Mainland China	2,082,176	1,107,699
Outside Mainland China	54,398	86,104
Deferred income tax expense	131,691	377,835
Total	2,268,265	1,571,638

12 DIVIDENDS

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Dividends on ordinary shares approved but not paid	4,240,918	4,846,763
Dividends on ordinary shares paid	—	—

The distribution dividends for the year ended 31 December 2018 on ordinary shares was approved in the General Shareholders’ Meeting of the Company on 28 June 2019.

13 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Earnings:		
Profit attributable to owners of the Parent	6,445,622	5,565,152
Shares:		
Weighted average number of ordinary shares in issue (thousand)	12,116,908	12,116,908
Basic and diluted earnings per share (in RMB yuan)	0.53	0.46

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

There were no dilutive items during the six months ended 30 June 2019 (Six months ended 30 June 2018: None).

14 PROPERTY, PLANT AND EQUIPMENT

30 June 2019 (Unaudited)	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
Cost										
31 December 2018										
(Audited)	6,147,103	73,696	290,035	2,502,858	6,857	2,372,836	40,781	11,434,166	316,611	11,750,777
Increases	13,142	4,490	10,581	4	633	114,902	61	143,813	11,429	155,242
Decreases	(3,686)	(914)	(9,053)	(230)	(79)	(65,671)	(312)	(79,945)	(4,821)	(84,766)
Effect of exchange rate change	(65)	236	518	4,007	—	2,599	(355)	6,940	—	6,940
30 June 2019										
(Unaudited)	6,156,494	77,508	292,081	2,506,639	7,411	2,424,666	40,175	11,504,974	323,219	11,828,193
Accumulated depreciation										
31 December 2018										
(Audited)	950,407	66,328	257,278	321,563	4,197	2,074,749	30,022	3,704,544	—	3,704,544
Increases	90,271	1,840	10,812	44,273	447	76,088	2,345	226,076	—	226,076
Decreases	(3,496)	(906)	(9,743)	(226)	(76)	(15,761)	(303)	(30,511)	—	(30,511)
Effect of exchange rate change	77	413	498	1,147	—	2,340	18	4,493	—	4,493
30 June 2019										
(Unaudited)	1,037,259	67,675	258,845	366,757	4,568	2,137,416	32,082	3,904,602	—	3,904,602
Allowances for impairment										
31 December 2018										
(Audited)	—	—	—	—	—	—	—	—	—	—
Increases	—	—	106	—	—	244	—	350	—	350
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	2	—	2	—	2
30 June 2019										
(Unaudited)	—	—	106	—	—	246	—	352	—	352
Net carrying amount										
30 June 2019										
(Unaudited)	5,119,235	9,833	33,130	2,139,882	2,843	287,004	8,093	7,600,020	323,219	7,923,239
31 December 2018										
(Audited)	5,196,696	7,368	32,757	2,181,295	2,660	298,087	10,759	7,729,622	316,611	8,046,233

31 December 2018 (Audited)	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
Cost										
31 December 2017	6,099,997	71,944	290,326	2,392,744	6,355	2,307,822	83,338	11,252,526	361,592	11,614,118
Increases	50,605	3,644	20,222	313	879	155,799	3,449	234,911	104,101	339,012
Decreases	(7,338)	(3,644)	(22,163)	(2,315)	(377)	(138,756)	(48,330)	(222,923)	(149,082)	(372,005)
Effect of exchange rate changes	3,839	1,752	1,650	112,116	—	47,971	2,324	169,652	—	169,652
31 December 2018	6,147,103	73,696	290,035	2,502,858	6,857	2,372,836	40,781	11,434,166	316,611	11,750,777
Accumulated depreciation										
31 December 2017	774,961	59,616	250,177	224,981	3,796	1,967,590	68,438	3,349,559	—	3,349,559
Increases	178,961	7,964	26,310	87,426	767	196,891	7,183	505,502	—	505,502
Decreases	(6,896)	(2,968)	(20,667)	(2,270)	(366)	(133,619)	(47,788)	(214,574)	—	(214,574)
Effect of exchange rate changes	3,381	1,716	1,458	11,426	—	43,887	2,189	64,057	—	64,057
31 December 2018	950,407	66,328	257,278	321,563	4,197	2,074,749	30,022	3,704,544	—	3,704,544
Allowances for impairment										
31 December 2017	—	—	—	—	—	—	—	—	—	—
Increases	—	—	—	—	—	—	—	—	—	—
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate changes	—	—	—	—	—	—	—	—	—	—
31 December 2018	—	—	—	—	—	—	—	—	—	—
Net carrying amount										
31 December 2018	5,196,696	7,368	32,757	2,181,295	2,660	298,087	10,759	7,729,622	316,611	8,046,233
31 December 2017	5,325,036	12,328	40,149	2,167,763	2,559	340,232	14,900	7,902,967	361,592	8,264,559

15 INVESTMENT PROPERTIES

30 June 2019 (Unaudited)	Properties and Buildings
Cost	
31 December 2018 (Audited)	1,506,262
Increases	—
Decreases	—
Effect of exchange rate changes	(2,138)
30 June 2019 (Unaudited)	1,504,124
Accumulated depreciation	
31 December 2018 (Audited)	173,754
Increases	19,206
Decreases	—
Effect of exchange rate changes	(80)
30 June 2019 (Unaudited)	192,880
Allowances for impairment	
31 December 2018 (Audited)	—
Increases	—
Decreases	—
Effect of exchange rate changes	—
30 June 2019 (Unaudited)	—
Net carrying amount	
30 June 2019 (Unaudited)	1,311,244
31 December 2018 (Audited)	1,332,508

31 December 2018 (Audited)		Properties and Buildings
Cost		
31 December 2017		1,018,050
Increases		488,212
Decreases		—
31 December 2018		1,506,262
Accumulated depreciation		
31 December 2017		146,496
Increases		27,258
Decreases		—
31 December 2018		173,754
Allowances for impairment		
31 December 2017		—
Increases		—
Decreases		—
31 December 2018		—
Net carrying amount		
31 December 2018		1,332,508
31 December 2017		871,554

16 GOODWILL

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Carrying amount at the beginning of the period/year:		
Cost	10,884,922	10,640,172
Accumulated impairment	(377,427)	(359,235)
Net carrying amount	10,507,495	10,280,937
Movements during the period/year:		
Additions and effect of exchange rate changes	4,377	244,750
Impairment and effect of exchange rate changes	(174,607)	(18,192)
Including: impairment (i)	(174,139)	—
Carrying amount at the end of the period/year:		
Cost	10,889,299	10,884,922
Accumulated impairment	(552,034)	(377,427)
Net carrying amount	10,337,265	10,507,495

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
China Asset Management Co., Ltd.	7,418,587	7,418,587
CITIC Securities International Company Limited	2,277,903	2,275,795
CITIC Securities Overseas Investment Company Limited(i)	310,232	482,570
CITIC Futures Co., Ltd.	193,826	193,826
CITIC Securities (Shandong) Co., Ltd.	88,675	88,675
CITIC Securities Company Limited	43,500	43,500
Xin Jiang Equity Exchange Centre Limited	4,542	4,542
Total	10,337,265	10,507,495

- (i) As of 30 June 2019, management performed goodwill impairment assessment by applying discounted cash flow (“DCF”) model. The primary valuation technique used in cash flow projections are based on operation plans of management and a risk adjusted discount rate. Cash flows beyond the forecast period have been extrapolated using a sustainable growth rate. Based on the results of goodwill impairment assessment, the recoverable amount of CITIC Securities Overseas Investment Company Limited’s goodwill was lower than the carrying amount and impairment losses on other assets of RMB174 million was recognized.

17 LAND-USE RIGHTS AND INTANGIBLE ASSETS

30 June 2019 (Unaudited)	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-Use Rights	Total
Cost						
31 December 2018 (Audited)	132,526	1,401,579	1,373,575	292,033	2,261,433	5,461,146
Increases	—	17,259	21,294	—	11,990	50,543
Decreases	(2,827)	(1,311)	—	—	—	(4,138)
Effect of exchange rate change	161	813	1,199	281	—	2,454
30 June 2019 (Unaudited)	129,860	1,418,340	1,396,068	292,314	2,273,423	5,510,005
Accumulated amortization						
31 December 2018 (Audited)	99,886	1,143,586	736,266	—	208,018	2,187,756
Increases	60	46,370	75,192	—	29,415	151,037
Decreases	(11)	—	—	—	—	(11)
Effect of exchange rate change	110	689	1,659	—	—	2,458
30 June 2019 (Unaudited)	100,045	1,190,645	813,117	—	237,433	2,341,240
Allowance for impairment						
31 December 2018 (Audited)	1,496	2,471	—	—	—	3,967
Increases	—	—	—	—	—	—
Decreases	—	—	—	—	—	—
Effect of exchange rate change	4	(8)	—	—	—	(4)
30 June 2019 (Unaudited)	1,500	2,463	—	—	—	3,963
Net carrying amount						
30 June 2019 (Unaudited)	28,315	225,232	582,951	292,314	2,035,990	3,164,802
31 December 2018 (Audited)	31,144	255,522	637,309	292,033	2,053,415	3,269,423

31 December 2018 (Audited)	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-Use Rights	Total
Cost						
31 December 2017	127,522	1,280,764	1,271,237	277,976	2,261,433	5,218,932
Increases	2,715	93,289	44,389	—	—	140,393
Decreases	—	(1,023)	—	—	—	(1,023)
Effect of exchange rate changes	2,289	28,549	57,949	14,057	—	102,844
31 December 2018	132,526	1,401,579	1,373,575	292,033	2,261,433	5,461,146
Accumulated amortisation						
31 December 2017	98,347	964,750	557,658	—	149,339	1,770,094
Increases	120	153,170	147,620	—	58,679	359,589
Decreases	—	(819)	—	—	—	(819)
Effect of exchange rate changes	1,419	26,485	30,988	—	—	58,892
31 December 2018	99,886	1,143,586	736,266	—	208,018	2,187,756
Allowance for impairment						
31 December 2017	1,506	—	—	—	—	1,506
Increases	—	2,606	—	—	—	2,606
Decreases	—	—	—	—	—	—
Effect of exchange rate changes	(10)	(135)	—	—	—	(145)
31 December 2018	1,496	2,471	—	—	—	3,967
Net carrying amount						
31 December 2018	31,144	255,522	637,309	292,033	2,053,415	3,269,423
31 December 2017	27,669	316,014	713,579	277,976	2,112,094	3,447,332

The Company and its wholly owned subsidiary GoldStone ZeXin Investment Management Co., Ltd. (hereinafter referred to as “GoldStone ZeXin”) jointly bid for a piece of land-use right in Shenzhen in January 2014. GoldStone ZeXin is engaged in, among other business activities, real estate development. The Company and GoldStone ZeXin obtained the land-use right certificate in August 2015. GoldStone ZeXin obtained a bank loan in September 2015, which was secured over the land-use right held by the Company and GoldStone ZeXin and guaranteed by GoldStone Investment Co., Ltd, the holding company of GoldStone ZeXin. GoldStone ZeXin repaid the bank Loan in advance on 1 April 2019 (Note 41 “Long-term loans”). The aforesaid land-use right is still pledged with the bank for facilities granted.

The portion of the land-use right attributable to GoldStone ZeXin for real estate development is classified under Other Non-Current Assets (Note 23), and the portion attributable to the Company is classified under land-use rights.

18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Associates	8,600,056	8,638,309
Joint ventures	384,321	399,986
Total	8,984,377	9,038,295

The following table illustrates the summarised financial information of the Group's material associates

- (i) CITIC Private Equity Funds Management Co., Ltd., as a major associate of the Group, is primarily engaged in investment fund management, and is accounted for using the equity method. The relevant financial information is as follows (All listed in millions of RMB):

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets	4,345	4,972
Non-current assets	12	16
Current liabilities	165	410
Non-current liabilities	203	179

	Six months ended 30 June 2019 (Unaudited)	2018 (Audited)
Revenue	292	701
Profit from continuing operations	225	344
Total comprehensive income	225	344

- (ii) CSC Financial Co., Ltd, as a major associate of the Group, is primarily engaged in securities brokerage and investment consulting, and is accounted for using the equity method. The relevant financial information is as follows (All listed in millions of RMB):

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Assets	248,210	195,082

	Six months ended 30 June 2019 (Unaudited)	2018 (Audited)
Revenue	5,906	10,907
Profit from continuing operations	2,330	3,103
Dividends received	—	77

The Company held 427 million shares of CSC Financial Co., Ltd., accounting for 5.58% of its total issued share capital. The restriction of dispose these shares by the governance is ended by 20 June 2019. The Company will dispose these share by methods either through the secondary market or through bulk trading according to its business plan, abide by the relevant laws and regulations without violating the promises made by the company. As at 30 June 2019, the disposal has not been started.

(iii) Sailing Capital International (Shanghai) Co., Ltd, as a major associate of the Group, is primarily engaged in investment, investment management and consulting, and is accounted for using the equity method. The relevant financial information is as follows (All listed in millions of RMB):

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets	10,538	10,459
Current liabilities	5	4
Non-current liabilities	323	307

	Six months ended 30 June 2019 (Unaudited)	2018 (Audited)
Revenue	178	497
Profit from continuing operations	117	340
Total comprehensive income	117	340

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 (Unaudited)	
	Current	Non-current
Debt instruments (Mandatory)	<u>36,874,504</u>	<u>—</u>
Loss allowance	<u>131,137</u>	<u>—</u>
Equity instruments (Designated)		
CSF No.1 investment (i)	<u>—</u>	<u>16,370,642</u>
Others	<u>—</u>	<u>219,110</u>
	<u>—</u>	<u>16,589,752</u>
Total	<u><u>36,874,504</u></u>	<u><u>16,589,752</u></u>
Analyzed into:		
Listed	<u>36,773,210</u>	<u>—</u>
Unlisted	<u>101,294</u>	<u>16,589,752</u>
	<u><u>36,874,504</u></u>	<u><u>16,589,752</u></u>

	31 December 2018 (Audited)	
	Current	Non-current
Debt instruments (Mandatory)	<u>36,327,828</u>	<u>—</u>
Loss allowance	<u>145,846</u>	<u>—</u>
Equity instruments (Designated)		
CSF No.1 investment	<u>—</u>	<u>15,310,637</u>
Others	<u>—</u>	<u>221,778</u>
	<u>—</u>	<u>15,532,415</u>
Total	<u><u>36,327,828</u></u>	<u><u>15,532,415</u></u>
Analyzed into:		
Listed	<u>36,327,828</u>	<u>—</u>
Unlisted	<u>—</u>	<u>15,532,415</u>
	<u><u>36,327,828</u></u>	<u><u>15,532,415</u></u>

- (i) As at 30 June 2019, the balance represented the investment portfolio, operating by China Securities Finance Corporation Limited (“CSF”). Under the investment agreement, the Company and other joint investors share the income/ loss based on contribution proportion. The Company manages these financial assets for purposes other than to generate investment returns.

As at 30 June 2019, based on the investment report provided by CSF, the cost of the Company’s investment managed by CSF was RMB15,675 million (31 December 2018: RMB15,675 million), while the fair value was RMB16,371 million (31 December 2018: RMB15,311 million).

20 REFUNDABLE DEPOSITS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trading deposits	1,111,650	930,376
Credit deposits	103,949	157,765
Performance bonds	27,835	24,636
Total	1,243,434	1,112,777

21 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets (Unaudited)	Depreciation allowance	Fair value changes of financial instruments	Allowance for impairment losses	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2018	18,341	293,692	894,017	2,807,438	209,538	4,223,026
Credited/(debited) to the statement of profit or loss	3,661	(117,073)	110,784	(46,145)	129,561	80,788
Credited/(debited) to other comprehensive income	68	(91,230)	—	9,131	(26,721)	(108,752)
At 30 June 2019	22,070	85,389	1,004,801	2,770,424	312,378	4,195,062

Deferred income tax assets (Audited)	Depreciation allowances	Fair value changes of financial instruments	Allowance for impairment losses	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2017	28,421	30,301	633,116	2,531,678	161,436	3,384,952
Changes in accounting policy	—	288,289	(237,824)	79,184	—	129,649
At 1 January 2018	28,421	318,590	395,292	2,610,862	161,436	3,514,601
Credited/(debited) to the statement of profit or loss	1,584	(115,602)	498,725	205,877	27,404	617,988
Credited/(debited) to other comprehensive income	(11,664)	90,704	—	(9,301)	20,698	90,437
At 31 December 2018	18,341	293,692	894,017	2,807,438	209,538	4,223,026

Deferred income tax liabilities (Unaudited)	Amortization allowance	Fair value changes of financial instruments	Others	Total
At 31 December 2018	303,037	974,266	690,305	1,967,608
Credited/(debited) to the statement of profit or loss	—	147,974	64,505	212,479
Credited/(debited) to other comprehensive income	(20,958)	191,122	1,926	172,090
At 30 June 2019	282,079	1,313,362	756,736	2,352,177

Deferred income tax liabilities (Audited)	Amortization allowance	Fair value changes of financial instruments	Others	Total
At 31 December 2017	353,036	1,454,756	824,419	2,632,211
Changes in accounting policy	—	103,677	—	103,677
At 1 January 2018	353,036	1,558,433	824,419	2,735,888
Credited/(debited) to the statement of profit or loss	(63,569)	(199,271)	(136,211)	(399,051)
Credited/(debited) to other comprehensive income	13,570	(384,896)	2,097	(369,229)
At 31 December 2018	303,037	974,266	690,305	1,967,608

22 RIGHT-OF-USE ASSETS

30 June 2019 (Unaudited)	Properties and Buildings	Transportation Vehicles	Electronic Devices	Others	Total
Cost					
31 December 2018 (Audited)					
Changes in accounting policy	1,922,509	1,708	39	1,154	1,925,410
1 January 2019	1,922,509	1,708	39	1,154	1,925,410
Increases	193,527	27	693	—	194,247
Decreases	119,010	—	—	—	119,010
Effect of exchange rate change	972	2	10	—	984
30 June 2019 (Unaudited)	1,997,998	1,737	742	1,154	2,001,631
Accumulated depreciation					
31 December 2018 (Audited)					
Changes in accounting policy	—	—	—	—	—
1 January 2019	—	—	—	—	—
Increases	283,992	230	86	236	284,544
Decreases	2,233	—	—	—	2,233
Effect of exchange rate change	1,230	3	1	—	1,234
30 June 2019 (Unaudited)	282,989	233	87	236	283,545
Allowances for impairment					
31 December 2018 (Audited)					
Changes in accounting policy	—	—	—	—	—
1 January 2019	—	—	—	—	—
Increases	—	—	—	—	—
Decreases	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—
30 June 2019 (Unaudited)	—	—	—	—	—
Net carrying amount					
30 June 2019 (Unaudited)	1,715,009	1,504	655	918	1,718,086
31 December 2018 (Audited)					

23 OTHER NON-CURRENT ASSETS

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
Project investment (Note 17)	1,727,124	1,715,612
Receivables and others	1,085,069	2,333,571
Total	2,812,193	4,049,183

24 MARGIN ACCOUNTS

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
Margin accounts	64,753,792	57,514,449
Less: impairment allowance	265,898	316,635
Total	64,487,894	57,197,814

Margin accounts are funds that the Group lends to the customers for margin financing business.

As at 30 June 2019, the Group received collateral with fair value amounted to RMB228,218 million (31 December 2018: RMB169,406 million), in connection with its margin financing business.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2019 (Unaudited)	
		Current	Non-current
Mandatory			
Debt instruments		171,115,900	802,513
Equity instruments (i)		50,944,423	14,436,645
Others		17,480,151	6,217,685
		<u>239,540,474</u>	<u>21,456,843</u>
Designated			
Equity instruments		113,849	5,222,734
Total		<u>239,654,323</u>	<u>26,679,577</u>
Analyzed into:			
Mandatory			
Listed		189,140,315	1,242,588
Unlisted		50,400,159	20,214,255
		<u>239,540,474</u>	<u>21,456,843</u>
Designated			
Listed		113,849	4,567,697
Unlisted		—	655,037
		<u>113,849</u>	<u>5,222,734</u>
Total		<u>239,654,323</u>	<u>26,679,577</u>

(i) Included RMB166 million of securities lent to clients under securities lending arrangements as at 30 June 2019 (31 December 2018: RMB538 million).

31 December 2018 (Audited)		
	Current	Non-current
Mandatory		
Debt instruments	149,131,770	40,000
Equity instruments	44,351,654	18,285,180
Others	30,743,767	3,693,509
	<u>224,227,191</u>	<u>22,018,689</u>
Designated		
Equity instruments	647,889	543,305
Total	<u>224,875,080</u>	<u>22,561,994</u>
Analyzed into:		
Mandatory		
Listed	179,862,349	1,170,684
Unlisted	44,364,842	20,848,005
	<u>224,227,191</u>	<u>22,018,689</u>
Designated		
Listed	81,341	543,305
Unlisted	566,548	—
	<u>647,889</u>	<u>543,305</u>
Total	<u>224,875,080</u>	<u>22,561,994</u>

26 DERIVATIVE FINANCIAL INSTRUMENTS

30 June 2019 (Unaudited)			
	Notional amounts	Fair value	
		Assets	Liabilities
Interest rate derivatives	859,427,562	4,721,170	5,493,591
Currency derivatives	64,390,326	546,816	252,697
Equity derivatives	108,703,865	3,077,564	5,546,517
Credit derivatives	18,371,512	288,186	117,488
Others	24,376,227	237,556	274,178
Total	<u>1,075,269,492</u>	<u>8,871,292</u>	<u>11,684,471</u>

31 December 2018 (Audited)			
	Notional amounts	Fair value	
		Assets	Liabilities
Interest rate derivatives	796,920,216	4,891,535	4,989,224
Currency derivatives	63,666,183	439,709	366,690
Equity derivatives	98,130,524	5,632,099	3,384,686
Credit derivatives	28,759,234	292,442	312,918
Others	14,289,289	132,317	258,381
Total	<u>1,001,765,446</u>	<u>11,388,102</u>	<u>9,311,899</u>

Under the “Daily Mark-to-Market and Settlement Arrangement” issued by regulators, the Group’s future contracts are settled on daily basis and the amount of mark-to-market gain or loss of the unexpired future contracts is reflected in profit or loss but not included in derivative financial instruments above. As at 30 June 2019, the fair value of those unexpired daily settled future contracts was a loss of RMB31 million (31 December 2018: loss of RMB143 million).

27 REVERSE REPURCHASE AGREEMENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analyzed by collateral:		
Stocks	43,734,013	38,599,288
Debts	26,740,994	30,633,645
Others	481,192	103,354
Less: impairment allowance	2,350,888	1,965,846
Total	68,605,311	67,370,441
Analyzed by business:		
Stock repo	80,845	140,882
Pledged repo (i)	60,249,423	56,140,512
Outright repo	10,144,739	12,951,539
Others	481,192	103,354
Less: impairment allowance	2,350,888	1,965,846
Total	68,605,311	67,370,441
Analyzed by counterparty:		
Banks	2,404,111	6,548,276
Non-bank financial institutions	7,222,962	5,845,492
Others	61,329,126	56,942,519
Less: impairment allowance	2,350,888	1,965,846
Total	68,605,311	67,370,441

- (i) As at 30 June 2019, included stock-pledged repo amounted to RMB43,683 million (31 December 2018: RMB38,478 million).

As at 30 June 2019, the Group received collateral amounted to RMB143,741 million (31 December 2018: RMB108,898 million), in connection with its reverse repurchase agreements.

As part of the reverse repurchase agreements, the Group received securities allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

As at 30 June 2019, the amount of the above collateral allowed to be re-pledged was RMB11,645 million (31 December 2018: RMB9,501 million), and the amount of the collateral re-pledged was RMB7,574 million (31 December 2018: RMB7,984 million).

28 OTHER CURRENT ASSETS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Brokerage accounts due from clients	18,910,333	13,932,585
Interest receivable	117,253	95,678
Accounts due from brokers	5,657,952	4,769,314
Settlement deposits receivable	2,152,199	3,908,535
Deferred expenses	93,123	213,981
Dividends receivable	14,700	2,443
Bulk commodity trading inventory and others	6,265,990	8,989,421
Subtotal	33,211,550	31,911,957
Less: Impairment allowance	1,824,681	1,656,563
Total	31,386,869	30,255,394

29 CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 31). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the “Securities and Futures (Client Money) Rules” together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by relevant institutions.

30 CASH AND BANK BALANCES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash on hand	384	368
Deposits in banks	72,519,318	52,226,237
Total	72,519,702	52,226,605

As at 30 June 2019, the Group had restricted funds of RMB4,612 million (31 December 2018: RMB4,310 million).

31 CUSTOMER BROKERAGE DEPOSITS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Customer brokerage deposits	122,211,351	97,773,997

Customer brokerage deposits represent the amount received from and repayable to clients arising from the ordinary course of the Group’s securities brokerage activities. For more details, please refer to Note 29 “Cash held on behalf of customers”.

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

30 June 2019 (Unaudited)		
	Current	Non-current
Mandatory		
Debt instruments	4,327,617	—
Equity investments	1,046,227	—
	<u>5,373,844</u>	<u>—</u>
Designated		
Structured notes and others	33,275,421	—
Minority interests of consolidated structured entities	508,970	—
Equity linked notes and others	—	8,277,202
	<u>33,784,391</u>	<u>8,277,202</u>
Total	<u>39,158,235</u>	<u>8,277,202</u>

31 December 2018 (Audited)		
	Current	Non-current
Mandatory		
Debt instruments	5,994,425	—
Equity investments	1,457,589	—
	<u>7,452,014</u>	<u>—</u>
Designated		
Structured notes and others	31,025,366	—
Minority interests of consolidated structured entities	402,854	—
Equity linked notes and others	—	8,765,605
	<u>31,428,220</u>	<u>8,765,605</u>
Total	<u>38,880,234</u>	<u>8,765,605</u>

As at 30 June 2019, there were no significant fair value changes related to the changes in the credit risk of the Group.

33 REPURCHASE AGREEMENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analyzed by collateral:		
Equity	2,168,743	1,410,646
Debts	101,403,947	98,234,574
Gold	10,243,846	1,649,094
Others	23,144,700	20,374,713
Total	136,961,236	121,669,027
Analyzed by counterparty:		
Banks	56,077,401	37,463,246
Non-bank financial institutions	10,497,022	6,427,323
Others	70,386,813	77,778,458
Total	136,961,236	121,669,027

As at 30 June 2019, the Group's pledged collateral in connection with its repurchase agreements amounted to RMB145,181 million (31 December 2018: RMB129,076 million).

34 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Due to banks	30,708,985	16,312,467
Due to CSF	—	3,002,400
Total	30,708,985	19,314,867

35 TAXES PAYABLE

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Enterprise income tax	1,538,004	2,353,702
Individual income tax	492,731	225,683
Value added tax	181,356	253,143
Others	54,248	40,470
Total	2,266,339	2,872,998

36 **SHORT-TERM LOANS**

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analyzed by nature:		
Credit loans	6,961,403	4,915,067
Collateralized loans	527,796	741,643
Total	7,489,199	5,656,710

The short-term loan’s maturity is within one year.

As at 30 June 2019, the annual interest rates on the short-term loans were in the range of 2.00% to 4.12% (31 December 2018: 1.70% to 5.70%). As at 30 June 2019, the book value of the collateral was RMB1,282 million (31 December 2018: RMB2,202 million).

As at 30 June 2019, there was no default related to any short-term loans (31 December 2018: None).

37 **SHORT-TERM FINANCING INSTRUMENTS PAYABLE**

Six months ended 30 June 2019 (Unaudited)

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending balance
18 CITIC CP009	22/10/2018	18/01/2019	3.30%	5,031,953	7,828	5,039,781	—
18 CITIC CP010BC	13/11/2018	12/02/2019	3.20%	3,012,678	11,256	3,023,934	—
18 CITIC CP011	07/12/2018	08/03/2019	3.15%	2,004,096	11,611	2,015,707	—
18 CS 05	30/10/2018	18/04/2019	3.50%	1,508,990	15,463	1,524,453	—
18 CS 06	30/10/2018	27/07/2019	3.70%	1,509,512	27,581	—	1,537,093
19 CITIC CP001	18/01/2019	19/04/2019	2.95%	—	2,015,388	2,015,388	—
19 CITIC CP002	22/02/2019	24/05/2019	2.71%	—	3,020,723	3,020,723	—
19 CITIC CP003	08/03/2019	06/06/2019	2.79%	—	3,021,033	3,021,033	—
19 CITIC CP004	18/04/2019	17/07/2019	3.00%	—	3,018,524	398	3,018,126
19 CITIC CP005	17/05/2019	15/08/2019	2.99%	—	3,011,197	338	3,010,859
19 CITIC CP006BC	10/06/2019	06/09/2019	3.07%	—	2,003,556	253	2,003,303
19 CITIC CP007	27/06/2019	25/09/2019	2.60%	—	2,000,578	225	2,000,353
CITICSMTNECP01	09/01/2019	24/12/2019	0.00%	—	1,349,184	—	1,349,184
CITICSMTNECP02	10/01/2019	24/12/2019	0.00%	—	2,023,773	—	2,023,773
Structured notes	11/01/2018	02/01/2019					
	~28/06/2019	~28/10/2019	0.50%~5.00%	4,992,116	7,629,972	7,808,463	4,813,625
Total				18,059,345	29,167,667	27,470,696	19,756,316

Year ended 31 December 2018 (Audited)

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending balance
17 CITIC 01	11/08/2017	11/08/2018	4.60%	4,580,936	126,632	4,707,568	—
17 CITIC 02	12/09/2017	12/09/2018	4.84%	6,088,066	203,131	6,291,197	—
18 CITIC CP001	19/01/2018	20/04/2018	4.70%	—	2,048,078	2,048,078	—
18 CITIC CP002	07/02/2018	09/05/2018	4.60%	—	3,069,831	3,069,831	—
18 CITIC CP003	05/03/2018	04/06/2018	4.60%	—	4,047,704	4,047,704	—
18 CITIC CP004	04/04/2018	04/07/2018	4.11%	—	4,042,854	4,042,854	—
18 CITIC CP005BC	08/06/2018	07/09/2018	4.38%	—	4,045,035	4,045,035	—
18 CITIC CP006BC	12/07/2018	11/10/2018	3.50%	—	3,027,198	3,027,198	—
18 CITIC CP007BC	07/08/2018	06/11/2018	2.68%	—	4,028,081	4,028,081	—
18 CITIC CP008	13/09/2018	13/12/2018	2.83%	—	4,028,823	4,028,823	—
18 CITIC CP009	22/10/2018	18/01/2019	3.30%	—	5,032,690	737	5,031,953
18 CITIC CP010BC	13/11/2018	12/02/2019	3.20%	—	3,013,132	454	3,012,678
18 CITIC CP011	07/12/2018	08/03/2019	3.15%	—	2,004,398	302	2,004,096
18 CS 05	30/10/2018	18/04/2019	3.50%	—	1,509,104	114	1,508,990
18 CS 06	30/10/2018	27/07/2019	3.70%	—	1,509,599	87	1,509,512
Structured notes	04/01/2017	02/01/2018					
	~28/12/2018	~22/07/2019	2.15%~5.45%	22,868,837	34,987,510	52,864,231	4,992,116
Total				33,537,839	76,723,800	92,202,294	18,059,345

As at 30 June 2019, short-term financing instruments payable comprised of short-term corporate bonds and structured notes with an original tenure of less than one year.

As at 30 June 2019, there was no default related to any short-term financing instruments payable issued (31 December 2018: None).

38 LEASE LIABILITIES

	30 June 2019 (Unaudited)	
	Current	Non-current
Lease liabilities	264,290	1,379,453

As at 30 June 2019, the cash flows of lease contracts signed by the Group but lease not yet commenced are shown as follows:

	30 June 2019 (Unaudited)
Lease term	
Within one year	19,250
One to two years	10,459
Two to five years	24,665
More than five years	843
	55,217

39 OTHER CURRENT LIABILITIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Settlement deposits payable	23,274,288	28,341,767
Salaries, bonuses and allowances payable	11,817,161	12,093,994
Debt instruments issued due within one year and others (Notes 40 (a)(iii)(vi)(x)(xiii)(xvi)(xxviii))	51,191,792	29,071,008
Accounts due to brokers	9,532,672	7,207,833
Fee and commissions payable	330,990	321,895
Funds payable to securities holders	167,074	166,720
Funds payable to securities issuers	225,185	147,507
Dividends payable	4,242,967	2,049
Others	4,601,729	4,660,669
Total	105,383,858	82,013,442

40 DEBT INSTRUMENTS ISSUED

By category	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bonds and medium term notes issued (a)	73,297,278	85,960,063
Structured notes issued (b)	1,227,733	2,097,307
	74,525,011	88,057,370

By maturity	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Maturity within five years	72,023,498	85,491,624
Maturity over five years	2,501,513	2,565,746
	74,525,011	88,057,370

As at 30 June 2019, there was no default related to any issued debt instruments (31 December 2018: None).

(a) *Bonds and medium term notes issued*

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
Item			
06 CITICS Bond	(i)	1,505,400	1,537,551
13 CITICS 02	(ii)	12,026,001	12,329,935
15 CITICS 01	(iii)	—	5,631,152
15 CITICS 02	(iv)	2,501,513	2,565,746
16 CITICS G2	(v)	2,552,236	2,510,317
17 CITICS C1	(vi)	—	2,061,510
17 CITICS C2	(vii)	2,312,261	2,373,696
17 CITICS C3	(viii)	827,414	807,368
17 CITICS C4	(ix)	5,074,523	4,946,919
17 CITICS G1	(x)	—	10,365,438
17 CITICS G2	(xi)	2,032,231	2,076,580
17 CITICS G4	(xii)	2,471,927	2,407,353
18 CITICS 01	(xiii)	—	4,972,303
18 CITICS 02	(xiv)	2,517,963	2,582,070
18 CITICS G1	(xv)	1,721,550	1,764,755
18 CS 03	(xvi)	—	3,083,239
18 CS 04	(xvii)	4,187,585	4,092,277
18 CS C1	(xviii)	5,148,711	5,036,061
18 CS C2	(xix)	4,107,538	4,019,026
18 CS G1	(xx)	2,400,105	2,457,000
18 CS G2	(xxi)	601,251	616,487
19 CS 01	(xxii)	2,734,875	—
19 CS 02	(xxiii)	3,033,145	—
19 CS 03	(xxiv)	3,021,534	—
19 CS 04	(xxv)	1,502,661	—
19 CS C1	(xxvi)	2,514,090	—
19 CS C2	(xxvii)	3,003,673	—
CITIC SEC N2204	(xxviii)	3,441,734	3,433,549
CITIC SEC N2004	(xxviii)	—	2,064,771
CITIC SEC N2112	(xxviii)	2,057,357	2,052,435
KVBFG-Convertible Bond	(xxix)	—	172,525
Carrying amount		73,297,278	85,960,063

- (i) Pursuant to the approval of the CSRC, the Company issued a 15-year bond with a face value of RMB1.50 billion from 25 May 2006 to 2 June 2006, which was guaranteed by CITIC Corporation Limited for 2006. The coupon rate of the bond is 4.25% and the maturity date is 31 May 2021.
- (ii) Pursuant to the approval of the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB12.00 billion from 7 June 2013 to 14 June 2013. The coupon rate of the bond is 5.05% and the maturity date is 7 June 2023.
- (iii) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB5.50 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 4.60% and the maturity date is 25 June 2020. As at 30 June 2019, the bond was presented as debt instruments issued due within one year and others (Note 39).
- (iv) Pursuant to the approval of the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB2.50 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 5.10% and the maturity date is 25 June 2025.
- (v) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.50 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.38% and the maturity date is 17 November 2021.
- (vi) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB2.00 billion on 24 May 2017. The coupon rate of the bond is 5.10% and the maturity date is 25 May 2020. As at 30 June 2019, the bond was presented as debt instruments issued due within one year and others (Note 39).

- (vii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulatory, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB2.30 billion on 24 May 2017. The coupon rate of the bond is 5.30% and the maturity date is 25 May 2022.
- (viii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulatory, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB0.80 billion on 25 October 2017. The coupon rate of the bond is 5.05% and the maturity date is 26 October 2020.
- (ix) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant regulator, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB4.90 billion on 25 October 2017. The coupon rate of the bond is 5.25% and the maturity date is 26 October 2022.
- (x) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB10.00 billion from 16 February 2017 to 17 February 2017. The coupon rate of the bond is 4.20% and the maturity date is 17 February 2020. As at 30 June 2019, the bond was presented as debt instruments issued due within one year and others (Note 39).
- (xi) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.00 billion from 16 February 2017 to 17 February 2017. The coupon rate of the bond is 4.40% and the maturity date is 17 February 2022.
- (xii) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.40 billion from 27 November 2017 to 28 November 2017. The coupon rate of the bond is 5.33% and the maturity date is 28 November 2020.
- (xiii) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB4.80 billion from 13 April 2018 to 16 April 2018. The coupon rate of the bond is 5.05% and the maturity date is 16 April 2020. As at 30 June 2019, the bond was presented as debt instruments issued due within one year and others (Note 39).
- (xiv) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 3-year unguaranteed bond with a face value of RMB2.50 billion from 9 May 2018 to 10 May 2018. The coupon rate of the bond is 5.09% and the maturity date is 10 May 2021.
- (xv) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB1.70 billion from 16 March 2018 to 20 March 2018. The coupon rate of the bond is 5.14% and the maturity date is 20 March 2021.
- (xvi) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB3.00 billion from 14 June 2018 to 15 June 2018. The coupon rate of the bond is 5.10% and the maturity date is 15 June 2020. As at 30 June 2019, the bond was presented as debt instruments issued due within one year and others (Note 39).
- (xvii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 2-year unguaranteed bond with a face value of RMB4.00 billion from 6 July 2018 to 9 July 2018. The coupon rate of the bond is 4.80% and the maturity date is 9 July 2020.
- (xviii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB5.00 billion from 17 October 2018 to 19 October 2018. The coupon rate of the bond is 4.48% and the maturity date is 19 October 2021.
- (xix) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant regulator, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB4.00 billion from 5 November 2018 to 7 November 2018. The coupon rate of the bond is 4.40% and the maturity date is 7 November 2021.
- (xx) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.40 billion from 13 June 2018 to 15 June 2018. The coupon rate of the bond is 4.80% and the maturity date is 15 June 2021.

- (xxi) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB0.60 billion from 13 June 2018 to 15 June 2018. The coupon rate of the bond is 4.90% and the maturity date is 15 June 2023.
- (xxii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and the approval of the relevant regulator, the Company issued a 3-year unguaranteed bond with a face value of RMB2.70 billion from 27 February 2019 to 28 February 2019. The coupon rate of the bond is 3.90% and the maturity date is 28 February 2022.
- (xxiii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and the approval of the relevant regulator, the Company issued a 3-year unguaranteed bond with a face value of RMB3.00 billion from 20 March 2019 to 21 March 2019. The coupon rate of the bond is 3.98% and the maturity date is 21 March 2022.
- (xxiv) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2018 and the approval of the relevant regulator, the Company issued a 3-year unguaranteed bond with a face value of RMB3.00 billion from 25 April 2019 to 30 April 2019. The coupon rate of the bond is 4.28% and the maturity date is 29 April 2022.
- (xxv) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2018 and the approval of the relevant regulator, the Company issued a 3-year unguaranteed bond with a face value of RMB1.50 billion from 11 June 2019 to 14 June 2019. The coupon rate of the bond is 4.00% and the maturity date is 14 June 2022.
- (xxvi) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2018 and the approval of the relevant regulator, the Company issued a 3-year unguaranteed subordinated bond with a face value of RMB2.50 billion from 17 April 2019 to 23 April 2019. The coupon rate of the bond is 4.20% and the maturity date is 23 April 2022.
- (xxvii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2018 and the approval of the relevant regulator, the Company issued a 3-year unguaranteed subordinated bond with a face value of RMB3.00 billion from 28 May 2019 to 3 June 2019. The coupon rate of the bond is 4.10% and the maturity date is 3 June 2022.
- (xxviii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and the approval of the relevant regulatory, CITIC Securities Finance MTN Co., Ltd., a subsidiary of the Company, established a USD3.00 billion (or other equivalents) Medium Term Note Programme on 17 October 2014. During the year of 2014, CITIC Securities Finance MTN Co., Ltd. had its first drawdown under the Programme to issue notes with a face value of USD0.65 billion. During the year of 2015, CITIC Securities Finance MTN Co., Ltd. had eight drawdowns under the Programme to issue notes with an aggregated face value of USD439.68 million, which were at maturity and paid off in 2015. During the year of 2017, CITIC Securities Finance MTN Co., Ltd. had two further drawdowns under the Programme to issue notes with the face value of USD0.50 billion and USD0.30 billion. During the year of 2018, CITIC Securities Finance MTN Co., Ltd. had five drawdowns under the Programme to issue notes with an aggregated face value of USD729.20 million, which were at maturity and paid off USD229.20 million in 2018 and USD200.00 million for the six months ended 30 June 2019. These Medium Term Notes are guaranteed by the Company with no counter-guarantee arrangement. Those Medium Term Note under this programme with maturity terms less than one year were included under Note 39 as at 30 June 2019.
- (xxix) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and the approval of the relevant regulator, KVB Kunlun Financial Group Ltd. ("KVBFG") issued a convertible bond with a face value of HK\$200 million on 12 February 2018, and the duration of the convertible bond was 2 years. KVBFG may extend the maturity date for one year by giving written notice to all bondholders on or before the maturity date and obtaining the prior written consent of bondholders holding not less than 50% of the total principal of outstanding bonds. The annual interest rate of convertible bonds is 7.5%. If the maturity date is extended according to the terms and conditions, the annual interest rate is 12%. Initial exchange price is HK\$0.613 per share. KVBFG will issue 326,264,273 shares in total if the bonds are converted into shares.

Unless previously redeemed/converted/purchased and cancelled as provided in the bond conditions, on the maturity date, the Company shall redeem 100% of the outstanding principal amount of the bonds together with an internal rate of return of 7.5% per annum from and including the issue date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the bonds.

The bondholders exercised early redemption on 15 May 2019, and KVBFG redeemed all the bonds at par value.

(b) Structured notes issued

As at 30 June 2019, the structured notes issued by the Group amounted to RMB1,228 million (31 December 2018: RMB2,097 million) were with remaining tenures over one year with coupon rates ranging from 2.95% to 4.50% (31 December 2018: 2.90% to 4.80%).

41 LONG-TERM LOANS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Analyzed by nature:		
Credit loans	—	7,802
Collateralized loans	<u>388,677</u>	<u>945,427</u>
Total	<u>388,677</u>	<u>953,229</u>
Analyzed by maturity:		
Maturity within five years	<u>388,677</u>	<u>953,229</u>

As at 30 June 2019, the interest rates on the long-term loans were in the range of 2.95%-10.00% (31 December 2018: 2.00%-10.00%). As at 30 June 2019, the book value of the collateral was RMB481 million (31 December 2018: RMB4,144 million).

42 OTHER NON-CURRENT LIABILITIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Risk reserve payables	<u>843,983</u>	561,030
Others	<u>482,987</u>	<u>443,860</u>
Total	<u>1,326,970</u>	<u>1,004,890</u>

43 ISSUED SHARE CAPITAL

	30 June 2019		31 December 2018	
	Number of shares (Thousand) (Unaudited)	Nominal Value (Unaudited)	Number of shares (Thousand) (Audited)	Nominal Value (Audited)
Ordinary Shares				
Registered, issued and fully paid:				
A shares of RMB1 each	<u>9,838,580</u>	<u>9,838,580</u>	<u>9,838,580</u>	<u>9,838,580</u>
H shares of RMB1 each	<u>2,278,328</u>	<u>2,278,328</u>	<u>2,278,328</u>	<u>2,278,328</u>
Total	<u>12,116,908</u>	<u>12,116,908</u>	<u>12,116,908</u>	<u>12,116,908</u>

44 RESERVES

The amounts of the Group's reserves and the related movements are presented in the condensed consolidated interim statement of changes in equity.

(a) *Capital reserve*

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) *Surplus reserves*

(i) *Statutory surplus reserve*

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

The Company did not appropriate any statutory surplus reserve for the period ended 30 June 2019, as such reserve balance has reached 50% of its registered capital.

(ii) *Discretionary surplus reserve*

After making the appropriation to the statutory surplus reserve and other non-discretionary surplus reserves, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards to its discretionary surplus reserve upon approval by the General Shareholders' Meeting. Subject to the approval of General Shareholders' Meeting, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into share capital.

(c) *General reserves*

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its after-tax profit for the year for the general risk reserve and 10% for trading risk reserve. These reserves may be used to offset accumulated losses of the Company but shall not be announced as dividends or converted into share capital. General reserves also include reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside of the Mainland China in accordance with the regulatory requirements in their respective territories are also included herein. These regulatory reserves are not available for distribution.

(d) *Investment revaluation reserve*

Investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

(e) *Foreign currency translation reserve*

Foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

(f) *Distributable profits*

The Company's distributable profits are based on the retained earnings of the Company as determined under China Accounting Standards and IFRSs, whichever is lower.

45 CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Cash and bank balances	72,519,702	46,596,584
Less: Restricted funds (Note 30)	4,611,907	3,816,926
Interests receivables	164,212	
Cash and cash equivalents	67,743,583	42,779,658

46 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contracted, but not provided for	619,392	217,721

The capital commitments are mainly in respect of the purchase of equipment, project and software of the Group.

(b) Lease commitments — as a lessor

The undiscounted amount of lease payments payable to the Group as lessor upon the balance sheet date is summarized as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within one year	314,889	263,361
After one year but no more than two years	283,955	248,364
After two years but no more than three years	266,593	224,472
After three years but no more than four years	261,747	220,817
After four years but no more than five years	259,438	218,381
More than five years	554,458	544,966
Total	1,941,080	1,720,361

(c) Legal proceedings

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 30 June 2019, the Group was not involved in any material legal, or arbitration that if adversely determined, would materially and adversely affect the Group's financial position or results of operations.

47 RELATED PARTY DISCLOSURES

(1) Largest equity holder of the Company

Name of the shareholder	Relationship	Enterprise type	Place of registration and operations	Legal representative	Principal activities	Registered share capital	Percentage of equity interest	Voting rights	Unified Social Credit Code
CITIC Corporation Limited	Largest equity holder	State-controlled	Beijing	Chang Zhenming	Financial, industrial and other services	RMB139 billion	16.50%	16.50%	911100007178317092

(2) Related party transactions

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

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income from providing services	6,368	1,417
Interest expense	2,441	23,836

Balances at the end of the period/year

As at 30 June 2019, there were no structured note issued by the Company held by the largest equity holder of the Company (31 December 2018: RMB1,000 million).

Guarantees between related parties

During the period from 25 May 2006 to 2 June 2006, the Company issued a 15-year bond with an aggregate face value of RMB1.50 billion (Note 40 (a)(i)), which was guaranteed by CITIC Corporation Limited. As at 30 June 2019, the total guarantees provided by CITIC Corporation Limited amounted to RMB1.50 billion (31 December 2018: RMB1.50 billion).

(b) Subsidiaries

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Interest income	304,523	246,374
Net investment income	67,857	62,485
Income from providing services	12,416	19,049
Leasing income	1,559	1,684
Interest expenses	224,257	148,518
Expenses from receiving services	1,004	1,642

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other current assets	19,675,119	17,998,262
Financial assets at fair value through other comprehensive income	8,638,376	8,611,224
Deposits for investments — Stock index futures	2,721,445	1,286,579
Derivative financial assets	1,563,377	396,908
Refundable deposits	1,177,195	1,031,560
Financial assets at fair value through profit or loss (Mandatory)	80,752	18,010
Property, plant and equipment	744	744
Land use rights and intangible assets	184	184
Reverse repurchase agreements	—	2,537,087
Other current liabilities	11,917,639	9,529,725
Derivative financial liabilities	1,203,424	2,496,232
Due to banks and other financial institutions	320,123	—
Customer brokerage deposits	161,828	190,034
Short-term financing instruments payable	101,866	132,252
Debt instruments issued	—	2,501,725
Repurchase agreements	—	300,132

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

As at 30 June 2019, the collective assets management plans managed by the Company and held by the Company and its subsidiaries amounted to RMB424 million (31 December 2018: RMB593 million).

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

Transactions during the period

	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Interest income	326,906	261,893
Income from providing services	62,505	85,702
Leasing income	25,501	14,620
Net investment income	6,165	(68,668)
Expense from receiving services	104,666	113,548
Interest expense	39,700	106,348

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash held on behalf of customers (i)	17,578,131	16,215,702
Cash and bank balances (i)	3,306,339	3,670,752
Other current assets	472,398	548,524
Other current liabilities	7,854	21,426

- (i) Represented deposits placed with financial institutions, which are the subsidiaries of the largest equity holder of the Company.

As at 30 June 2019, the structured note issued by the Company held by the subsidiaries and joint ventures of the largest equity holder of the Company amounted to RMB300 million (31 December 2018: RMB4,000 million).

(d) *Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries*

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income from providing services	8,982	12,047
Leasing income	1,529	850
Expense from receiving services	2,297	3,404
Interest expenses	<u>1</u>	<u>8</u>

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other current assets	1,712	1,157
Other current liabilities	<u>425</u>	<u>425</u>

(e) *Associates*

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Leasing income	1,385	2,770
Income from providing services	<u>1</u>	<u>—</u>

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other current liabilities	<u>994</u>	<u>994</u>

(f) *Joint ventures*

Transactions during the period

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Leasing income	<u>35</u>	<u>69</u>

Balances at the end of the period/year

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other current liabilities	18	17

(3) Transactions by the Group as lessee

Lease payments to:

	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Subsidiaries (i)	105,059	184,406
Subsidiaries and joint ventures of the largest equity holder of the Company	5,484	4,278
Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries	9,700	16,640

- (i) Transactions between the Parent and subsidiaries set out above have been eliminated in the consolidated financial statements.

(4) The impact of transactions by the Group as lessee

Interest expenses of leasing liabilities

	Six months ended 30 June 2019 (Unaudited)
Subsidiaries and joint ventures of the largest equity holder of the Company	357
Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries	1,722
Total	2,079

Depreciation of right-of-use assets

	Six months ended 30 June 2019 (Unaudited)
Subsidiaries and joint ventures of the largest equity holder of the Company	2,216
Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries	8,559
Total	10,775

Leasing expenses related to short-term leases

	Six months ended 30 June 2019 (Unaudited)
Subsidiaries and joint ventures of the largest equity holder of the Company	2,778
Total	2,778

Right-of-use assets

	Six months ended 30 June 2019 (Unaudited)
Subsidiaries and joint ventures of the largest equity holder of the Company	14,584
Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries	75,411
Total	89,995

Lease liabilities

	Six months ended 30 June 2019 (Unaudited)
Subsidiaries and joint ventures of the largest equity holder of the Company	13,030
Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries	73,190
Total	86,220

48 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets, in which the Group principally trades, for identical financial assets or financial liabilities at the measurement date.

Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the financial asset or financial liability, either directly or indirectly.

Level 3: Valuation techniques using inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

(a) *Financial instruments recorded at fair value*

30 June 2019 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
(Mandatory)				
— Debt instruments	99,661,515	72,216,898	40,000	171,918,413
— Equity instruments	47,895,733	4,434,690	13,050,645	65,381,068
— Others	4,853,721	17,001,730	1,842,385	23,697,836
Subtotal	152,410,969	93,653,318	14,933,030	260,997,317
Financial assets at fair value through profit or loss (Designated)				
Equity instruments	—	4,681,546	655,037	5,336,583
Derivative financial assets	144,824	8,726,468	—	8,871,292
Financial assets at fair value through other comprehensive income				
— Debt instruments	6,703,810	30,170,694	—	36,874,504
— Equity instruments	—	16,370,642	219,110	16,589,752
Subtotal	6,703,810	46,541,336	219,110	53,464,256
Total	159,259,603	153,602,668	15,807,177	328,669,448
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— Financial liabilities held for trading	5,373,844	—	—	5,373,844
— Financial liabilities designated as at fair value through profit or loss	—	36,346,722	5,714,871	42,061,593
Subtotal	5,373,844	36,346,722	5,714,871	47,435,437
Derivative financial liabilities	142,646	11,541,825	—	11,684,471
Total	5,516,490	47,888,547	5,714,871	59,119,908

31 December 2018 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (Mandatory)				
— Debt securities	85,748,137	63,376,771	46,862	149,171,770
— Equity investments	41,108,163	4,316,967	17,211,704	62,636,834
— Others	22,083,786	10,905,166	1,448,324	34,437,276
Subtotal	148,940,086	78,598,904	18,706,890	246,245,880
Financial assets at fair value through profit or loss (Designated)				
Equity investments	—	624,646	566,548	1,191,194
Derivative financial assets	1,409,844	9,978,258	—	11,388,102
Financial assets at fair value through other comprehensive income				
— Debt securities	6,495,577	29,832,251	—	36,327,828
— Equity investments	—	15,310,637	221,778	15,532,415
Subtotal	6,495,577	45,142,888	221,778	51,860,243
Total	156,845,507	134,344,696	19,495,216	310,685,419
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— Financial liabilities held for trading	7,452,014	—	—	7,452,014
— Financial liabilities designated as at fair value through profit or loss	42,212	34,725,389	5,426,224	40,193,825
Subtotal	7,494,226	34,725,389	5,426,224	47,645,839
Derivative financial liabilities	515,420	8,796,479	—	9,311,899
Total	8,009,646	43,521,868	5,426,224	56,957,738

(b) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorized with Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is available on the pricing system of the institutions for bond on the valuation date is measured using the latest valuation results published by the pricing system of the institutions for bond.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is not available on the pricing system of the institutions for bond, equity instruments at fair value through profit or loss, listed equity instruments with disposal restriction in a specific period, the fair value is determined by valuation technique. The inputs of those valuation techniques include risk-free interest rate, implied volatility curve, RMB denominated swap yield curve, etc., which are all observable.

For equity instruments at fair value through other comprehensive income, the fair value is determined by the valuation report provided by third party.

For forward contracts in derivative financial instruments, the fair value is measured by the differences between the contract prices and market prices of the underlying financial instruments. Fair value of swap contracts in derivative financial instruments is calculated based on the difference between the quoted prices or discounted cash flows of underlying financial instruments and the fixed income agreed in the contracts. For option contracts in derivative financial instruments, the fair value is calculated by using the option pricing model.

From January to June 2019, there was no change on the valuation technique used by the Group for the above recurring fair value measurements categorized within level 2.

(c) **Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorized within Level 3**

For unlisted equity investments, stocks instruments without quoted prices in active markets, fund investments, trusts, financial liabilities, etc., the Group adopts the counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as liquidity discount, volatility, risk adjusted discount rate and price to book ratios, etc. The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

From January to June 2019, there was no change on the valuation technique used by the Group for the above recurring fair value measurements categorized within Level 3.

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

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

Unaudited	As at 1 January 2019	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 1	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 30 June 2019
Financial assets										
Financial assets at fair value through profit or loss (Mandatory)										
— Debt instruments	46,862	(6,862)	—	—	—	—	—	—	—	40,000
— Equity instruments	17,211,704	(188,801)	173	639,354	1,675,350	—	138,554	—	3,074,989	13,050,645
— Others	1,448,324	(85,845)	—	1,360,196	300,568	—	—	579,245	477	1,842,385
Financial assets at fair value through profit or loss (Designated)	566,548	10,277	—	78,212	—	—	—	—	—	655,037
Financial assets at fair value through other comprehensive income	221,778	—	(2,668)	—	—	—	—	—	—	219,110
Financial liabilities										
Financial liabilities at fair value through profit or loss										
— Financial liabilities designated as at fair value through profit or loss	5,426,224	346,347	—	—	57,700	—	—	—	—	5,714,871
— Financial liabilities held for trading	—	—	—	—	—	—	—	—	—	—

Audited	As at 1 January 2018	Total gains recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 1	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2018
Financial assets										
Financial assets at fair value through profit or loss (Mandatory)										
— Debt instruments	169,059	26,602	—	6,635	155,434	—	—	—	—	46,862
— Equity instruments	19,947,871	953,071	4,935	1,843,502	3,867,359	—	99,595	632,933	1,136,978	17,211,704
— Others	—	—	—	3,651,607	2,599,402	396,119	—	—	—	1,448,324
Financial assets at fair value through profit or loss (Designated)	—	—	—	566,548	—	—	—	—	—	566,548
Financial assets at fair value through other comprehensive income	—	—	(109,754)	331,532	—	—	—	—	—	221,778
Financial liabilities										
Financial liabilities at fair value through profit or loss										
— Financial liabilities designated as at fair value through profit or loss	5,143,392	466,695	—	40,000	223,863	—	—	—	—	5,426,224
— Financial liabilities held for trading	8,954	116	—	—	9,070	—	—	—	—	—

The Group reclassified RMB10,201 million on financial assets to level 3 as of 1 January 2018 upon the implementation of IFRS 9.

The amount of investment income recognized in profit or loss from Level 3 financial instruments held by the Group was RMB208 million for the six months ended 30 June 2019 (2018: RMB270 million).

(e) Transfers between Level 1 and Level 2

During the six months ended 30 June 2019, the amount of financial assets at fair value through profit or loss held by the Group transferred from Level 1 to Level 2 was RMB134 million and the amount of financial assets at fair value through profit or loss from Level 2 to Level 1 was RMB681 million (2018: the amount of financial assets at fair value through profit or loss held by the Group transferred from Level 1 to Level 2 was RMB112 million and the amount of financial assets at fair value through profit or loss from Level 2 to Level 1 was RMB25 million).

(f) Financial instruments not measured at fair value

At the end of the reporting period, the following financial assets and liabilities of the Group are not measured at fair value.

- (i) For refundable deposits, reverse repurchase agreements, cash held on behalf of customers, cash and bank balances, fee and commission receivables, margin accounts, due from banks and other financial institutions, customer brokerage deposits, repurchase agreements, short-term loans, due to banks and other financial institutions, short-term financing instruments payable and lease liabilities, these financial instruments are of short term in nature and thus their fair values approximate to their carrying amounts.
- (ii) The recorded amounts and fair values of debt instruments issued are summarized below:

	Carrying amount		Fair value	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Debt instruments issued	<u>74,525,011</u>	<u>88,057,370</u>	<u>75,855,999</u>	<u>89,307,628</u>

49 FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

The Company has always believed that effective risk management and internal control are critical to its successful operation. The Company has implemented comprehensive risk management and internal control processes, through which it monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in its business activities, and implements vertical risk management of its subsidiaries through different models including business guidance, operational support and decision-making management.

The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's general meeting, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law, and the Articles of Association of the Company. By strengthening the relevant internal control arrangements and improving the Company's internal control environment and internal control structures, the Board has now incorporated internal control and risk management as essential elements in the Company's decision-making processes.

Structure of Risk Management

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

Level 1: The Board

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

Level 2: Operation Management

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

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

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

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

The Company has established the Product Committee. Under the authority of the Board and the Operation Management of the Company, the Product Committee uniformly makes plans, preparation and decisions regarding the products and service business of the Company. It reviews the launch or sales of products and provides related service, and is the decision-making body of the appropriateness management for the launch of financial products of the Company. The Risk Evaluation Group and the Appropriateness Management Group were established under the Product Committee. The Risk Evaluation Group is responsible for reviewing the qualification of the principal which entrusted the Company to sell products, and is tasked with organizing the specific product evaluation, establishing the classification criteria and methods of risks associated with products or services of the Company, performing risk assessment and risk grading on products or services, as well as supervising the management of product terms. The Appropriateness Management Group is responsible for formulating the criteria for investor classification and principles and procedures for appropriate matching of investors, supervising departments to implement investor appropriateness management work, organizing appropriateness training and appropriateness self-examination and rectification at the company level, and supervising the establishment and improvement of investor appropriateness evaluation database and other work related to appropriateness management.

Level 3: Division/Business Lines

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

Being the Company's first line of defence in risk management, front-office business departments/business lines of the Company bear the first-line responsibility for risk management. These departments are responsible for the establishment of business management systems and risk management systems for various businesses and perform supervision, assessment and reporting on business risks and contain such risks within the approved limits.

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

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

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance system of the Company, provides compliance advice and enquiries to the Operation Management, departments/business lines and branches of the Company, monitors legal compliance of management and operating activities; supervises and instructs the departments/business lines and branches of the Company to assess, develop, modify and improve internal management systems and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on internal management systems, important decisions, new products, new businesses and key business

activities launched by the Company; fulfills the regular and non-regular obligations of reporting to regulatory authorities; organizes and performs money laundering risk control in accordance with the anti-money laundering system of the Company, etc.

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

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

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

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

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

(a) Credit risk

Credit risk refers to the risk of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Group mostly arise from four aspects: firstly, the credit risks relating to the brokerage business in respect of securities trading and futures trading on behalf of clients are primarily attributed to no adequate trading deposit from clients, which is regulated to pay in advance, as the Group have the responsibility to settle on behalf of clients when the clients do not have sufficient funds to pay for transactions, or short of funds due to other factors on the settlement date; secondly, the credit risks relating to the financing businesses in respect of margin financing, securities lending, stock repo, and stock-pledged repo, are primarily attributed to operational misconducts including fraudulent credit information, failure to repay debts in full in a timely manner, violation of contracts and regulatory requirements, insufficient liquidity due to legal disputes over collateral assets; thirdly, credit risks relating to credit investment are primarily due to counter party defaults, or credit issuer defaults to pay principal and interest on due dates or a decline in the credit worthiness of issuers; and fourthly, the credit risks relating to the OTC derivative transactions in respect of interest rate swap, equity swap, OTC option and forwards, etc. are primarily attributed to the counterparties' failure to perform their payment obligations in accordance with contracts at maturity.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating systems, assesses its credit risks by means of stress testing and sensitivity analysis, and manages credit risks based on the testing results through credit system. Meanwhile, the Company monitor its credit risks through information management systems in real time, keeps track of the credit risks of the business products and counterparties, provides analysis and warning reports, and adjust its credit exposure limits timely.

Securities brokerage transactions in Mainland China are required to be settled in full trading deposit, which helps to control the settlement risks associated with the brokerage business.

Control over credit risks for the financing businesses is managed primarily through risk management education programmes for clients, credit due diligence and verification of clients, credit limits, risk assessment on collateralized (pledged) securities, daily mark to market of exposure, issuing risk notification to clients, forced position liquidation and legal recourse.

For credit investment, in respect of private equity investment, the Company has established the product entrance level and investment caps, uses methods of risk assessment, risk notification and legal recourse to managed its credit risks, and in respect of public offering investments, the Company has developed certain investment restrictions based on the credit ratings of counterparties through the credit system.

The counterparties in OTC derivative transactions are mainly financial institutions and other professional institutions, the main credit risks are attributed to the counterparties' failure to perform payments obligation on time, their failure to make up the trading deposits timely when the losses occurred and discrepancy in valuation of products between the Company and the counterparties. The Company monitors and control credit risk exposure of counterparties with certain proportions for the trading deposits and within established limits by adopting mark-to-market practices of

derivatives transactions, and margin call for related collateral as well as forced position liquidating procedures, and carries out legal recourse upon the remaining credit exposure after forced liquidation.

Expected credit loss (ECL) measurement

From the adoption date of IFRS 9 on 1 January 2018, the measurement of the ECL allowance for debt instruments, including investments in financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

The Company has applied a ‘three-stage’ impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as “Stage 1” and has its credit risk continuously monitored by the Company;
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is moved to “Stage 3”.

Stage 1: The Company measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and 3: The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The ECL is always measured on a lifetime basis.

For Stages 1 and 2, the ECL is measured on a 12-month (12M) and Lifetime basis, respectively, using the risk parameter modelling approach that incorporated key parameters, including Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Loss Ratio (“LR”) taking into consideration of forward looking factors. For credit-impaired financial assets classified under Stage 3, the management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration of forward looking factors.

Measuring ECL — inputs, assumptions and estimation techniques

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations, including:

- Selection of the appropriate models and assumptions;
- Determination of the criteria for significant increase in credit risk (“SICR”), definition of default and credit impairment;
- Establishment of the number and relative weightings of forward-looking scenarios for each type of product.

For debt securities investments, ECL is the discounted product of the PD, LGD and EAD after considering the forward-looking impact. For margin accounts, stock repo and stock-pledged repo under reverse repurchase agreements (“Financing Assets”), ECL are the discounted product of the LR and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For debt securities investments, the appropriate external and internal credit ratings are taken into consideration.
- LGD represents the Company’s expectation of the extent of loss on a defaulted exposure. For debt securities investments, LGD is determined based on assessed publicly available information.
- LR represents the Company’s expectation of the likelihood of default and extent of loss on exposure. The Company uses historical loss rates and assesses their appropriateness. The Company determines LR based on factors including: the coverage ratio of related loan to underlying collateral value and the volatility of such collateral’s valuation, the realized value of collateral upon forced liquidation taking account the estimated volatility over the realization period.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The criteria of significant increase in credit risk ("SICR")

The Company evaluates financial instruments to identify whether a SICR has occurred since initial recognition at each financial statement date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This takes account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers debt securities investments to have experienced a SICR if the latest internal ratings of issuers of debt securities or the debt securities themselves underwent two levels of downward migration or more, compared to their ratings on initial recognition; or if the latest external ratings of the debt securities or the issuers of the debt securities were under investment grade. As at 30 June 2019 and 31 December 2018, the majority of the debt securities investments of the Company have been rated as investment grade or above and there was no SICR.

Taking into consideration of the obligors' credit quality, contract maturity date, the related collateral securities information, which including the sector situation, liquidity discount factor, concentration, volatility and related information, the Company set a force liquidation level for each obligor of Financing Assets. The Company considers Financing Assets to have experienced a SICR if margin calls are triggered when the threshold of relevant loan to collateral ratios are below a force liquidation level. As at 30 June 2019 and 31 December 2018, more than 90.00% of Financing Assets had loans to collateral ratios above the pre-determined force liquidation level, which did not experience any SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

The Company has used the low credit risk exemption as provided in IFRS 9 for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under reverse repurchase agreements collateralized by debt securities.

Definition of credit-impaired assets

The Company assesses whether a financial instrument is credit-impaired in accordance with IFRS 9, in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of "in default", when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For Financing Assets, a forced liquidation of a client's position is triggered based on a pre-determined threshold of loan to collateral ratios and the collateral valuation falls short of the related loan or repo amounts;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, borrower or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the Company relating to the debtor, issuer, borrower or counterparty's financial difficulty;
- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information.

For debt securities investments, the Company has performed historical data analysis and identified the key economic variables impacting credit risk and ECL. Key economic variables mainly include the growth rate of Domestic GDP, output growth of industries and the growth rate of fixed assets investment index. The impact of these economic variables on the PD, LGD and EAD has been determined by performing historical statistical regression analysis to forecast the expected changes in these variables on default rates and on the components of PD, LGD and EAD.

For Financing Assets, based on the analysis of the characteristics of these products, the Company has identified the key economic variables impacting credit risk and ECL for these financial instrument portfolio include Volatility of Shanghai Composite Index and Shenzhen Composite Index. The Company makes forward looking adjustments to the ECL of Financing Assets by analyzing the impacts of these economic variables on the LR.

The growth rate of domestic GDP applied in its forward looking scenarios ranged from 6.00% to 6.60%.

In addition to the base economic scenario, the Company's expert team also provided other possible scenarios along with scenario weightings. The number of other scenarios used is set based on an analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 30 June 2019 and 31 December 2018, the Company concluded that three scenarios appropriately captured the non-linearities of key economic variables for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weight of base scenario employed by the Company was more than the sum of that of optimistic scenario and pessimistic scenario.

The Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

For Financing Assets, management considers the impact of forward-looking macro-economic information movement on consolidated financial statements as insignificant, taking consideration of its risk characteristics and credit-risk management methodology.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

Sensitivity analysis

The allowance for credit losses could be sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the assessment of significant increase in credit risk and the measurement of ECLs.

As mentioned above, the Company adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as follows as at 30 June 2019 and the results were as follows:

- (i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 5% deviation from the base ECL scenario;
- (ii) The decremental impact of shifting 10% of the weighting from the base case scenario to the optimistic scenario was no more than 5% of the ECL allowance;
- (iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 5% of the ECL allowance.

Meanwhile, the Company also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of the financial assets on ECL. As at 30 June 2019 and 31 December 2018, assuming there was no significant increase in credit risk since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL recognized in financial statements would be less than 5.00% of the ECL allowance.

Collateral and other credit enhancements

The Company employs a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral through funds advanced or guarantees. The Company determines the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under margin accounts and reverse repurchase agreements are primarily stocks, debt securities, funds etc. Management tests the market value of collaterals periodically, and makes margin calls according to related agreements. It also monitors the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

Credit risk exposure analysis

The Company considered the credit risk of the Financing Assets was relatively low, as more than 90.00% of Financing Assets' ratio to underlying collateral value was over force liquidation level as at 30 June 2019 and 31 December 2018. High threshold of Financing Assets to collateral ratios indicates that probability of default is low. As at 30 June 2019 and 31 December 2018, all debt securities investments of the Company were rated at investment grade or above.

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets at fair value through other comprehensive income (Debt instruments)	36,874,504	36,327,828
Refundable deposits	1,243,434	1,112,777
Margin accounts	64,487,894	57,197,814
Financial assets at fair value through profit or loss (Mandatory)	203,130,128	198,554,732
Derivative financial assets	8,871,292	11,388,102
Reverse repurchase agreements	68,605,311	67,370,441
Cash held on behalf of customers	115,016,070	92,420,971
Bank balances	72,519,318	52,226,237
Others	32,330,814	31,406,920
Total maximum credit risk exposure	<u>603,078,765</u>	<u>548,005,822</u>

Risk concentrations

The breakdown of the Group's maximum credit risk exposure, without taking account of any collateral or other credit enhancements, as categorised by geographical area are summarized below.

30 June 2019 (Unaudited)	By geographical area		Total
	Mainland China	Outside Mainland China	
Financial assets at fair value through other comprehensive income (Debt instruments)	32,670,057	4,204,447	36,874,504
Refundable deposits	1,002,254	241,180	1,243,434
Margin accounts	61,229,554	3,258,340	64,487,894
Financial assets at fair value through profit or loss (Mandatory)	167,355,838	35,774,290	203,130,128
Derivative financial assets	5,519,383	3,351,909	8,871,292
Reverse repurchase agreements	63,388,301	5,217,010	68,605,311
Cash held on behalf of customers	106,780,761	8,235,309	115,016,070
Bank balances	60,550,639	11,968,679	72,519,318
Others	4,211,544	28,119,270	32,330,814
Total maximum credit risk exposure	<u>502,708,331</u>	<u>100,370,434</u>	<u>603,078,765</u>

31 December 2018 (Audited)	By geographical area		Total
	Mainland China	Outside Mainland China	
Financial assets at fair value through other comprehensive income (Debt instruments)	35,920,840	406,988	36,327,828
Refundable deposits	927,206	185,571	1,112,777
Margin accounts	53,784,988	3,412,826	57,197,814
Financial assets at fair value through profit or loss (Mandatory)	167,236,233	31,318,499	198,554,732
Derivative financial assets	7,808,614	3,579,488	11,388,102
Reverse repurchase agreements	63,605,150	3,765,291	67,370,441
Cash held on behalf of customers	84,710,249	7,710,722	92,420,971
Bank balances	37,569,452	14,656,785	52,226,237
Others	5,622,522	25,784,398	31,406,920
Total maximum credit risk exposure	<u>457,185,254</u>	<u>90,820,568</u>	<u>548,005,822</u>

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

	30 June 2019 (Unaudited)			
	Stage of ECL			
	Stage I	Stage II	Stage III	Total
Loss allowance	12-month ECL	Lifetime ECL		
Reverse repurchase agreements				
Amortized cost	63,308,260	4,011,899	3,636,040	70,956,199
Loss allowance	116,167	443,666	1,791,055	2,350,888
Book value	63,192,093	3,568,233	1,844,985	68,605,311
Margin accounts				
Amortized cost	64,399,554	—	354,238	64,753,792
Loss allowance	187,316	—	78,582	265,898
Book value	64,212,238	—	275,656	64,487,894
Financial assets at fair value through other comprehensive income (Debt instruments)				
Fair value	36,874,504	—	—	36,874,504
Loss allowance	87,137	—	44,000	131,137
Others				
Amortized cost	31,958,151	31,653	2,008,211	33,998,015
Loss allowance	51,879	5,167	1,742,110	1,799,156
Book value	31,906,272	26,486	266,101	32,198,859

31 December 2018 (Audited)				
	Stage of ECL			
	Stage I	Stage II	Stage III	Total
Loss allowance	12-month ECL	Lifetime ECL		
Reverse repurchase agreements				
Amortized cost	57,212,408	6,978,908	5,144,971	69,336,287
Loss allowance	104,741	563,073	1,298,032	1,965,846
Book value	57,107,667	6,415,835	3,846,939	67,370,441
Margin accounts				
Amortized cost	56,815,700	220,530	478,219	57,514,449
Loss allowance	173,771	22,462	120,402	316,635
Book value	56,641,929	198,068	357,817	57,197,814
Financial assets at fair value through other comprehensive income (Debt instruments)				
Fair value	36,327,828	—	—	36,327,828
Loss allowance	101,846	—	44,000	145,846
Others				
Amortized cost	25,508,720	4,682,353	2,453,625	32,644,698
Loss allowance	47,228	4,588	1,595,131	1,646,947
Book value	25,461,492	4,677,765	858,494	30,997,751

(i) Credit loss allowance for reverse repurchase agreements

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	104,741	563,073	1,298,032	1,965,846
Increases (i)	53,905	48,821	743,356	846,082
Reverses	(188,891)	(49,816)	(222,333)	(461,040)
Write-offs	—	—	—	—
Transfers between stages				
— Increase	146,412	28,000	—	174,412
— Decrease	—	(146,412)	(28,000)	(174,412)
Other changes	—	—	—	—
30 June 2019 (Unaudited)	116,167	443,666	1,791,055	2,350,888

(i) The overall increase in the ECL allowance was RMB846 million for the six months ended 30 June 2019 (for the year ended 31 December 2018: RMB1,893 million), due to the decrease in the collateral valuations which fell short of the related outstanding balances of reverse repurchase agreements as a result of the fluctuations in the stock market.

As at 30 June 2019, the fair value of collateral under Stage 3 was RMB2,496 million (31 December 2018: RMB3,666 million).

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018	252,956	—	326,288	579,244
Increases	—	873,221	1,019,280	1,892,501
Reverses	(165,473)	(93,966)	(10,509)	(269,948)
Write-offs	—	—	—	—
Transfers between stages				
— Increase	51,682	18,717	243,386	313,785
— Decrease	(34,424)	(227,679)	(51,682)	(313,785)
Other changes	—	(7,220)	(228,731)	(235,951)
31 December 2018	<u>104,741</u>	<u>563,073</u>	<u>1,298,032</u>	<u>1,965,846</u>

(ii) *Credit loss allowance for margin accounts*

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	173,771	22,462	120,402	316,635
Increases	14,435	—	33,990	48,425
Reverses	(23,335)	(14)	(76,019)	(99,368)
Write-offs	—	—	—	—
Transfers between stages				
— Increase	22,448	—	7	22,455
— Decrease	(7)	(22,448)	—	(22,455)
Other changes	4	—	202	206
30 June 2019 (Unaudited)	<u>187,316</u>	<u>—</u>	<u>78,582</u>	<u>265,898</u>

As at 30 June 2019, the fair value of collateral under Stage 3 was RMB275 million (31 December 2018: RMB359 million).

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018	219,564	338	92,545	312,447
Increases	—	93,072	171,493	264,565
Reverses	(46,283)	(31,735)	(128,095)	(206,113)
Write-offs	—	—	—	—
Transfers between stages				
— Increase	1,949	15	1,472	3,436
— Decrease	(1,487)	(289)	(1,660)	(3,436)
Other changes	28	(38,939)	(15,353)	(54,264)
31 December 2018	<u>173,771</u>	<u>22,462</u>	<u>120,402</u>	<u>316,635</u>

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	101,846	—	44,000	145,846
Increases	61,275	—	—	61,275
Reverses	(24,166)	—	—	(24,166)
Write-offs	(51,818)	—	—	(51,818)
Transfers between stages				
— Increase	—	—	—	—
— Decrease	—	—	—	—
Other changes	—	—	—	—
30 June 2019 (Unaudited)	87,137	—	44,000	131,137

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018	15,367	—	111,944	127,311
Increases	126,931	—	—	126,931
Reverses	(10,603)	—	—	(10,603)
Write-offs	(29,849)	—	(67,944)	(97,793)
Transfers between stages				
— Increase	—	—	—	—
— Decrease	—	—	—	—
Other changes	—	—	—	—
31 December 2018	101,846	—	44,000	145,846

(iv) Credit loss allowance for other financial assets measured at amortized cost

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2019	47,228	4,588	1,595,131	1,646,947
Increases	4,015	620	400,450	405,085
Reverses	(25)	(41)	(254,557)	(254,623)
Write-offs	—	—	—	—
Transfers between stages				
— Increase	—	—	—	—
— Decrease	—	—	—	—
Other changes	661	—	1,086	1,747
30 June 2019 (Unaudited)	51,879	5,167	1,742,110	1,799,156

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2018	73,040	3,472	836,678	913,190
Increases	11,383	1,690	438,347	451,420
Reverses	(39,945)	(402)	(21,633)	(61,980)
Write-offs	(39)	—	—	(39)
Transfers between stages				
— Increase	179	7	—	186
— Decrease	(7)	(179)	—	(186)
Other changes	2,617	—	341,739	344,356
31 December 2018	47,228	4,588	1,595,131	1,646,947

(b) Liquidity risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a timely manner to pay its debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to the overall operation of capital. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchase agreements. At the same time, the Company has replenished its long term working capital through public or private offering of corporate bonds, subordinated bonds, structured notes to enable the Company to maintain its overall liquidity at a relatively secured level.

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

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

	30 June 2019 (Unaudited)						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	122,211,351	—	—	—	—	—	122,211,351
Financial liabilities at fair value through profit or loss	1,513,649	12,468,330	23,869,923	2,102,397	1,766,267	5,714,871	47,435,437
Repurchase agreements	—	115,367,335	18,615,704	3,172,018	—	—	137,155,057
Due to banks and other financial institutions	—	30,710,394	—	—	—	—	30,710,394
Short-term loans	51,077	7,442,533	15,271	—	—	—	7,508,881
Short-term financing instruments payable	—	16,417,965	3,449,645	—	—	—	19,867,610
Debt instruments issued	—	192,000	3,116,917	78,053,452	2,627,500	—	83,989,869
Long-term loans	—	4,580	13,741	416,160	—	—	434,481
Lease liabilities	—	—	609,689	1,093,143	69,449	—	1,772,281
Others	28,819,268	13,454,429	50,531,006	348,113	—	455,365	93,608,181
Total	152,595,345	196,057,566	100,221,896	85,185,283	4,463,216	6,170,236	544,693,542
Cash flows from derivative financial liabilities settled on a net basis							
	1,686	2,704,823	3,127,014	3,435,553	2,155,444	364,188	11,788,708
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(881,797)	—	—	—	—	(881,797)
Contractual amounts payable	—	887,485	—	—	—	—	887,485
	—	5,688	—	—	—	—	5,688

	31 December 2018 (Audited)						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	97,773,997	—	—	—	—	—	97,773,997
Financial liabilities at fair value through profit or loss	2,112,461	12,390,485	22,144,598	3,909,907	1,680,348	5,426,224	47,664,023
Repurchase agreements	—	115,941,168	5,004,961	895,743	—	—	121,841,872
Due to banks and other financial institutions	—	19,317,809	—	—	—	—	19,317,809
Short-term loans	15,498	5,643,888	7,311	—	—	—	5,666,697
Short-term financing instruments payable	—	14,292,170	3,870,171	—	—	—	18,162,341
Debt instruments issued	—	593,030	2,909,944	91,594,896	2,755,000	—	97,852,870
Long-term loans	—	—	—	1,016,862	—	—	1,016,862
Others	30,072,455	9,681,555	28,685,165	331,088	—	496,610	69,266,873
Total	129,974,411	177,860,105	62,622,150	97,748,496	4,435,348	5,922,834	478,563,344
Cash flows from derivative financial liabilities settled on a net basis	926	2,335,581	3,041,218	3,550,519	674,951	383,748	9,986,943
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(292,032)	—	—	—	—	(292,032)
Contractual amounts payable	—	293,910	—	—	—	68,922	362,832
	—	1,878	—	—	—	68,922	70,800

(c) **Market risk**

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

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

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

The Company assesses, monitors and manages its overall market risks in a comprehensive manner through a risk management department, which is independent of the business departments/business lines, and its assessments and testing results are reported to the respective business departments/business lines, the Operation Management and the Risk Management Committee of the Company. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for market risks and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures including

reducing risk exposures or risk hedging when the exposures are relatively high. The relevant monitoring personnel from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments/business lines with regard to information on risk exposures, and discuss the status of risk portfolios and the losses in extreme situations.

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

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company with full position upon the concurrence of different events under a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress tests constitute an integral part of the market risk management of the Company. Through stress tests, the Company could focus more on the possible losses to the Company, analyze its risk return and compare its risk resistant capacities, and evaluate whether the overall market risk portfolio of the Company is within its expected limits.

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

The Company continues to modify the risk limits system, defines a unified limit management measures and a hierarchical authorization mechanism, and on the basis of such authorization mechanism, reorganizes the measures for the management of the system with different levels of risk limit indicators for the Company, its respective business departments/business lines and investment accounts.

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

(i) *VaR*

VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

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

The Group's VaR analysis by risk categories is summarized as follows:

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Stock price-sensitive financial instruments	369,524	238,287
Interest rate-sensitive financial instruments	41,174	35,391
Exchange rate-sensitive financial instruments	74,478	80,153
Total portfolio VaR	355,648	215,541

(ii) *Interest rate risk*

The Group's interest rate risk is the risk of fluctuation in the fair value of one or more financial instruments arising from adverse movements in interest rates. The Group's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Group which are sensitive to the interest rate risk, resulting from market interest rate's negative fluctuation.

The Group uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Group's total income and total equity when interest rates fluctuate reasonably and possibly.

Assuming a parallel shift in the market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on revenue and shareholders' equity based on an interest rate sensitivity analysis of the Group is as follows:

Sensitivity of revenue

	Six months ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Change in basis points		
+25 basis points	(507,204)	(223,274)
-25 basis points	513,967	226,273

Sensitivity of equity

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Change in basis points		
+25 basis points	(37,833)	(43,963)
-25 basis points	38,053	44,257

(iii) *Currency risk*

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on revenue and equity. A negative amount in the table reflects a potential net reduction in revenue or equity, while a positive amount reflects a potential net increase.

Sensitivity of revenue

Currency	Change in currency rate	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
USD	-3%	(65,679)	716,544
HKD	-3%	(269,848)	(708,680)

Sensitivity of equity

Currency	Change in currency rate	30 June 2019 (Unaudited)	31 December 2018 (Audited)
		(Unaudited)	(Audited)
USD	-3%	(355,494)	(263,404)
HKD	-3%	(31,780)	(15,323)

While the table above indicates the effect on revenue and equity of 3% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The tables below summarize the Group's exposure to foreign currency exchange rate risk as at 30 June 2019 and 31 December 2018. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorized by the original currencies.

	As at 30 June 2019 (Unaudited)				Total
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	<u>134,114,472</u>	<u>7,224,996</u>	<u>10,680,852</u>	<u>7,712,174</u>	<u>159,732,494</u>

	As at 31 December 2018 (Audited)				Total
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	<u>132,905,115</u>	<u>(6,131,863)</u>	<u>20,670,185</u>	<u>9,388,059</u>	<u>156,831,496</u>

(iv) Price risk

Price risk is the risk that the fair value of equity instruments decreases due to the variance between the stock index level and individual share values. If this occurs, market price fluctuations of equity instruments at fair value through profit or loss will impact the Group's profit; and market price fluctuations of equity instruments classified as financial assets at fair value through other comprehensive income will impact shareholders' equity for the Group.

As at 30 June 2019, the equity investment accounted for approximately 12.06% of the total assets (as at 31 December 2018: 12.15%).

50 EVENTS AFTER THE REPORTING PERIOD

Proposed acquisition of 100% equity interests in Guangzhou Securities Company Limited by issuance of Shares

The 34th Meeting of the 6th Session of the Board (held on 9 January 2019), the 37th Meeting of the 6th Session of the Board (held on 4 March 2019) and the 2019 first Extraordinary General Meeting (held on 27 May 2019) considered and approved the relevant resolutions in relation to the acquisition of 100% equity interests in Guangzhou Securities Company Limited (“**Guangzhou Securities**”) by issuance of the Company’s shares, to Guangzhou Securities’ shareholders, Guangzhou Yuexiu Financial Holdings Group Co., Ltd. and Guangzhou Yuexiu Financial Holdings Group Limited. This acquisition is subject to the approval by the CSRC.

The acquisition of the minority shares of CITIC Futures Co., Ltd.

On 13 October 2017, the 18th Conference of the 6th Session of the Board of Directors approved the resolution of the purchase of 6.53% equity interests in CITIC Futures Co., Ltd. through exercising the Company’s preemptive purchase right. The acquisition was completed and the Company and CITIC Futures Co., Ltd. updated the registration at with the Shenzhen bureau of the CSRC on 3 July 2019 and on 5 July 2019, respectively. CITIC Futures Co., Ltd. is now a wholly-owned subsidiary of the Company.

Issuance of financial bond

Pursuant to the approval by the Supervision Opinion on the Issuance of Financial Bonds by CITIC Securities Co., Ltd (Ministry Letter [2019] 1583) of the CSRC and the Decision of People’s Bank of China’s Administrative Permission (PBOC Permission Letter [2019]108), the Company was authorized to issue financial bonds with the face value up to RMB9 billion. The Company completed its issuance of a 3-year bond with face value of RMB9 billion at coupon rate of 3.58% on 25 July 2019.

Increasing capital in CITIC Futures Co., Ltd.

As considered and approved by the 43rd Meeting of the 6th Session of the Board held on 30 July 2019, the Company injected capital of RMB1,995 million into CITIC Futures Co., Ltd. for the purpose of capital enhancement. The related business registration was updated on 14 August 2019.

Profit distribution

According to the 2018 profit distribution plan passed in the Company’s 2018 Annual General Meeting of the Shareholders held on 28 June 2019, the Company declared cash dividends on its profit for the year ended 31 December 2018. The A Share and H Share cash dividend distributions of the Company were paid on 2 August 2019.

51 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorized for issue by the Board of Directors on 22 August 2019.

CHAPTER IX DOCUMENTS AVAILABLE FOR INSPECTION

Financial statements signed by the head of the Company, the person-in-charge of accounting affairs and the head of the accounting department and chopped with the official chop of the Company

The original copy of the review report with chops of the accounting firm and signatures and chops of CPAs

The originals of all the documents and announcements of the Company published during the Reporting Period in the media designated by the CSRC for information disclosures

Interim reports published in other stock exchange

The Articles of Association of the Company

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

Beijing, the PRC
22 August 2019

As at the date of publication of the Announcement, the executive Directors of the Company are Mr. ZHANG Youjun and Mr. YANG Minghui; the non-executive Director is Mr. KUANG Tao; and the independent non-executive Directors are Mr. LIU Ke, Mr. HE Jia and Mr. ZHOU Zhonghui.

APPENDIX: INDEX OF INFORMATION DISCLOSURE

Information disclosures made by the Company in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE (<http://www.sse.com.cn>) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2019-1-3	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2018
2	2019-1-10	Announcement on the Progress of Proposed Acquisition of Assets by Issuance of Shares and Continued Suspension of Trading Announcement on the Financial Data for December 2018 Explanation of the Board on Whether Fluctuation of the Company's Stock Price Meets Relevant Standards of Article 5 of the Notice on Regulating Information Disclosure of Listed Companies and Acts of All Related Parties Review Opinions of HUAXI Securities Co., Ltd. on Whether Fluctuation of CITIC Securities Company Limited's Stock Price Meets Relevant Standards of Article 5 of the Notice on Regulating Information Disclosure of Listed Companies and Acts of All Related Parties Explanation of the Board on the Transaction Complying with Article 4 of the Provisions on Several Issues concerning Regulating the Material Asset Restructurings of Listed Companies Explanation of the Board on the Completeness and Compliance of the Legal Procedures for the Reorganization and the Validity of the Legal Documents Submitted Announcement on the Resolutions Passed at the 15th Meeting of the Sixth Session of the Supervisory Committee Indicative Announcement on Disclosure of the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Resumption of Trading of the Company Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Summary) Announcement on the Resolutions Passed at the 34th Meeting of the Sixth Session of the Board Independent Opinions of the Independent Non-executive Directors on Matters Related to the Acquisition of Assets by Issuance of Shares and Related Party Transactions Letter of Commitment Issued by HUAXI Securities Co., Ltd. as Independent Financial Adviser Based on Full Due Diligence and Internal Review Review Opinions of HUAXI Securities Co., Ltd. as Independent Financial Adviser on the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited Prior Approval Opinions of the Independent Non-executive Directors on Matters Related to the Acquisition of Assets by Issuance of Shares and Related Party Transactions the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions
3	2019-1-16	Announcement on Receipt of the Letter of Enquiry from the Shanghai Stock Exchange
4	2019-1-21	Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 1)
5	2019-1-22	Announcement on the Explanation of Amendments to the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions Summary of the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Revised Version) Announcement on Reply to the Letter of Enquiry from the Shanghai Stock Exchange Special Review Opinions of HUAXI Securities Co., Ltd. on the Letter of Enquiry Regarding Information Disclosure of the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited from the Shanghai Stock Exchange the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Revised Version)
6	2019-1-24	Announcement on the Preliminary Financial Data for the Year of 2018 Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
7	2019-2-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2019

No.	Date of Publication	Subject Matter
8	2019-2-11	Announcement on 2019 Interest Payment of the 2017 Corporate Bonds (Tranche 1) Publicly Issued to the Qualified Investors
9	2019-2-14	Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares Announcement on the Financial Data for January 2019
10	2019-2-19	Announcement on the Resolutions Passed at the 36th Meeting of the Sixth Session of the Board
11	2019-2-25	Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 2)
12	2019-2-28	Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
13	2019-3-1	Announcement on the Results of the Issuance of the Non-Public Issuance of the 2019 Corporate Bonds (Tranche 1)
14	2019-3-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2019
15	2019-3-5	Explanation of the Board on the Transaction Complying with Article 4 of the Provisions on Several Issues Concerning Regulating the Material Asset Restructurings of Listed Companies Explanation of the Board on the Independence of the Appraisal Institution, the Reasonableness of the Appraisal Assumptions, the Relevance of Appraisal Methods to Appraisal Objectives and the Fairness of the Appraisal Price Explanation on Acquisition and Disposal of Assets within 12 Months prior to the Acquisition of Assets by Issuance of Shares Independent Opinions of the Independent Directors on the Independence of the Appraisal Institution, the Reasonableness of the Appraisal Assumptions, the Relevance of Appraisal Methods to Appraisal Objectives and the Fairness of the Appraisal Price in this Reorganization Announcement on the Resolutions Passed at the 16th Meeting of the Sixth Session of the Supervisory Committee Explanation of the Board on the Transaction Complying with Articles 11 and 43 of the Measures for the Administration of the Material Asset Restructurings of Listed Companies Review Opinions of HUAXI Securities Co., Ltd. as Independent Financial Adviser on the Industry Policy and Transaction Type of the Transactions of CITIC Securities Company Limited Announcement on the Resolutions Passed at the 37th Meeting of the Sixth Session of the Board Explanation of the Board on the Completeness and Compliance of the Legal Procedures for the Reorganization and the Validity of the Legal Documents Submitted Report Issued by HUAXI Securities Co., Ltd. as Independent Financial Adviser on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited Summary of the Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Draft) Legal Opinions of King & Wood Mallesons on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Draft) Pro Forma Financial Statements and Audit Reports of Guangzhou Securities Company Limited (Excluding the Equity Interests in Guangzhou Futures Co., Ltd. and Golden Eagle Fund Management Co., Ltd.) for the Year 2016 and 2017 and the Eleven Months Ended 30 November 2018 Announcement on the Proposed Provision of Guarantee for Guangzhou Securities Company Limited Review Opinions of the Supervisory Committee on the Employee Stock Ownership Plan Review Opinions of HUAXI Securities Co., Ltd. on Acquisition and Disposal of Assets within 12 Months prior to the Acquisition of Assets by Issuance of Shares by CITIC Securities Company Limited Letter of Commitment Issued by HUAXI Securities Co., Ltd. as Independent Financial Advisor Based on Full Due Diligence and Internal Review Condensed Report on Changes in Equity Review Opinions of HUAXI Securities Co., Ltd. on the Transaction Complying with the Relevant Requirements of the Opinion on Strengthening the Integrity and Risk Prevention and Control of Securities Companies in Engaging Third Parties in Investment Banking Business Explanation on the Confidential Measures and System Adopted in the Transaction Prior Approval Opinions of the Independent Non-executive Directors on Matters Related to the Acquisition of Assets by Issuance of Shares and Related Party Transactions

No.	Date of Publication	Subject Matter
		Special Review Opinions of HUAXI Securities Co., Ltd. on the Reasonableness of the Estimation of CITIC Securities Company Limited on Dilution of Immediate Return due to the Acquisition of Assets by Issuance of Shares and Remedial Measures Taken in this Respect and Other Commitments Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 37th Meeting of the Sixth Session of the Board of the Company Employee Stock Ownership Plan (Draft) (March 2019) Summary of the Employee Stock Ownership Plan (Draft) (March 2019) Announcement on Dilution of Immediate Return and Remedial Measures Taken in this Respect under the Acquisition of Assets by Issuance of Shares Explanation on the Differences between the Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Draft) and the Proposal the No.3 Professional Opinion Schedule by Financial Adviser to Listed Companies in Merging and Acquisition and Reorganization – Acquisition of Assets by Issuance of Shares issued by HUAXI Securities Co., Ltd. on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited Pro Forma Consolidated Financial Statements and Review Report for the Year of 2017 and the Eleven Months Ended 30 November 2018 The Asset Valuation Report on the 100% Equity Interest in Guangzhou Securities (Excluding 99.03% Equity Interest in Guangzhou Futures and 24.01% Equity Interests in Golden Eagle) Held as to 32.765% and 67.235% by Yuexiu Financial Holdings and Financial Holdings Limited respectively to be Acquired by Issuance of Shares
16	2019-3-6	Announcement on Resignation from a Member of the Executive Committee of the Company and Other Positions Held in the Company Tendered by Mr. TANG Zhenyi
17	2019-3-7	Announcement on the Financial Data for February 2019
		Announcement on Approval of Mr. JIN Jianhua's and Mr. GAO Yuxiang's Qualifications of the Senior Management of Securities Company
18	2019-3-8	Announcement on the Listing of the Non-public Issuance of the 2019 Corporate Bonds (Tranche 1) on the SSE
19	2019-3-9	H Share Announcement – Notification of Board Meeting
20	2019-3-11	Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 3)
21	2019-3-13	Announcement on 2019 Interest Payment for the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
22	2019-3-15	Condensed Report on the Changes in Equity (Revised)
		Announcement on the Resolutions Passed at the 17th Meeting of the Sixth Session of the Supervisory Committee
		Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
23	2019-3-19	Notice of the 2019 First Extraordinary General Meeting
		Documents of the 2019 First Extraordinary General Meeting
24	2019-3-22	Announcement on the Resolutions Passed at the 38th Meeting of the Sixth Session of the Board
		Announcement on Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2019
		Annual Report of the Audit Committee of the Board on the Performance of Duties in 2018
		Announcement on Results of the Issuance of the Non-public Issuance of the 2019 Corporate Bonds (Tranche 2)
		Special Statement Regarding the Appropriation of Funds by the Largest Shareholder and Other Related Parties of CITIC Securities Company Limited (for the year ended 31 December 2018)
		Announcement on the Resolutions Passed at the 18th Meeting of the Sixth Session of the Supervisory Committee
		Audit Report on Internal Control
		Summary of the 2018 Annual Report
		Comprehensive Risk Management System
		Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 38th Meeting of the Sixth Session of the Board of the Company
		2018 CSR Report
		2018 Annual Report of the Independent Non-executive Directors on the Performance of Duties
		2018 Annual Internal Control Evaluation Report
		2018 Annual Report
		2018 Annual Financial Statements and Audit Report

No.	Date of Publication	Subject Matter
25	2019-3-26	Announcement on Postponement and Change of Venue of the 2019 First Extraordinary General Meeting Documents of the 2019 First Extraordinary General Meeting
26	2019-4-1	Announcement on the Listing of the Non-Public Issuance of the 2019 Corporate Bonds (Tranche 2) on the SSE
27	2019-4-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2019
28	2019-04-9	Announcement on the Resolutions Passed at the 39th Meeting of the Sixth Session of the Board Announcement on Principal and Interest Payment and Delisting of Type 1 of the Non-publicly Issued of the 2018 Corporate Bonds (Tranche 5) Announcement on 2019 Interest Payment for the Non-publicly Issued of 2018 Corporate Bonds (Tranche 1)
29	2019-4-10	Announcement on the Financial Data for March 2019
30	2019-4-13	H Share Announcement – Notification of Board Meeting
31	2019-4-18	Second Notice of the 2019 First Extraordinary General Meeting
32	2019-4-19	Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 4) 2018 Trustee Report for the 2013 Corporate Bonds (Tranche 1) (10-year)
33	2019-4-23	Announcement on Follow-up Rating Results for Corporate Bonds 2019 Follow-up Rating Report for the 2013 Corporate Bonds (Tranche 1) 2019 Follow-up Rating Report for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors and the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors 2019 Follow-up Rating Report for the 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors 2019 Follow-up Rating Report for the 2016 and 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors 2019 Follow-up Rating Report for the 2015 Corporate Bonds
34	2019-4-24	Announcement on the Results of Issuance of Non-public Issuance of the 2019 Subordinated Bonds (Tranche 1)
35	2019-4-26	Announcement on Approval on the Amendments to the Articles of Association and the Articles of Association
36	2019-4-29	Announcement on Obtaining the Business Qualification as Lead Market Maker of Funds Listed on the Shanghai Stock Exchange
37	2019-04-30	Announcement of the Board on Further Postponement and Change of Meeting Venue of the 2019 First Extraordinary General Meeting Announcement on the 2019 Interest Payment for the Non-publicly Issued of the 2018 Corporate Bonds (Tranche 2) 2019 First Quarterly Results Announcement
38	2019-5-1	Announcement on the Results of the Issuance of the Non-public Issuance of the 2019 Corporate Bonds (Tranche 3)
39	2019-5-7	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2019
40	2019-5-8	Announcement on the Listing of Non-Public Issuance of the 2019 Subordinated Bonds (Tranche 1) on the SSE
41	2019-5-9	Announcement on the Financial Data for April 2019
42	2019-5-10	Documents of the 2018 Annual General Meeting Notice of the 2018 Annual General Meeting Announcement on the Listing of Non-Public Issuance of the 2019 Corporate Bonds (Tranche 3) on the SSE
43	2019-5-11	Announcement on Receipt of Reply from the CSRC in Relation to the Conduction of Market Making Business of Treasure Bond Futures
44	2019-5-20	Announcement on the 2019 Interest Payment of the Non-public Issuance of the 2017 Subordinated Bonds (Tranche 1) Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 5)
45	2019-5-28	Legal Opinions of the 2019 First Extraordinary General Meeting Supplementary Legal Opinions (I) of King & Wood Mallesons on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited Announcement on the Resolutions Passed at the 2019 First Extraordinary General Meeting
46	2019-5-31	Announcement on 2019 Interest Payment for the 2013 Corporate Bonds (Tranche 1) (10-year)
47	2019-6-4	Announcement on the Results of the Issuance of the Non-public Issuance of the 2019 Subordinated Bonds (Tranche 2)

No.	Date of Publication	Subject Matter
48	2019-6-5	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2019
49	2019-6-7	Announcement on Receipt of Notification Letter of Administrative License Application Correction from the CSRC
		Announcement on the 2019 Interest Payment for the 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
		Announcement on the 2019 Interest Payment for the Non-publicly Issued of the 2018 Corporate Bonds (Tranche 3)
50	2019-6-11	Announcement on the Financial Data for May 2019
		Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 6) (Bond Connect)
51	2019-6-17	Second Notice of the 2018 Annual General Meeting
		Announcement on the Results of the Issuance of the Non-public Issuance of the 2019 Corporate Bonds (Tranche 4)
52	2019-6-18	Announcement on the 2019 Interest Payment for the 2015 Corporate Bonds
53	2019-6-22	Announcement on Obtaining of Notice Regarding the Issuance of Short-term Commercial Paper from the People’s Bank of China
54	2019-6-26	Announcement on Receipt of Regulatory Opinions on the Issuance of Financial Bonds from the CSRC
		2018 Trustee Report for the 2015 Corporate Bonds
		2018 Trustee Report for the 2018 Corporate Bonds (Tranche 1) and (Tranche 2) Publicly Issued to Qualified Investors
		2018 Trustee Report for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
55	2019-6-28	Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 7)
		2018 Trustee Report for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors and the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
56	2019-6-29	Legal Opinions of the 2018 Annual General Meeting
		Announcement on the Resolutions Passed at the 2018 Annual General Meeting

Note: The “date” set out in the above table are dates on which the relevant announcements were published on China Securities Journal, Shanghai Securities News and Securities Times or on the website of the SSE. Each of these announcements was published on the HKExnews website of HKEx in the morning on its respective “Date of Publication” or in the evening on the immediately preceding date.

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

No.	Date of Publication	Subject Matter
1	2019-1-2	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2018
2	2019-1-9	Overseas Regulatory Announcement – Announcement on the Progress of Proposed Acquisition of Assets by Issuance of Shares and Continued Suspension of Trading Announcement on the Financial Data for December 2018 Announcement – Proposed Acquisition of Assets by Issuance of Shares Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 15th Meeting of the Sixth Session of the Supervisory Committee Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 34th Meeting of the Sixth Session of the Board Overseas Regulatory Announcement – Announcement on the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Summary) Overseas Regulatory Announcement – Review Opinions of HUAXI Securities Co., Ltd. as Independent Financial Adviser on the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions of the Company Overseas Regulatory Announcement – Explanation of the Board on the Completeness and Compliance of the Legal Procedures for the Reorganization and the Validity of the Legal Documents Submitted Overseas Regulatory Announcement – Review Opinions of HUAXI Securities Co., Ltd. on Whether Fluctuation of the Company’s Stock Price Meets Relevant Standards of Article 5 of the Notice on Regulating Information Disclosure of Listed Companies and Acts of All Related Parties Overseas Regulatory Announcement – Independent Opinions of the Independent Non-executive Directors on Matters Related to the Acquisition of Assets by Issuance of Shares and Related Party Transactions Overseas Regulatory Announcement – Letter of Commitment Issued by HUAXI Securities Co., Ltd. as Independent Financial Adviser Based on Full Due Diligence and Internal Review Overseas Regulatory Announcement – Indicative Announcement on Disclosure of the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Resumption of Trading of the Company Overseas Regulatory Announcement – Explanation of the Board on the Transaction Complying with Article 4 of the Provisions on Several Issues concerning Regulating the Material Asset Restructurings of Listed Companies Overseas Regulatory Announcement – Explanation of the Board on Whether Fluctuation of Stock Price Meets Relevant Standards of Article 5 of the Notice on Regulating Information Disclosure of Listed Companies and Acts of All Related Parties Overseas Regulatory Announcement – Prior Approval Opinions of the Independent Non-executive Directors on Matters Related to the Acquisition of Assets by Issuance of Shares and Related Party Transactions Overseas Regulatory Announcement – Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions
3	2019-1-15	Announcement on Receipt of the Letter of Enquiry from the Shanghai Stock Exchange
4	2019-1-20	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 1)
5	2019-1-21	Announcement on Reply to the Letter of Enquiry from the Shanghai Stock Exchange Overseas Regulatory Announcement – Announcement on Reply to the Letter of Enquiry from the Shanghai Stock Exchange Overseas Regulatory Announcement – Announcement on the Explanation of Amendments to the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions Overseas Regulatory Announcement – Summary of the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Revised Version) Overseas Regulatory Announcement – The Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Revised Version) Overseas Regulatory Announcement – Special Review Opinions of HUAXI Securities Co., Ltd. on the Letter of Enquiry regarding Information Disclosure of the Proposal in Relation to the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited from the Shanghai Stock Exchange

No.	Date of Publication	Subject Matter
6	2019-1-23	Preliminary Financial Data for the Year 2018 Overseas Regulatory Announcement – Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
7	2019-2-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2019
8	2019-2-10	Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
9	2019-2-13	Announcement on the Financial Data for January 2019 Overseas Regulatory Announcement – Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
10	2019-2-18	Change of Chief Risk Officer
11	2019-2-24	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 2)
12	2019-2-27	Overseas Regulatory Announcement – Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
13	2019-2-28	Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of 2019 Corporate Bonds (Tranche 1)
14	2019-3-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2019
15	2019-3-4	Proposed Adoption of the Employee Stock Ownership Plan Proposed Change of Independent Non-executive Director Discloseable Transaction – Proposed Acquisition of Assets by Issuance of Shares Overseas Regulatory Announcement – the Employee Stock Ownership Plan (Draft) Overseas Regulatory Announcement – Summary of the Employee Stock Ownership Plan (Draft) Overseas Regulatory Announcement – the Review Opinions of the Supervisory Committee on the Employee Stock Ownership Plan Overseas Regulatory Announcement – Explanation on Acquisition and Disposal of Assets within 12 Months prior to the Acquisition of Assets by Issuance of Shares Overseas Regulatory Announcement – Announcement on Dilution of Immediate Return and Remedial Measures Taken in this Respect under the Acquisition of Assets by Issuance of Shares Overseas Regulatory Announcement – Explanation on the Differences between the Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Draft) and the Proposal Overseas Regulatory Announcement – Explanation on the Confidential Measures and System Adopted in the Transaction Overseas Regulatory Announcement – Explanation of the Board on the Completeness and Compliance of the Legal Procedures for the Reorganization and the Validity of the Legal Documents Submitted Overseas Regulatory Announcement – Explanation of the Board on the Independence of the Appraisal Institution, the Reasonableness of the Appraisal Assumptions, the Relevance of Appraisal Methods to Appraisal Objectives and the Fairness of the Appraisal Price Overseas Regulatory Announcement – Independent Opinions of the Independent Directors on the Independence of the Appraisal Institution, the Reasonableness of the Appraisal Assumptions, the Relevance of Appraisal Methods to Appraisal Objectives and the Fairness of the Appraisal Price in this Reorganization Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 37th Meeting of the Sixth Session of the Board Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 16th Meeting of the Sixth Session of the Supervisory Committee Overseas Regulatory Announcement – Summary of the Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Draft) Overseas Regulatory Announcement – the Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions (Draft)
16	2019-3-5	Overseas Regulatory Announcement – the Report Issued by HUAXI Securities Co., Ltd. as Independent Financial Adviser on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of the Company Overseas Regulatory Announcement – the No.3 Professional Opinion Schedule by Financial Adviser to Listed Companies in Merging and Acquisition and Reorganization – Acquisition of Assets by Issuance of Shares issued by HUAXI Securities Co., Ltd. on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of the Company

No.	Date of Publication	Subject Matter
		Overseas Regulatory Announcement – Letter of Commitment Issued by HUAXI Securities Co., Ltd. as Independent Financial Adviser Based on Full Due Diligence and Internal Review
		Overseas Regulatory Announcement – the Review Opinions of HUAXI Securities Co., Ltd. as Independent Financial Adviser on the Industry Policy and Transaction Type of the Transaction of the Company
		Overseas Regulatory Announcement – the Review Opinions of HUAXI Securities Co., Ltd. on the Transaction Complying with the Relevant Requirements of the Opinion on Strengthening the Integrity and Risk Prevention and Control of Securities Companies in Engaging Third Parties in Investment Banking Business
		Overseas Regulatory Announcement – the Review Opinions of HUAXI Securities Co., Ltd. on Acquisition and Disposal of Assets within 12 Months prior to the Acquisition of Assets by Issuance of Shares of the Company
		Overseas Regulatory Announcement – the Special Review Opinions of HUAXI Securities Co., Ltd. on the Reasonableness of the Estimation of the Company on Dilution of Immediate Return due to the Acquisition of Assets by Issuance of Shares and Remedial Measures Taken in this Respect and Other Commitments
		Overseas Regulatory Announcement – the Pro Forma Consolidated Financial Statements and Review Reports for the Year 2017 and the Eleven Months Ended 30 November 2018
		Overseas Regulatory Announcement – the Legal Opinions of King & Wood Mallesons on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of the Company
		Overseas Regulatory Announcement – the Pro Forma Financial Statements and Audit Reports of Guangzhou Securities Company Limited (excluding the equity interests in Guangzhou Futures and Golden Eagle) for the Year 2016 and 2017 and the Eleven Months ended 30 November 2018
		Overseas Regulatory Announcement – the Asset Valuation Report on the 100% Equity Interest in Guangzhou Securities Company Limited (Excluding 99.03% Equity Interest in Guangzhou Futures Co., Ltd. and 24.01% Equity Interests in Golden Eagle Fund Management Co., Ltd.) Held as to 32.765% and 67.235% by Guangzhou Yuexiu Financial Holdings Group Co., Ltd. and Guangzhou Yuexiu Financial Holdings Group Limited respectively to be Acquired by Issuance of Shares
		Overseas Regulatory Announcement – Prior Approval Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Matters Related to the Acquisition of Assets by Issuance of Shares and Related Party Transactions
		Overseas Regulatory Announcement – Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 37th Meeting of the Sixth Session of the Board of the Company
		Overseas Regulatory Announcement – Condensed Report on Changes in Equity
		Overseas Regulatory Announcement – Explanation of the Board on the Transaction Complying with Article 4 of the Provisions on Several Issues concerning Regulating the Material Asset Restructurings of Listed Companies
		Overseas Regulatory Announcement – Explanation of the Board on the Transaction Complying with Articles 11 and 43 of the Measures for the Administration of the Material Asset Restructurings of Listed Companies
		Overseas Regulatory Announcement – Announcement on the Proposed Provision of Guarantee for Guangzhou Securities Company Limited
		Resign of Senior Managers
17	2019-3-6	Approval on the Qualification of Senior Management by the Regulatory Authority
		Announcement on the Financial Data for February 2019
18	2019-3-8	Notification of Board Meeting
19	2019-3-10	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 3)
20	2019-3-12	Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
21	2019-3-14	Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 17th Meeting of the Sixth Session of the Supervisory Committee
		Approval on the Qualification and Appointment of the Chairman of the Supervisory Committee
22	2019-3-15	Overseas Regulatory Announcement – Announcement on the Progress of Matters Relating to the Proposed Acquisition of Assets by Issuance of Shares
		Overseas Regulatory Announcement – Condensed Report on Changes in Equity (Revised Version)
23	2019-3-18	Proposed Acquisition of Assets by Issuance of Shares; Proposed Change of Independent Non-Executive Director; and Notice of the 2019 First Extraordinary General Meeting; Notice of the 2019 First Extraordinary General Meeting; Proxy Form; Reply Slip

No.	Date of Publication	Subject Matter
24	2019-3-21	Overseas Regulatory Announcement – 2018 Annual Audit Report on Internal Control Overseas Regulatory Announcement – 2018 Annual Internal Control Evaluation Report Overseas Regulatory Announcement – 2018 Annual Report of the Independent Non-executive Directors on the Performance of Duties Overseas Regulatory Announcement – Special Statement Regarding the Appropriation of Funds by the Largest Shareholder and Other Related Parties Overseas Regulatory Announcement – Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 38th Meeting of the Sixth Session of the Board of the Company Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of 2019 Corporate Bonds (Tranche 2) Overseas Regulatory Announcement – Announcement on the Estimation of Related Party/ Continuing Connected Transactions Contemplated in the Ordinary Course of Business in 2019 Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 18th Meeting of the Sixth Session of the Supervisory Committee Overseas Regulatory Announcement – the Comprehensive Risk Management System of CITIC Securities Company Limited Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 38th Meeting of the Sixth Session of the Board Overseas Regulatory Announcement – Annual Report of the Audit Committee of the Board on the Performance of Duties in 2018 2018 Social Responsibility Report 2018 Annual Results Announcement
25	2019-3-25	Postponement and Change of Venue of the 2019 First Extraordinary General Meeting; and Extension of Book Closure Period
26	2019-4-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2019
27	2019-4-8	Change in Senior Management Announcement on the Resolutions Passed at the 39th Meeting of the Sixth Session of the Board Announcement on Principal and Interest Payment and Delisting of the Non-public Issuance of 2018 Corporate Bonds (Tranche 5) (Type 1) Announcement on 2019 Interest Payment of the 2018 Corporate Bonds (Tranche 1) Non-publicly Issued
28	2019-4-9	Announcement on the Financial Data for March 2019
29	2019-4-12	Notification of Board Meeting
30	2019-4-17	2018 Annual Report Second Notice of the 2019 First Extraordinary General Meeting
31	2019-4-18	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 4)
32	2019-4-23	Overseas Regulatory Announcement – Announcement on Follow-up Rating Results for “13 CITICS 02”, “15 CITICS 01”, “15 CITICS 02”, “16 CITICS G1”, “16 CITICS G2”, “17 CITICS G1”, “17 CITICS G2”, “17 CITICS G3”, “17 CITICS G4”, “18 CITICS G1”, “18 CS G1” and “18 CS G2” Corporate Bonds Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of the 2019 Subordinated Bonds (Tranche 1)
33	2019-4-25	Approval by Shenzhen Securities Regulatory Bureau on the Amendments to the Articles of Association; Articles of Association
34	2019-4-28	Obtaining the Business Qualification as Lead Market Maker of Funds Listed on the Shanghai Stock Exchange
35	2019-4-29	2019 First Quarterly Results Further Postponement and Change of Meeting Venue of the 2019 First Extraordinary General Meeting; and Extension of Book Closure Period Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2018 Corporate Bonds (Tranche 2) Non-publicly Issued
36	2019-4-30	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Corporate Bonds (Tranche 3) Non-Publicly Issued
37	2019-5-6	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2019
38	2019-5-8	Announcement on the Financial Data for April 2019

No.	Date of Publication	Subject Matter
39	2019-5-9	The 2018 Work Report of the Board, the 2018 Work Report of the Supervisory Committee, the 2018 Annual Report, the 2018 Annual Profit Distribution Plan, the Resolution on Re-appointment of Accounting Firms, the Resolution on the Estimated Investment Amount for the Proprietary Business of the Company for 2019, the Resolution on the General Mandate to Issue Additional A Shares and/or H Shares, the Resolution on Considering the Total Remuneration of the Directors and the Supervisor of the Company for 2018, the Resolution on Estimation of Related Party/ Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2019 and the Notice of Annual General Meeting; Notice of Annual General Meeting; Proxy Form; Reply Slip
40	2019-5-10	Receipt of Reply from the CSRC in Relation to the Conduction of Market Making Business of Treasury Bond Futures
41	2019-5-19	Overseas Regulatory Announcement – Announcement on 2019 Interest Payment of the 2017 Subordinated Bonds (Tranche 1) Non-publicly Issued Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 5)
42	2019-5-27	Poll Results of the 2019 First Extraordinary General Meeting; and Change of Independent Non-Executive Director List of Directors and Their Roles and Functions
43	2019-5-30	Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2013 Corporate Bonds (Tranche 1) (10-year)
44	2019-6-3	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2019 Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of the 2019 Subordinated Bonds (Tranche 2)
45	2019-6-4	Overseas Regulatory Announcement – Announcement on Receipt of Notification Letter of Administrative License Application Correction from the CSRC
46	2019-6-6	Announcement on the Financial Data for May 2019 Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2018 Corporate Bonds (Tranche 3) Non-publicly Issued
47	2019-6-10	Second Notice of the 2018 Annual General Meeting Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 6) (Bond Connect)
48	2019-6-16	Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of the 2019 Corporate Bonds (Tranche 4)
49	2019-6-17	Overseas Regulatory Announcement – Announcement on 2019 Interest Payment for the 2015 Corporate Bonds
50	2019-6-21	Overseas Regulatory Announcement – Announcement on Obtaining of Notice Regarding the Issuance of Short-term Commercial Paper from the People’s Bank of China
51	2019-6-25	Overseas Regulatory Announcement – Announcement on Receipt of Regulatory Opinions on the Issuance of Financial Bonds from the CSRC
52	2019-6-27	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2019 Short-term Commercial Paper (Tranche 7)
53	2019-6-28	Poll Results of the 2018 AGM; and Payment of the 2018 Final Dividend