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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC Securities Company Limited, you should at once hand this circular together with the enclosed proxy forms and reply slips for the Annual General Meeting and the H Shareholders Class Meeting to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

- (1) 2020 WORK REPORT OF THE BOARD;
- (2) 2020 WORK REPORT OF THE SUPERVISORY COMMITTEE;
- (3) 2020 ANNUAL REPORT;
- (4) 2020 PROFIT DISTRIBUTION PLAN;
- (5) RESOLUTION ON THE RE-APPOINTMENT OF ACCOUNTING FIRMS;
- (6) RESOLUTION ON THE ESTIMATED INVESTMENT AMOUNT FOR THE PROPRIETARY BUSINESS OF THE COMPANY FOR 2021;
- (7) RESOLUTION ON CONSIDERING THE TOTAL REMUNERATION OF THE DIRECTORS AND THE SUPERVISORS OF THE COMPANY FOR 2020;
- (8) RESOLUTION ON ESTIMATION OF RELATED PARTY/CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED IN THE ORDINARY COURSE OF BUSINESS OF THE COMPANY IN 2021;
- (9) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
- (10) RESOLUTION ON THE RE-AUTHORISATION OF ISSUANCES OF ONSHORE AND OFFSHORE CORPORATE DEBT FINANCING INSTRUMENTS BY THE COMPANY;
- (11) RESOLUTION ON THE POTENTIAL RELATED PARTY/CONNECTED TRANSACTIONS INVOLVED IN THE ISSUANCES OF ONSHORE AND OFFSHORE CORPORATE DEBT FINANCING INSTRUMENTS BY THE COMPANY;
- (12) PROPOSED ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR;
- (13) PROPOSED RIGHTS ISSUE OF A SHARES AND H SHARES; NOTICE OF THE ANNUAL GENERAL MEETING; AND
NOTICE OF THE 2021 FIRST H SHAREHOLDERS CLASS MEETING

Notices of the Annual General Meeting and the H Shareholders Class Meeting of the Company to be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC at 9:30 a.m. and immediately after the conclusion of the A Shareholders Class Meeting, respectively, on Tuesday, 29 June 2021 are set out on pages 10 to 14 and pages 15 to 17 of this circular.

If you wish to attend the Annual General Meeting and the H Shareholders Class Meeting by proxy, you are requested to complete the proxy forms in accordance with the instructions printed thereon and return them as soon as possible. H Shareholders are required to return the proxy form to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited; while A Shareholders are required to return the proxy form to the Board's office, but in any event the proxy forms shall be returned in person or by mail not less than 24 hours before the time appointed for the Annual General Meeting and the H Shareholders Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting at the Annual General Meeting and the H Shareholders Class Meeting or any adjournment thereof in person if you so wish.

If you wish to attend the Annual General Meeting and the H Shareholders Class Meeting either in person or by proxy, you are required to complete and return the reply slip for the respective meeting to the Board's office on or before Tuesday, 8 June 2021.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Rights Shares”	the new A Shares proposed to be allotted and issued to the A Shareholders under the A Share Rights Issue (less any A Shares not taken up by the A Shareholders);
“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which is/are listed on the Shanghai Stock Exchange (stock code: 600030);
“A Share Record Date”	a date to be determined by the Board or its authorised person(s) by reference to which entitlements to the A Share Rights Issue are to be determined;
“A Share Rights Issue”	the proposed issue of up to 1,597,267,249 A Rights Shares at the Subscription Price on the basis of up to 1.5 A Rights Shares for every 10 existing A Shares held on the relevant A Share Record Date;
“A Shareholder(s)”	holder(s) of A Shares;
“A Shareholders Class Meeting”	the 2021 First A Shareholders Class Meeting of the Company to be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC immediately after the conclusion of the Annual General Meeting on Tuesday, 29 June 2021;
“Administrative Measures”	the Administrative Measures for the Issuance of Securities by Listed Companies;
“Annual General Meeting”	the 2020 Annual General Meeting of the Company to be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC at 9:30 a.m. on Tuesday, 29 June 2021;
“Articles of Association”	the Articles of Association of the Company;
“Board”	the board of directors of the Company;
“China AMC”	China Asset Management Company Limited;
“China Clear”	China Securities Depository and Clearing Corporation Limited;
“CITIC Corporation Limited”	CITIC Corporation Limited (中國中信有限公司) (formerly known as CITIC Limited (中國中信股份有限公司) and renamed in 2014, and currently being a wholly-owned subsidiary of CITIC Limited);
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司);

DEFINITIONS

“CITIC Limited”	CITIC Limited (中國中信股份有限公司) (formerly known as CITIC Pacific Limited (中信泰富有限公司) and renamed in 2014, and currently holding 100% shares of CITIC Corporation Limited);
“CITIC Securities South China”, “Guangzhou Securities” or “Target Company”	CITIC Securities South China Company Limited (中信証券華南股份有限公司), formerly known as “Guangzhou Securities Company Limited (廣州證券股份有限公司)”;
“Company”	CITIC Securities Company Limited (中信証券股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively;
“Company Law”	the Company Law of the People’s Republic of China (as amended from time to time);
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time;
“CSI”	CITIC Securities International Company Limited (中信証券國際有限公司);
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Board, based on legal opinions provided by legal advisers, considers necessary or expedient to exclude from participating in the Rights Issue on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory authority or stock exchange in that place;
“Financial Holdings Capital”	Guangzhou Yuexiu Financial Holdings Capital Management Co., Ltd. (廣州越秀金控資本管理有限公司);
“Financial Holdings Limited”	Guangzhou Yuexiu Financial Holdings Group Limited (廣州越秀金融控股集團有限公司);
“General Meeting(s)”	the Annual General Meeting, the A Shareholders Class Meeting and/or the H Shareholders Class Meeting;
“Group”	the Company and its subsidiaries;
“H Rights Shares”	the new H Shares proposed to be allotted and issued to the Qualified H Shareholders under the H Share Rights Issue (less any H Shares not taken up by the Qualified H Shareholders);
“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 Hong Kong Stock Exchange (stock code: 6030);

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“H Share Record Date”	a date to be determined by the Board or its authorised person(s) by reference to which entitlements to the H Share Rights Issue are to be determined;
“H Share Rights Issue”	the proposed issue of up to 341,749,155 H Rights Shares at the Subscription Price on the basis of up to 1.5 H Rights Shares for every 10 existing H Shares held on the relevant H Share Record Date;
“H Share Rights Issue Prospectus”	the prospectus in relation to the H Share Rights Issue to be issued by the Company and despatched to the H Shareholders, which contains further details of the H Share Rights Issue;
“H Shareholder(s)”	holder(s) of H Shares;
“H Shareholders Class Meeting”	the 2021 First H Shareholders Class Meeting of the Company to be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC immediately after the conclusion of the A Shareholders Class Meeting on Tuesday, 29 June 2021;
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Non-executive Director(s)” or “Independent Directors(s)”	the independent non-executive director(s) of the Company;
“Latest Practicable Date”	7 May 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the relevant information contained in this circular;
“Offshore Debt Financing Instruments”	the offshore debt financing instruments to be issued by the Company on a one-off or multiple issuances or multi-tranche issuances basis, including without limitation US dollar, offshore RMB or other foreign currency denominated bonds (including US dollar denominated subordinated bonds), the establishment of programme(s) for continuing issuances of medium-term notes, etc., as well as foreign currency notes including without limitation commercial papers;
“Onshore and Offshore Corporate Debt Financing Instruments”	the RMB Debt Financing Instruments and the Offshore Debt Financing Instruments;

DEFINITIONS

“Overseas Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the H Share Record Date and whose registered address(es) is/are in a place outside Hong Kong;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC Southbound Trading Investors”	PRC investors including enterprises and individuals who hold the shares of Hong Kong listed companies through China Clear as nominee under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect;
“Qianhai Zhongzheng”	Shenzhen Qianhai Zhongzheng Urban Development Management Co., Ltd. (深圳市前海中證城市發展管理有限公司);
“Qualified H Shareholder(s)”	H Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the H Share Record Date and who is/are not Excluded Shareholder(s);
“Record Date”	the A Share Record Date and/or the H Share Record Date;
“related party transaction(s)”	has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time;
“Rights Issue” or “Issuance”	the A Share Rights Issue and/or the H Share Rights Issue;
“Rights Share(s)”	the A Rights Share(s) and/or the H Rights Share(s);
“RMB”	Renminbi, the lawful currency of the PRC;
“RMB Debt Financing Instruments”	the RMB debt financing instruments to be issued by the Company on a one-off or multiple issuances or multi-tranche issuances basis, including without limitation to RMB denominated corporate bonds, debt financing asset-backed securities and other RMB debt financing instruments which may be issued by the Company as approved by or filed with the CSRC and other relevant authorities in accordance with the relevant regulations;
“Sailing Capital”	Sailing Capital Management Co., Ltd. (賽領資本管理有限公司);
“Sailing Capital International”	Sailing Capital International (Shanghai) Co., Ltd. (賽領國際投資基金((上海))有限公司);
“Securities Law”	the Securities Law of the People’s Republic of China (as amended from time to time);
“Shanghai Xinxi”	Shanghai Xinxi Investment Management Co., Ltd. (上海信熹投資管理有限公司);

DEFINITIONS

“Shanghai-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shanghai Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shanghai;
“Share(s)”	the ordinary share(s) of the Company with a nominal value of RMB1.00 each, including A Share(s) and H Share(s);
“Shareholder(s)”	the registered holder(s) of the Shares of the Company;
“Shenzhen-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shenzhen;
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (as amended from time to time);
“Subscription Price”	the final subscription price for the A Rights Shares and the H Rights Shares to be offered under the Rights Issue;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company;
“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);
“Yuexiu Industrial Investment Fund”	Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. (廣州越秀產業投資基金管理股份有限公司);
“Zhongzheng International”	Zhongzheng International Company Limited (中證國際有限公司); and
“%”	per cent.



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)

Directors:

Mr. ZHANG Youjun (*Executive Director, Chairman*)
Mr. YANG Minghui (*Executive Director*)

Mr. WANG Shuhui (*Non-executive Director*)

Mr. LIU Ke (*Independent Non-executive Director*)
Mr. ZHOU Zhonghui (*Independent Non-executive Director*)

Registered Office:

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

Principal place of business in Hong Kong:

26th Floor, CITIC Tower
1 Tim Mei Avenue
Central Hong Kong

13 May 2021

To the H Shareholders:

- (1) 2020 WORK REPORT OF THE BOARD;**
 - (2) 2020 WORK REPORT OF THE SUPERVISORY COMMITTEE;**
 - (3) 2020 ANNUAL REPORT;**
 - (4) 2020 PROFIT DISTRIBUTION PLAN;**
 - (5) RESOLUTION ON THE RE-APPOINTMENT OF ACCOUNTING FIRMS;**
 - (6) RESOLUTION ON THE ESTIMATED INVESTMENT AMOUNT FOR THE PROPRIETARY BUSINESS OF THE COMPANY FOR 2021;**
 - (7) RESOLUTION ON CONSIDERING THE TOTAL REMUNERATION OF THE DIRECTORS AND THE SUPERVISORS OF THE COMPANY FOR 2020;**
 - (8) RESOLUTION ON ESTIMATION OF RELATED PARTY/CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED IN THE ORDINARY COURSE OF BUSINESS OF THE COMPANY IN 2021;**
 - (9) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;**
 - (10) RESOLUTION ON THE RE-AUTHORISATION OF ISSUANCES OF ONSHORE AND OFFSHORE CORPORATE DEBT FINANCING INSTRUMENTS BY THE COMPANY;**
 - (11) RESOLUTION ON THE POTENTIAL RELATED PARTY/CONNECTED TRANSACTIONS INVOLVED IN THE ISSUANCES OF ONSHORE AND OFFSHORE CORPORATE DEBT FINANCING INSTRUMENTS BY THE COMPANY;**
 - (12) PROPOSED ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR;**
 - (13) PROPOSED RIGHTS ISSUE OF A SHARES AND H SHARES;**
- NOTICE OF THE ANNUAL GENERAL MEETING;**
AND
NOTICE OF THE 2021 FIRST H SHAREHOLDERS CLASS MEETING

LETTER FROM THE BOARD

1. INTRODUCTION

On behalf of the Board, I would like to invite you to participate in the Annual General Meeting and the H Shareholders Class Meeting to be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC at 9:30 a.m. and immediately after the conclusion of the A Shareholders Class Meeting, respectively, on Tuesday, 29 June 2021.

The purpose of this circular is to give you notices of the Annual General Meeting and the H Shareholders Class Meeting and to provide you with detailed information in relation to the relevant resolutions to be put forward at the Annual General Meeting and the H Shareholders Class Meeting to enable you to make an informed decision on whether to vote for or against the resolutions to be put forward at the Annual General Meeting and the H Shareholders Class Meeting.

2. BUSINESSES TO BE CONSIDERED AT THE ANNUAL GENERAL MEETING AND THE H SHAREHOLDERS CLASS MEETING

Details of the businesses to be considered at the Annual General Meeting are set out in the notice of the Annual General Meeting, which is set out on pages 10 to 14 of this circular. Details of the businesses to be considered at the H Shareholders Class Meeting are set out in the notice of the H Shareholders Class Meeting, which is set out on pages 15 to 17 of this circular.

Resolutions to be put forward at the Annual General Meeting include the resolutions to be approved by way of ordinary resolution: (1) the 2020 Work Report of the Board; (2) the 2020 Work Report of the Supervisory Committee; (3) the 2020 Annual Report; (4) the 2020 Profit Distribution Plan; (5) the resolution on the re-appointment of accounting firms; (6) the resolution on the estimated investment amount for the proprietary business of the Company for 2021; (7) the resolution on considering the total remuneration of the Directors and the Supervisors of the Company for 2020; (8) the resolution on estimation of related party/continuing connected transactions contemplated in the ordinary course of business of the Company in 2021; (11) the resolution on the potential related party/connected transactions involved in the issuances of the Onshore and Offshore Corporate Debt Financing Instruments by the Company; and (12) proposed election of Independent Non-executive Director; as well as the resolutions to be approved by way of special resolution: (9) proposed amendments to the Articles of Association; (10) the resolution on the re-authorisation of issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company; (13) the resolution on the satisfaction of the conditions for the Rights Issue of the Company; (14) the plan of public issuance of securities by way of the Rights Issue; (15) the proposal of public issuance of securities by way of the Rights Issue; (16) the feasibility analysis report on the use of proceeds from the Rights Issue of the Company; (17) the resolution on the risk warning of the dilution of immediate return under the Rights Issue to existing Shareholders and remedial measures to be taken in this respect; (18) the resolution on the proposed authorization to the Board to deal with relevant matters in relation to the Rights Issue at its full discretion; (19) the Shareholders' return plan of the Company for 2021–2023; and (20) the resolution on the use of previous proceeds. The above proposed resolutions numbered (13)–(18) are also subject to the approval by Shareholders at the H Shareholders Class Meeting by way of special resolution.

Detailed information of the above resolutions is set out in **Appendix I** to this circular.

LETTER FROM THE BOARD

Pursuant to the requirements of the Rules of General Meeting of Listed Companies of the CSRC, independent Directors shall present a duty performance report at an annual general meeting. Such report will be put forward at the annual general meeting for listening, but no shareholders' approval is required. The 2020 Duty Performance Report of the Independent Non-executive Directors is set out in **Appendix II** to this circular.

3. ANNUAL GENERAL MEETING AND H SHAREHOLDERS CLASS MEETING

The proxy forms and reply slips for the Annual General Meeting and the H Shareholders Class Meeting are also enclosed herewith. If you wish to attend the Annual General Meeting and the H Shareholders Class Meeting by proxy, you are requested to complete the proxy forms in accordance with the instructions printed thereon and return them as soon as possible. H Shareholders are required to return the proxy form to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited; while A Shareholders are required to return the proxy form to the Board's office, but in any event the proxy form shall be returned in person or by mail not less than 24 hours before the time appointed for the Annual General Meeting and the H Shareholders Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting at the Annual General Meeting and the H Shareholders Class Meeting or any adjournment thereof in person if you so wish.

If you wish to attend the Annual General Meeting and the H Shareholders Class Meeting either in person or by proxy, you are required to complete and return the reply slip for the respective meetings to the Board's office on or before Tuesday, 8 June 2021.

The address of the Board's office is at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC, Postal Code: 100026 (Tel: (8610) 6083 6030, Fax: (8610) 6083 6031). The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555).

4. VOTES BY WAY OF POLL

Pursuant to the requirements of the Hong Kong Listing Rules, all votes of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notices of the Annual General Meeting and the H Shareholders Class Meeting shall be voted by way of poll. Relevant poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.citics.com upon the conclusion of the Annual General Meeting and the H Shareholders Class Meeting.

LETTER FROM THE BOARD

According to the regulatory requirements of places of listing of the Shares of the Company, the ordinary resolutions 8.01 to 8.04 and 11 to be put forward at the Annual General Meeting shall be voted by the Shareholders who do not have any interest in such resolutions. As such, the related parties/associates of CITIC Group shall abstain from voting on the ordinary resolution 8.01; E-capital Transfer Co., Ltd., CITIC Industry Investment Fund Management Co., Ltd., Financial Holdings Capital, Yuexiu Industrial Investment Fund, Sailing Capital, Sailing Capital International, Zhongzheng International, Qianhai Zhongzheng, Yunnan Zhongkuang Yunxi Equity Investment Fund Management Co., Ltd., Yunnan Gold & Mineral Group Co., Ltd., Shanghai Xinxi and their related parties/associates (if hold Shares of the Company) shall abstain from voting on the ordinary resolution 8.02; POWER CORPORATION OF CANADA, MACKENZIE FINANCIAL CORPORATION, Tianjin Haipeng Technology Consulting Co., Ltd. and their related parties/associates (if hold Shares of the Company) shall abstain from voting on the ordinary resolution 8.03; Yuexiu Financial Holdings, Financial Holdings Limited and their related parties/associates shall abstain from voting on the ordinary resolution 8.04; and the related parties of CITIC Group, Yuexiu Financial Holdings, Financial Holdings Limited and their related parties, and the participants of the share incentive plan of the Company who are related natural person shall abstain from voting on the ordinary resolution 11. (Please refer to Appendix I to this circular for details.)

5. RECOMMENDATION

The Directors (including the Independent Non-executive Directors) consider that all the resolutions set out in the notices of the Annual General Meeting and the H Shareholders Class Meeting are in the interest of the Company and its Shareholders as a whole and accordingly recommend you to vote in favor of the relevant resolutions mentioned above.

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

NOTICE OF THE ANNUAL GENERAL MEETING



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)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 annual general meeting (the “**Annual General Meeting**”) of CITIC Securities Company Limited (the “**Company**”) will be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC at 9:30 a.m. on Tuesday, 29 June 2021 for the purposes of considering and, if thought fit, approving the following resolutions. Unless the context otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 13 May 2021 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. To consider and approve the 2020 Work Report of the Board.
2. To consider and approve the 2020 Work Report of the Supervisory Committee.
3. To consider and approve the 2020 Annual Report.
4. To consider and approve the 2020 profit distribution plan.
5. To consider and approve the resolution on the re-appointment of accounting firms.
6. To consider and approve the resolution on the estimated investment amount for the proprietary business of the Company for 2021.
7. To consider and approve the resolution on considering the total remuneration of the Directors and the Supervisors of the Company for 2020.
- 8.00. To consider and approve the resolution on estimation of related party/continuing connected transactions contemplated in the ordinary course of business of the Company in 2021.
 - 8.01. Contemplated related party/connected transactions between the Company and its subsidiaries and the CITIC Group and its subsidiaries and associates
 - 8.02. Contemplated related party transactions between the Company and its subsidiaries and companies in which the Directors, Supervisors and senior management of the Company hold positions as directors or senior management (excluding the subsidiaries of the Company)

NOTICE OF THE ANNUAL GENERAL MEETING

- 8.03. Contemplated related party/connected transactions between the Company and its subsidiaries and companies holding more than 10% equity interest in an important subsidiary of the Company
- 8.04. Contemplated related party transactions between the Company and its subsidiaries and companies holding more than 5% equity interest in the Company
- 11. To consider and approve the resolution on the potential related party/connected transactions involved in the issuances of the Onshore and Offshore Corporate Debt Financing Instruments by the Company.
- 12. To consider and approve the resolution on the election of Independent Non-executive Director of the Company.

SPECIAL RESOLUTIONS

- 9. To consider and approve the resolution on the amendments to the Articles of Association of the Company.
- 10.00. To consider and approve the resolution on the re-authorization of issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company.
 - 10.01. Issuing entity, size of issuance and method of issuance
 - 10.02. Type of the debt financing instruments
 - 10.03. Term of the debt financing instruments
 - 10.04. Interest rate of the debt financing instruments
 - 10.05. Security and other arrangements
 - 10.06. Use of proceeds
 - 10.07. Issuing price
 - 10.08. Targets of issue and the placement arrangements of the RMB Debt Financing Instruments to the Shareholders of the Company
 - 10.09. Listing of the debt financing instruments
 - 10.10. Validity period of the resolutions passed
 - 10.11. Authorization for the issuances of the Onshore and Offshore Corporate Debt Financing Instruments
- 13. To consider and approve the resolution on the satisfaction of the conditions for the Rights Issue of the Company.

NOTICE OF THE ANNUAL GENERAL MEETING

- 14.00. To consider and approve the plan of public issuance of securities by way of the Rights Issue.
 - 14.01. Type and nominal value of the Rights Shares
 - 14.02. Method of issuance
 - 14.03. Basis of the Rights Issue and number of the Rights Shares to be issued
 - 14.04. Pricing principle and Subscription Price
 - 14.05. Target subscribers for the Rights Issue
 - 14.06. Arrangement for accumulated undistributed profits prior to the Rights Issue
 - 14.07. Time of issuance
 - 14.08. Underwriting method
 - 14.09. Use of proceeds to be raised under the Rights Issue
 - 14.10. Effective period of the resolutions in relation to the Rights Issue
 - 14.11. Listing of the Rights Shares
15. To consider and approve the proposal of public issuance of securities by way of the Rights Issue.
16. To consider and approve the feasibility analysis report on the use of proceeds from the Rights Issue of the Company.
17. To consider and approve the resolution on the risk warning of the dilution of immediate return under the Rights Issue to existing Shareholders and remedial measures to be taken in this respect.
18. To consider and approve the resolution on the proposed authorization to the Board to deal with relevant matters in relation to the Rights Issue at its full discretion.
19. To consider and approve the Shareholders' return plan of the Company for 2021–2023.
20. To consider and approve the resolution on the use of previous proceeds.

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

Beijing, the PRC
13 May 2021

NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

1. Details of the aforesaid resolutions are set out in **Appendix I** to the Circular of the Company dated 13 May 2021.
2. Pursuant to the requirements of the Rules of General Meeting of Listed Companies of the CSRC, independent directors shall present a duty performance report at an annual general meeting. Such report will be put forward at the annual general meeting for listening, but no shareholders' approval is required. The 2020 Duty Performance Report of the Independent Non-executive Directors is set out in **Appendix II** to the Circular.
3. Pursuant to the requirements of the Hong Kong Listing Rules, all votes of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice of the Annual General Meeting shall be voted by way of poll. Relevant poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.citics.com upon the conclusion of the Annual General Meeting.

According to the regulatory requirements of places of listing of the Shares of the Company, the above ordinary resolutions 8.01 to 8.04 and 11 shall be voted by the Shareholders who do not have any interest in such resolutions. As such, the related parties/associates of CITIC Group shall abstain from voting on the above ordinary resolution 8.01; E-capital Transfer Co., Ltd., CITIC Industry Investment Fund Management Co., Ltd., Financial Holdings Capital, Yuexiu Industrial Investment Fund, Sailing Capital, Sailing Capital International, Zhongzheng International, Qianhai Zhongzheng, Yunnan Zhongkuang Yunxi Equity Investment Fund Management Co., Ltd., Yunnan Gold & Mineral Group Co., Ltd., Shanghai Xinxi and their related parties/associates (if hold Shares of the Company) shall abstain from voting on the above ordinary resolution 8.02; POWER CORPORATION OF CANADA, MACKENZIE FINANCIAL CORPORATION, Tianjin Haipeng Technology Consulting Co., Ltd. and their related parties/associates (if hold Shares of the Company) shall abstain from voting on the above ordinary resolution 8.03; Yuexiu Financial Holdings, Financial Holdings Limited and their related parties/associates shall abstain from voting on the above ordinary resolution 8.04; and the related parties of CITIC Group, Yuexiu Financial Holdings, Financial Holdings Limited and their related parties, and the participants of the share incentive plan of the Company who are related natural person shall abstain from voting on the ordinary resolution 11.

4. Any Shareholder entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his/her behalf at the meeting. A proxy needs not be a Shareholder of the Company.
5. To be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be completed and returned to the Board's office (for A Shareholders) or the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) not less than 24 hours before the time appointed for convening the Annual General Meeting or any adjournment thereof. The address of the Board's office is at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC, Postal Code: 100026 (Tel: (8610) 6083 6030, Fax: (8610) 6083 6031). The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555). Completion and return of the proxy form will not preclude Shareholders from attending and voting at the Annual General Meeting or any adjournment thereof in person if he/she so wishes.

NOTICE OF THE ANNUAL GENERAL MEETING

6. In order to determine H Shareholders' entitlement to attend the Annual General Meeting, **the H Share register of members of the Company will be closed from Sunday, 30 May 2021 to Tuesday, 29 June 2021 (both days inclusive), during which period no share transfer will be registered.** In order for H Shareholders to be qualified for attending the Annual General Meeting, all share certificates together with the share transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **at or before 4:30 p.m. on Friday, 28 May 2021.**

The H Shareholders whose names appear on the H Share register of members of the Company on **Tuesday, 29 June 2021** are entitled to attend and vote at the Annual General Meeting.

7. The Board recommended the payment of a final dividend for the year ended 31 December 2020 in cash, as per RMB4.00 (tax inclusive) for every ten Shares to those A Shareholders and H Shareholders whose names appear on the Company's register of members on the record date for distribution of the 2020 final dividend. Based on the number of total issued Shares of the Company as at the date of the Board meeting for approving the proposed profit distribution plan of 2020, i.e. 12,926,776,029 Shares, the 2020 final dividend proposed to be distributed totals RMB5,170,710,411.60 (tax inclusive). In the event of change in total share capital of the Company after the date of the above-mentioned Board meeting but before the record date for payment of the final dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly. After the 2020 Profit Distribution Plan of the Company is approved at the Annual General Meeting, the Company expects to distribute its cash dividends to eligible Shareholders before 31 August 2021 pursuant to this distribution plan.

The 2020 final dividend will be paid to those H Shareholders whose names appear on the Company's register of members at the close of business on **Monday, 12 July 2021** (the record date for A Shareholders will be published separately). To determine the identity of the H Shareholders entitled to receive the final dividend, **the H Share register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive), during which period no share transfer will be registered.** In order to be entitled to receive the 2020 final dividend, all H share certificates together with the share transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **at or before 4:30 p.m. on Tuesday, 6 July 2021.**

8. In case of joint Shareholders, if more than one of them are presented at the meeting, either in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint Shareholders. For this purpose, seniority shall be determined by the order in which the names of the joint Shareholders stand in the register of members of the Company in respect of the relevant Shares.
9. Shareholders who wish to attend the Annual General Meeting, whether in person or by proxy, shall return the reply slip for the meeting to the Board's office in person, by mail or fax on or before Tuesday, 8 June 2021. The address of the Board's office is at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC, Postal code: 100026 (Tel: (8610) 6083 6030, Fax: (8610) 6083 6031).
10. The Annual General Meeting is expected to last for no longer than half a day. Shareholders or their proxies attending the Annual General Meeting shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the Annual General Meeting.

NOTICE OF THE 2021 FIRST H SHAREHOLDERS CLASS MEETING



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)

NOTICE OF THE 2021 FIRST H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2021 First H Shareholders Class Meeting (the “**H Shareholders Class Meeting**”) of CITIC Securities Company Limited (the “**Company**”) will be held at Qing Room, 5th Floor, Beijing Ruicheng Four Seasons Hotel, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC immediately after the conclusion of the 2021 First A Shareholders Class Meeting on Tuesday, 29 June 2021 for the purpose of considering, and if thought fit, approving the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 13 May 2021 (the “**Circular**”).

SPECIAL RESOLUTIONS

1. To consider and approve the resolution on the satisfaction of the conditions for the Rights Issue of the Company.
- 2.00. To consider and approve the plan of public issuance of securities by way of the Rights Issue.
 - 2.01. Type and nominal value of the Rights Shares
 - 2.02. Method of issuance
 - 2.03. Basis of the Rights Issue and number of the Rights Shares to be issued
 - 2.04. Pricing principle and Subscription Price
 - 2.05. Target subscribers for the Rights Issue
 - 2.06. Arrangement for accumulated undistributed profits prior to the Rights Issue
 - 2.07. Time of issuance
 - 2.08. Underwriting method
 - 2.09. Use of proceeds to be raised under the Rights Issue
 - 2.10. Effective period of the resolutions in relation to the Rights Issue
 - 2.11. Listing of the Rights Shares

NOTICE OF THE 2021 FIRST H SHAREHOLDERS CLASS MEETING

3. To consider and approve the proposal of public issuance of securities by way of the Rights Issue.
4. To consider and approve the feasibility analysis report on the use of proceeds from the Rights Issue of the Company.
5. To consider and approve the resolution on the risk warning of the dilution of immediate return under the Rights Issue to existing Shareholders and remedial measures to be taken in this respect.
6. To consider and approve the resolution on the proposed authorization to the Board to deal with relevant matters in relation to the Rights Issue at its full discretion.

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

Beijing, the PRC
13 May 2021

Notes:

1. Details of the aforesaid resolutions are set out in **Appendix I** to the Circular of the Company dated 13 May 2021.
2. Pursuant to the requirements of the Hong Kong Listing Rules, all votes of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice of the H Shareholders Class Meeting shall be voted by way of poll. Relevant poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.citics.com upon conclusion of the H Shareholders Class Meeting.
3. Any Shareholder entitled to attend and vote at the H Shareholders Class Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his/her behalf at the meeting. A proxy needs not be a Shareholder of the Company.
4. To be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be completed and returned to the Company's H Shares registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time appointed for convening the H Shareholders Class Meeting or any adjournment thereof. The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555). Completion and return of the proxy form will not preclude the Shareholders from attending and voting at the H Shareholders Class Meeting or any adjournment thereof in person if he/she so wishes.

NOTICE OF THE 2021 FIRST H SHAREHOLDERS CLASS MEETING

5. In order to determine H Shareholders' entitlement to attend the H Shareholders Class Meeting, **the H Share register of members of the Company will be closed from Sunday, 30 May 2021 to Tuesday, 29 June 2021 (both days inclusive), during which period no transfer of H Shares will be registered.** In order for H Shareholders to be qualified for attending the H Shareholders Class Meeting, all share certificates together with the share transfer documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **at or before 4:30 p.m. on Friday, 28 May 2021.**

The H Shareholders whose names appear on the H Share register of members of the Company **on Tuesday, 29 June 2021** are entitled to attend and vote at the H Shareholders Class Meeting.

6. In case of joint Shareholders, if more than one of them are presented at the H Shareholders Class Meeting, either in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint Shareholders. For this purpose, seniority shall be determined by the order in which the names of the joint Shareholders stand in the register of members of the Company in respect of the relevant Shares.
7. Shareholders who wish to attend the H Shareholders Class Meeting, whether in person or by proxy, shall return the reply slip for the meeting to the Board's office of the Company in person, by mail or fax on or before Tuesday, 8 June 2021. The address of the Board's office of the Company is at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC, Postal Code: 100026 (Tel: (8610) 6083 6030, Fax: (8610) 6083 6031).
8. The H Shareholders Class Meeting is expected to last for no longer than half a day. Shareholders or their proxies attending the H Shareholders Class Meeting shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the H Shareholders Class Meeting.

ORDINARY RESOLUTIONS:**I. The 2020 Work Report of the Board**

Pursuant to the requirements of the Company Law and the Articles of Association, it is the duty and authority of the general meeting of the Company to consider and approve the work reports of the Board and the Supervisory Committee. According to the requirements of the Rules of General Meeting of Listed Companies of the CSRC, the Board and the Supervisory Committee shall report their work during the past year to the Shareholders at the Annual General Meeting.

The 2020 Work Report of the Board of CITIC Securities Company Limited was considered and approved by the Board on 18 March 2021.

Details of the above work report of the Board are set out in Annex A of this circular.

II. The 2020 Work Report of the Supervisory Committee

The Supervisory Committee has prepared the 2020 Work Report of the Supervisory Committee of CITIC Securities Company Limited according to the relevant regulatory requirements and the requirements of the Articles of Association, which was considered and approved by the Supervisory Committee on 18 March 2021.

Details of the above work report of the Supervisory Committee are set out in Annex B of this circular.

III. The 2020 Annual Report

Pursuant to the relevant provisions of the CSRC, the Board hereby submits the 2020 Annual Report to the Annual General Meeting for its consideration and approval. For details about the report, please refer to the 2020 Annual Report dated 21 April 2021 published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk by the Company.

IV. The 2020 Profit Distribution Plan

Pursuant to the audited results for the year 2020, the requirements of the relevant laws and regulations and the Articles of Association, and in consideration of comprehensive factors such as the future development of the Company and the interests of the Shareholders, the profit distribution plan of the Company for the year 2020 is as follows:

1. The Company will adopt cash dividend payment method for its 2020 profit distribution (i.e. 100% cash dividend) and distribute a dividend of RMB4.00 (tax inclusive) for every ten Shares to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date for distribution of the 2020 cash dividend. Based on the number of total issued Shares of the Company as at the date of the Board meeting for approving the proposed profit distribution plan of 2020, i.e. 12,926,776,029 Shares, the cash dividend proposed to be distributed totals RMB5,170,710,411.60 (tax inclusive), representing 34.70% of the net profit attributable to the owners of the parent as shown in the 2020 consolidated financial statements. In the event of change in total share capital of the Company after the date of the above-mentioned Board meeting but before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly. The outstanding balance of the retained profit distributable for 2020 will be carried forward to the next year.

2. Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in HK dollars to the H Shareholders. The actual amounts to be paid in HK dollars will be calculated based on the average benchmark exchange rate for Renminbi to HK dollars as announced by the People's Bank of China for the five business days before the date of the Annual General Meeting.

The 2020 final dividend will be paid to those H Shareholders whose names appear on the Company's register of members at the close of business on Monday, 12 July 2021 (the record date for distribution of 2020 final dividend for A Shareholders will be published separately). To determine the identity of the H Shareholders entitled to receive the final dividend, the H Share register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive), during which period no share transfer will be registered. In order to be entitled to receive the 2020 final dividend, all H share certificates together with the share transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 4:30 p.m. on Tuesday, 6 July 2021.

The above profit distribution plan for the year 2020 was considered and approved by the Board on 18 March 2021, and is hereby proposed to the Annual General Meeting for its consideration and approval. Upon the approval by the Annual General Meeting, the payment of the 2020 cash dividend will be made by the Company before 31 August 2021 according to the above distribution plan.

V. The Resolution on the Re-appointment of Accounting Firms

The 2019 Annual General Meeting of the Company agreed to appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as external auditors of the Company for 2020, responsible for providing the relevant audit and review services in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards, respectively; and also appointed PricewaterhouseCoopers Zhong Tian LLP as the audit firm for internal control of the Company in 2020. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers discharged their duties in accordance with the professional standards of independence, objectivity and impartiality and successfully completed the relevant audit and review works of the Company for 2020.

In view of this, following the preliminary review by the Audit Committee of the Seventh Session of the Board and as considered at the 21st meeting of the Seventh Session of the Board of the Company, the Board proposed the following matters to be considered at the Annual General Meeting:

1. Re-appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Company for 2021, to provide related annual audit and interim review services in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards, respectively;
2. Appoint PricewaterhouseCoopers Zhong Tian LLP as the audit firm for internal control of the Company in 2021; and
3. The total amount of the above audit, review and other service fees will not be more than RMB4 million. If additional fees are incurred due to a change in the scope and contents of audit or review, the Board will be authorised to determine the amount in accordance with the actual scope and contents of the audit, review and other services.

The above resolution was considered and approved by the Board on 18 March 2021, and is hereby proposed to the Annual General Meeting for its consideration and approval.

VI. The Resolution on the Estimated Investment Amount for the Proprietary Business of the Company for 2021

Article 7 of the Rules on Strengthening the Supervision and Administration of Listed Securities Companies of the CSRC provides that the total amount of the proprietary investment can be considered and disclosed at the general meeting each year for a listed securities company.

Therefore, the Board proposed the following matters to be considered and approved at the Annual General Meeting so that the management of the Company can make decisions within a short time according to the market condition to grasp market opportunities:

Subject to the compliance with the relevant requirements of proprietary management and risk control of the CSRC, to authorise the management of the Company to determine and adjust the total amount of the proprietary investment of the Company within the following limit according to the market condition:

The limit for the proprietary investment business of the Company for the year 2021 shall not exceed the limit prescribed in the administrative regulations and regulatory documents of the CSRC, of which, the aggregate investment amount for the proprietary equity securities and its derivatives shall be within 100% of the audited net capital of the previous year, and the aggregate investment amount for the proprietary non-equity securities and its derivatives shall be within 500% of the audited net capital of the previous year. The proprietary investment of the Company is calculated in accordance with the relevant formula set out in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies issued by the CSRC.

The above limit excludes the limit for long-term equity investment of the Company, which will still be determined and executed according to the relevant decision-making process. The above limit excludes the passive position held by the Company for its margin financing and securities lending business and underwriting business.

The above resolution was considered and approved by the Board on 18 March 2021, and is hereby proposed to the Annual General Meeting for its consideration and approval.

VII. The Resolution on Considering the Total Remuneration of the Directors and the Supervisors of the Company for 2020

Pursuant to the Terms of Reference of the Remuneration and Appraisal Committee of the Board and the Remuneration Management System of the Company, the total remuneration of the Directors and the Supervisors for 2020 is as follows:

Name	Position	Total remuneration during the term of office for 2020 (in RMB ten thousand, before tax)	Note
ZHANG Youjun	Executive Director and Chairman	491.51	Mr. ZHANG Youjun did not receive any remuneration from Shareholder entities or subsidiaries of the Company.
YANG Minghui	Executive Director and President	993.54	Among others, Mr. YANG Minghui received a remuneration of RMB5.7854 million from the Company and received a remuneration of RMB4.15 million from China AMC, a subsidiary of the Company.
WANG Shuhui	Non-executive Director	—	Mr. WANG Shuhui did not receive any remuneration or Director's allowance from the Company and received remuneration from Financial Holdings Limited.
LIU Ke	Independent Non-executive Director	15.00	Mr. LIU Ke did not receive any remuneration from the Company. Such remuneration in the table represented Director's allowance for 2020 received from the Company.
HE Jia	Former Independent Non-executive Director	15.00	Mr. HE Jia did not receive any remuneration from the Company. Such remuneration in the table represented Director's allowance for 2020 received from the Company.

Name	Position	Total remuneration during the term of office for 2020 (in RMB ten thousand, before tax)	Note
ZHOU Zhonghui	Independent Non-executive Director	15.00	Mr. ZHOU Zhonghui did not receive any remuneration from the Company. Such remuneration in the table represented Director's allowance for 2020 received from the Company.
ZHANG Changyi	Supervisor and Chairman of the Supervisory Committee	352.28	—
GUO Zhao	Supervisor	10.00	Such remuneration in the table represented Supervisor's allowance for 2020 received from the Company.
RAO Geping	Supervisor	10.00	Such remuneration in the table represented Supervisor's allowance for 2020 received from the Company.
LI Ning	Employee Representative Supervisor	326.08	—
NIU Xuekun	Employee Representative Supervisor	201.09	—

Note: Mr. ZHANG Changyi was officially appointed as the Supervisor of the Company on 23 June 2020, and his remuneration was the remunerations he received during his term of office in 2020.

The above resolution regarding the total remuneration of the Directors and the Supervisors for 2020 has been considered and approved by the Board and the Supervisory Committee, respectively, on 18 March 2021, and is hereby submitted to the Annual General Meeting for its consideration and approval.

VIII. The Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2021

The 46th Meeting of the Sixth Session of the Board of the Company approved the Company to renew the Miscellaneous Services Framework Agreement and enter into the Supplemental Agreement III to the Property Leasing Framework Agreement with CITIC Group. The 2019 second extraordinary general meeting of the Company approved the Company to renew the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group. On 31 December 2019, the Company renewed/signed each of the above agreements with CITIC Group, which set out the contents of the related party/continuing connected transactions in the ordinary course of business for the three years (2020–2022) under each of the agreements (for the year of 2020 and during the period from 1 January to 22 September 2021 for the Supplemental Agreement III to the Property Leasing Framework Agreement) and the annual caps for these transactions, respectively.

Details of estimation of related party/continuing connected transactions contemplated in the ordinary course of business of the Company in 2021 by reference to the previous related party/connected transactions carried out by the Company in the recent years and taking into account the business development needs of the Company are set out as follows:

1. *Basic information relating to estimation of related party/continuing connected transactions contemplated in the ordinary course of business in 2021*

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

Class of related party/connected transactions	Contents of transactions	Annual cap for 2021 and relevant description for transactions
Related party/ continuing connected transactions in the ordinary course of business	Including: securities and financial products transactions and services, properties leasing and miscellaneous services	The transactions will be executed pursuant to the framework agreements/supplemental agreement signed on 31 December 2019, and the amount of the transactions will be controlled within the agreed annual caps for 2021. Of which, Supplemental Agreement III to the Property Leasing Framework Agreement valid until 22 September 2021 and the transaction cap for the period from 23 September 2021 to the end of 2021 will be separately submitted to the Board for consideration along with the framework agreement to be renewed.

Class of related party/connected transactions	Contents of transactions	Annual cap for 2021 and relevant description for transactions
Related party/ continuing connected transactions in the ordinary course of business (exempt from setting up a cap by the Hong Kong Stock Exchange)	Maximum daily balance of deposits of proprietary funds and customers' funds	The Company has been granted by the Hong Kong Stock Exchange a waiver from setting up the cap for maximum daily balance of deposits of proprietary funds and customers' funds for 2020–2022 (in terms of related party/connected transactions).
Others	Trademark licensing matters	Pursuant to the requirements of CITIC Group, the Company and its subsidiaries/non-controlling companies using the trademarks of “中信” and “CITIC” are required to renew the trademark licensing contract with CITIC Group. It is expected that CITIC Group will not charge any trademark license fees from the Company and its relevant subsidiaries/non-controlling companies within the valid period of the contract.

(2) *Contemplated related party/connected transactions between the Group and other related/connected parties*

- (a) Save for CITIC Group, its subsidiaries and associates, the related/connected parties of the Company also include:
- (i) Companies in which the Directors, Supervisors and senior management of the Company hold positions as directors or senior management (excluding the subsidiaries of the Company), including: E-Capital Transfer Co., Ltd., CITIC Private Equity Funds Management Co., Ltd., Financial Holdings Capital, Yuexiu Industrial Fund, Sailing Capital, Sailing International, Zhongzheng International, Qianhai Zhongzheng, Yunnan Zhongkuang Yunxi Equity Investment Fund Management Co., Ltd. (雲南中礦雲錫股權投資基金管理有限公司), Yunnan Gold & Mineral Group Co., Ltd. (雲南黃金礦業集團股份有限公司) and Shanghai Xinxi. (The aforesaid companies are not connected persons of the Company under the Hong Kong Listing Rules.)

- (ii) Companies which hold over 10% equity interest in the significant subsidiaries of the Company, including: POWER CORPORATION OF CANADA, MACKENZIE FINANCIAL CORPORATION and Tianjin Haipeng Technology Consulting Co., Ltd..
- (iii) Companies which hold over 5% equity interest in the Company, including: Yuexiu Financial Holdings and its wholly-owned subsidiary, Financial Holdings Limited. (The aforesaid companies are not connected persons of the Company under the Hong Kong Listing Rules.)
- (b) The Company has made the following estimates for the transactions in 2021 based on the transactions with the above-mentioned companies in the previous years, and proposed the following to the Annual General Meeting for its consideration:
- (i) Contemplated related party transactions between the Group and the companies in which the Directors, Supervisors and senior management of the Company hold positions as directors or senior management (excluding subsidiaries of the Company).

Related party	Class of related party transactions	Contents and amount of related party transactions
E-Capital Transfer Co., Ltd.	Expense	It provides citizen identity information authentication services to the Group. The amount of relevant expense in 2021 is expected to be no more than RMB15 million.
	Securities and financial products transactions	Calculated based on the actual amount
CITIC Private Equity Funds Management Co., Ltd.	Securities and financial products transactions	Calculated based on the actual amount
Financial Holdings Capital	Securities and financial products transactions	Calculated based on the actual amount

Related party	Class of related party transactions	Contents and amount of related party transactions
Yuexiu Industrial Fund	Income	The Group provides custody outsourcing services to it. The amount of the relevant income in 2021 is expected to be no more than RMB1 million.
	Securities and financial products transactions	Calculated based on the actual amount
Sailing Capital	Securities and financial products transactions	Calculated based on the actual amount
Sailing International	Securities and financial products transactions	Calculated based on the actual amount
Zhongzheng International	Securities and financial products transactions	Calculated based on the actual amount
Qianhai Zhongzheng	Securities and financial products transactions	Calculated based on the actual amount
Yunnan Zhongkuang Yunxi Equity Investment Fund Management Co., Ltd.	Securities and financial products transactions	Calculated based on the actual amount
Yunnan Gold & Mineral Group Co., Ltd.	Securities and financial products transactions	Calculated based on the actual amount

Note 1: As the market condition of the securities market is unpredictable, it is difficult to estimate the transaction amounts. It is proposed to the Annual General Meeting to approve the actual amount as the amount for the aforesaid relevant securities and financial products transactions, same below.

Note 2: The upper limit shall be inclusive where a reference is made to the relevant “no more than”, same below.

- (ii) Contemplated related party/connected transactions between the Group and companies holding over 10% equity interest in the significant subsidiaries of the Company.

Related/ connected party	Class of related party/connected transactions	Contents and amount of related party/ connected transactions
POWER CORPORATION OF CANADA	Income	The Group will provide, among others, securities brokerage services to it. The amount of the relevant income in 2021 is expected to be no more than RMB10 million.
	Securities and financial products transactions	Calculated based on the actual amount
MACKENZIE FINANCIAL CORPORATION	Income	The Group will provide consultancy services to it. The amount of the relevant income in 2021 is expected to be no more than RMB5 million.
	Expense	It will provide consultancy services to the Group. The amount of the relevant expense in 2021 is expected to be no more than RMB5 million.
	Securities and financial products transactions	Calculated based on the actual amount
Tianjin Haipeng Technology Consulting Co., Ltd.	Securities and financial products transactions	Calculated based on the actual amount

Note: The above related/connected parties are companies holding over 10% equity interest in China AMC, a subsidiary of the Company.

- (iii) Contemplated related party transactions between the Group and companies holding over 5% equity interest in the Company.

Related party	Class of related party transactions	Contents and amount of related party transactions
Yuexiu Financial Holdings	Income	The Group will provide distribution, investment consultancy and underwriting services to it. The amount of the relevant income in 2021 is expected to be no more than RMB10 million.
	Securities and financial products transactions	Calculated based on the actual amount
Financial Holdings Limited	Income	The Group will provide, among others, distribution, investment consultancy, underwriting services and IT-related facilities leasing services to it. The amount of the relevant income in 2021 is expected to be no more than RMB15 million.
	Securities and financial products transactions	Calculated based on the actual amount

2. *Introduction of related/connected parties and the related/connected relationship*

(1) *Introduction of CITIC Group and its related/connected parties*

As at 31 December 2020, CITIC Corporation Limited, a subsidiary of CITIC Group, directly held 15.47% of Shares of the Company.

CITIC Group was founded in 1979, the current legal representative of which is Mr. ZHU Hexin. Its registered capital is RMB205,311,476,359.03. CITIC Group is a state-owned large comprehensive multinational corporate group and its businesses include finance, resources and energy, manufacturing, engineering contracting, real estate and other areas.

The largest Shareholder of the Company is CITIC Corporation Limited. CITIC Limited, the controlling shareholder of CITIC Corporation Limited, is a subsidiary of CITIC Group.

All of CITIC Group, CITIC Limited and CITIC Corporation Limited are related/connected parties as defined under Clause 1 of Rule 10.1.3 of the SSE Listing Rules and paragraph one of Rule 14A.07 and paragraph one of Rule 14A.13 of the Hong Kong Listing Rules.

Among the other subsidiaries of CITIC Group, the following companies have relatively great volume of business transactions with the Company: CITIC Holdings Limited, China CITIC Bank Corporation Limited, CITIC Trust Co., Ltd., CITIC Pacific Limited, Dah Chong Hong Holdings Limited, CITIC Prudential Life Insurance Co., Ltd., China CITIC Bank International Limited, and CITIC Networks Co., Ltd., etc.

(2) *Introduction of other related parties*

- (a) Companies in which the Directors, Supervisors and senior management of the Company hold positions as directors or senior management (excluding the subsidiaries of the Company)

Pursuant to Clause 3 of Rule 10.1.3 of the SSE Listing Rules, the companies in which the Directors, Supervisors and senior management of the Company hold positions as directors and senior management (excluding the subsidiaries of the Company) are related parties of the Company, a list of which is set out in “1. (2) Contemplated related party/connected transactions between the Group and other related/connected parties” of this resolution. Except for the related relationship due to the Directors, Supervisors and senior management holding positions as directors or senior management in the above related parties, the Company has no other related relationship with them.

- (b) The Company acquired the 100% equity interest in Guangzhou Securities (as previously named) from Yuexiu Financial Holdings and its wholly owned subsidiary, Financial Holdings Limited, by issuance of Shares. The registration of the issued Shares has been completed on 11 March 2020, and Yuexiu Financial Holdings and Financial Holdings Limited in aggregate hold more than 5% Shares of the Company. Pursuant to Rule 10.1.3 of the SSE Listing Rules, Yuexiu Financial Holdings and Financial Holdings Limited are related parties of the Company.

The above related parties are legally subsisting and in normal operation and good financial condition, as well as have the capacity to perform contracts.

3. *The purpose of the transactions and effect on the Company*

- (1) The transactions of the Company with the relevant related parties/connected persons will facilitate the conduct of business of the Company;
- (2) The relevant related party/connected transactions are fair, the price of which are determined by reference to the market prices, and do not impair the interests of the Company and the Shareholders as a whole;
- (3) The relevant related party/connected transactions do not affect the independence of the Company, and the principal business of the Company is not in reliance on the related parties/connected persons as a result of the above related party/connected transactions.

4. *The review and approval procedures*

- (1) The Independent Non-executive Directors of the Company voted on the Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2021 and provided independent opinions;
- (2) The Related Party Transactions Control Committee under the Board conducted a preliminary review on and approved unanimously the Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2021;
- (3) On 18 March 2021, the 21st Meeting of the Seventh Session of the Board considered the Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2021. Because Mr. ZHANG Youjun (executive Director and Chairman of the Company) serves as a director of Sailing Capital and Sailing International and the chairman of Qianhai Zhongzheng, and previously served as director of Zhongzheng International, and Mr. WANG Shuhui (non-executive Director of the Company) serves as the chairman of Yuexiu Financial Holdings, Financial Holdings Limited, Financial Holdings Capital and Yuexiu Industrial Fund, they are considered as related Directors, and are required to abstain from voting on the above-mentioned proposal. The Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2021 was formed after being approved by the Board;
- (4) The Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2021, which has been considered and approved by the Board, is still subject to the approval by the Annual General Meeting. The related/connected Shareholders who are interested in such related party/connected transactions will abstain from voting on the related matters in the resolution at the Annual General Meeting, respectively.

5. *The signing of the related party/connected transactions agreements*

It is proposed to the Annual General Meeting that the management of the Company be authorized to sign or renew the relevant agreements according to the business development needs, so long as such transactions are within the estimated scope of the related party/continuing connected transactions contemplated in the ordinary course of business in 2021.

The above resolution has been considered and approved by the Board on 18 March 2021 and is hereby proposed to the Annual General Meeting for its consideration and approval.

XI. The Resolution on the Potential Related Party/Connected Transactions Involved in the Issuances of the Onshore and Offshore Corporate Debt Financing Instruments

As set out in the special resolution X, i.e. the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company, the Company proposed to issue the Onshore and Offshore Corporate Debt Financing Instruments, which may include one-off or multiple private issuances to the related/connected Shareholders and/or other related/connected party(ies) of the Company. Hence related party/connected transactions may be involved.

In relation to the above-mentioned potential related party/connected transactions:

1. According to the SSE Listing Rules, if a related party subscribes in cash for corporate bonds or other derivatives under a public offering, or provides any financial assistance with an interest rate not higher than the benchmark loan rate prescribed by the People's Bank of China for the same period and the listed company does not provide any collateral or security for such financial assistance, such transaction can be exempted from, or an application can be filed for exemption from, the review and disclosure as a related party transaction.
2. According to the Hong Kong Listing Rules, where no security or pledge over the assets of the Company will be granted in respect of the relevant transactions (financial assistance) and the relevant transactions are entered into on normal commercial terms (or better to the Company), such financial assistance (if proceed) shall be fully exempted connected transactions.

In summary, the Company's issuance of Onshore and Offshore Corporate Debt Financing Instruments to related/connected parties may be exempted under the Hong Kong Listing Rules but may not be exempted under the requirements of the SSE. According to the stricter rule, the Company shall go through relevant approval procedure(s) of the Board and the general meeting.

To grasp favorable market opportunities, the following matters will be proposed to the Annual General Meeting for its consideration:

1. After the Resolution on the Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company is considered and approved by the Annual General Meeting, the Company may, within the range of the Onshore and Offshore Corporate Debt Financing Instruments and the authorization as set out in the proposal, privately place the Onshore and Offshore Corporate Debt Financing Instruments on a one-off, multiple issuances or multi-tranche issuances basis to related/connected party(ies) in an aggregate amount of no more than RMB40 billion (including RMB40 billion, calculated based on the outstanding balance upon issuance and, in the case of an instrument denominated in a foreign currency, based on the central parity exchange rate announced by the People's Bank of China on the date of such issuance) (the "**Related Party/Connected Transactions**").

2. The group formed by the Chairman, the President, the Chief Financial Officer and the Treasurer of the Company (the “**Authorized Group**”) will be authorized to determine specific matters concerning the Related Party/Connected Transactions. The Related Party/Connected Transactions shall be conducted in accordance with the applicable general market practice (if any) and on normal commercial terms; and the interest rate, term, price and other specific issuance conditions of the Onshore and Offshore Corporate Debt Financing Instruments involved in the transactions will be determined in accordance with, among other things, the relevant national laws, regulations, market conditions and the capital supply and demand relationships at the time of issuance, and based on the prevailing market interest rate, price, term, market fee rates (if any) as may be applicable to independent counterparties of the Onshore and Offshore Corporate Debt Financing Instruments of such type as well as in accordance with the fair market value after negotiation.
3. The Authorised Group will be authorised to enter into the subscription agreement(s) and other relevant agreement(s) and document(s) with the related/connected party(ies) who will subscribe for the Onshore and Offshore Corporate Debt Financing Instruments to be issued by the Company, and complete the relevant procedures.
4. The Company shall, after entering into the subscription agreement(s) and other relevant document(s) with the related/connected party(ies), publish an announcement on related party/connected transactions (if applicable), to disclose relevant information regarding the Related Party/Connected Transactions in a timely manner in accordance with the listing rules of the exchanges on which the securities of the Company are listed.

The above resolution has been considered and approved by the Board on 18 March 2021, and is hereby proposed to the Annual General Meeting for its consideration and approval.

XII. Proposed Election of Independent Non-executive Director of the Company

Reference is made to the announcement of the Company dated 28 April 2021 in relation to the proposed appointment of Independent Non-executive Director.

The Board resolved at a meeting (the “**Meeting**”) held on 28 April 2021 to propose to appoint Mr. LI Qing as an Independent Non-executive Director of the Seventh Session of the Board of the Company. The appointment of Mr. LI Qing is subject to the approval by the Annual General Meeting. The Company will go through relevant filing procedures in respect of Mr. LI Qing’s qualification for serving as a director of a securities company in accordance with the regulatory requirements. Meanwhile, the Board also resolved at the Meeting to appoint Mr. LI Qing as a member of each of the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee and the Related Party Transactions Control Committee, with effect from the date when his appointment as an Independent Non-executive Director of the Company takes effect.

After considering the written confirmation of independence issued to the Company under Rule 3.13 of the Hong Kong Listing Rules and the skills, background, knowledge and experiences of Mr. LI Qing, the Board proposes to appoint Mr. LI Qing as an Independent Non-executive Director of the Seventh Session of the Board and is satisfied with the independence of Mr. LI Qing as an Independent Non-executive Director. Mr. LI Qing has extensive experience in various areas, including big data and social media, (Web) data mining and multimedia retrieval, data warehousing and workflow and Web services computing, and has rich knowledge in financial technology and experience in business management. In addition, the education, experience and practice of Mr. LI Qing enable him to provide relevant valuable opinions, and contribute to the diversity of the Board.

The biographical details of Mr. LI Qing are set out below:

Mr. LI Qing, aged 58, has served as a Chair Professor and the Department Head of the Department of Computing of the Hong Kong Polytechnic University since December 2018. Mr. LI successively served as an assistant professor, associate professor and full professor of the City University of Hong Kong from 1998 to 2018. From 2013 to 2018, Mr. LI served as the Founding Director of the Multimedia-software Engineering Research Center (MERC) of the City University of Hong Kong. From 2003 to 2005, Mr. LI set up and served as manager of the Mobile Information Management Division at the CityU R&D Center in Zhuhai. From 2005 to 2012, Mr. LI established and served as the general manager and the chairman of Zhuhai Faster Software Technology Ltd. Mr. LI obtained a Bachelor's degree from Hunan University in 1982, and obtained a Master's degree in computer science and a Doctor's degree in computer science from the University of Southern California in the United States of America in 1985 and 1988, respectively.

Mr. LI Qing has confirmed that, saved as disclosed above, (1) he does not hold any other position with the Company or any of its subsidiaries and has not been a director in any other listed companies in the past three years; (2) he has no relationship with any other Directors, senior management or substantial Shareholders of the Company or any of its subsidiaries; and (3) as at the Latest Practicable Date, he does not have any interest in the Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. LI Qing has also confirmed that there is no other information in relation to his appointment that needs to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules, and there is no other matter in relation to his appointment that needs to be brought to the attention of the Shareholders of the Company.

If appointed as an Independent Non-executive Director of the Seventh Session of the Board, the term of office of Mr. LI Qing shall commence from the date of approval by the Annual General Meeting on his appointment to the date of expiration of the term of office of the Seventh Session of the Board. Mr. LI Qing will be entitled to an allowance of RMB150,000 per year (tax inclusive), and will be provided with relevant subsidies for attending on-site meetings of the specialized committees under the Board for serving as an Independent Non-executive Director of the Company, which is determined in accordance with the Remuneration Management System of the Company and has been approved by the shareholders at the 2011 annual general meeting of the Company. After the appointment of Mr. LI Qing enters into effect, the Company will enter into service contract with him. The Board also proposes to the Annual General Meeting to authorize the management of the Company to make relevant arrangements regarding the entering into of the service contract after the appointment of Mr. LI Qing enters into effect.

SPECIAL RESOLUTIONS:

IX. Proposed Amendments to Articles of Association

Reference is made to the announcement of the Company dated 18 March 2021 in relation to the proposed amendments to Articles of Association.

In accordance with the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation) (《中國共產黨國有企業基層組織工作條例(試行)》) and other relevant requirements, and after taking into consideration of the actual situation of the Company, the Company proposed to amend certain articles in the existing Articles of Association.

The Board has approved the proposed amendments to certain articles in the Articles of Association at a meeting held on 18 March 2021. Detailed information of the proposed amendments is as follows:

Original Articles		New Articles		Basis for the Amendments
Article No.	Article	Article No.	Article	
Article 10	In accordance with the <u>relevant provisions</u> of the Constitution of the Communist Party of China and the Company Law, organizations of the Communist Party of China shall be established. <u>The Party Committee shall play the leadership role, setting the direction, keeping in mind the big picture and ensuring the implementation of the Party policies and principles.</u> The working organs of the Party shall be established with sufficient staff to deal with Party affairs and sufficient funds to operate the Party organization.	Article 10	In accordance with the <u>requirements</u> of the Constitution of the Communist Party of China, <u>the Company Law, the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation), and other regulatory documents,</u> organizations of the Communist Party of China shall be established <u>to uphold and strengthen the Party's overall leadership and give play to the leading role of the Party Committee in setting the direction, keeping in mind the big picture and ensuring the implementation of the Party policies and principles.</u> The working organs of the Party shall be established with sufficient staff to deal with Party affairs and sufficient funds to operate the Party organization.	the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation)

Original Articles		New Articles		Basis for the Amendments
Article No.	Article	Article No.	Article	
Article 68	The Committee of the Communist Party of the CITIC Securities Company Limited (the “ Party Committee ”) shall be established by the Company. The Party Committee shall consist of one secretary, one to two deputy secretaries, and several other members. <u>The chairman of the Board of Directors and the secretary of the Party Committee</u> shall be the same person, and one deputy secretary shall be designated to assist the secretary in carrying out Party-building work. Eligible members of the Party Committee can join the Board of Directors, the Supervisory Committee and the Executive Committee through legal procedures, while eligible members of the Board of Directors, Supervisory Committee and the Executive Committee can also join the Party Committee in accordance with relevant rules and procedures. Meanwhile, the commissions for discipline inspection of the Communist Party of the CITIC Securities Company Limited (the “ Party Discipline Inspection Commissions ”) shall be established by the Company in accordance with relevant requirements.	Article 68	The Committee of the Communist Party of the CITIC Securities Company Limited (the “ Party Committee of the Company ”) shall be established by the Company. The <u>Party Committee of the Company</u> shall consist of one secretary, one to two deputy secretaries, and several other members. <u>The secretary to the Communist Party Committee and the Chairman</u> shall be the same person, and one deputy secretary shall be designated to assist the secretary in carrying out Party-building work. Eligible members of the Party Committee can join the Board of Directors, the Supervisory Committee and the Executive Committee through legal procedures, while eligible members of the Board of Directors, Supervisory Committee and the Executive Committee can also join the Party Committee in accordance with relevant rules and procedures. Meanwhile, the commissions for discipline inspection of the Communist Party of the CITIC Securities Company Limited shall be established by the Company in accordance with relevant requirements.	the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation)

Original Articles		New Articles		Basis for the Amendments
Article No.	Article	Article No.	Article	
Article 69	<p>The Party Committee of the Company shall perform the duties in accordance with the Constitution of the Communist Party of China, the Working Rules for the Party Group of the Communist Party of China, the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation) and other internal laws and regulations of the Party.</p> <p><u>(1) ensure and supervise the Company's implementation of policies and guidelines of the Party and the State, and implement major strategic decisions of the Central Committee of the Party and the State Council, as well as important work arrangements of higher-level Party organizations.</u></p> <p><u>(2) strengthen its leadership and gate keeping role in the management of the process of selection and appointment of personnel, focusing on standards, procedure, evaluation, recommendation and supervision, uphold the integration of the principle that the Party manages the officials with the function of the Board of Directors in the lawful selection of the management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management.</u></p>	Article 69	<p>The Party Committee of the Company shall perform the duties in accordance with the Constitution of the Communist Party of China, the Working Rules for the Party Group of the Communist Party of China, the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation) and other internal laws and regulations of the Party.</p> <p><u>(1) enhance the political building of the Party in the Company, adhere to and implement the fundamental system, basic system and important system of socialism with Chinese characteristics, as well as educate and guide all Party members to closely align with the Party Central Committee with Comrade Xi Jinping at its core in terms of the political stance, direction, principles and path;</u></p> <p><u>(2) thoroughly study and implement Xi Jinping Thought on Socialism with Chinese characteristics for a new era, learn and propagate the Party's theory, thoroughly implement the Party's line, principles and policies, as well as supervise and guarantee the implementation of major strategy deployments of the Party Central Committee and the resolutions of the Party organisation at higher levels in the Company;</u></p>	the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation)

Original Articles		New Articles		Basis for the Amendments
Article No.	Article	Article No.	Article	
	<p>(3) discuss and decide the reform, development and stability of the Company, major operational and management issues and major issues concerning employee interests in accordance with the relevant requirements, and put forth comments and suggestions. Support the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the Executive Committee in performing their duties in accordance with law and support the employee representatives general meeting in carrying out its work.</p> <p>(4) assume the primary responsibility to run the Party comprehensively with strict discipline, lead the Company's ideological and political work, the United Front work, the cultural and ethical progress, corporate culture cultivation as well as the work of groups such as the labour union and the Communist Youth League, lead the building of the Party's working style and its clean and honest administration, and support the Party Discipline Inspection Commissions in earnestly performing its supervisory responsibilities.</p> <p>(5) strengthen the building of the Company's grassroots Party organizations and of its contingent of Party members, give full play to the role of Party branches as strongholds and to the role of Party members as pioneers and fine examples, and unite and lead officials and employees company-wide to devote themselves into the reform and development of the Company.</p> <p>(6) other material matters that fall within the duty of the Party Committee.</p>		<p>(3) investigate and discuss the significant operation and management matters of the Company and support the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the management to exercise their rights and perform their duties in accordance with the laws;</p> <p>(4) strengthen the leadership and gatekeeping role in the process of selection and appointment of personnel of the Company, and the building of the leading team, cadre and talents team of the Company;</p> <p>(5) undertake the main responsibility of improving Party conduct and upholding integrity, lead and support discipline inspection committee to fulfil its supervisory and disciplining responsibilities as well as exercise strict administrative discipline and political rules, to promote Party self-governance in every aspect and with rigor into the primary-level;</p> <p>(6) strengthen the building of primary-level Party organisations and of its contingent of Party members, and unite and lead employees company-wide to devote themselves into the reform and development of the Company;</p> <p>(7) lead the Company's ideological and political work, the spirit and civilization progress, the United Front work and lead the Labour Union, Communist Youth League, Women's Organisation and other mass organizations of the Company.</p>	

Original Articles		New Articles		Basis for the Amendments
Article No.	Article	Article No.	Article	
Article 180	The opinions of the Party Committee shall be heard before the Board of Directors decides on material issues of the Company.	Article 180	<u>The investigation and discussion of the Party Committee of the Company on the major issues shall be a prerequisite procedure for any decision-making by the Board of Directors and the Executive Committee on such issues.</u> The opinions of the Party Committee shall be heard before the Board of Directors decides on material issues of the Company.	the Working Rules of Primary-level Party Organizations of State-owned Enterprises (for trial implementation)

X. The Resolution on the Re-authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company

According to the Company's business development needs, the Resolution on the Re-authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2017 Annual General Meeting of the Company, authorising the Company to issue onshore and offshore corporate debt financing instruments with a size of no more than 200% of the latest period-end audited net assets of the Company (calculated based on the balance outstanding upon issuance and, in the case of an instrument denominated in a foreign currency, based on the central parity exchange rate announced by the People's Bank of China on the date of each issuance). The validity period of the authorisation is 36 months from the date of consideration and approval by the 2017 Annual General Meeting, thus will expire in June 2021. In order to satisfy the domestic and overseas business development needs of the Company, and to conduct unified management on the authorisation of various types of debt financing instruments, it is proposed to the Annual General Meeting to re-authorise the Company to issue the Onshore and Offshore Corporate Debt Financing Instruments.

On 13 March 2013, the Resolution on the General Mandate to Issue Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2013 First Extraordinary General Meeting of the Company; on 18 June 2014, the Resolution on the Re-authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2013 Annual General Meeting of the Company; on 19 June 2015, the Resolution on the Re-authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2014 Annual General Meeting of the Company; on 19 June 2017, the Resolution on the Re-authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company and the Resolution on Increase of Authorised Amount for the Business of Securitization Backed by Credit Asset Relating to Margin Finance Business were considered and approved at the 2016 Annual General Meeting of the Company; on 26 June 2018, the Resolution on the Re-authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company was considered and approved at the 2017 Annual General Meeting of the Company. As of 31 December 2020, the implementation of such resolutions is as follows:

Date of Issue	Issuing Entity	Type of Debt Financing Instrument	Remaining Size
Implementation Status of the Authorisation by the 2013 First Extraordinary General Meeting			
7 June 2013	CITIC Securities Company Limited	RMB bonds	RMB12.0 billion
Implementation Status of the Authorisation by the 2013 Annual General Meeting			
24 June 2015	CITIC Securities Company Limited	RMB bonds	RMB2.5 billion
Implementation Status of the Authorisation by the 2014 Annual General Meeting			
16 November 2016	CITIC Securities Company Limited	RMB bonds	RMB2.5 billion
16 February 2017	CITIC Securities Company Limited	RMB bonds	RMB2.0 billion
24 May 2017	CITIC Securities Company Limited	RMB subordinated bonds	RMB2.3 billion
25 October 2017	CITIC Securities Company Limited	RMB subordinated bonds	RMB4.9 billion
20 April 2017	CITIC Securities Finance MTN Co., Ltd.	USD medium-term notes	US\$500 million (equivalent to RMB3,262.45 million)
Implementation Status of the Authorisation by the 2016 Annual General Meeting			
16 March 2018	CITIC Securities Company Limited	RMB bonds	RMB1.7 billion
9 May 2018	CITIC Securities Company Limited	RMB bonds	RMB2.5 billion
13 June 2018	CITIC Securities Company Limited	RMB bonds	RMB3.0 billion
17 October 2018	CITIC Securities Company Limited	RMB subordinated bonds	RMB5.0 billion
5 November 2018	CITIC Securities Company Limited	RMB subordinated bonds	RMB4.0 billion
August 2017– December 2018	CITIC Securities Company Limited	Beneficiary certificates	RMB183 million

Date of Issue	Issuing Entity	Type of Debt Financing Instrument	Remaining Size
Implementation Status of the Authorisation by the 2017 Annual General Meeting			
February 2019– November 2019	CITIC Securities Company Limited	RMB bonds	RMB18.2 billion
February 2020– November 2020	CITIC Securities Company Limited	RMB bonds	RMB70.6 billion
23 July 2019	CITIC Securities Company Limited	Financial bonds	RMB9.0 billion
April 2019– May 2019	CITIC Securities Company Limited	RMB subordinated bonds	RMB5.5 billion
March 2020	CITIC Securities Company Limited	RMB subordinated bonds	RMB2.0 billion
January 2019– December 2020	CITIC Securities Company Limited	Beneficiary certificates	RMB31.898 billion
10 December 2018	CITIC Securities Finance MTN Co., Ltd.	USD medium-term notes	US\$300 million (equivalent to RMB1,957.47 million)
24 October 2019	CITIC Securities Finance MTN Co., Ltd.	USD medium-term notes	US\$700 million (equivalent to RMB4,567.43 million)
3 June 2020	CITIC Securities Finance MTN Co., Ltd.	USD medium-term notes	US\$1.0 billion (equivalent to RMB6,524.9 million)

Note: The equivalent RMB amount of the US dollar amount is calculated based on the central parity exchange rate at the end of 2020 (US\$1= RMB6.5249).

Considering the relatively long cycle for convening general meetings of the Company and a series of procedures including regulatory approval and filing procedures that are required to be performed after the general meetings, the Company proposed to re-apply for the issuances of Onshore and Offshore Corporate Debt Financing Instruments, in order to ensure the successful launch of relevant financing tasks, grasp market opportunities in a timely manner, satisfy the business development needs of the Company, further replenish the working capital of the Company and adjust the debt structure. The issuances of Onshore and Offshore Corporate Debt Financing Instruments include to:

1. issue the Onshore RMB Debt Financing Instruments on a one-off or multiple issuances or multi-tranche issuances basis, including but not limited to RMB-denominated corporate bonds, debt financing asset-backed securities and other RMB Debt Financing Instruments which may be issued by the Company as approved by or filed with the CSRC and other relevant authorities in accordance with the relevant regulations;

2. issue the Offshore Debt Financing Instruments on a one-off or multiple issuances or multi-tranche issuances basis, including but not limited to US dollar, offshore RMB or other foreign currency denominated bonds (including USD denominated subordinated bonds), the establishment of programme(s) for and continuing issuances of medium-term notes, etc., as well as foreign currency notes including but not limited to commercial paper.

The Company applied for a general authorisation for issuances of the Onshore and Offshore Corporate Debt Financing Instruments, details of which are as follows:

1. Issuing Entity, Size of Issuance and Method of Issuance

The Company or its wholly-owned subsidiary(ies) will be the issuing entity(ies) of the RMB Debt Financing Instruments, in case debt financing asset-backed securities are issued, the Company or its wholly-owned subsidiary(ies) will be the originator(s) and assets servicing agency(ies). The RMB Debt Financing Instruments that will be approved by or filed with the CSRC and other relevant authorities in accordance with the relevant regulations will be issued on a one-off or multiple issuances or multi-tranche issuances basis through public offerings in the PRC or through private placements to the professional investors in accordance with CSRC's relevant regulations.

The Company, its branch(es) or its wholly-owned offshore subsidiary(ies) will act as the issuing entity(ies) of the Offshore Debt Financing Instruments. The Offshore Debt Financing Instruments will be issued on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings outside the PRC.

The sizes of the issuances of the Onshore and Offshore Corporate Debt Financing Instruments in total will be no more than 200% of the latest period-end audited net assets of the Company (calculated based on the balance outstanding upon the new issuance and, in the case of an instrument denominated in a foreign currency, based on the central parity exchange rate announced by the People's Bank of China on the date of each issuance), and shall be in compliance with the requirements prescribed in the relevant laws and regulations on the maximum amount of the debt financing instruments to be issued.

The authorised limit of the Debt Financing Instruments is separated from the relevant authorised limits of the previous general meetings of the Company. The use of the authorised limit of each debt financing instrument will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group formed by the Chairman of the Board, the President, the Chief Financial Officer and the Treasurer of the Company to determine in accordance with, among others, the remaining balance and validity period of authorisation of each debt financing instrument, and the specific issuance size and term of each issuance of debt financing instruments.

A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine, at its sole discretion within the aforesaid scope, the issuing entity, size of issuance, tranches of issuance, currency, size of assets disposal, product plan, term of issuance, interest rates of issuance and the method of issuance in accordance with the relevant laws and regulations and the advices and suggestions of the regulatory authorities, the Company's capital needs and the then prevailing market conditions at the time of issuance based on the principle of maximizing the interests of the Company.

2. Type of Debt Financing Instruments

The RMB Debt Financing Instruments will include (as the case may be) short-term commercial papers, financial bonds, corporate bonds, subordinated bonds, subordinated debts, debt financing asset-backed securities, beneficiary certificates, renewable bonds and other types as permitted to be issued by the regulatory authorities.

The Offshore Debt Financing Instruments will include (as the case may be) bonds, subordinated bonds, medium-term notes, foreign currency bills and structured notes.

The terms of each of the subordinated debts or the subordinated bonds to be issued under the issuances of the Onshore and Offshore Corporate Debt Financing Instruments shall not contain any provision for conversion into shares.

A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the types of the Onshore and Offshore Corporate Debt Financing Instruments and the priorities for repayment of creditors in accordance with the relevant regulations and the then prevailing market conditions at the time of issuance.

3. Term of Debt Financing Instruments

The term of the Onshore and Offshore Corporate Debt Financing Instruments shall be no longer than 20 years (inclusive), except issuance of perpetual bonds, with a single term or hybrid type with multiple terms. A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the composition of the actual term and size of each type of the Onshore and Offshore Corporate Debt Financing Instruments in accordance with the relevant regulations and the then prevailing market conditions at the time of issuance.

4. Interest Rate of Debt Financing Instruments

A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group and the underwriter(s) (if any) to determine the interest rate of the issuances of the Onshore and Offshore Corporate Debt Financing Instruments as well as the method of calculation and payment thereof in accordance with the then prevailing domestic market conditions and the relevant regulations relating to the administration of the interest rate of the debt financing instruments (in the case and at the time of an issuance of the RMB Debt Financing Instruments) or in accordance with the then prevailing overseas market conditions (in the case and at the time of an issuance of the Offshore Debt Financing Instruments).

5. Security and Other Arrangements

Depending on the structure of each issuance, the Company, its branch(es) or its wholly-owned subsidiary(ies) may be the issuing entity(ies) of the Onshore and Offshore Debt Financing Instruments to be issued and in case debt financing asset-backed securities are issued, the Company or its wholly-owned subsidiary(ies) will be the originator(s) and assets servicing agency(ies), with a (counter) guarantee to be provided or letter of support and/or keep-well agreement to be issued by the Company, the aforesaid branch(es), the aforesaid wholly-owned subsidiary(ies) and/or a third party. A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the specific arrangement relating to the provision of a (counter) guarantee or the issuance of letter of support or keep-well agreement in accordance with the structure of each issuance.

6. Use of Proceeds

The proceeds raised from the issuances of the Onshore and Offshore Corporate Debt Financing Instruments will be used to meet the business operation needs of the Company, adjust the debt structure of the Company, replenish the working capital of the Company and/or make project investment. A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the specific use of proceeds in accordance with the Company's demand for capital.

7. Issuing Price

A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the issuing price of the Onshore and Offshore Corporate Debt Financing Instruments in accordance with the then prevailing market conditions at the time of issuance and the relevant laws and regulations.

8. Targets of Issue and the Placement Arrangements of the RMB Debt Financing Instruments to the Shareholders of the Company

The targets of the Onshore and Offshore Corporate Debt Financing Instruments shall be the onshore and offshore institutional and/or individual investors or professional investors, which satisfy the conditions for subscription.

The RMB Debt Financing Instruments may be placed to the Shareholders of the Company. A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the specific placement arrangements (including whether to make such placements and the placement proportion, etc.) in accordance with the then prevailing domestic market conditions, the specific matters involved in the offerings and the laws.

9. Listing of the Debt Financing Instruments

A proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to authorise the Authorised Group to determine the relevant matters involved in the application for the listing of the Onshore and Offshore Corporate Debt Financing Instruments in accordance with the actual conditions of the Company and the then prevailing conditions of the domestic and overseas markets.

10. *Validity Period of the Resolutions Passed*

The validity period of the resolutions to be passed at the Annual General Meeting for the issuances of the Onshore and Offshore Corporate Debt Financing Instruments shall be 36 months calculated from the date of approval by the Annual General Meeting.

Where the Board and/or the Authorised Group, during the validity term of the authorisation, decides the issuance or partial issuance of the Onshore and Offshore Corporate Debt Financing Instruments, and provided that the Company has also, during the validity term of the authorisation, obtained the approval, licence, filing or registration from the regulatory authorities on the issuances (if applicable), the Company may, during the validity period of such approval, licence, filing or registration and confirmation, complete the issuance or relevant partial issuance of the Onshore and Offshore Corporate Debt Financing Instruments.

11. *Authorisation for the Issuances of the Onshore and Offshore Corporate Debt Financing Instruments*

To ensure effective coordination of the issuances of the Onshore and Offshore Corporate Debt Financing Instruments and specific matters in the issuance processes, a proposal will be submitted to the Annual General Meeting for authorising the Board and approving the Board to further authorise the Authorised Group to deal with all matters in connection with the issuances of the Onshore and Offshore Corporate Debt Financing Instruments in accordance with the relevant laws, regulations and opinions and suggestions from the regulatory authorities, within the framework and under the principles approved at the Annual General Meeting, and based upon the principle of acting in the best interest of the Company, including but not limited to:

- (1) formation and adjustment of specific plans for the issuances of the Onshore and Offshore Corporate Debt Financing Instruments in accordance with the applicable laws, regulations and relevant provisions from the regulatory authorities as well as resolutions of the Annual General Meeting for such purposes, and based on the actual conditions of the Company and the relevant debt markets, including without limitation, determination of the suitable issuing entity(ies), timing of issuance, specific amount and method of issuance, size of assets disposal, product plan, terms of issuance, targets of issuance and duration, whether to issue on a one-off, multiple issuances, multi-tranche issuances or multiple-category issuances basis and, if on multiple issuances, multi-tranche issuances or multiple-category issuances bases, the size and term of each issuance, tranche and category, the ways in which the nominal value and interest rate are determined, currency (including offshore RMB), pricing methods, issuance arrangements, letter of (counter) guarantee or (counter) guarantee agreement, letter of support or keep-well agreement arrangement, rating arrangements, specific methods of application and purchase, whether to incorporate terms of repurchase or redemption, specific placement arrangements, use of proceeds, registration, listing of the Onshore and Offshore Corporate Debt Financing Instruments and place of listing, measures to mitigate repayment risks, measures to ensure debt repayment, etc. and all matters relating to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments;

- (2) determining to engage intermediary agencies, signing, executing, amending and completing all agreements and documents relating to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments (including but not limited to the sponsorship agreement, underwriting agreement, letter of (counter) guarantee or (counter) guarantee agreement, letter of support or keep-well agreement, bond indenture, engagement letter with intermediary agencies, trust agreement, liquidation management agreement, registration and custody agreement, listing agreement and other legal documents, etc.), and disclosing the relevant information in accordance with the relevant laws, regulations and the listing rules of the places where the Company's securities are listed (including but not limited to the preliminary and final offering memoranda of the issuances of debt financing instruments, and all announcements and circulars, etc. in relation to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments);
- (3) selecting and engaging trustee(s) and clearance/settlement manager(s) for the issuances of the Onshore and Offshore Corporate Debt Financing Instruments, signing the trust agreement(s) and clearance/settlement management agreement(s) and (if applicable) formulating rules for meetings of the holders of the debt financing instruments;
- (4) handling all applications and filings as well as listing matters with regard to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments, including without limitation, preparing, revising and submitting relevant materials for reporting relating to the issuances and listings of the Onshore and Offshore Corporate Debt Financing Instruments and applications in accordance with requirements of relevant regulatory authorities and materials for reporting in respect of (counter) guarantee, letter of support or keep-well agreement to be provided by the Company, the issuing entity(ies) and/or a third party, and signing the relevant documents for applications and filings and other legal documents, handling the reporting, issuance, establishment, filing, listing, transferring and other matters for each specific plan of debt financing asset-backed securities;
- (5) making corresponding adjustments to matters relating to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments according to the opinions and changes in the policies of the regulatory authorities or the changes in market conditions, or determining whether to continue with all or part of the work in respect of the issuances of the Onshore and Offshore Corporate Debt Financing Instruments in accordance with the actual situation, unless re-approval by the Shareholders at the Annual General Meeting is otherwise required pursuant to the relevant laws, regulations and the Articles of Association of the Company;
- (6) dealing with other relevant matters in relation to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments;
- (7) subject to the approval of the above authorisation at the Annual General Meeting, applying for the Board's approval to authorise the Authorised Group to specifically deal with all matters in relation to the issuances of the Onshore and Offshore Corporate Debt Financing Instruments on behalf of the Company in accordance with the resolutions of the Annual General Meeting and the authorisation of the Board.

The above-mentioned authorisation shall remain valid and effective on and from the date when the Shareholders at the Annual General Meeting have considered and approved the resolutions, to the date when the resolutions approved at the Annual General Meeting for approving the Onshore and Offshore Corporate Debt Financing Instruments cease to be effective, or to the date when matters authorised above have been completed (depending on whether all the issuances of the Onshore and Offshore Corporate Debt Financing Instruments have been completed then).

The above resolution has been considered and approved by the Board on 18 March 2021, and is hereby submitted to the Annual General Meeting for its consideration and approval.

XIII. Proposed Rights Issue of A Shares and H Shares

Plan of the Rights Issue

The preliminary principal terms of the plan of the Rights Issue are set out below:

Type and nominal value of the Rights Shares	A Shares and H Shares, each with a nominal value of RMB1.00 per Share.
Method of issuance	The Rights Issue will be conducted by way of issuing Shares to existing Shareholders.
Basis of the Rights Issue and number of the Rights Shares to be issued	Under the A Share Rights Issue, it is proposed that A Rights Shares are to be allotted and issued to all A Shareholders on the basis of up to 1.5 A Rights Shares for every 10 existing A Shares calculated based on the total number of A Shares in issue at the close of the market on the A Share Record Date. Fractional A Rights Share will be dealt with according to the relevant requirements of the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, Shanghai Branch. Under the H Share Rights Issue, it is proposed that H Rights Shares are to be allotted and issued to all Qualified H Shareholders on the basis of up to 1.5 H Rights Shares for every 10 existing H Shares calculated based on the total number of H Shares held by the Qualified H Shareholders as determined on the H Share Record Date. The basis for A Share Rights Issue and H Share Rights Issue is the same.

Calculated by the total issued Shares of 12,926,776,029 as at 31 December 2020, the number of Rights Shares to be issued under the Rights Issue will not exceed 1,939,016,404 Shares (comprising not more than 1,597,267,249 A Rights Shares and not more than 341,749,155 H Rights Shares). If there is any change in the total issued Shares prior to the implementation of the Rights Issue due to bonus issue, capitalization issue or other reasons of the Company, the number of the Rights Shares to be issued will be adjusted based on the total issued Shares after such change. It is proposed that authorisation is to be granted by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting to the Board to make a final decision on the basis of the Rights Issue and the number of the Rights Shares to be issued prior to the issuance of the Rights Shares after taking into consideration the then prevailing market conditions and through consultation with the sponsor(s) (underwriter(s)).

**Pricing principle and
Subscription Price**

The pricing principle of the Rights Issue is as below:

- (i) To make reference to various valuation indicators of the Shares of the Company in the secondary market including price, price-to-book ratio and price-earnings ratio, and consider the business development of the Company as well as the interests of the Shareholders;
- (ii) To take into consideration the funding requirements of the Relevant Projects (as defined below); and
- (iii) To follow the principle of determination by the Board after consultation with the sponsor (s) (underwriter(s)).

The Subscription Price shall be determined using market discount method after taking into consideration the market conditions of A Shares and H Shares prior to the publication of the Rights Issue announcement. It is proposed that authorisation is to be granted by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting to the Board to make a final decision on the Subscription Price prior to the issuance of the Rights Shares after taking into consideration the then prevailing market conditions and through consultation with the sponsor(s) (underwriter(s)). The Subscription Price of the A Rights Shares and the H Rights Shares shall be consistent after exchange rate adjustment.

Target subscribers for the Rights Issue	The target subscribers for the A Share Rights Issue shall be all A Shareholders registered on the register of members kept with China Securities Depository and Clearing Corporation Limited, Shanghai Branch at the close of the market on the A Share Record Date. The target subscribers for the H Share Rights Issue shall be all the Qualified H Shareholders as determined on the H Share Record Date. The Record Date(s) in relation to the Rights Issue will be determined after obtaining the approval by the CSRC on the plan of the Rights Issue.
Arrangement for accumulated undistributed profits of the Company prior to the Rights Issue	The accumulated undistributed profits of the Company prior to the completion of the Rights Issue shall be shared by all Shareholders on a <i>pro rata</i> basis after completion of the A Share Rights Issue and H Share Rights Issue.
Time of issuance	Upon obtaining the approval by the CSRC on the Rights Issue, the Rights Shares will be allotted and issued to all Shareholders in due course within the prescribed period.
Underwriting method	The A Rights Shares will be underwritten on a best efforts basis as required under applicable PRC laws and regulations, and the H Rights Shares will be underwritten in accordance with Rule 7.19(1) of the Hong Kong Listing Rules.
Use of proceeds	<p>The gross proceeds raised from the Rights Issue is expected to be no more than RMB28 billion. The proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the development of flow-based business, the increase in investments to the subsidiaries of the Company, the strengthening of construction of the information system and the replenishment of other working capital (the “Relevant Projects”). The proceeds proposed to be invested in the Relevant Projects shall be no more than RMB19 billion, RMB5 billion, RMB3 billion and RMB1 billion, respectively.</p> <p>If the net proceeds raised from the Rights Issue are less than the amount of proceeds proposed to be invested in the Relevant Projects, the shortfall will be funded by the Company itself. On the condition that the Relevant Projects to be invested will not be changed, the Board may make appropriate adjustments to the sequence and amount of proceeds to be invested in the Relevant Projects according to the actual needs of the Relevant Projects. From the date of approval by the Board on the Rights Issue till the date on which the proceeds raised are available for use, the Company shall invest in the Relevant Projects with internal funds according to the operating conditions and development plans, and after the proceeds become available for use, the Company shall replace the internal funds with the proceeds in accordance with the relevant procedures required under relevant laws and regulations.</p>

Effective period of the resolutions The resolutions on the Rights Issue shall remain valid for a period of 12 months from the date on which the resolutions are considered and approved by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting.

Listing of the Rights Shares Upon completion of the A Share Rights Issue, the A Shares issued under the Rights Issue will be listed on the Shanghai Stock Exchange according to the relevant requirements.

Upon completion of the H Share Rights Issue, the H Shares issued under the Rights Issue will be listed on the Hong Kong Stock Exchange according to the relevant requirements.

Qualified H Shareholders

The Company will despatch the H Share Rights Issue Prospectus to the Qualified H Shareholders including the PRC Southbound Trading Investors (and to the extent permitted by the relevant laws, to the Excluded Shareholders for information purposes only). To qualify for the H Share Rights Issue, a H Shareholder must:

- (i) be registered as a H Shareholder of the Company on the H Share Record Date; and
- (ii) not be an Excluded Shareholder.

Before the commencement of the H Share Rights Issue, the Company will announce the date by which the H Shareholders must lodge any transfer documents in relation to the existing H Shares (together with the relevant H Share certificates) with the Company's H Share registrar, in order for the transferee to be registered as a H Shareholder of the Company on or before the H Share Record Date.

The PRC Southbound Trading Investors will not be excluded from participation in the H Share Rights Issue.

PRC Southbound Trading Investors

The Directors have made the relevant enquiries and were advised that the PRC Southbound Trading Investors may participate in the H Share Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid H Rights Shares on the Hong Kong Stock Exchange under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of H Rights Shares held on the H Share Record Date at the Subscription Price under the H Share Rights Issue in accordance with the relevant laws and regulations. However, China Clear will not support applications by such PRC Southbound Trading Investors for subscription of excess H Rights Shares under the H Share Rights Issue through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. In addition, according to the PRC legal adviser of the Company, the PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in the China Clear are credited with nil-paid H Rights Shares can only sell those nil-paid H Rights Shares on the Hong Kong Stock Exchange via China Clear under Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect and can neither purchase any nil-paid H Rights Shares from nor transfer such nil-paid H Rights Shares to other PRC Southbound Trading Investors.

Save and except for the PRC Southbound Trading Investors and Qualified H Shareholders who have been exempted by or have obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations, according to the PRC legal adviser of the Company, other Shareholders in the PRC are not entitled to participate in the H Share Rights Issue.

H Share Record Date

The H Share Record Date and the trading arrangements for the nil-paid H Rights Shares will be determined by the Board subsequently and once determined, a further announcement will be made by the Company. The H Share Rights Issue is conditional upon the fulfillment of the conditions set out under the section headed “Conditions of the H Share Rights Issue” in this circular. The H Share Record Date will not precede the date of the Annual General Meeting, the date of the A Shareholders Class Meeting, the date of the H Shareholders Class Meeting, or the date on which all relevant approvals of the CSRC and other relevant regulatory authorities in relation to the Rights Issue are granted to the Company.

Trading of the H Rights Shares

Dealings in the H Rights Shares in both their nil-paid and fully-paid forms registered with the H Share registrar of the Company will be subject to the payment of stamp duty in Hong Kong. A further announcement will be made by the Company regarding the trading arrangements for the H Rights Shares (in nil-paid and fully-paid forms) after such arrangements are finalised by the Board.

Status of the H Rights Shares

The H Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the H Shares then in issue. Holders of fully-paid H Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares.

Rights of the Overseas Shareholders

The H Share Rights Issue Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will make enquiries regarding the feasibility of extending the H Share Rights Issue to the Overseas Shareholders. If, based on the advice received from the relevant legal advisers, the Board considers that it is necessary or expedient not to offer the H Rights Shares to certain Overseas Shareholders (who are thus Excluded Shareholders) on account either of the legal restrictions under the laws of the place of his/her/their registered address(es) or the requirements of the relevant regulatory authority or stock exchange in that place, the H Share Rights Issue will not be made available to the Excluded Shareholders.

The Company will, to the extent permitted by relevant laws, send the H Share Rights Issue Prospectus to the Excluded Shareholders for their information only, but the Company will not send any provisional allotment letters or excess application forms to the Excluded Shareholders.

Arrangements will be made for the H Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form, as soon as practicable after the commencement of the dealings in the nil-paid H Rights Shares, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid on a *pro rata* basis to the Excluded Shareholders, and the Company will pay individual amounts of more than HK\$100 to the relevant Excluded Shareholders, provided that the Company will retain individual amounts of HK\$100 or less for its own benefit.

Application for Excess H Rights Shares

Qualified H Shareholders of the Company (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for any H Rights Shares to which unsold entitlements of the Excluded Shareholders relate and for any H Rights Shares provisionally allotted to the Qualified H Shareholders but not accepted.

Application for excess H Rights Shares may be made by completing the excess application form to be despatched to the Qualified H Shareholders together with the H Share Rights Issue Prospectus and lodging the same with a separate remittance for such excess H Rights Shares. Excess H Rights Shares (if available) will, at the sole discretion of the Company, be allocated and allotted on a fair and reasonable basis. All excess H Rights Shares will be allocated to Qualified H Shareholders (other than the PRC Southbound Trading Investors) who have applied for excess H Rights Shares on a *pro rata* basis with reference to their number of excess H Rights Shares applied for. No reference will be made to H Rights Shares comprised in applications by provisional allotment letter or the existing number of H Shares held by the Qualified H Shareholders. If the aggregate number of H Rights Shares not taken up by the Qualified H Shareholders under provisional allotment letters is greater than the aggregate number of excess H Rights Shares applied for through excess application forms, the Company will allocate to each Qualified H Shareholder (other than the PRC Southbound Trading Investors) who applies for excess H Rights Shares in full application. No preference will be given to topping up odd lots to whole board lots. There is no guarantee that Qualified H Shareholders with odd lots of H Rights Shares will be topped up to whole board lots pursuant to their applications for excess H Rights Shares.

Estimated Subscription Price

Based on the total issued Shares of 12,926,776,029 Shares as at the Latest Practicable Date and assuming that (i) the gross proceeds to be raised from the Rights Issue will not exceed RMB28 billion, and (ii) the Rights Issue is to be conducted on the basis of 1.5 Rights Shares for every 10 existing A/H Shares, the Subscription Price is estimated to be not higher than approximately RMB14.44 per Share. The definitive Subscription Price will be determined according to the market conditions and subject to the approval by the CSRC and other relevant regulatory authorities.

Conditions of the H Share Rights Issue

It is expected that the H Share Rights Issue will be conditional upon the fulfilment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the Annual General Meeting;
- (ii) the approval of the Rights Issue by the H Shareholders at the H Shareholders Class Meeting and by the A Shareholders at the A Shareholders Class Meeting, respectively;
- (iii) the approval of the Rights Issue by the CSRC and other relevant regulatory authorities;
- (iv) the Listing Committee of the Hong Kong Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of the delivery of the H Share Rights Issue Prospectus; and
- (v) the delivery to the Hong Kong Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by laws to be filed by and registered with the Companies Registry in Hong Kong.

None of the above conditions for completion of the H Share Rights Issue may be waived by the Company or has been satisfied as at the Latest Practicable Date. If any of the conditions is not fulfilled, the H Share Rights Issue will not proceed.

Conditions of the A Share Rights Issue

It is expected that the A Share Rights Issue will be conditional upon the fulfilment of the following matters:

- (i) the approval of the Rights Issue by the Shareholders at the Annual General Meeting;
- (ii) the approval of the Rights Issue by the H Shareholders at the H Shareholders Class Meeting and by the A Shareholders at the A Shareholders Class Meeting, respectively;
- (iii) the approval of the Rights Issue by the CSRC and other relevant regulatory authorities; and
- (iv) the subscription level of the A Rights Shares by the A Shareholders being at least 70% of the total A Rights Shares to be issued under the A Share Rights Issue.

None of the above conditions for completion of the A Share Rights Issue may be waived by the Company or has been satisfied as at the Latest Practicable Date. If any of the conditions is not fulfilled, the A Share Rights Issue will not proceed.

The H Share Rights Issue and the A Share Rights Issue are inter-conditional upon each other.

Change in Registered Capital and Amendments to the Articles of Association

Upon completion of the Rights Issue, the registered capital of the Company will be increased and certain amendments will be made to the Articles of Association in relation to the increase in the registered capital of the Company due to the Rights Issue. It is proposed that authorisation is to be granted by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting to the Board to make amendments to the Articles of Association in relation to the registered capital and total number of Shares according to the issuance results of the Rights Issue. Upon completion of the Rights Issue, the Company will publish a further announcement in relation to the change in registered capital and the amendments to the Articles of Association in due course, so as to provide details of such amendments to the Shareholders.

Underwriting

The H Share Rights Issue is proposed to be underwritten in accordance with Rule 7.19(1) of the Hong Kong Listing Rules and such underwriting will be conducted in accordance with the requirements of the Hong Kong Listing Rules. Details of the underwriting arrangement in relation to the H Share Rights Issue will be provided to the Shareholders in a further announcement on the H Share Rights Issue to be published by the Company in due course.

However, the A Rights Shares will be underwritten on a best effort basis as required under the applicable PRC laws and regulations. Under the applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares by the A Shareholders is at least 70% of the total A Rights Shares to be issued under the A Share Rights Issue. The rights to subscribe for the A Rights Shares which are not taken up will lapse and no A Shares will be issued or allotted pursuant to such rights.

Theoretical Dilutive Effects

The Company confirms that, as at the Latest Practicable Date, the Rights Issue will not result in a theoretical dilution effect of 25% or more under Rule 7.27B of the Hong Kong Listing Rules.

Publication of Further Announcement in Relation to the H Share Rights Issue and Issuance of H Share Rights Issue Prospectus

Prior to the commencement of the H Share Rights Issue, the Company will make a further announcement and issue the H Share Rights Issue Prospectus, which will contain all relevant details of the Rights Issue, including the definitive basis on which the Rights Shares are to be allotted and issued, the maximum number of the Rights Shares to be issued, the Subscription Price, the period of closure of the register of members for the H Shares and the H Share Record Date, trading arrangements of the H Rights Shares, the arrangements for excess H Rights Shares, the underwriting arrangements and the expected timetable of the Rights Issue.

Reasons for the Rights Issue and Use of Proceeds

The reasons for the Rights Issue are as follows:

- (1) Under the new era background that China's economy has entered the New Normal and the macro economy has transformed from high-speed growth to high-quality development, the deepening reform of capital market and the supply-side reform of securities industry provide historic opportunities for the development of the securities industry. As a leading enterprise in the securities industry, the Company shall actively respond to the national strategy, constantly consolidate its own capital strength, seize the development opportunities of the capital market and the securities industry to further grow bigger, better and stronger;
- (2) With the opening of China's financial market and the deepening reform of the capital market, competition in the securities industry has become increasingly fierce. In recent years, with the operation and management work of the Company progressed steadily, the Company has been consistently ranked first among domestic securities companies in terms of principal businesses and financial indicators. The Rights Issue will help the Company further enhance its capital strength and its capital advantage in the new round of industry competition;
- (3) The development vision of the Company is to become a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world. It strives to maintain the leading position in China and amongst the top in Asia Pacific region for its principal businesses, while fully optimizing and enhancing its business layout, management structure, operation mechanism and appraisal system. Due to the capital-intensive nature of securities industry, the business development of securities companies is closely related to their capital strength, and the capital scale directly determines the business scale. The Rights Issue will further consolidate the Company's capital strength, optimize the capital structure, expand the business scale, and effectively seize market opportunities, which will provide solid capital guarantee for the achievement of strategic goals; and
- (4) Risk management and internal control are critical to the successful operation of securities companies. Since its establishment, the Company has always attached great importance to the construction of risk control mechanism, and achieved standardized operation, stable and healthy development, and high asset quality. Its various financial and business risk supervision indicators meet the regulatory requirements. By increasing the long-term capital and optimizing the capital structure, the Company can enhance its long-term competitiveness and anti-risk ability. Under the background that the current regulatory policies have tightened control on the risk management capabilities of securities companies, the Company needs to maintain long-term capital matching with its asset scale to continuously meet the regulatory requirements. The funds raised from the Rights Issue will help reduce liquidity risk and improve risk resistance of the Company.

In view of the above reasons, the proceeds to be raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the following purposes: (i) up to RMB19 billion will be used for the development of flow-based business; (ii) up to RMB5 billion will be used for the increase in investments to the subsidiaries of the Company; (iii) up to RMB3 billion will be used for the strengthening of the construction of the information system; and (iv) up to RMB1 billion will be used for the replenishment of other working capital. The Directors are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Shareholding Structure of the Company

The following table sets out the Company's shareholding structure as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming the Rights Issue is conducted on the basis of 1.5 Rights Shares for every 10 existing Shares with full subscription for the Rights Shares and assuming no change in the issued share capital of the Company occurs during the period from the Latest Practicable Date to the Record Date):

Class of Shares	Number of issued Shares as at the Latest Practicable Date (before the Rights Issue)	Approximate percentage of the total number of issued Shares	Number of Shares to be issued under the Rights Issue	Number of issued Shares immediately following completion of the Rights Issue	Approximate percentage of the total number of issued Shares immediately following completion of the Rights Issue
A Shares					
CITIC Corporation Limited	1,999,695,746 ¹	15.47%	299,954,362 ⁵	2,299,650,108 ⁵	15.47%
ZHANG Youjun	374 ²	0.000003%	56 ⁵	430 ⁵	0.000003%
Other core connected persons of the Company (directors, supervisors or chief executives of certain subsidiaries of the Company)	2,072,832 ³	0.02%	310,925 ⁵	2,383,757 ⁵	0.02%
Public A Shareholders	8,646,679,377	66.89%	1,297,001,906	9,943,681,283	66.89%
Total number of A Shares	10,648,448,329	82.38%	1,597,267,249	12,245,715,578	82.38%
H Shares					
CITIC Limited	293,000,000 ⁴	2.27%	43,950,000	336,950,000	2.27%
Public H Shareholders	1,985,327,700	15.35%	297,799,155	2,283,126,855	15.35%
Total number of H Shares	2,278,327,700	17.62%	341,749,155	2,620,076,855	17.62%
Total	12,926,776,029	100.00%	1,939,016,404	14,865,792,433	100.00%

The following table sets out the Company's shareholding structure as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming the Rights Issue is conducted on the basis of 1.5 Rights Shares for every 10 existing Shares with 70% subscription level for the A Rights Shares and full subscription for the H Rights Shares and assuming no change in the issued share capital of the Company occurs during the period from the Latest Practicable Date to the Record Date):

Class of Shares	Number of issued Shares as at the Latest Practicable Date (before the Rights Issue)	Approximate percentage of the total number of issued Shares	Number of Shares to be issued under the Rights Issue	Number of issued Shares immediately following completion of the Rights Issue	Approximate percentage of the total number of issued Shares immediately following completion of the Rights Issue
A Shares					
CITIC Corporation Limited	1,999,695,746 ¹	15.47%	299,954,362 ⁵	2,299,650,108 ⁵	15.98%
ZHANG Youjun	374 ²	0.000003%	56 ⁵	430 ⁵	0.000003%
Other core connected persons of the Company (directors, supervisors or chief executives of certain subsidiaries of the Company)	2,072,832 ³	0.02%	310,925 ⁵	2,383,757 ⁵	0.02%
Public A Shareholders	8,646,679,377	66.89%	817,821,732	9,464,501,109	65.79%
Total number of A Shares	10,648,448,329	82.38%	1,118,087,075	11,766,535,404	81.79%
H Shares					
CITIC Limited	293,000,000 ⁴	2.27%	43,950,000	336,950,000	2.34%
Public H Shareholders	1,985,327,700	15.35%	297,799,155	2,283,126,855	15.87%
Total number of H Shares	2,278,327,700	17.62%	341,749,155	2,620,076,855	18.21%
Total	12,926,776,029	100.00%	1,459,836,230	14,386,612,259	100.00%

Notes:

- As at the Latest Practicable Date, CITIC Corporation Limited directly held 1,999,695,746 A Shares, and its ultimate controlling shareholder is CITIC Group.
- As at the Latest Practicable Date, Mr. ZHANG Youjun, the Chairman and an executive Director of the Company, directly held 374 A Shares.
- As known to the Company as at the Latest Practicable Date, a total of 2,072,832 A Shares were held by directors, supervisors or chief executives of certain subsidiaries of the Company.
- As at the Latest Practicable Date, CITIC Limited (the sole shareholder of CITIC Corporation Limited) directly held 293,000,000 H Shares, and its ultimate controlling shareholder is CITIC Group.

5. For the purpose of illustrating the impact of the Rights Issue on the shareholding structure and public float of the Company only and based on the assumptions that (i) no change in the number of Shares held by each of CITIC Corporation Limited, CITIC Limited, Mr. ZHANG Youjun and other core connected persons of the Company occurs during the period from the Latest Practicable Date to the Record Date; and (ii) full subscription for the Rights Shares by each of CITIC Corporation Limited, CITIC Limited, Mr. ZHANG Youjun and other core connected persons of the Company under the Rights Issue, the number of the Rights Shares to be issued to each of CITIC Corporation Limited, CITIC Limited, Mr. ZHANG Youjun and other core connected persons of the Company under the Rights Issue as set out above is calculated by multiplying the basis of the Rights Issue (being 0.15) with the number of Shares held by each of them as at the Latest Practicable Date and is rounded to the nearest whole number.

XIV. Resolution on the Satisfaction of the Conditions for the Rights Issue of the Company

The Company proposed to allot and issue Shares to its existing Shareholders by way of the Rights Issue. In accordance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and normative documents, the Company conducted careful self-inspection on the compliance with the requirements in relation to the relevant qualification and conditions for the rights issue by listed companies after taking into consideration the actual condition of the Company, and is of the view that the Company complies with the provisions and requirements in relation to the rights issue by listed companies under relevant laws, regulations and normative documents and satisfies the qualification and conditions for applying for the rights issue. For statements on the satisfaction of the conditions for the rights issue of the Company, please refer to Annex C of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at each of the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting for Shareholders' consideration and approval by way of a special resolution.

XV. Resolution on the Plan of Public Issuance of Securities by Way of the Rights Issue

For details of this resolution, please refer to the section headed "XIII. Proposed Rights Issue of A Shares and H Shares" of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at each of the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting for Shareholders' consideration and approval by way of a special resolution.

XVI. Resolution on the Proposal of Public Issuance of Securities by Way of the Rights Issue

In order to promote the stable and rapid development of the Company, further enhance the operation capacity of the Company, and strengthen the core competitiveness and sustainability of the Company, the Company proposed to allot and issue Shares to its existing Shareholders by way of the Rights Issue. In accordance with the requirements of the Company Law, the Securities Law, the Administrative Measures, the Offering Regulation Q&A — Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised) (《發行監管問答 — 關於引導規範上市公司融資行為的監管要求(修訂版)》), the Hong Kong Listing Rules and other relevant laws, regulations and normative documents, the Company prepared the Proposal of Public Issuance of Securities by way of the Rights Issue of the Company. For details of the Proposal of Public Issuance of Securities by way of the Rights Issue of the Company, please refer to Annex D of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at each of the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting for Shareholders' consideration and approval by way of a special resolution.

XVII. Resolution on the Feasibility Analysis Report on the Use of Proceeds from the Rights Issue of the Company

In order to promote the stable and rapid development of the Company, further enhance the operation capacity of the Company, and strengthen the core competitiveness and sustainability of the Company, the Company proposed to allot and issue Shares to its existing Shareholders by way of the Rights Issue. In accordance with the requirements of the Company Law, the Securities Law, the Administrative Measures, the Offering Regulation Q&A – Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised), the Hong Kong Listing Rules and other relevant laws, regulations and normative documents, the Company prepared the Feasibility Analysis Report on the Use of Proceeds from the Rights Issue of the Company. For details of the Feasibility Analysis Report on the Use of Proceeds from the Rights Issue of the Company, please refer to Annex E of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at each of the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting for Shareholders' consideration and approval by way of a special resolution.

XVIII. Resolution on the Risk Warning of the Dilution of Immediate Return Under the Rights Issue to Existing Shareholders and Remedial Measures to be Taken in this Respect

In order to protect the legitimate rights and interests of all the Shareholders, the Company proposed to estimate and analyze the impact of the Rights Issue on the dilution of immediate return, and formulate specific remedial measures in this respect in accordance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), the Opinions of the State Council on Further Promoting the Sound Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Guiding Opinions on Matters Concerning the Dilution of Immediate Return by Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) issued by the CSRC and other relevant laws, regulations and normative documents. The Directors and senior management of the Company also made undertakings to ensure the effective performance of the remedial measures. For details of the risk warning of the dilution of immediate return under the Rights Issue to existing Shareholders and remedial measures to be taken in this respect, please refer to Annex F of this circular. For the letter of undertaking by the Directors and senior management of the Company on the performance of the remedial measures for the dilution of immediate return under the Rights Issue, please refer to Annex G of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at each of the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting for Shareholders' consideration and approval by way of a special resolution.

XIX. Resolution on the Proposed Authorization by the General Meetings to the Board to Deal with Relevant Matters in Relation to the Rights Issue at its Full Discretion

In order to complete the Rights Issue in a legal and effective manner, it is proposed by the Company to the General Meetings to authorize the Board to deal with relevant matters in relation to the Rights Issue at its full discretion, including but not limited to:

1. To prepare and implement specific plan for the Rights Issue covering all aspects of the plan of the Rights Issue, including the time of implementation of the Rights Issue, basis of the Rights Issue and number of the Rights Shares to be issued, the Subscription Price, the starting and ending dates of the Rights Issue, and the actual size of proceeds from the Rights Issue, pursuant to the resolutions of the General Meetings after taking into consideration the actual circumstances and to such extent as the relevant laws, regulations and other normative documents would allow;
2. Under the principle of maximizing the interests of the Company and for the purpose of the Rights Issue, to make necessary adjustments to the plan of the Rights Issue, including but not limited to, the adjustments to the Relevant Projects in which the proceeds from the Rights Issue are to be invested, the amount of proceeds to be invested therein and the schedule thereof, as well as the adjustments to the basis of the Rights Issue and number of the Rights Shares to be issued and the Subscription Price, and proceed with the Rights Issue in accordance with any forthcoming requirements, guidelines and policies in relation to rights issue to be implemented by the state or securities regulatory authorities, the then prevailing market conditions, the opinions from the stock exchanges at the place where the Shares of the Company are listed and the actual needs of the Company, and to the extent not required to be considered and approved at the Shareholders' general meeting in accordance with relevant laws, regulations, normative documents and the Articles of Association of the Company;
3. To sign, amend, submit and execute all agreements, contracts and documents in relation to the Rights Issue, and to make relevant applications in relation to the Rights Issue;
4. To open a dedicated account for the proceeds from the Rights Issue;
5. To amend relevant articles in relation to, among others, the registered capital and total number of Shares in the Articles of Association of the Company, and to make arrangements for capital verification, proceed change of registration procedures with the relevant industrial and commercial administrations and complete relevant filings and other relevant matters according to the issuance results of the Rights Issue;
6. To register the Shares issued under the Rights Issue and arrange for listing on the Shanghai Stock Exchange and the Hong Kong Stock Exchange following the completion of the Rights Issue;
7. To repay any subscriber of the Rights Shares an amount equivalent to the Subscription Price together with any bank interest accrued thereon in the event of a failed Rights Issue due to the A Rights Shares subscribed by existing Shareholders at the end of the underwriting period of the A Share Rights Issue represent less than 70% of the A Rights Shares to be issued under the A Share Rights Issue;
8. To make other arrangements in relation to the Rights Issue;

9. Subject to obtaining the above-mentioned authorizations, to authorize the Board to delegate its authority (except those not permitted by relevant laws, regulations, normative documents and the Articles of Association of the Company) to the management of the Company to handle items 1 to 8 above in accordance with the relevant policies and procedures.

The authorizations under items 5, 6 and 7 above will take effect from the date of approval by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting and continue during the existence of the relevant matters, and the other authorizations under the remaining items shall be valid for 12 months from the date of approval by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at each of the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting for Shareholders' consideration and approval by way of a special resolution.

XX. Resolution on the Shareholders' Return Plan of the Company for 2021–2023

In accordance with the requirements of the Company Law, the Securities Law, the Notice of the China Securities Regulatory Commission on Further Implementing Matters in Relation to the Cash Dividend Distribution of Listed Companies (《中國證券監督管理委員會關於進一步落實上市公司現金分紅有關事項的通知》), the No. 3 Regulatory Guideline of the Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》), the Guideline of the Shanghai Stock Exchange for Cash Dividend Distribution of Listed Companies (《上海證券交易所上市公司現金分紅指引》), the Articles of Association and other relevant documents, and after taking into consideration the strategic development goal, operating plan, profitability, Shareholders' return and social capital cost of the Company, as well as the external funding environment and other factors, the Company prepared the Shareholders' Return Plan of the Company for 2021–2023. For details of the Shareholders' Return Plan of the Company for 2021–2023, please refer to Annex H of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at the Annual General Meeting for Shareholders' consideration and approval by way of a special resolution.

XXI. Resolution on the Use of Previous Proceeds

In accordance with the Regulations on the Report on the Use of Previous Proceeds and other relevant laws, regulations and normative documents, the Company prepared the Report on the Use of Previous Proceeds of the Company. For details of the Report on the Use of Previous Proceeds, please refer to Annex I of this circular.

The above resolution has been considered and approved by the Board on 26 February 2021 and will be put forward at the Annual General Meeting for Shareholders' consideration and approval by way of a special resolution.

Dear Shareholders,

The year of 2020 marks the 25th anniversary of the establishment of CITIC Securities. In line with the work policy of “expanding market exploration with constant efforts, and improving its ability to serve customers so as to promote the Company’s high-quality and sustainable development” outlined at the beginning of this year, the Company actively work on epidemic prevention and control, operation and management works have achieved fully steady progresses, coupled with stable growth in all financial indicators and continuing top market ranking in various businesses, with regulatory classification and evaluation maintaining AA rating.

I. Overall Operation Management in 2020

In 2020, the Company recorded an operating revenue of RMB54.383 billion, representing a year-on-year increase of 26.06%; a net profit of RMB14.902 billion, representing a year-on-year increase of 21.86%; return on equity of 8.43%, representing a year-on-year increase of 0.67 percentage point. At the end of 2020, the total assets of the Company amounted to RMB1,052.962 billion, representing a year-on-year increase of 33%; and the net asset amounted to RMB181.712 billion, representing a year-on-year increase of 12.43%. The main operating measures of the Company are as follows:

Serving the real economy, facilitating national strategies and preventing financial risks. The Company provided comprehensive financial services for new economy and innovation startups through serving the transformation and upgrade of the enterprises capital market; implemented inclusive finance, actively served three pillars of pension, and facilitated the clients to realize the preservation and appreciation of wealth through providing comprehensive financial products and services; and participated in various bailout projects to proactively prevent and mitigate financial risks.

Playing the role of a mediator in the capital market and supporting the resumption of work and production in enterprises. The Company promptly donated RMB20 million to the Wuhan Charity Federation and continuously provided goods and materials as well as fund support for all walks of life. The Company exercised in full its mediator function for investment and financing in the capital market, comprehensively providing precise financial services for the epidemic prevention and control as well as the resumption of work and production in enterprises, and underwrote the issuance of 55 epidemic prevention and control related bonds with an accumulated amount of RMB147.2 billion, which firmly supported the operation and development of related enterprises.

Implementing global integrated vertical management and effectively promoting overseas business. The Company officially implemented global integrated vertical management, continuously improved the management mode, set up global business management committees for investment banking, equity derivatives, institutional stock, fixed income, etc. to promote an integrated construction of all global business lines and realize the global synergetic development of all business lines. The Company completed several influential overseas equity financing projects and increased its efforts to develop important clients such as JD.com and China Yangtze Power.

Consolidating the client foundation, actively exploring the market and innovating products and businesses. The Company strengthened “the customer-oriented” strategy, enhanced regional market coverage and promoted the implementation of comprehensive business in all regions, with investment banking, wealth, stock sales, equity derivatives, securities finance and custody and other businesses ranking top 3 in various regional markets. The Company increased its efforts in product development and design to enrich the product system; the Company firmly promoted the synergetic transformation between strategy research and development and investment research to ensure the long-term steady appreciation of the Company’s assets.

Enhancing the Party building and effectively perform social responsibilities. The Company actively promoted the organic combination of the Party building and corporate governance, and included the Party building into the Articles of Association of the Company. The Company strived to become a good corporate citizen which is enthusiastic about supporting public welfare undertakings, and effectively performed its social responsibilities by way of making donations to education, helping the poor and those in distress, caring for vulnerable groups in society and participating in environmental protection.

II. Major Work of the Board for 2020

In 2020, the Board convened 15 meetings in total, including 14 meetings voted via tele-communications, and one meeting voted by means of on-site combined with tele-communications, at which 43 proposals were considered and approved; it convened 2 general meetings, at which 11 resolutions were proposed.

Six specialized committees under the Board convened 22 meetings, including 18 meetings voted via tele-communications, and 4 meetings voted by means of on-site combined with tele-communications, and the reviewed opinions were reported to the Board in time.

The Board focused on the following work in 2020:

(I) Election of Non-executive Director

After the preliminary review at the 4th Meeting of the Seventh Session of the Board and as approved by the 2019 Annual General Meeting, Mr. WANG Shuhui formally served as a non-executive Director and members of the relevant specialized committees of the Company since 23 June 2020.

As of the end of the Reporting Period, the members of the Seventh Session of the Board of the Company include:

Members of the Board	Positions
ZHANG Youjun	Executive Director and Chairman
YANG Minghui	Executive Director
WANG Shuhui	Non-executive Director
LIU Ke	Independent Non-executive Director
HE Jia	Independent Non-executive Director
ZHOU Zhonghui	Independent Non-executive Director

As of the end of the Reporting Period, members of the committees under the Seventh Session of the Board include:

Specialized committees of the Board	Members
Strategic Planning Committee	ZHANG Youjun, YANG Minghui, WANG Shuhui, LIU Ke
Audit Committee	ZHOU Zhonghui, LIU Ke, HE Jia
Remuneration and Appraisal Committee	LIU Ke, HE Jia, ZHOU Zhonghui
Nomination Committee	LIU Ke, ZHANG Youjun, HE Jia,
Risk Management Committee	YANG Minghui, WANG Shuhui, HE Jia, ZHOU Zhonghui
Related Party Transactions Control Committee	HE Jia, LIU Ke, ZHOU Zhonghui

Note: The first member is the chairman of the relevant specialized committee of the Board.

(II) Changes of the Secretary to the Board

On 11 February 2020, Ms. ZHENG Jing submitted her resignation report to the Board and ceased to serve as the Secretary to the Board, and resigned from her position as the Company Secretary and other positions in the Company. On the same day, the 2nd Meeting of the Seventh Session of the Board of the Company authorized the Chairman of the Company, Mr. ZHANG Youjun, to temporarily perform the duties of the Secretary to the Board. After being appointed at the 1st Meeting of the Seventh Session of the Board of the Company, Mr. WANG Junfeng was formally appointed as the Secretary to the Board of the Company from 30 July 2020. Mr. ZHANG Youjun, the Chairman of the Board, ceased to perform the duties of the Secretary to the Board.

(III) Appointment of Securities Affairs Representative

After being appointed at the 2nd Meeting of the Seventh Session of the Board of the Company, Mr. YANG Baolin was formally appointed as the Securities Affairs Representative of the Company from 14 August 2020.

(IV) Amendments to the Basic Rules of the Company

1. Amendments to the Articles of Association of the Company

The Articles of Association of the Company which was preliminarily reviewed at the 46th Meeting of the Sixth Session of the Board of the Company, and was revised at the 2019 Second Extraordinary General Meeting, took effect on 1 March 2020.

The Proposal on the Change of Registered Capital of the Company and the Amendments to the Articles of Association of the Company was considered and approved at the 5th Meeting of the Seventh Session of the Board of the Company, pursuant to which, it was agreed to change the registered capital of the Company to RMB12,926,776,029, and to amend relevant articles of the Articles of Association of the Company. According to the authorization under the Proposal on the Authorization to the Board to Deal with Matters Relating to the Transaction at Its Discretion as considered and approved at the 2019 First Extraordinary General Meeting, this matter is not required to be separately submitted to the general meeting of the Company for consideration and approval. The amended Articles of Association of the Company took effect on 28 April 2020.

The Resolution on the Amendments and Improvements to the Articles of Association of the Company was preliminarily reviewed at the 10th Meeting of the Seventh Session of the Board of the Company, and was considered and approved at the 2020 First Extraordinary General Meeting, pursuant to which, it was agreed to amend and improve the Articles of Association of the Company. The amendments added relevant contents in accordance with Article 19 of the Company Law and the relevant requirements regarding incorporation of Party-building work into the articles of association of financial enterprises. The amended Articles of Association of the Company took effect on 18 August 2020.

2. Perfection of the Company's management rules on uncorrupted practicing and anti-money laundering

The Company amended the Integrity Practices of the Company in accordance with the Regulations on the Integrity of Securities and Futures Operation Institutions and their Employees issued by the CSRC. The amendments were preliminarily reviewed by the 2020 1st meeting of the Risk Management Committee of the Board of the Company and were considered and approved at the 4th Meeting of the Seventh Session of the Board of the Company, which took effect from 19 March 2020.

The Company amended the Administrative Measures on Anti-Money Laundering of the Company in accordance with the Guidelines on Risk Management of Money Laundering and Terrorism Financing of Corporate Financial Institutions (Trial), the Preliminary Evaluation of Anti-Money Laundering Classification and Rating in 2019 issued by the Anti-Money Laundering Bureau of the People's Bank of China, and the 2019 Institutional Money Laundering Risk Assessment Report of CITIC Securities considered and approved by the 13th Meeting of the Seventh Session of the Board of the Company. The amendments were preliminarily reviewed by the 2020 4th meeting of the Risk Management Committee of the Board of the Company and were considered and approved at the 16th Meeting of the Seventh Session of the Board of the Company, which took effect from 24 November 2020.

(V) Adjustments of Departments and Branches of the Company**1. *Dissolution of five securities outlets***

The 46th Meeting of the Sixth Session of the Board of the Company considered and approved the Resolution on the Dissolution of Five Securities Outlets, pursuant to which, it was agreed to dissolve five securities outlets including Shanghai Loushanguan Road Securities Outlet, Shanghai CITIC Plaza Securities Outlet, Hangzhou Lijing Road Securities Outlet, Hangzhou Moganshan Road Securities Outlet and Jiaxing Fanggong Road Securities Outlet; and authorise the management of the Company to proceed with procedures relating to the dissolution. The Company has completed the dissolution of the aforementioned five securities outlets in 2020.

2. *Adjustment of the General Administration Department setting (subsequent events)*

After the preliminary review at the 2020 5th Meeting of the Strategic Planning Committee of the Board of the Company, the 17th Meeting of the Seventh Session of the Board of the Company considered and approved the Resolution on the Adjustment of the General Administration Department Setting, pursuant to which, it was agreed that the General Administration Department shall cease to be a first-tier department of the Company and would be affiliated to the General Manager's Office. The Company has completed the aforementioned adjustment in January 2021.

3. *Acquisition of certain securities outlets of CITIC Securities South China (subsequent events)*

The 18th Meeting of the Seventh Session of the Board of the Company considered and approved the Resolution on the Acquisition of 31 Securities Outlets from CITIC Securities South China outside the Five Provinces, pursuant to which, it was agreed to acquire 31 securities outlets in the regions excluding Guangdong Province (excluding Shenzhen), Guangxi Zhuang Autonomous Region, Yunnan Province, Hainan Province and Guizhou Province from CITIC Securities South China. At present, the acquisition is in process.

(VI) Equity Investment Management**1. Reducing capital in CITIC Securities (Shandong) Co., Ltd.**

The 33rd Meeting of the Sixth Session of the Board of the Company 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 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. In 2020, the Company has completed its capital reduction in CITIC Securities (Shandong) and the registered capital of CITIC Securities (Shandong) has been changed from RMB2,500 million to RMB2,493.80 million. Both the registration and filing procedures for such capital reduction have been completed.

2. Acquisition of 100% equity interest in Guangzhou Securities Company Limited by issuance of Shares

The 34th Meeting of the Sixth Session of the Board of the Company, the 37th Meeting of the Sixth Session of the Board, the 3rd Meeting of the Seventh Session of the Board and the 2019 1st Extraordinary General Meeting 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**”). The procedures for the transfer of the target assets in relation to the Transaction and the relevant registration of changes with the industrial and commercial authorities have been completed in January 2020. The Company currently holds 100% equity interest in Guangzhou Securities and the name of the former Guangzhou Securities has been changed to CITIC Securities South China Company Limited. On 11 March 2020, the Company issued 265,352,996 Shares and 544,514,633 Shares to Yuexiu Financial Holdings and Financial Holdings Limited respectively to acquire 100% equity interest in the former Guangzhou Securities. The registered capital of the Company has been changed from RMB12,116,908,400 to RMB12,926,776,029. On 27 May 2020, the Company obtained the approval by the Shenzhen Market Supervision and Regulation Bureau on the application for such change of registered capital and completed relevant filing procedures regarding the amendments to the Articles of Association of the Company.

3. Acquisition of 100% equity interest in Guangzheng Lingxiu Investment Company Limited (廣證領秀投資有限公司)

After the preliminarily review at the 2020 1st Meeting of the Strategic Planning Committee of the Board, the 5th Meeting of the Seventh Session of the Board of the Company considered and approved the Resolution on Acquisition of 100% Equity Interest in Guangzheng Lingxiu Investment Company Limited, pursuant to which, it was agreed that the Company will acquire 100% equity interest in Guangzheng Lingxiu Investment Company Limited from CITIC Securities South China at a consideration of the audited net asset value of Guangzheng Lingxiu Investment Company Limited as at 31 January 2020; and CITIC Securities Investment was authorized to assist the Company in handling the specific matters relating to the above-mentioned acquisition. Currently, the equity transfer agreement has been entered into and both the registration and filing procedures for the equity transfer have been completed.

4. Increasing capital in CSI

After the preliminary review at the 2020 2nd Meeting of the Strategic Planning Committee of the Board, the 9th Meeting of the Seventh Session of the Board considered and approved the Resolution on Increasing Capital in CITIC Securities International Company Limited, pursuant to which, it was agreed to increase the Company's capital contribution in CSI by no more than US\$1.5 billion in cash, which will be paid up in tranches according to the development of the Company's overseas balance sheet business, and the first payment will not exceed US\$300 million; and it was also agreed that the management shall handle the filing and approval procedures in relation to the capital increase on the condition that all the risk control indicators of the Company are in line with regulatory requirements. Currently, the relevant procedures for the capital increase are in progress.

5. Investment

After the preliminary review at the 2020 3rd Meeting of the Strategic Planning Committee of the Board, the 14th Meeting of the Seventh Session of the Board considered and approved the Resolution on Investment through Overseas Subsidiaries, pursuant to which, it was agreed that the Company would subscribe for all Class A Shares of Biomedical Future Limited through its indirectly wholly-owned subsidiary, Neptune Connection Limited, at a consideration of US\$83.472 million and participate in the privatization of an overseas listed company; and the management was authorized to deal with, at its sole discretion, the specific matters relating to the transaction, including but not limited to execution of the transaction documents and the commitment letter in relation to the privatization and payment of the capital contribution. Currently, the signing of capital contribution agreement and payment of capital contribution have been completed.

6. *Reducing capital in CITIC Securities South China*

After the preliminary review at the 2020 4th Meeting of the Strategic Planning Committee of the Board, the 16th Meeting of the Seventh Session of the Board considered and approved the Resolution on Reducing Capital in CITIC Securities South China Company Limited, pursuant to which, it was agreed to reduce the Company's capital contribution in CITIC Securities South China by no more than RMB7 billion (inclusive), which will proceed in tranches according to the business operation of CITIC Securities South China; and it was also agreed that the Company's management shall handle the filing and approval procedures in relation to the capital reduction on the condition that all the risk control indicators of CITIC Securities South China are in line with regulatory requirements. Currently, the relevant procedures for the capital reduction are in progress.

7. *Establishment of an asset management subsidiary (subsequent events)*

After the preliminary review at the 2021 1st Meeting of the Strategic Planning Committee of the Board, the 19th Meeting of the Seventh Session of the Board of the Company considered and approved the Proposal on the Establishment of an Asset Management Subsidiary and the Corresponding Change to the Business Scope of the Company. It is agreed that CITIC Securities Asset Management Co., Ltd. (中信証券資產管理有限公司) (tentative name) shall be set up as a wholly-owned subsidiary of the Company with a capital contribution not exceeding RMB3 billion (inclusive, and including the initial registered capital of RMB1 billion) to engage in securities asset management business, management of public offering of securities investment funds and other businesses approved by the regulatory authorities, among which the application for the management of public offering of securities investment funds is subject to the issuance of the relevant regulations. The name and business scope of the subsidiary shall be subject to the approval by the regulatory authority and the registration authority. It is agreed that the Company shall provide a net capital guarantee commitment of no more than RMB7 billion (inclusive) in aggregate to it in accordance with the regulatory requirements and after considering the risk control indicators of the subsidiary; the effective period of the net capital guarantee commitment shall commence from the date of the establishment of the subsidiary and until the date when its capital status can continuously meet the requirements of the regulatory authority; the management shall be authorized to complete the relevant procedures according to the actual needs and the regulatory requirements. It is agreed that after the establishment of the subsidiary, it shall inherit the securities asset management business of the Company. It is agreed to amend the business scope of the Company in relation to "securities asset management" accordingly, and the operation management is authorized to formulate and adjust the specific expression of the business scope of the Company and the subsidiary, submit regulatory application materials, handle the change of the business scope of the Company, handle the change of relevant industrial and commercial registration, and renew the securities business license, etc. It is agreed that the Company's management shall be authorized to handle the preparation, approval, establishment and registration of the subsidiary at its sole discretion.

(VII) Standardizing the Publicly-offered Collective Investment Schemes of the Company

In accordance with the Resolution on Standardizing the Publicly-offered Collective Investment Schemes of the Company as considered and approved unanimously by the 35th Meeting of the Sixth Session of the Board, the matters relating to rectification and standardization of the publicly-offered collective investment schemes of the Company are being executed in an orderly manner. Currently, eight applications for modifications to the contracts of the publicly-offered collective investment schemes of the Company have been approved by the CSRC and the schemes are managed normally following the model of public funds. The rectification and standardization of other publicly-offered collective investment schemes of the Company are being processed in an active and orderly manner.

(VIII) Authorization granted to the management to decide on the establishment and dissolution of securities branches

The 6th Meeting of the Seventh Session of the Board considered and approved the Resolution on Authorizing the Management to Decide on the Establishment and Dissolution of Securities Branches, pursuant to which, it was agreed that the management was authorized by the Board to decide on the following matters: the establishment of securities branches within the scope of investment authority of the Board as set out in the Articles of Association of the Company, and the operating capital of each newly established securities branch shall not exceed RMB5 million; the dissolution of securities branches after a comprehensive and reasonable assessment on the net income size, number of effective customers and customers' assets, the number of front office employees, the level of employee productivity, and the network layout of the existing securities branches.

(IX) Equity financing (subsequent events)

The 2021 2nd meeting of the Strategic Planning Committee of the Board and the 20th Meeting of the Seventh Session of the Board of the Company preliminarily considered and approved the Proposal on the Issuance of Securities by way of Rights Issue and other relevant proposals. The type of the Shares to be issued and allotted under the Rights Issue are A Shares and H Shares, each with a nominal amount of RMB1.00 per Share, which will be issued and allotted to all the existing A Shareholders and H Shareholders on the basis of up to 1.5 Rights Shares for every 10 existing Shares. The subscription price shall be determined using market discount method and it is proposed that authorization is to be granted by the general meeting to the Board to make a final decision on the subscription price prior to the issuance of the Rights Shares after taking into consideration the then prevailing market conditions and through consultation with the sponsor(s) (underwriter(s)). The accumulated undistributed profits of the Company prior to the completion of the Rights Issue shall be shared by all Shareholders on a *pro rata* basis after completion of the A Share Rights Issue and H Share Rights Issue. Upon obtaining the approval by the CSRC on the Rights Issue, the Rights Shares will be allotted and issued to all Shareholders in due course within the prescribed period. The A Rights Shares will be underwritten on a best effort basis, and the H Rights Shares will be underwritten. The gross proceeds raised from the Rights Issue is expected to be no more than RMB28 billion. The proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the development of flow-based business, the increase in investments to the subsidiaries of the Company, the strengthening of construction of the information system and the replenishment of other working capital. Upon the completion of the Rights Issue, the A Shares and H Shares issued under the Rights Issue will be listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The proposal of the Rights Issue is subject to the consideration and approval by the Shareholders at the Shareholders' general meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting of the Company (the effective period of the relevant resolutions shall be 12 months) and the approval by the CSRC.

(X) Debt Financing

During the Reporting Period, the Company publicly issued 12 tranches of corporate bonds with an aggregate issuance amount of RMB65 billion, and non-publicly issued a tranche of corporate bonds with an issuance amount of RMB5.6 billion and a tranche of subordinated bonds with an issuance amount of RMB2 billion to replenish working capital of the Company and repay debt financing instruments; the Company issued 13 tranches of short-term commercial papers with an aggregate issuance amount of RMB61 billion to replenish working capital; the Company issued 2,517 tranches of beneficiary certificates with an aggregate issuance amount of RMB108.106 billion to replenish working capital of the Company. In accordance with the relevant requirements of the Administrative Measures for the Issuance and Transactions of Corporate Bonds, the Company established special accounts for the proceeds from issuance of each tranche of corporate bonds and subordinated bonds for the collection, storage and transfer of proceeds, and the collection and management of the payment of interest and redemption of principal. As at the end of the Reporting Period, proceeds of each tranche of bonds were used up and was used in line with the purpose, usage plan and other agreements in the offering circular.

(XI) Material Guarantees

In accordance with the relevant regulations and requirements of the Notice Concerning Several Issues on Regulating the Capital Movement Between Listed Companies and their Related Parties and the External Guarantees Provided by Listed Companies (Zheng Jian Fa [2003] No. 56), and based on their acknowledgement and investigations of the relevant situations of the Company and the information provided by the Company, the Independent Non-executive Directors issued the following statements and independent opinions regarding the aggregate and current guarantees of the Company during the Reporting Period:

According to the resolution approved at the Shareholders' general meeting, and upon deliberation by the duly authorized working group, the Company provided 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 guarantee amount was US\$3 billion and the scope of the guarantee includes the principal, interest and other contingent account payables of overseas notes. As at the end of the Reporting Period, the aggregate balance of existing notes under the above-mentioned medium-term notes program was US\$2.5 billion, specifically: in 2017, CITIC Securities Finance MTN made a drawdown under the medium-term notes program to issue five-year notes with an issue size of US\$500 million; in 2018, CITIC Securities Finance MTN made a drawdown under the medium-term notes program to issue three-year notes with an issue size of US\$300 million; in 2019, CITIC Securities Finance MTN made a drawdown under the medium-term notes program with an issue size of US\$700 million, including three-year notes of US\$500 million and five-year notes of US\$200 million; during the Reporting Period, CITIC Securities Finance MTN made a drawdown under the medium-term notes program with an issue size of US\$1 billion, including three-year notes of US\$500 million and five-year notes of US\$500 million.

According to the resolution approved at the Shareholders' 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 US\$3,000 million. The scope of the guarantee includes the principal, interest and other contingent account payables of overseas notes. During the Reporting Period, CITIC Securities Finance MTN issued 12 tranches of Euro-commercial papers in aggregate with a total issue size of US\$854 million. As at the end of the Reporting Period, the balance of existing notes was US\$378 million.

According to the resolution approved at the 2019 First Extraordinary General Meeting, the Company provided joint and several liability guarantee for the subordinated bonds issued by Guangzhou Securities (renamed as "CITIC Securities South China") with a total issuance size of not more than RMB4 billion and a term of no more than 7 years, the scope of which includes the principal of the guaranteed bonds and interest payable, default penalty, damages, all expenses incurred for realizing the creditor's rights and other fees payable. As at 31 December 2020, the outstanding balance of the above existing bonds was RMB1,010 million.

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 mainly included loan guarantees, guarantees for medium-term notes and the guarantees for the transactions under the International Swaps and Derivatives Association agreements (ISDA) and Global Master Securities Lending agreements (GMSLA) entered into with counterparties. The amount of the above-mentioned guarantee was approximately RMB33,948 million as at 31 December 2020.

In addition, CSI and CLSA B.V. have issued unlimited guarantees for various International Swaps and Derivatives Association agreements (ISDA), 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 practices in the international banking industry and capital market, which allow the banks and other financial institutions trading with CSI, CLSA B.V. and their subsidiaries to assume 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 is impracticable, however, since both CSI and CLSA B.V. are companies with limited liabilities, the absolute maximum exposure of these guarantees in aggregate would alternatively be limited to the respective net asset value of CSI and CLSA B.V..

The above-mentioned debt guarantees directly or indirectly provided to guaranteed parties with a gearing ratio of more than 70% amounted to RMB51,850 million, all of which were guarantees provided by the Company and its overseas subsidiaries to their respective subsidiaries to meet the needs of business operations.

(XII) Management of Related Party/Connected Transactions

The Board has established the Related Party Transactions Control Committee to supervise and implement administrative system of related party/connected transactions of the Company, and to carry out review on material related party/connected transactions. In addition, the Independent Non-executive Directors of the Company voted on each related party/connected transaction of the Company and issued their independent opinions, so as to ensure that the related party/connected transactions were conducted on normal commercial terms and in the interests of the Shareholders as a whole.

The Board has conducted related party/connected transactions in strict compliance with the the SSE Listing Rules, the Hong Kong Listing Rules of the place where the Shares of the Company are listed, as well as the Management System for Information Disclosure and the Administrative Measures for Related Party Transactions of the Company. Related party/connected transactions of the Company are conducted under the principles of equity, openness and fairness and the agreements on related party/connected transactions are entered into under the principles of equality, free will, equal value exchange and compensation.

Non-related/connected Directors and the Related Party Transactions Control Committee of the Board considered the estimation of annual related party transactions contemplated in the ordinary course of business of the Company and its semi-annual implementation, the acquisition of assets by issuance of shares and related party transactions, non-exercise of the right of first refusal and formation of joint investment relationship with related party, respectively.

(XIII) Maintenance of Investor Relations

The Board and the Operation Management of the Company value the investor relations work and actively participate in investor management work to enhance the investors' understanding of the Company, and continuously promote the work relating to corporate governance and investor protection.

In 2020, the Company upheld its principle of being open, fair and just, ensured the truthfulness, accuracy and completeness of the information disclosed and disseminated by the disclosures of statutory information. The Company communicates with its investors through telephone, email, online platform, receiving visits, and attending investor meetings with an active and open attitude, to ensure that all Shareholders, especially the minority Shareholders, can fully exercise their rights.

In 2020, the Company organized various communication activities for investors and analysts in accordance with the regulatory requirements and the needs for business development including: two general meetings were held to consider important issues such as the 2019 profit distribution, and amendment to the Articles of Association of the Company, with the presence of the Directors, Supervisors, Senior Management and heads of the relevant business divisions of the Company to explain matters to be discussed at the meetings, introduce the strategic goals and the latest development of the Company to the Shareholders and answer the Shareholders' inquiries, through which the Company was able to achieve satisfactory communication with the Shareholders. The internet press conference for the 2019 annual results and conference call for the publication of the 2020 interim results were held for overcoming the impact of the pandemic. We invited China Securities Investor Services Center (中證中小投資者服務中心) and small and medium-sized investors to participate in such conferences and promoted in-depth understanding of the investors on the operations and performance of the Company. The management of the Company actively communicated with investors, thereby effectively enhancing the investors' understanding of the investment values of the Company, comprehensively advertising the advantage of the Company's business development and effectively leading the market expectations. In 2020, the Company participated in the online reception day for investors of listed companies in Shenzhen administrative area to communicate and discuss the corporate strategy, risk control and financial technology. In addition, investor relations team of the Company maintained smooth and effective communication with investors and analysts, and timely exchanged views on hot topics in the market as well as updates in regulatory policies. The Company also ensured the investor hotline access rate, continuously optimized the functions of the mailbox and the Company's website, timely updated the contents on SSE e-interaction platform, and replied to investors' questions to provide investors with a more convenient, quick, timely and comprehensive method to understand the development of the Company.

(XIV) Internal Control Evaluation

In accordance with the requirements of the corporate internal control standard system, it is the responsibility of the Board to establish, improve and effectively implement internal control, assess its effectiveness and truthfully disclose the assessment report on internal control. The Supervisory Committee oversees the establishment and implementation of internal control by the Board. The managers are responsible for organizing and steering the daily operation of corporate internal control.

The internal control of the Company aimed to provide reasonable assurance for the legal compliance of operation and management, safety of assets, truthfulness and completeness of financial reports and relevant information, improve operational efficiency and effectiveness so as to facilitate the realization of development strategies. Due to the inherent limitations of internal control, only reasonable assurance can be provided to achieve the above objectives. Moreover, given changes in circumstances may render the internal control inappropriate, or reduce the level of compliance of policies and procedures of the internal control, predicting effectiveness of future internal control based on the appraisal results of internal control may involve certain risks.

The Audit Committee of the Board assists the Board in independently reviewing the Company's financial condition and the implementation and effects of the internal control system, and reviewing and supervising the results of the Company's internal audit work. There were no significant internal control issues found during the relevant review. The Board was of the view that the existing risk management and internal control systems were effective and sufficient during the year and as of the disclosure date of the 2020 Annual Report of the Company.

(XV) Due performance of Information Disclosure Obligation

During the Reporting Period, the Company made information disclosure truthfully, accurately and completely in strict compliance with the laws, regulations, the Articles of Association of the Company and the Management Measures on Information Disclosure so as to ensure the timeliness and fairness of information disclosure. The Company obtained Grade A in the SSE's annual information disclosure rating.

In 2020, the Company disclosed a total of approximately 320 documents (among which, the traditional Chinese and English versions are calculated as one document) on the website of the SSE and the HKEXnews website of Hong Kong Exchanges and Clearing Limited, including regular reports, interim announcements, documents in relation to corporate governance and circulars to the Shareholders.

In 2020, the Information Disclosure Management System, the Registration System for Person Informed of Inside Information and other relevant systems of the Company were effectively implemented, the Company's information disclosure was further regulated, the Company's information disclosure management level and quality of information disclosure were enhanced, the principle of fairness of information disclosure was maintained, and the legal rights of investors were protected. Meanwhile, the Information Disclosure Management System and the Company's internal system provided clear requirements on the reporting, delivery, review and disclosure procedures for significant matters of the Company and were implemented in a sound way.

(XVI) Convening of General Meetings and Fully Implementing the Resolutions of the Meetings

The Board of the Company duly performed its responsibility as the convener of the general meetings in accordance with the requirements of laws, regulations and the Articles of Association of the Company. In 2020, the Board of the Company convened one annual general meeting and one extraordinary general meeting, at which 11 resolutions were submitted to the general meetings.

The Board of the Company strictly implemented all resolutions approved at the general meetings and successfully completed the 2019 profit distribution, re-appointment of accounting firms, the election of non-executive Director of the Company, amendments to the Articles of Association of the Company and carried out the work in relation to the acquisition of 100% equity interest in Guangzhou Securities by issuance of Shares.

(XVII) Actively Leveraging on Financial Advantages and Performing Social Responsibilities

In 2020, the Company has firmly established and maintained a good image of integrity, abidance by law and impartiality and has paid taxes according to law. The Company proactively takes up the responsibilities of promoting social and economic development and driving the advancement of the securities industry, continues to deepen the construction of corporate culture, actively serves the transformation of the real economy, supports capital market reforms such as the GEM Registration Mechanism, and makes positive contributions to the preservation and appreciation of social wealth as well as the healthy and steady development of the capital market of the PRC. The Company strives to become a good corporate citizen who is enthusiastic about supporting public welfare undertakings, and actively performs social responsibilities by way of making donations to education, powering alleviation and helping the poor, caring for vulnerable groups in society and participating in environmental protection. The Company and its subsidiaries actively participated in the fight against the COVID-19 epidemic, donated RMB20 million to the Wuhan Charity Federation as fast as we can, continued to provide material and financial support to all sectors of society, and gave full play to the role of securities companies as investment and financing intermediaries in the capital market. The Company vigorously underwrote to issue the epidemic prevention and control bonds to strongly support the business development of relevant enterprises.

III. Performance of Duties by Directors

In 2020, the Directors of the Company faithfully and diligently performed their duties and obligations in accordance with laws, regulations and the Articles of Association of the Company. The Directors of the Company attended meetings of the Board and meetings of relevant specialized committees in accordance with relevant requirements, at which every proposal was duly considered, and opinions and advices were put forward. They read all sorts of documents and reports provided by the Company carefully during the period between each Board meeting, which enabled them to understand the operating and management condition of the Company in time.

Executive Directors duly performed their dual duties of making and executing decisions, actively implemented the decisions made by the general meetings and the Board, thus effectively served as the bridge between the Board and the management. Non-executive Directors conducted thorough study on the development strategy and operation strategy of the Company and understood the operating and management condition and the scientific and sound decision making of the Company in time through investigations and research and communication, which demonstrated their high level of responsibility. Independent Non-executive Directors maintained communication with the Company by means of teleconference, attended meetings of the Board and the relevant specialized committees, expressed independent and objective opinions, actively protecting the interest of minority Shareholders by asserting their professional strengths, and actively contributed to the Company's development.

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

Name of director	Position	Required attendance during the year	Attendance in person	Attendance by means of tele-conference	Attendance by proxy	Absence	Mode of attendance at on-site meeting
ZHANG Youjun	Executive Director and Chairman of the Board,	15	15	14	—	—	On-site
YANG Minghui	Executive Director	15	15	14	—	—	On-site
WANG Shuhui	Non-executive Directors	8	8	8	—	—	—
LIU Ke	Independent Non-executive Director	15	15	14	—	—	Conference call
HE Jia	Independent Non-executive Director	15	15	14	—	—	Conference call
ZHOU Zhonghui	Independent Non-executive Director	15	15	14	—	—	Conference call
Board meetings held during the year			15				
Among which: Number of meetings held by telecommunications			14				
Number of meetings held on-site and via tele-communications			1				

Note: During the term of office of Mr. WANG Shuhui in 2020, the Company held 8 Board meetings by telecommunications, and he attended all such meetings.

IV. Performance of Duties by Senior Management

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

During the Reporting Period, various management work of the Company was progressed steadily, and the Senior Management performed their duties properly. The management work achieved positive results, and the Company's business results, and main business are still in top tier of the industry. The Company further improved its risk and compliance management system, enriched monitoring means and measures for risk prevention, controlled and reduced various types of risk and compliance incidents. The Company promoted the construction of a comprehensive, refined, automated, and intelligent information system to strengthen data governance and use. The Company strengthened the management and application of core data of human resources and improve the tracking of performance during the process. The Company also promoted the construction of an integrated domestic and overseas financial management system, strengthened cost management and control, to improve the efficiency of financial centralization and intensification.

In 2020, the Remuneration and Appraisal Committee of the Board conducted an assessment on the operation of the Company and the annual performance of senior management and determined the total performance-based annual remuneration of the senior management of the Company. Based on the assessment results and a set of refined and classified standards, the Chairman of the Company determined the performance-based annual remuneration of each member of the senior management. The Company will continue to improve its internal management. For the assessment on the performance of the senior management, in addition to the evaluation of financial performances and completion of annual key tasks in their respective business scope in charge, the Company will also focus on the professional ethics and risk awareness of legal compliance.

V. Key Work of the Company's Operation Management in 2021

In 2021, the Company will follow the guidance of XI Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly learn and implement the guidelines at the Fifth Plenary Session of the 19th Central Committee of the CPC, summarize its valuable experience in implementing national strategy and serving the real economy over the past 25 years, expand market exploration with constant efforts, and improve its ability to serve customers to promote the high-quality and sustainable development of the Company. Priority works include: taking the opportunity of capital market deep reform and the historical opportunity of comprehensive implementation of the registration-based initial public offering mechanism and increasing the proportion of direct financing to expand the scale of financing business, thus giving full play to the advantages of financing business to support the development of real economy; making more efforts in developing customers in new economic sectors, promoting the transformation of existing customers from traditional industries to new economic sectors, improving the business layout in such key regions as the Beijing-Tianjin-Hebei Region, Yangtze River Delta region, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River economic belt and Hainan Free Trade Port, deeply participating in the regional strategy of China and solidly promoting regional market development; strengthening technological empowerment and construction of a globalized information system based on new-generation technologies, such as big data, cloud computing, artificial intelligence, blockchain and 5G; and improving internal control system construction, regulating internal control activities from such aspects as organizational structure, division of responsibilities, collaboration and working methods and procedures, and firmly sticking to the bottom line of financial risks.

The above is the 2020 Work Report of the Board, which is proposed to the Annual General Meeting for its consideration.

Dear Shareholders,

Pursuant to the relevant requirements of laws, regulations and the Articles of Association, the 2020 Work Report of the Supervisory Committee is hereby drafted as follows:

In 2020, the Supervisory Committee of the Company strictly complied with the provisions of the Company Law and the Articles of Association, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site meetings of the Board and general meetings, made reports to the general meeting and submitted its working report and relevant proposals. Based on the principle of being accountable to all Shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company's finance and the performance of duties by the Board and the Operation Management of the Company.

I. Meetings of the Supervisory Committee and Attendance of Supervisors during the Reporting Period

In 2020, the Supervisory Committee of the Company convened 6 meetings in total. Details of which are as follows:

1. During the 2nd Meeting of the Seventh Session of the Supervisory Committee of the Company held on 6 March 2020 by means of teleconference, the Supervisory Committee considered and approved unanimously the Proposal on Entering into a Supplementary Agreement on the Acquisition of Assets by Issuance of Shares and Related Party Transactions and the Proposal on Compensation by Counterparties based on Impairment Test in the Restructuring Transaction.
2. During the 3rd Meeting of the Seventh Session of the Supervisory Committee of the Company held on 19 March 2020 by means of on-site combined with teleconference, at CITIC Securities Tower, Beijing, the Supervisory Committee agreed to submit the 2019 Annual Report, the 2019 Profit Distribution Proposal, the 2019 Work Report of the Supervisory Committee, the Proposal on the Total Remuneration of the Supervisors of the Company for 2019 to the 2019 Annual General Meeting for discussion and considered and approved unanimously the 2019 Social Responsibility Report and conducted reviews on the 2019 Assessment Report on the Internal Control, the 2019 Audit Report, the 2019 Comprehensive Risk Management Report, the 2019 Management Report on Uncorrupted Practicing, and the 2019 Compliance Report.
3. During the 4th Meeting of the Seventh Session of the Supervisory Committee of the Company held on 28 April 2020 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2020 First Quarterly Report of the Company, and issued written review opinions.
4. During the 5th Meeting of the Seventh Session of the Supervisory Committee of the Company held on 24 June 2020 by means of teleconference, the Supervisory Committee considered and approved unanimously the Resolution on Election of Chairman of the Supervisory Committee of the Company.
5. During the 6th Meeting of the Seventh Session of the Supervisory Committee of the Company held on 24 August 2020 by means of teleconference, the Supervisory Committee considered and approved unanimously the 2020 Interim Report of the Company with written review opinions issued, and reviewed the 2020 Interim Compliance Report of the Company and the 2020 Interim Comprehensive Risk Management Report of the Company.

6. During the 7th Meeting of the Seventh Session of the Supervisory Committee of the Company held on 29 October 2020 by means of teleconference, the Supervisory Committee considered and approved unanimously 2020 Third Quarterly Report of the Company, and issued written review opinions.

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

Name of Supervisor	Position	Required attendance during the year	Attendance in person	Attendance at on-site meetings by other means	Attendance by proxy	Absence	Mode of attendance at on-site meetings
ZHANG Changyi	Supervisor, Chairman of the Supervisory Committee	3	3	—	—	—	—
GUO Zhao	Supervisor	6	6	1	—	—	Conference call
RAO Geping	Supervisor	6	6	1	—	—	Conference call
NIU Xuekun	Employee Representative Supervisor	6	6	—	—	—	On-site
LI Ning	Employee Representative Supervisor	6	6	—	—	—	On-site
Meetings of the Supervisory Committee held during the year			6				
Among which: Number of meetings held on-site			—				
Number of meetings held by tele-communications			5				
Number of meetings held on-site and via tele-communications			1				

Note: Mr. ZHANG Changyi was formally appointed as a Supervisor of the Company as elected by the general meeting on 23 June 2020 and was formally appointed as the Chairman of the Supervisory Committee of the Company as elected by the Supervisory Committee on 24 June. During the term of office of Mr. ZHANG Changyi, the Company held 3 meetings of the Supervisory Committee and he attended all the meetings.

II. Participating in the audit project of the Company and conducting on-site inspections

To ensure the Supervisors to perform their supervision duties, the Supervisory Committee continued to strengthen supervision and inspection of the Company's day-to-day operations. In particular, combined with the Company's audit project, the Supervisors of the Company participated in the on-site opinion exchange sessions on audit held by the Auditing Department about relevant departments, outlets and subsidiaries, and visited some of the subsidiaries.

In 2020, the Supervisory Committee of the Company completed 4 on-site activities in total, details of which are as below:

On 14 August 2020, the Chairman of the Supervisory Committee ZHANG Changyi, Supervisor RAO Geping, and Employee Representative Supervisor NIU Xuekun went to Hujialou Outlet in Beijing to participate in the on-site opinion exchange sessions on audit held by the Auditing Department about the outlet and conducted on-site exchange.

From 19 to 21 August 2020, Chairman of the Supervisory Committee ZHANG Changyi, Supervisor GUO Zhao, Employee Representative Supervisor LI Ning and NIU Xuekun went to the Shaanxi Branch Office of CITIC Securities, learned about the branch office's operational compliance and risk control, participated in the on-site opinion exchange sessions on audit held by the Auditing Department about the Shaanxi Branch Office, and visited the local outlets, unified customer contact center, CITIC Futures Shaanxi Branch Office and other places, and conducted on-site exchange with employees.

From 17 to 18 September 2020, the Chairman of the Supervisory Committee ZHANG Changyi, Supervisor GUO Zhao, RAO Geping, and Employee Representative Supervisor LI Ning and NIU Xuekun went to the Shenzhen Branch Office of CITIC Securities, learned about the branch office's operational compliance and risk control, participated in the on-site opinion exchange sessions on audit held by the Auditing Department about Shenzhen Branch Office and conducted on-site exchange.

From 27 to 28 October 2020, the Chairman of the Supervisory Committee ZHANG Changyi, Supervisor GUO Zhao, RAO Geping, and Employee Representative Supervisor LI Ning went to the Zhejiang Branch Office of CITIC Securities, learned about the branch office's operational compliance and risk control, participated in the on-site opinion exchange sessions on audit held by the Auditing Department about the Zhejiang Branch Office and conducted on-site exchange.

Through on-site inspections, the ways for the Supervisors to perform their duties were further enriched, which improved their understanding of the Company's operations and basic conditions, and effectively enhanced the capabilities of the Supervisor of the Company to supervise the operation and management activities of the Company.

III. Independent opinions of the Supervisory Committee

1. The Company managed to operate in strict compliance with the Company Law, the Securities Law, the Articles of Association of the Company and the relevant rules and regulations of the State, and the decision-making procedure of the Company was legal. The Company was able to continuously improve its internal control system, and none of the Directors and Senior Management was involved in any violation of laws or disciplines or other acts that may harm the interests of the Company when performing their duties. The Supervisory Committee of the Company had no disagreement in relation to any supervisory matters during the Reporting Period.
2. The financial position of the Company was sound. The financial report for 2020 had been audited by PwC. The auditors had issued their audit reports with unqualified opinions, which gave a true and fair view of the financial position and the business performance of the Company.
3. During the Reporting Period, the Company issued 12 tranches of public corporate bonds with an issuance size of RMB65 billion in total and one tranche of non-public corporate bonds with an issuance size of RMB5.6 billion. The Company issued one tranche of non-public subordinated bonds with an issuance size of RMB2 billion, proceeds of which were used to replenish the working capital of the Company and repay debt financing instruments. The Company issued 13 tranches of short-term Commercial Papers with an issuance size of RMB61 billion in total, proceeds of which were used to replenish the liquidity capital, and issued 2,540 tranches of beneficiary certificates with an issuance size of RMB115.727 billion in total, proceeds of which were used to replenish the working capital of the Company. The Company established special proceeds accounts for various tranches of corporate bonds and subordinated bonds in accordance with the Administrative Measures for the Issuance and Trading of Corporate Bonds,

to receive, deposit and transfer proceeds and to organize and manage the payment of interest and redemption of principal. As at the end of the Reporting Period, proceeds of each tranche of bonds were completely used, which was in line with the usage, using plan and other agreements in the prospectuses.

4. Acquisitions or disposals of assets were made by the Company at reasonable prices. No insider dealings were found, nor was there any circumstances which may jeopardize the interests of part of the Shareholders or cause any loss to the Company's assets.
5. The relevant related party/connected transactions of the Company were fair, in compliance with laws and not prejudicial to the interests of the Company.
6. The Board Secretary is designated to be responsible for information disclosure as well as receiving incoming calls, visits and enquiries and other activities from investors. The Company has designated China Securities Journal, Shanghai Securities News and Securities Times as the newspapers for information disclosure of the Company, and the website of the SSE at <http://www.sse.com.cn> and the HKEXnews website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> as the websites for information disclosure of the Company. The Company had been in strict compliance with the provisions and requirements of the relevant laws and regulations and the Management Measures on Information Disclosure to truly, accurately, timely and completely disclose relevant information and ensure that all Shareholders were given equal opportunities to be informed of the relevant information.

During the Reporting Period, the Management Measures on Information Disclosure, Registration System for Person Informed of Inside Information and other relevant systems of the Company were effectively implemented, the Company's information disclosure was further regulated, the Company's information disclosure management level and quality of information disclosure were enhanced, the principle of fairness of information disclosure was maintained, and the legal rights of investors were protected. Meanwhile, the Management Measures on Information Disclosure and the Company's internal system provided clear requirements on the reporting, delivery, review and disclosure procedures for significant matters of the Company and it was implemented well.

7. The written review opinions on the annual report prepared by the Board were as follows:

The preparation and approval procedures of the annual report of the Company were in compliance with all the requirements under the relevant laws and regulations, the Articles of Association of the Company and the internal management systems of the Company;

Contents and format of the annual report were in compliance with the relevant requirements of the regulatory authorities, and information disclosed therein can completely and truly reflect the operational and financial conditions and other matters of the Company for the year;

None of the persons involved in the preparation and review of the annual report had committed any action in breach of confidentiality requirements.

8. The Supervisory Committee of the Company reviewed the 2020 Profit Distribution Plan of the Company and considered that the 2020 Profit Distribution Plan of the Company formulated by the Board was in compliance with the requirements of the relevant laws, regulations and the regulatory documents of the Company and strictly performed the cash dividend decision-making procedure. The 2020 Profit Distribution Plan of the Company had given full consideration to the Company's internal and external factors, Company's current status, development plan, future capital requirements and the overall and long-term interest of the Shareholders. Consent has been given to submit this plan to the Shareholders' general meeting of the Company for consideration.

9. The Supervisory Committee of the Company reviewed the 2020 Assessment Report on Internal Control, the 2020 Compliance Report, the 2020 Integrity Practice Management Report, the 2020 Comprehensive Risk Management Report and the 2020 Audit Work Report of the Company, and they had no disagreement with the contents therein.

The above is the Work Report of the Supervisory Committee for 2020, which is to be proposed to the Annual General Meeting for its consideration.

**ANNEX C STATEMENTS ON THE SATISFACTION OF THE CONDITIONS
FOR THE RIGHTS ISSUE OF THE COMPANY**

The Company proposed to allot and issue Shares to its existing Shareholders by way of the Rights Issue. In accordance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and normative documents, the Board of the Company conducted careful self-inspection on the compliance with the requirements in relation to the relevant qualification and conditions for the rights issue by listed companies after taking into consideration the actual condition of the Company, and is of the view that the Company complies with the provisions and requirements in relation to the rights issue by listed companies under relevant laws, regulations and normative documents and satisfies the qualification and conditions for applying for the rights issue. Details are as follows:

I. The Company Complies with Relevant Provisions of the Company Law

- (I) The Shares to be issued under the Rights Issue include RMB ordinary Shares (A Shares) and overseas listed foreign Shares (H Shares), and each Share of the same class is issued on the same conditions and at the same Subscription Price, which complies with the following provisions in Article 126 of the Company Law:
1. Shares shall be issued in accordance with the principles of equality and fairness, and each share of the same class shall carry the same rights;
 2. Shares of the same class in the same issue shall be issued on the same conditions and at the same price; the same price shall be payable for each of the shares subscribed for by any work unit or individual.
- (II) The Subscription Price of the Shares to be issued under the Rights Issue is no less than the par value, which complies with the provisions in Article 127 of the Company Law.

II. The Company Complies with Relevant Provisions of the Securities Law

There isn't any unauthorized change of the use of the proceeds from the public issuance of the Shares, which complies with Article 14 of the Securities Law.

III. The Company Complies with Relevant Provisions of the Administrative Measures

- (I) The Company has a sound and well-operated organization, which complies with the following provisions in Article 6 of the Administrative Measures:
1. The articles of association of the company are lawful and effective, and there are sound systems for the shareholders' general meeting, the board of directors, the supervisory committee, and independent directors, who are able to effectively perform their respective functions in accordance with the law;
 2. The company has a sound internal control system, which can ensure the operating efficiency, the compliance with laws and regulations of the company, and the reliability of its financial reports. There are no serious defects in relation to the completeness, reasonableness and validity of the internal control system;

**ANNEX C STATEMENTS ON THE SATISFACTION OF THE CONDITIONS
FOR THE RIGHTS ISSUE OF THE COMPANY**

3. The current directors, supervisors and senior management have obtained the relevant qualifications and can faithfully and diligently perform their duties. None of them has committed any act in violation of Article 147 or Article 148 of the Company Law, or has been given any administrative punishment by the CSRC within the recent 36 months, or is publicly condemned by any stock exchanges within the recent 12 months;
 4. The listed company is independent from the controlling shareholder or the actual controller in relation to personnel, assets, financial affairs, institutions and business operations, and can carry out business operations and management independently;
 5. The company has not provided any illegal guarantee to external parties within the recent 12 months.
- (II) The Company has sustainable profitability, which complies with the following provisions in Article 7 of the Administrative Measures:
1. It has been profitable for the last three financial years on a consecutive basis (with the lesser between the net profits after deduction of the nonrecurring profits and losses and the net profits before such deduction being used as the basis of calculation);
 2. It has relatively stable sources of businesses and profits and it does not substantially rely on its controlling shareholder or actual controller;
 3. It can continue its existing principal business or investment trend on a sustainable basis. It has a sound business operation model and investment plan, and has a good market prospect for its main products or services. There is no imminent or foreseeable material adverse change in the operation environment or market demand of the industry;
 4. The senior management and the core technicians are stable and there have been no material adverse changes in the recent 12 months;
 5. The important assets, core technologies or other important interests of the company have been lawfully obtained and can be continuously utilized, and there is no imminent or foreseeable material adverse change therein;
 6. There is no guarantee, litigation, arbitration or any other important matters that is likely to seriously affect the sustainable business operations of the company;
 7. It has not publicly issued any securities within the recent 24 months, and there is no such circumstance that the operating profits for the year of issuance decrease by 50% or more as compared to the previous year.
- (III) The Company has a good financial status in compliance with the following provisions in Article 8 of the Administrative Measures:
1. Its basic accounting work meets the standard, and is in strict compliance with the national unified accounting system;

**ANNEX C STATEMENTS ON THE SATISFACTION OF THE CONDITIONS
FOR THE RIGHTS ISSUE OF THE COMPANY**

2. With respect to the financial statements of the recent three years and one period, no certified public accountant has issued an audit report with qualified opinions or negative opinions, or has been unable to give an opinion;
 3. The assets are of good quality;
 4. Its business outcomes are genuine, and its cash flows are normal. It has strictly complied with the relevant national accounting standards for enterprises in recognition of its operating incomes, costs and expenses. It has made full and reasonable provisions for asset impairment in recent three years and has never manipulated its operating results;
 5. The profits which it has accumulatively distributed in cash in the recent three years are not less than 30% of the average annual distributable profits realized in the recent three years.
- (IV) The Company has made no false statement in its financial and accounting documents within the recent 36 months and has not committed any of the following serious illegal acts as stipulated in Article 9 of the Administrative Measures:
1. It has been subject to any administrative punishments by the CSRC or has been given any criminal punishments due to a violation of any securities laws, administrative regulations or rules;
 2. It has been subject to any administrative punishments with serious circumstances, or has been subject to any criminal punishments due to a violation of any laws, administrative regulations or rules on industry and commerce, tax, land, environmental protection or customs;
 3. Other acts in violation of other national laws or administrative regulations with serious circumstances.
- (V) The amount and use of the proceeds raised by the Company satisfy the following provisions in Article 10 of the Administrative Measures:
1. The amount of the proceeds does not exceed the required amount of the projects;
 2. There is no such circumstance that the projects in which the proceeds will be invested are not in line with the national industrial policies as well as the laws and administrative regulations on environmental protection and land management;
 3. Except for a financial enterprise, the proceeds will not be used as holding transactional financial assets, financial assets available for sale, lending to others or entrusted wealth management or other financial investments, nor will it be used to invest directly or indirectly in any company which mainly engages in the purchasing and selling of securities;

**ANNEX C STATEMENTS ON THE SATISFACTION OF THE CONDITIONS
FOR THE RIGHTS ISSUE OF THE COMPANY**

4. The use of the proceeds raised from the Rights Issue or the implementation of investment projects will not result in competition with the controlling shareholder or the actual controller, nor will it affect the company's independence in relation to production and business operations;
 5. The company has formulated rules on the special deposit of the proceeds and deposited the proceeds in the special account as decided by the Board of the Company.
- (VI) The Company is not involved in any of the following circumstances under which it is prohibited to publicly issue any securities as stipulated in Article 11 of the Administrative Measures:
1. The application documents for the rights issue have any false statement, misleading statement or serious omission;
 2. The company changed the use of the proceeds from the previous public issuance of securities without authorization and failed to make rectifications;
 3. The listed company has been publicly condemned by the stock exchanges within the recent 12 months;
 4. The listed company and its controlling shareholder or actual controller fail to perform their public undertakings to the investors within the recent 12 months;
 5. The listed company or any of its current directors or senior management has been the subject of any investigation by the judicial authority due to any suspected crime or any investigation by the CSRC due to any suspected violation of laws and regulations;
 6. Other circumstances under which the legitimate rights and interests of the investors or the public interests are severely impaired.
- (VII) The Rights Issue of the Company complies with the following provisions in Article 12 of the Administrative Measures:
1. The number of the shares to be allotted and issued by the company does not exceed 30% of the total share capital prior to the rights issue;
 2. The A shares to be allotted and issued under the rights issue of the company will be underwritten on a best effort basis as required under the Securities Law.

IV. The Company Satisfies the Following Provisions in the Offering Regulation Q&A — Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised):

- (I) The listed company shall take an overall consideration of the existing monetary fund, structure of assets and liabilities, scale of operation, changing tendency and future demands of liquidity, to reasonably determine the scale of the proceeds which will be used to replenish the working capital and repay debts. All the proceeds raised from rights issue, issuance of preference shares or non-public issuance of shares to the target subscribers determined by the board of directors may be used to replenish the working capital and repay debts.

- (II) If the listed company applies for issuance of additional shares, rights issue or non-public issuance of shares, the date of the meeting of the board of directors approving the issuance shall be at least 18 months after the date of receiving the proceeds from the last issuance in principle. The issuance will not be subject to aforesaid limitations if the previous proceeds have been basically used up or invested as planned without any changes, but the corresponding interval of at least six months shall be kept in principle. The previous proceeds include the proceeds from initial issuance, issuance of additional shares, rights issue and non-public issuance of shares.

- (III) If the listed company applies for refinancing, except for a financial enterprise, the listed company should not hold any financial investments with a large amount or a long term, such as holding transactional financial assets, financial assets available for sale, lending to others or entrusted wealth management, as at the end of the previous period.

In conclusion, the Board is of the view that the Company has a sound and well-operated organization, sustainable profitability and a good financial status without false statements in its financial and accounting documents. The amount and the use of the proceeds comply with relevant provisions without any material violations. The Company complies with the provisions and requirements in relation to the rights issue by listed companies under relevant laws and regulations, and satisfies the qualification and conditions for applying for the rights issue.

I. Statements on the Satisfaction of the Conditions for the Public Issuance of Securities by Way of Rights Issue under Relevant Laws and Regulations in Respect of the Rights Issue

In accordance with the Company Law, the Securities Law, the Administrative Measures, the Offering Regulation Q&A — Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised), the Hong Kong Listing Rules and other relevant laws, regulations and normative documents, the Board of the Company conducted careful self-inspection on the compliance with the requirements in relation to the relevant qualification and conditions for the rights issue by A share and H share listed companies, and is of the view that the Company complies with the provisions and requirements in relation to the rights issue by A share and H share listed companies under relevant laws, regulations and normative documents and satisfies the qualification and conditions for the rights issue.

II. Summary of the Rights Issue**(I) Types and Nominal Value of the Shares to be Issued**

The Shares to be issued under the Rights Issue are A Shares and H Shares with a nominal value of RMB1.00 per Share.

(II) Method of Issuance

The Rights Issue will be conducted by way of issuing Shares to existing Shareholders.

(III) Basis of the Rights Issue and Number of the Rights Shares to be Issued

Under the A Share Rights Issue, it is proposed that A Rights Shares are to be allotted and issued to all A Shareholders on the basis of up to 1.5 A Rights Shares for every 10 existing A Shares calculated based on the total number of A Shares in issue at the close of the market on the A Share Record Date. Fractional A Rights Share will be dealt with according to the relevant requirements of the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, Shanghai Branch. Under the H Share Rights Issue, it is proposed that H Rights Shares are to be allotted and issued to all Qualified H Shareholders on the basis of up to 1.5 H Rights Shares for every 10 existing H Shares calculated based on the total number of H Shares held by the Qualified H Shareholders as determined on the H Share Record Date. The basis for A Share Rights Issue and H Share Rights Issue is the same. The Subscription Price of the A Rights Shares and the H Rights Shares shall be consistent after exchange rate adjustment.

Calculated by the total issued Shares of 12,926,776,029 as at 31 December 2020, the number of Rights Shares to be issued under the Rights Issue will not exceed 1,939,016,404 Shares (comprising not more than 1,597,267,249 A Rights Shares and not more than 341,749,155 H Rights Shares). If there is any change in the total issued Shares prior to the implementation of the Rights Issue due to bonus issue, capitalization issue or other reasons of the Company, the number of the Rights Shares to be issued will be adjusted based on the total issued Shares after such change. It is proposed that authorization is to be granted by the General Meetings to the Board to make a final decision on the basis of the Rights Issue and the number of the Rights Shares to be issued prior to the issuance of the Rights Shares after taking into consideration the then prevailing market conditions and through consultation with the sponsor(s) (underwriter(s)).

(IV) Pricing Principal and Subscription Price**1. Pricing principal**

- (i) To make reference to various valuation indicators of the Shares of the Company in the secondary market including price, price-to-book ratio and price-earnings ratio, and consider the business development of the Company as well as the interests of the Shareholders;
- (ii) To take into consideration the funding requirements of the investment projects to be funded by proceeds; and
- (iii) To follow the principle of determination by the Board after consultation with the sponsor(s) (underwriter(s)).

2. Subscription price

The Subscription Price shall be determined using market discount method after taking into consideration the market conditions of A Shares and H Shares prior to the publication of the Rights Issue announcement. It is proposed that authorization is to be granted by the General Meetings to the Board to make a final decision on the Subscription Price prior to the issuance of the Rights Shares after taking into consideration the then prevailing market conditions and through consultation with the sponsor(s) (underwriter(s)). The Subscription Price of the A Rights Shares and the H Rights Shares shall be consistent after exchange rate adjustment.

(V) Target Subscribers for the Rights Issue

The target subscribers for the A Share Rights Issue shall be all A Shareholders registered on the register of members kept with China Securities Depository and Clearing Corporation Limited, Shanghai Branch at the close of the market on the A Share Record Date. The target subscribers for the H Share Rights Issue shall be all the Qualified H Shareholders as determined on the H Share Record Date. The Record Date(s) in relation to the Rights Issue will be determined after obtaining the approval by the CSRC on the plan of the Rights Issue.

(VI) Arrangement for Accumulated Undistributed Profits prior to the Rights Issue

The accumulated undistributed profits of the Company prior to the completion of the Rights Issue shall be shared by all Shareholders on a *pro rata* basis after completion of the A Share Rights Issue and H Share Rights Issue.

(VII) Time of Issuance

Upon obtaining the approval by the CSRC on the Rights Issue, the Rights Shares will be allotted and issued to all Shareholders in due course within the prescribed period.

(VIII) Underwriting Method

The A Rights Shares will be underwritten on a best efforts basis, and the H Rights Shares will be underwritten.

(IX) Use of Proceeds from the Rights Issue

The gross proceeds raised from the Rights Issue is expected to be no more than RMB28 billion. The proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the development of flow-based business, the increase in investments to the subsidiaries of the Company, the strengthening of construction of the information system and the replenishment of other working capital, details of which are as follows:

No.	Investment Projects to be Funded by the Proceeds	Proposed Investment Amount
1	Development of flow-based business	No more than RMB19 billion
2	Increase in investments to the subsidiaries	No more than RMB5 billion
3	Strengthening of construction of the information system	No more than RMB3 billion
4	Replenishment of other working capital	No more than RMB1 billion
	Total	No more than RMB28 billion

If the net proceeds raised from the Rights Issue are less than the amount of proceeds proposed to be invested in the above-mentioned projects, the shortfall will be funded by the Company itself. On the condition that these projects to be invested will not be changed, the Board of the Company may make appropriate adjustments to the sequence and amount of proceeds to be invested in the relevant projects according to the actual needs of the relevant projects. From the date of approval by the Board on the plan of the Rights Issue till the date on which the proceeds raised are available for use, the Company shall invest in the relevant projects with internal funds according to the operating conditions and development plans, and after the proceeds become available for use, the Company shall replace the internal funds with the proceeds in accordance with the relevant procedures required under relevant laws and regulations.

(X) Effective Period of the Resolutions in Relation to the Rights Issue

The resolutions on the Rights Issue shall remain valid for a period of 12 months from the date on which the resolutions are considered and approved by the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting.

(XI) Listing of the Shares to be Issued under the Rights Issue

Upon completion of the A Share Rights Issue, the A Shares issued under the Rights Issue will be listed on the Shanghai Stock Exchange according to the relevant requirements.

Upon completion of the H Share Rights Issue, the H Shares issued under the Rights Issue will be listed on the Hong Kong Stock Exchange according to the relevant requirements.

The Proposal in relation to the Rights Issue has been approved by the 20th Meeting of the Seventh Session of the Board of the Company on 26 February 2021, and is still subject to the consideration and approval by the Shareholders at each of the Shareholders' general meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting of the Company, as well as the approval by the CSRC.

III. Financial and Accounting Information and the Management Discussion and Analysis¹

The financial reports for the years 2017, 2018 and 2019 of the Company have been audited by PricewaterhouseCoopers Zhong Tian LLP, which has issued the standard unqualified audit reports PricewaterhouseCoopers Zhong Tian Shen Zi (2018) No.10071, PricewaterhouseCoopers Zhong Tian Shen Zi (2019) No.10059 and PricewaterhouseCoopers Zhong Tian Shen Zi (2020) No.10059 for the Company. The financial data for the period from January to September 2020 was unaudited. The financial data for the years 2017, 2018 and 2019 and the period from January to September 2020 (hereinafter referred to as the “Reporting Period”) are prepared in accordance with the PRC GAAP.

Details of the financial reports for the years 2017, 2018 and 2019 and for the period from January to September 2020 of the Company are as follows:

(I) Consolidated Financial Statements

1. Consolidated statement of financial position

Items	In RMB million			
	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Assets:				
Cash and bank balances	200,122.21	150,151.77	119,725.17	98,816.28
Including: Cash held on behalf of customers	135,603.04	95,416.86	74,291.19	69,477.48
Settlement deposits	55,582.62	32,692.08	24,922.40	27,873.19
Including: Deposits held on behalf of customers	40,498.55	22,984.52	18,129.78	22,908.86
Margin accounts	104,566.46	70,673.85	57,197.81	73,982.61
Financial assets at fair value through profit or loss	N/A	N/A	N/A	178,153.50
Derivative financial assets	18,961.97	7,351.07	11,388.10	5,900.79
Reverse repurchase agreements	44,289.57	58,830.05	67,370.44	114,592.03
Accounts receivable	50,692.43	29,067.86	29,717.77	21,661.63
Interest receivable	N/A	N/A	N/A	3,368.33
Refundable deposits	3,220.28	1,459.94	1,112.78	972.41
Available-for-sale financial assets	N/A	N/A	N/A	59,226.93
Financial investments:				
Financial assets held for trading	454,862.87	355,348.31	247,437.07	N/A
Other debt instruments investments	44,916.34	23,684.06	36,327.83	N/A
Other equity instruments investments	16,333.89	16,279.37	15,532.42	N/A
Long-term equity investments	8,823.61	9,001.08	9,038.30	8,585.55
Investment properties	1,114.29	1,254.73	1,332.51	871.55
Fixed assets	7,171.04	7,467.45	7,729.62	7,902.97
Construction in progress	312.54	294.31	316.61	361.59
Intangible assets	2,955.60	3,072.63	3,269.42	3,447.33
Goodwill	10,938.81	10,022.82	10,507.49	10,280.94
Deferred income tax assets	8,025.10	5,241.49	4,223.03	3,384.95
Right-of-use assets	1,689.65	1,600.88	N/A	N/A
Assets held for sale	—	194.68	—	—
Other assets	9,556.25	8,034.00	5,983.94	6,192.04
Total assets	1,044,135.53	791,722.43	653,132.72	625,574.64

¹Note: Unless otherwise stated, the relevant financial data is presented in the unit of million and rounded to two decimal places in the English version of this section.

Items	In RMB million			
	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Liabilities:				
Short-term loans	13,260.18	7,404.90	5,656.71	5,991.45
Short-term financing instruments payable	15,954.95	20,137.29	18,059.34	33,537.84
Due to banks and other financial institutions	5,937.17	33,136.20	19,314.87	9,835.00
Financial liabilities at fair value through profit or loss	N/A	N/A	N/A	46,451.77
Financial liabilities held for trading	69,939.13	57,717.00	47,645.84	N/A
Derivative financial liabilities	31,604.69	13,991.75	9,311.90	13,301.23
Repurchase agreements	233,960.40	174,447.89	121,669.03	111,619.93
Customer brokerage deposits	182,077.92	123,351.75	97,774.00	99,854.89
Funds payable to securities issuers	7,996.77	272.99	147.51	60.69
Salaries, bonuses and allowances payables	16,576.12	14,608.23	12,093.99	11,599.26
Tax payable	5,211.03	2,884.80	2,873.00	1,793.38
Accounts payable	104,228.86	42,208.49	37,941.93	21,431.58
Interest payable	N/A	N/A	N/A	3,031.68
Accrued liabilities	88.44	22.74	6.49	442.15
Long-term loans	968.05	383.33	1,489.91	1,122.19
Debt instruments issued	157,804.57	126,010.98	116,591.70	106,219.66
Deferred income tax liabilities	3,670.09	2,844.00	1,967.61	2,632.21
Contractual liabilities	2,156.70	938.15	357.44	N/A
Lease liabilities	1,607.82	1,566.90	N/A	N/A
Other liabilities	7,305.92	4,345.23	3,399.97	3,507.17
Total liabilities	860,348.83	626,272.64	496,301.22	472,432.09
Equity attributable to owners (or shareholders):				
Paid-up capital (or share capital)	12,926.78	12,116.91	12,116.91	12,116.91
Capital reserve	65,507.99	54,152.03	54,422.71	54,445.53
Other comprehensive income	711.67	954.35	181.76	2,238.12
Surplus reserve	8,682.89	8,682.89	8,410.21	8,164.57
General reserve	25,828.73	25,614.99	22,811.41	20,826.93
Retained earnings	66,087.49	60,104.05	55,197.78	52,006.99
Total equity attributable to owners (or shareholders) of the parent	179,745.54	161,625.21	153,140.77	149,799.05
Non-controlling interests	4,041.16	3,824.58	3,690.73	3,343.51
Total equity attributable to owners (or shareholders)	183,786.70	165,449.79	156,831.50	153,142.56
Total liabilities and equity attributable to owners (or shareholders)	1,044,135.53	791,722.43	653,132.72	625,574.64

2. *Consolidated Statement of Profit or Loss*

	In RMB million			
Items	Nine months ended 30 September 2020	2019	2018	2017
1. Operating revenue	41,994.62	43,139.70	37,220.71	43,291.63
Net fee and commission income	18,841.13	18,022.18	17,426.81	18,957.04
Including: Net fee income from brokerage business	8,534.88	7,424.97	7,428.88	8,045.24
Net fee income from investment banking	4,492.64	4,465.28	3,638.98	4,405.78
Net fee income from asset management	5,394.24	5,706.83	5,833.85	5,695.39
Net interest income	1,831.49	2,044.59	2,422.41	2,404.60
Including: Interest income	11,181.53	13,257.06	13,654.42	12,806.67
Interest expenses	-9,350.04	-11,212.47	-11,232.01	-10,402.06
Investment income (loss denoted by “-”)	15,445.76	18,747.89	7,071.31	12,474.53
Including: Investment income from associates and joint ventures	312.02	801.12	731.65	604.05
Gains and losses arising from changes in the fair value (loss denoted by “-”)	742.74	-2,055.40	1,706.19	842.72
Foreign exchange gains and losses (loss denoted by “-”)	237.06	236.84	849.40	-50.86
Gains from disposal of assets (loss denoted by “-”)	-0.62	-0.78	-1.68	0.74
Other income	135.42	149.79	110.64	127.74
Other operating income	4,761.63	5,994.59	7,635.62	8,535.14
2. Operating expenses	25,016.86	26,128.91	25,185.23	27,043.30
Tax and surcharges	297.33	292.70	255.15	256.04
Business and administrative expenses	14,933.84	17,562.37	15,307.54	16,992.70
Impairment losses on assets	N/A	N/A	N/A	1,720.76
Impairment losses on other assets	359.25	698.82	23.80	N/A
Expected credit losses	5,027.33	1,891.58	2,186.77	N/A
Other operating expenses and costs	4,399.10	5,683.45	7,411.96	8,073.81
3. Operating profit (loss denoted by “-”)	16,977.76	17,010.79	12,035.48	16,248.33
Add: Non-operating income	61.30	36.46	471.94	162.46
Less: Non-operating expenses	58.32	52.61	41.85	237.01
4. Profit before income tax (gross loss denoted by “-”)	16,980.73	16,994.64	12,465.57	16,173.78
Less: Income tax expense	3,868.22	4,346.20	2,589.14	4,196.31
5. Net profit (net loss denoted by “-”)	13,112.51	12,648.44	9,876.43	11,977.47
(I) Classified by continuity of operations				
1. Net profit from continuing operations (net loss denoted by “-”)	13,112.51	12,648.44	9,876.43	11,977.47

Items	In RMB million			
	Nine months ended 30 September 2020	2019	2018	2017
2. Net profit from discontinued operations (net loss denoted by “-”)	—	—	—	—
(II) Classified by ownership				
1. Net profit attributable to owners of the parent (net loss denoted by “-”)	12,660.81	12,228.61	9,389.90	11,433.26
2. Non-controlling interests (net loss denoted by “-”)	451.70	419.83	486.53	544.21
6. Other comprehensive income, net of tax	-255.65	874.73	-964.09	-220.47
Other comprehensive income attributable to owners of the parent, net of tax	-242.68	772.59	-1,017.50	-80.69
(I) Other comprehensive income that could not be reclassified to profit or loss	13.10	561.48	-1,700.92	—
1. Changes in fair value of other equity instruments investments	18.24	550.60	-1,681.69	N/A
2. Other comprehensive income that could not be reclassified to profit or loss under equity method	-2.88	9.84	-18.95	—
3. Others	-2.26	1.04	-0.28	—
(II) Other comprehensive income that will be subsequently reclassified to profit or loss	-255.78	211.11	683.42	-80.69
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-9.56	6.00	38.09	-14.00
2. Gains and losses arising from changes in fair value of available-for-sale financial assets	N/A	N/A	N/A	932.60
3. Changes in fair value of other debt instruments investments	-227.25	10.71	114.93	N/A
4. Provision for credit impairment of other debt instruments investments	357.41	87.81	13.90	N/A
5. Foreign currency translation reserve	-374.11	132.60	520.44	-997.38
6. Others	-2.27	-26.01	-3.93	-1.90
Net other comprehensive income attributable to non-controlling interests, net of tax	-12.97	102.14	53.41	-139.78
7. Total comprehensive income	12,856.85	13,523.17	8,912.34	11,757.00
Attributable to owners of the parent	12,418.13	13,001.20	8,372.40	11,352.58
Attributable to non-controlling interests	438.72	521.97	539.94	404.42
8. Earnings per share:				
(I) Basic earnings per share (RMB/share)	0.99	1.01	0.77	0.94
(II) Diluted earnings per share (RMB/share)	0.99	1.01	0.77	0.94

3. *Consolidated statement of cash flows*

Items	In RMB million			
	Nine months ended 30 September 2020	2019	2018	2017
I. Cash flows from operating activities:				
Net increase/(decrease) in disposal of financial assets at fair value through profit or loss	N/A	N/A	N/A	15,703.66
Net increase/(decrease) in customer brokerage deposits	52,776.55	25,442.48	-2,617.68	-34,487.17
Net increase/(decrease) in repurchase agreements	71,712.43	60,238.37	55,548.20	-65,673.68
Net increase/(decrease) in due from banks and other financial institutions	3,503.03	—	—	—
Interest, fee and commission received	34,576.89	31,243.41	30,004.98	36,049.14
Cash received from other operating activities	50,669.17	18,562.42	28,794.39	21,134.37
Total cash inflow from operating activities	213,238.07	135,486.69	111,729.88	-27,273.68
Net increase/(decrease) from financial assets held for trading	61,639.05	72,555.11	42,822.98	N/A
Net increase in margin accounts	31,232.82	13,774.92	-18,363.70	9,065.01
Net increase/(decrease) in due to banks and other financial institutions	27,109.34	-13,809.00	-9,465.00	9,715.00
Interest, fee and commission paid	8,851.05	7,988.15	7,115.81	14,589.38
Cash payments for employees	9,541.75	9,754.89	10,156.68	7,399.68
Tax expenses paid	5,471.02	6,648.47	4,378.33	5,945.55
Cash paid for other operating activities	7,047.84	16,597.79	17,431.28	30,204.76
Total cash outflow from operating activities	150,892.88	113,510.32	54,076.38	76,919.38
Net cash inflow/(outflow) from operating activities	62,345.19	21,976.37	57,653.50	-104,193.05
II. Cash flows from investing activities:				
Cash received from investment	692.12	15,861.87	33.32	30,286.26
Dividend income received	217.04	1,269.04	374.45	44.49
Cash received from other investing activities	1,397.67	5.90	8.69	51.19
Net cash paid for acquisition of subsidiaries and other business units	13,725.38	—	-97.39	-373.66
Total cash inflow from investing activities	16,032.22	17,136.81	319.08	30,008.28
Net cash received from disposal of subsidiaries and other business units	—	78.52	—	—
Cash paid for investments	20,959.49	382.17	20,655.18	1,292.55
Purchases of property and equipment, intangible assets and other long-term assets	247.00	428.60	458.56	443.01
Cash paid for other investing activities	3.21	—	—	—
Total cash outflow from investing activities	21,209.71	889.29	21,113.74	1,735.56
Net cash inflow/(outflow) from investing activities	-5,177.49	16,247.53	-20,794.66	28,272.72

Items	In RMB million			
	Nine months ended 30 September 2020	2019	2018	2017
III. Cash flows from financing activities:				
Cash inflows from financing activities	—	—	1.00	9.02
Including: Capital injection into subsidiaries by non-controlling shareholders	—	—	1.00	9.00
Cash inflows from loans	24,654.31	15,408.41	20,355.18	7,516.21
Cash inflows from bond issuance	188,443.54	102,389.15	119,587.23	153,136.69
Cash received from other financing activities	442.68	74.77	—	—
Total cash inflow from financing activities	213,540.53	117,872.33	139,943.42	160,661.92
Cash paid for debt redemption	184,554.34	106,666.04	148,877.94	111,752.07
Dividend and interest paid	12,305.70	10,321.72	11,740.47	8,494.47
Including: Dividend and interest paid to non-controlling shareholders	187.32	188.06	193.26	153.33
Cash paid for other financing activities	2,539.89	1,043.34	1,076.30	2,930.20
Total cash outflow from financing activities	199,399.94	118,031.11	161,694.71	123,176.74
Net cash inflow/(outflow) from financing activities	14,140.59	-158.78	-21,751.29	37,485.18
IV. Effect of exchange rate changes on cash and cash equivalents	-639.34	-238.52	1,563.43	-1,346.69
V. Net increase/(decrease) in cash and cash equivalents	70,668.96	37,826.59	16,670.98	-39,781.84
Add: Cash and cash equivalents at the beginning of the period	177,822.87	139,996.28	123,325.29	163,107.13
VI. Cash and cash equivalents at the end of the period	248,491.82	177,822.87	139,996.28	123,325.29

(II) Financial Statements of the Company**1. Statement of financial position of the Company**

Items	In RMB million			
	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Assets:				
Cash and bank balances	119,062.53	94,972.64	68,406.18	57,405.55
Including: Cash held on behalf of customers	68,941.16	53,218.75	40,891.31	40,555.29
Settlement deposits	24,073.01	12,748.37	13,289.45	14,819.60
Including: Deposits held on behalf of customers	19,619.11	10,563.34	10,602.36	13,150.36
Margin accounts	87,027.27	61,454.46	49,999.92	64,640.79
Financial assets at fair value through profit or loss	N/A	N/A	N/A	103,128.39
Derivative financial assets	18,990.66	8,274.93	8,131.77	7,047.06
Reverse repurchase agreements	39,486.67	54,405.25	65,975.75	115,740.07
Accounts receivable	19,851.71	7,648.14	8,734.76	5,883.97
Interest receivable	N/A	N/A	N/A	2,596.70
Refundable deposits	7,169.39	3,003.34	1,857.72	1,619.54
Available-for-sale financial assets	N/A	N/A	N/A	43,758.40
Financial investments:				
Financial assets held for trading	306,349.51	248,458.69	161,667.29	N/A
Other debt instruments investments	51,717.76	32,372.61	44,826.56	N/A
Other equity instruments investments	16,130.44	16,074.06	15,310.64	N/A
Long-term equity investments	50,687.23	38,125.37	36,296.01	35,036.04
Investment properties	90.09	93.08	62.60	65.38
Fixed assets	352.94	352.81	392.51	451.71
Construction in progress	310.26	292.75	315.30	341.96
Intangible assets	2,084.33	2,132.65	2,189.25	2,244.59
Goodwill	43.50	43.50	43.50	43.50
Deferred income tax assets	6,119.95	3,788.66	2,858.72	2,131.83
Right-of-use assets	2,138.72	664.42	N/A	N/A
Other assets	17,226.55	18,310.58	12,830.81	12,867.86
Total assets	<u>768,912.52</u>	<u>603,216.32</u>	<u>493,188.74</u>	<u>469,822.95</u>

Items	In RMB million			
	30 September 2020	31 December 2019	31 December 2018	31 December 2017
Liabilities:				
Short-term financing instruments payable	13,309.46	19,587.25	18,191.60	34,250.31
Due to banks and other financial institutions	10,388.23	33,356.21	20,025.30	9,835.00
Financial liabilities at fair value				
through profit or loss	N/A	N/A	N/A	7,619.77
Financial liabilities held for trading	17,419.26	17,118.48	8,440.99	N/A
Derivative financial liabilities	26,451.17	11,172.07	9,065.46	13,019.24
Repurchase agreements	203,925.68	156,570.22	108,219.46	100,030.18
Customer brokerage deposits	86,837.51	62,930.35	49,397.67	52,517.12
Funds payable to securities issuers	7,996.77	272.99	147.51	60.69
Salaries, bonuses and allowances payables	10,738.90	10,036.97	7,877.85	7,320.30
Tax payable	3,953.33	2,312.43	1,988.39	1,047.27
Accounts payable	83,432.02	30,591.34	26,401.23	16,147.84
Interest payable	N/A	N/A	N/A	2,791.54
Accrued liabilities	8.15	8.15	—	435.67
Debt instruments issued	142,436.73	114,538.27	105,920.15	92,094.31
Deferred income tax liabilities	2,454.75	2,101.92	1,673.99	1,575.32
Lease liabilities	2,069.56	575.70	N/A	N/A
Other liabilities	7,096.47	8,486.38	10,363.27	7,861.81
Total liabilities	618,517.99	469,658.71	367,712.87	346,606.37
Equity attributable to owners				
(or shareholders):				
Paid-up capital (or share capital)	12,926.78	12,116.91	12,116.91	12,116.91
Capital reserve	65,719.58	54,362.22	54,362.22	54,386.26
Other comprehensive income	1,180.60	1,107.48	486.01	1,362.77
Surplus reserve	6,263.77	6,263.77	6,263.77	6,263.77
General reserve	22,890.58	22,862.85	20,401.82	18,744.39
Retained earnings	41,413.23	36,844.39	31,845.14	30,342.49
Total equity attributable to owners (or shareholders)	<u>150,394.53</u>	<u>133,557.61</u>	<u>125,475.86</u>	<u>123,216.58</u>
Total liabilities and equity attributable to owners (or shareholders)	<u>768,912.52</u>	<u>603,216.32</u>	<u>493,188.74</u>	<u>469,822.95</u>

2. *Statement of profit or loss of the Company*

	In RMB million			
Items	Nine months ended 30 September 2020	2019	2018	2017
I. Operating revenue	25,713.32	25,576.85	19,641.23	20,077.14
Net fee and commission income	11,061.44	10,123.37	8,799.76	11,142.90
Including: Net fee income from				
brokerage business	5,450.62	4,277.56	3,859.13	4,451.46
Net fee income from				
investment banking	3,773.47	3,735.72	2,742.66	3,987.56
Net fee income from asset				
management	1,488.84	1,618.64	1,735.63	1,947.47
Net interest income	989.90	1,497.93	2,023.33	1,390.23
Including: Interest income	9,113.64	11,186.79	11,616.28	10,625.72
Interest expenses	-8,123.74	-9,688.86	-9,592.95	-9,235.49
Investment income (loss denoted by “-”)	16,931.22	13,023.23	6,668.20	6,255.68
Including: Investment income from				
associates and joint ventures	546.30	501.16	276.16	258.39
Gains and losses arising from				
changes in the fair value				
(loss denoted by “-”)	-3,072.98	622.11	1,560.78	1,367.22
Foreign exchange gains and losses				
(loss denoted by “-”)	-343.05	213.28	486.68	-145.24
Gains from disposal of assets				
(loss denoted by “-”)	-0.38	-0.82	-1.25	1.46
Other income	81.23	54.58	63.12	26.93
Other operating income	65.96	43.16	40.60	37.98
II. Operating expenses	12,373.02	11,141.64	9,991.45	8,997.12
Tax and surcharges	182.41	175.31	128.37	147.19
Business and administrative expenses	7,513.43	9,458.50	7,758.92	8,234.73
Impairment losses on assets	N/A	N/A	N/A	612.43
Impairment losses on other assets	—	—	—	N/A
Expected credit losses	4,674.20	1,504.45	2,101.39	N/A
Other operating expenses and costs	2.99	3.38	2.77	2.77
III. Operating profit (loss denoted by “-”)	13,340.30	14,435.21	9,649.78	11,080.02
Add: Non-operating income	20.78	32.74	466.02	49.18
Less: Non-operating expenses	20.36	19.47	7.44	26.13
IV. Profit before income tax				
(gross loss denoted by “-”)	13,340.71	14,448.49	10,108.36	11,103.07
Less: Income tax expenses	2,280.76	2,747.29	1,893.97	2,479.28

Items	In RMB million			
	Nine months ended 30 September 2020	2019	2018	2017
V. Net profit (net loss denoted by “-”)	11,059.96	11,701.20	8,214.39	8,623.79
(I) Net profit from continuing operations (net loss denoted by “-”)	11,059.96	11,701.20	8,214.39	8,623.79
(II) Net profit from discontinued operations (net loss denoted by “-”)	—	—	—	—
VI. Other comprehensive income, net of tax	73.13	621.46	-1,114.08	71.38
(I) Other comprehensive income that could not be reclassified to profit or loss	39.41	582.40	-1,580.15	—
1. Changes in fair value of other equity instruments investments	42.29	572.56	-1,561.20	N/A
2. Other comprehensive income that could not be reclassified to profit or loss under equity method	-2.88	9.84	-18.95	—
(II) Other comprehensive income that will be reclassified to profit or loss	33.72	39.06	466.07	71.38
1. Other comprehensive income that may be reclassified to profit or loss under equity method	-9.56	6.00	39.25	-14.00
2. The profit or loss on the changes in fair value of available-for-sale financial assets	N/A	N/A	N/A	85.38
3. Changes in fair value of other debt instruments investments	-307.68	-54.74	412.93	N/A
4. Credit impairment reserve of other debt instruments investments	350.97	87.81	13.90	N/A
VII. Total comprehensive income	11,133.08	12,322.66	7,100.31	8,695.16

3. *Statements of cash flows of the Company*

	In RMB million			
Items	Nine months ended 30 September 2020	2019	2018	2017
I. Cash flows from operating activities:				
Net amount on disposal of financial assets at fair value through profit or loss	N/A	N/A	N/A	14,719.69
Net increase/(decrease) in customer brokerage deposits	23,907.16	13,532.68	-3,119.45	-27,482.18
Net increase/(decrease) in repurchase agreements	58,888.59	58,923.11	56,638.42	-65,925.09
Interest, fee and commission received	22,561.54	22,578.88	21,852.10	24,600.40
Cash received from other operating activities	58,354.27	2,207.22	12,927.07	1,978.58
Sub-total of cash inflow from operating activities	163,711.56	97,241.89	88,298.14	-52,108.61
Net increase/(decrease) from financial assets held for trading	41,885.46	67,282.08	52,881.97	N/A
Net increase in margin accounts	26,162.40	11,793.80	-15,733.57	8,259.93
Net decrease in borrowing from other financial institutions	22,955.50	-13,319.00	-10,175.00	8,215.00
Interest, fee and commission paid	5,907.04	5,882.85	5,817.97	6,110.93
Cash payments for employees	5,406.83	4,997.44	5,009.04	4,920.56
Tax expenses paid	4,323.21	4,644.03	2,363.61	3,924.99
Cash paid for other operating activities	16,073.33	8,006.03	4,586.95	4,966.82
Sub-total of cash outflows from operating activities	122,713.76	89,287.24	44,750.96	36,398.22
Net cash inflow/(outflow) from operating activities	40,997.80	7,954.65	43,547.18	-88,506.84
II. Cash flows from investing activities:				
Cash received from investment	46.42	16,210.17	855.90	32,335.36
Dividend income received	3,389.70	4,057.07	1,801.02	653.51
Cash received from other investing activities	1.08	5.50	7.18	47.96
Sub-total of cash inflow from investing activities	3,437.20	20,272.74	2,664.09	33,036.82
Cash paid for investments	19,099.55	2,210.71	22,230.37	11,451.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	152.75	167.79	225.28	261.18
Net cash paid for acquisition of subsidiaries	—	—	—	581.73
Cash paid for other investing activities	3.21	—	—	—
Sub-total of cash outflow from investing activities	19,255.51	2,378.50	22,455.65	12,293.91
Net cash inflow/(outflow) from investing activities	-15,818.31	17,894.24	-19,791.56	20,742.91

In RMB million

Items	Nine months ended 30 September 2020	2019	2018	2017
III. Cash flows from financing activities:				
Cash inflows from bond issuance	180,017.36	93,671.25	115,944.51	180,270.67
Sub-total of cash inflow from financing activities	180,017.36	93,671.25	115,944.51	180,270.67
Cash paid for debt redemption	158,156.90	84,055.27	120,127.13	135,080.23
Cash paid for dividends, profits or interest	10,876.32	9,226.67	10,589.22	8,190.63
Cash paid for other financing activities	2,209.01	572.00	—	—
Sub-total of cash outflow from financing activities	171,242.23	93,853.94	130,716.35	143,270.86
Net cash inflow/(outflow) from financing activities	8,775.13	-182.69	-14,771.83	36,999.81
IV. Effect of exchange rate changes on cash and cash equivalents				
	-350.01	-40.24	486.68	-145.24
V. Net increase/(decrease) in cash and cash equivalents				
	33,604.60	25,625.96	9,470.47	-30,909.36
Add: Balance of cash and cash equivalents at the beginning of the period	107,321.59	81,695.62	72,225.15	103,134.52
VI. Balance of cash and cash equivalents at the end of the period				
	140,926.19	107,321.59	81,695.62	72,225.15

(III) Management Discussion and Analysis**1. Major financial indicators for the last three years and the latest period of the Company**

Item	Nine months ended 30 September 2020	2019	2018	2017
Basic earnings per share (RMB/share)	0.99	1.01	0.77	0.94
Basic earnings per share excluding extraordinary gains and losses (RMB/share)	0.98	1.00	0.74	0.94
Diluted earnings per share (RMB/share)	0.99	1.01	0.77	0.94
Diluted earnings per share excluding extraordinary gains and losses (RMB/share)	0.98	1.00	0.74	0.94
Return on weighted average equity (%)	7.17	7.76	6.20	7.82
Return on weighted average equity excluding extraordinary gains and losses (%)	7.11	7.71	5.94	7.83

Note: The financial datas for the nine months ended 30 September 2020 haven't been annualized.

2. Brief analysis of the financial position of the Company

(1) Composition of assets

As at the end of 2017, 2018 and 2019 and September 2020, the total assets of the Company amounted to RMB625,574.64 million, RMB653,132.72 million, RMB791,722.43 million and RMB1,044,135.53 million, respectively.

Item	30 September 2020		31 December 2019		31 December 2018		31 December 2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Unit: RMB million, %								
Assets:								
Cash and bank balances	200,122.21	19.17	150,151.77	18.97	119,725.17	18.33	98,816.28	15.80
Including: Cash held on behalf of customers	135,603.04	12.99	95,416.86	12.05	74,291.19	11.37	69,477.48	11.11
Settlement deposits	55,582.62	5.32	32,692.08	4.13	24,922.40	3.82	27,873.19	4.46
Including: Deposits held on behalf of customers	40,498.55	3.88	22,984.52	2.90	18,129.78	2.78	22,908.86	3.66
Margin accounts	104,566.46	10.01	70,673.85	8.93	57,197.81	8.76	73,982.61	11.83
Financial assets at fair value through profit or loss	N/A	—	N/A	—	N/A	—	178,153.50	28.48
Derivative financial assets	18,961.97	1.82	7,351.07	0.93	11,388.10	1.74	5,900.79	0.94
Reverse repurchase agreements	44,289.57	4.24	58,830.05	7.43	67,370.44	10.31	114,592.03	18.32
Accounts receivable	50,692.43	4.85	29,067.86	3.67	29,717.77	4.55	21,661.63	3.46
Interest receivable	N/A	—	N/A	—	N/A	—	3,368.33	0.54
Refundable deposits	3,220.28	0.31	1,459.94	0.18	1,112.78	0.17	972.41	0.16
Available-for-sale financial assets	N/A	—	N/A	—	N/A	—	59,226.93	9.47
Financial investments:								
Financial assets held for trading	454,862.87	43.56	355,348.31	44.88	247,437.07	37.88	N/A	—
Other debt instruments investments	44,916.34	4.30	23,684.06	2.99	36,327.83	5.56	N/A	—
Other equity instruments investments	16,333.89	1.56	16,279.37	2.06	15,532.42	2.38	N/A	—
Long-term equity investments	8,823.61	0.85	9,001.08	1.14	9,038.30	1.38	8,585.55	1.37
Investment properties	1,114.29	0.11	1,254.73	0.16	1,332.51	0.20	871.55	0.14
Fixed assets	7,171.04	0.69	7,467.45	0.94	7,729.62	1.18	7,902.97	1.26
Construction in progress	312.54	0.03	294.31	0.04	316.61	0.05	361.59	0.06
Intangible assets	2,955.60	0.28	3,072.63	0.39	3,269.42	0.50	3,447.33	0.55
Goodwill	10,938.81	1.05	10,022.82	1.27	10,507.49	1.61	10,280.94	1.64
Deferred income tax assets	8,025.10	0.77	5,241.49	0.66	4,223.03	0.65	3,384.95	0.54
Right-of-use assets	1,689.65	0.16	1,600.88	0.20	N/A	—	N/A	—
Assets held for sale	—	—	194.68	0.02	—	—	—	—
Other assets	9,556.25	0.92	8,034.00	1.01	5,983.94	0.92	6,192.04	0.99
Total assets	1,044,135.53	100.00	791,722.43	100.00	653,132.72	100.00	625,574.64	100.00

As at the end of 2017, the Company's assets were primarily comprised of cash and bank balances, settlement deposits, margin accounts, financial assets at fair value through profit or loss, reverse repurchase agreements, accounts receivable and available-for-sale financial assets, which in aggregate account for 91.80% of the Company's total assets; as at the end of 2018, 2019 and September 2020, the Company's assets were primarily comprised of cash and bank balances, settlement deposits, margin accounts, reverse repurchase agreements, accounts receivable, financial assets held for trading and other debt instruments investments, which in aggregate account for 89.22%, 91.00% and 91.47% of the Company's total assets, respectively. During the Reporting Period, the proportions of the Company's long-term assets such as long-term equity investments, fixed assets and intangible assets were low. The Company has a reasonable assets structure with low liquidity risk.

During the Reporting Period, the Company's assets were primarily comprised of client assets and self-owned-assets. Client assets mainly include cash held on behalf of customers and deposits held on behalf of customers. As at the end of 2017, 2018, 2019 and September 2020, the cash held on behalf of customers and deposits held on behalf of customers in aggregate amounted to RMB92,386.34 million, RMB92,420.97 million, RMB118,401.38 million and RMB176,101.59 million, respectively, accounting for 14.77%, 14.15%, 14.95% and 16.87% of the total assets, respectively; after deduction of cash held on behalf of customers and deposits held on behalf of customers, the Company's total assets amounted to RMB533,188.31 million, RMB560,711.75 million, RMB673,321.04 million and RMB868,033.95 million, respectively as at the end of 2017, 2018, 2019 and September 2020.

(2) *Composition of liabilities*

As at the end of 2017, 2018, 2019 and September 2020, the total liabilities of the Company amounted to RMB472,432.09 million, RMB496,301.22 million, RMB626,272.64 million and RMB860,348.83 million, respectively.

Item	Unit: RMB million, %							
	30 September 2020		31 December 2019		31 December 2018		31 December 2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Liabilities:								
Short-term loans	13,260.18	1.54	7,404.90	1.18	5,656.71	1.14	5,991.45	1.27
Short-term financing instruments payable	15,954.95	1.85	20,137.29	3.22	18,059.34	3.64	33,537.84	7.10
Due to banks and other financial institutions	5,937.17	0.69	33,136.20	5.29	19,314.87	3.89	9,835.00	2.08
Financial liabilities at fair value through profit or loss	N/A	—	N/A	—	N/A	—	46,451.77	9.83
Financial liabilities held for trading	69,939.13	8.13	57,717.00	9.22	47,645.84	9.60	N/A	—
Derivative financial liabilities	31,604.69	3.67	13,991.75	2.23	9,311.90	1.88	13,301.23	2.82
Repurchase agreements	233,960.40	27.19	174,447.89	27.85	121,669.03	24.52	111,619.93	23.63
Customer brokerage deposits	182,077.92	21.16	123,351.75	19.70	97,774.00	19.70	99,854.89	21.14
Funds payable to securities issuers	7,996.77	0.93	272.99	0.04	147.51	0.03	60.69	0.01
Salaries, bonuses and allowances payables	16,576.12	1.93	14,608.23	2.33	12,093.99	2.44	11,599.26	2.46
Tax payable	5,211.03	0.61	2,884.80	0.46	2,873.00	0.58	1,793.38	0.38
Accounts payable	104,228.86	12.11	42,208.49	6.74	37,941.93	7.64	21,431.58	4.54
Interest payable	N/A	—	N/A	—	N/A	—	3,031.68	0.64
Accrued liabilities	88.44	0.01	22.74	0.00	6.49	0.00	442.15	0.09
Long-term loans	968.05	0.11	383.33	0.06	1,489.91	0.30	1,122.19	0.24
Debt instruments issued	157,804.57	18.34	126,010.98	20.12	116,591.70	23.49	106,219.66	22.48
Deferred income tax liabilities	3,670.09	0.43	2,844.00	0.45	1,967.61	0.40	2,632.21	0.56
Contractual liabilities	2,156.70	0.25	938.15	0.15	357.44	0.07	N/A	—
Lease liabilities	1,607.82	0.19	1,566.90	0.25	N/A	—	N/A	—
Other liabilities	7,305.92	0.85	4,345.23	0.69	3,399.97	0.69	3,507.17	0.74
Total liabilities	860,348.83	100.00	626,272.64	100.00	496,301.22	100.00	472,432.09	100.00

As at the end of 2017, the Company's liabilities were primarily comprised of short-term financing instruments payable, financial liabilities at fair value through profit or loss, repurchase agreements, customer brokerage deposits, accounts payable and debt instruments issued, which in aggregate account for 88.71% of the Company's total liabilities; as at the end of 2018, 2019 and September 2020, the Company's liabilities were primarily comprised of short-term financing instruments payable, financial liabilities held for trading, repurchase agreements, customer brokerage deposits, accounts payable and debt instruments issued, which in aggregate account for 88.59%, 86.84% and 88.80% of the Company's total liabilities, respectively.

As at the end of 2017, 2018, 2019 and September 2020, the customer brokerage deposits of the Company were RMB99,854.89 million, RMB97,774.00 million, RMB123,351.75 million and RMB182,077.92 million, respectively, accounting for 21.14%, 19.70%, 19.70% and 21.16% of the Company's total liabilities, respectively. After deduction of customer brokerage deposits, the Company's total liabilities amounted to RMB372,577.19 million, RMB398,527.22 million, RMB502,920.88 million and RMB678,270.91 million, respectively, as at the end of 2017, 2018, 2019 and September 2020.

(3) *Profitability analysis*

	In RMB million			
	Nine months ended 30 September			
Item	2020	2019	2018	2017
Operating revenue	41,994.62	43,139.70	37,220.71	43,291.63
Operating profit	16,977.76	17,010.79	12,035.48	16,248.33
Profit before income tax	16,980.73	16,994.64	12,465.57	16,173.78
Net profit	13,112.51	12,648.44	9,876.43	11,977.47
Net profit attributable to owners of the parent	12,660.81	12,228.61	9,389.90	11,433.26

In 2017, 2018, 2019 and for the nine months ended 30 September 2020, the Company's operation revenue amounted to RMB43,291.63 million, RMB37,220.71 million, RMB43,139.70 million and RMB41,994.62 million, respectively; the Company's net profit amounted to RMB11,977.47 million, RMB9,876.43 million, RMB12,648.44 million and RMB13,112.51 million, respectively, among which the net profit attributable to owners of the parent amounted to RMB11,433.26 million, RMB9,389.90 million, RMB12,228.61 million and RMB12,660.81 million, respectively. During the Reporting Period, the Company's profitability was affected by a number of factors including macro-economy, capital market condition and investors' behaviors, with certain periodicity and volatility.

IV. The Use of the Proceeds from the Rights Issue

The gross proceeds raised from the Rights Issue is expected to be no more than RMB28 billion. The net proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be used for the development of flow-based business, the increase in investments to the subsidiaries of the Company, the strengthening of construction of the information system and the replenishment of other working capital, details of which are as follows:

No.	Investment Projects to be Funded by the Proceeds	Proposed Investment Amount
1	Development of flow-based business	No more than RMB19 billion
2	Increase in investments to the subsidiaries	No more than RMB5 billion
3	Strengthening of construction of the information system	No more than RMB3 billion
4	Replenishment of other working capital	No more than RMB1 billion
	Total	No more than RMB28 billion

If the net proceeds raised from the Rights Issue are less than the amount of proceeds proposed to be invested in the above-mentioned projects, the shortfall will be funded by the Company itself. On the condition that these projects to be invested will not be changed, the Board of the Company may make appropriate adjustments to the sequence and amount of proceeds to be invested in the relevant projects according to the actual needs of the relevant projects. From the date of approval by the Board on the plan of the Rights Issue till the date on which the proceeds raised are available for use, the Company shall invest in the relevant projects with internal funds according to the operating conditions and development plans, and after the proceeds become available for use, the Company shall replace the internal funds with the proceeds in accordance with the relevant procedures required under relevant laws and regulations.

(I) Development of Flow-based Business

No more than RMB19 billion of the proceeds from the Rights Issue is intended to be used to develop flow-based business.

The flow-based business refers to a kind of business that the Company seeks to meet the investment and financing needs of the clients through product design by virtue of its statement of financial position, including but not limited to margin financing and securities lending, stock pledge, return swap, equity derivatives, commodity derivatives, market-making business, cross-border transactions and other businesses. The development of the flow-based business depends on the Company's capital strength, pricing capability of transactions and product design capacity. With the acceleration of financial supply-side structural reform and two-way opening up of the capital market, clients' demands for risk management, global assets allocation and strategic investment are increasing rapidly, making flow-based business an important carrier for the Company to provide integrated one-stop services for customers. With the characteristics of broad customer bases, rich products, stable interest margin and risks controllable, the flow-based business has become the key business trend of the Company in recent years. The Company has established strong competitive strengths in flow-based business with a leading position in the industry in respect to business scale. Innovative flow-based business such as return swap and equity derivatives has become important business growth points of the Company.

The flow-based business is capital consuming, thus scale and profitability of the business depends on relatively stable long-term capital supply. The Company plans to increase its investment in the flow-based business with the proceeds raised from the Rights Issue in order to better meet the requirements of the risk control indicators and to ensure the reasonable growth of the flow-based business.

(II) Increase in Investment to the Subsidiaries of the Company

No more than RMB5 billion of the proceeds from the Rights Issue is intended to be used to increase investment in the subsidiaries of the Company.

The first-level wholly-owned subsidiaries of the Company include CSI, GoldStone Investment Co., Ltd., CITIC Securities Investment Limited, CITIC Futures Company Limited, CITIC Securities (Shandong) Co., Ltd. and CITIC Securities South China and China AMC is controlled by the Company. The Company is also preparing to establish a wholly-owned asset management subsidiary, being CITIC Securities Asset Management Co., Ltd. (tentative name). To drive the group-oriented development of the Company, build company brand and enhance the synergistic effect among parent company and subsidiaries, the Company plans to use some of the proceeds to provide capital support for subsidiaries including CITIC Securities International in diversified ways, so as to enhance the capital strength of the subsidiaries, enrich diversified income of the Company, optimize business structure and promote harmonious development.

(III) Strengthening of Construction of the Information System

No more than RMB3 billion of the proceeds from the Rights Issue is intended to be used to strengthen the construction of information system in order to improve the overall informatization level of the Company.

Information system is an important carrier for the operation of securities market and is important for the sound development of securities market, the protection of investors' interests and the strengthening of market competitiveness. As financial technology is speeding up its integration with securities industry, securities companies continue to increase their investments in technology and internet companies continuously strengthen their layout in smart investment consultancy, asset management and other fields, posing new challenges to business expansion of securities companies by leveraging on their advantages in digitalization and technological capabilities. Technologies are gradually expediting the reform on commercial models of finance.

Meanwhile, regulatory authorities are paying more attention on the investments in information technology construction of securities companies. According to the regulations on classification of securities companies newly amended by the CSRC in 2020, the percentage of the investment amount in information technology to operation revenue is taken as an important plus for classification and evaluation of securities companies.

The Company highly values the significance of information system construction to respond to changes of competitive environment and to promote the transformation of business model. In recent years, the Company continues to increase the resource input in information technology, make more efforts to hire relevant professional talents and reinforce the development of financial technological platform and the application of new technologies including big data and artificial intelligence. In this regard, the Company plans to increase the input in information system construction through the proceeds from the Rights Issue and further improve the overall informatization level and ability of financial technology to support business growth of the Company.

(IV) Replenishment of Other Working Capital

No more than RMB1 billion of the proceeds from the Rights Issue is intended to be used to replenish other working capital.

The Company will pay close attention to the changes in regulatory policies and market conditions, reasonably allocate the proceeds from the Rights Issue after taking into consideration the development strategies and actual operating conditions of the Company, and promptly replenish the working capital required in the business development of the Company, so as to ensure the orderly development of various businesses.

V. Necessity and Rationale of the Rights Issue

(I) Necessity of the Issuance

1. Answer the call of national strategy to build an aircraft-carrier-class securities company

Under the new era background that China's economy has entered the New Normal and the macro economy has transformed from high-speed growth to high-quality development, the deepening reform of capital market and the supply-side reform of securities industry provide historic opportunities for the development of the securities industry. In September 2019, the CSRC unveiled 12 Key Missions for Reform of Capital Markets, aiming to establish a market system with high quality and efficiency. The development of capital markets not only requires professional institutions capable of risk pricing, rich financial products, good market liquidity and diversified financing channels, but also requires securities companies to play the roles of "financing steward", "wealth manager", "provider of trading services and liquidity", "key investor of the market and risk manager", which means a historic opportunity for the all-round development of securities industry.

In November 2019, the CSRC issued the Response Letter to Proposal No. 3353 (Cai Shui Jin Rong Lei No. 280) of the Second Session of the 13th National Committee of the Chinese People's Political Consultative Conference, stating that it will continue to encourage securities companies with guidance to replenish capital, enrich services, optimize incentive and restraint mechanisms, increase investments in technology and innovation, update internationalization initiatives, strengthen compliance risk management and control, and proactively develop aircraft-carrier-class securities companies. As a leading enterprise in the securities industry, the Company should take action to answer the call of the national strategy by constantly consolidating its own capital strength, tap into the opportunities to the development of capital market and the securities industry, and become bigger, better and stronger.

2. *Respond to the increasingly fierce competition in the industry and actively participate in the competition of the international market*

With the opening of China's financial market and the deepening reform of the capital market, competition in the securities industry has become increasingly fierce. On the one hand, with the two-way opening up of the capital market and the securities industry, domestic securities companies will directly face competition from foreign institutions. With their global vision, standardized trading and clearing systems, and global diversified product chains, foreign institutions have competitive strength in terms of providing services to institutional investors and high-net-worth individual customers, and will inevitably impose pressure of competition on local securities companies when developing their business in China. Meanwhile, local top-tier securities companies are also accelerating their pace of internationalization and participate in international competition with helping capital in China and Chinese investors going abroad. On the other hand, the supply-side reforms will be adopted to achieve the survival of the fittest in the securities industry. The wealth management transformation, registration system reform, de-channeling of asset management, and the Matthew effect of derivatives businesses has accelerated the concentration of the securities industry. Large securities companies with strong capital strength and leading operation scale will capture the vantage point in the development of the industry.

In recent years, with the operation and management work progressed steadily, the Company has been consistently ranked first among domestic securities companies in terms of principal businesses and financial indicators. The Issuance will help the Company further enhance its capital strength and its capital advantage in the new round of industrial competition.

3. *Promote the achievement of the Company's strategic goals and help the Company with becoming a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world*

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

Due to the capital-intensive nature of securities industry, the business development of securities companies is closely related to their capital strength, and the capital scale directly determines the business scale. The Issuance will further consolidate the Company's capital strength, optimize the capital structure, expand the business scale, and effectively seize market opportunities, which will provide solid capital guarantee for the achievement of strategic goals.

4. *Reducing liquidity risks and enhancing the Company's ability to resist risks*

Risk management and internal control are critical to the successful operation of securities companies. In June 2016 and January 2020, the Administrative Measures for the Risk Control Indicators of Securities Companies and Provisions on the Calculation Standards for Risk Control Indicators of Securities Companies were successively issued by the CSRC, which improved the risk control indicators system centering on the net capital and liquidity, and put forward higher requirements on the risk management and capital strength of the securities companies. In July 2020, the CSRC issued the revised Provisions on the Classified Supervision and Administration of Securities Companies, which proposed comprehensive risk management for the purpose of promoting the securities companies to enhance the comprehensive risk management ability. In addition, the Company was the first to pilot the consolidated supervision under the guidance of the CSRC which put forward higher requirements on the risk management capability of the Company.

Since its establishment, the Company has always attached great importance to the construction of risk control mechanism, and achieved standardized operation, stable and healthy development, and high asset quality. Its various financial and business risk supervision indicators meet the regulatory requirements. The Company has established the monitoring system of dynamic risk control indicators in accordance with the relevant requirements, which realized real-time, dynamic monitoring and automatic warning of risk control indicators. At the same time, the Company has established the net capital replenishment mechanism to ensure continued compliance of risk control indicators, such as the net capital, in accordance with the requirements of the securities regulatory authorities. On the one hand, the Company constantly strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity supervision indicators with the regulatory standards. On the other hand, the Company evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure the secured liquidity of the Company.

By increasing the long-term capital and optimizing the capital structure, the Company can enhance its long-term competitiveness and anti-risk ability. Under the background that the current regulatory policies have tightened control on the risk management capabilities of securities companies, the Company needs to maintain long-term capital matching with its asset scale to continuously meet the regulatory requirements. The proceeds from the Issuance will help reduce liquidity risk and improve risk resistance of the Company.

(II) Rationale of the Issuance**1. *The Issuance complies with relevant laws, regulations and normative documents***

The Company has a perfect corporate governance structure, and has established and improved the perfect internal control system and effective real-time risk monitoring system, thus has complete risk control system and strong risk control capability. With high-quality assets, a sound financial status and sustainable profit-making capability, the Company satisfies the conditions for public issuance of shares by way of rights issue as stipulated in laws, regulations and normative documents such as the Company Law, the Securities Law, the Administrative Measures, the Offering Regulation Q&A—Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised) and the Hong Kong Listing Rules.

2. The Issuance follows the industrial and national policies

In May 2014, the State Council released the Opinions on Further Promoting the Sound Development of Capital Markets, encouraging the differentiated, professional and characteristic development of the securities operating institutions, and promoting the development of several modern investment banks with international competitiveness, brand influence and system significance.

In May 2014, the CSRC released the Opinions on Further Promoting the Innovative Development of Securities Operating Institutions, raising 15 opinions on further promoting the innovative development of securities operating institutions in terms of, among others, expanding channels for financing and supporting the equity and debt financing of securities operating institutions.

In September 2014, the CSRC released the Notification on Encouraging Further Capital Replenishment by Securities Companies, and the Securities Association of China released the Guidelines on Capital Replenishment by Securities Companies, requiring that securities companies should in principle “replenish the capital once at least in the future three years by means of IPO or increase in capital and issuance of new shares to ensure that the business scale is in line with the capital strength and its overall risk profile matches the risk tolerance”.

In June 2016 and January 2020, the CSRC released the Measures for the Risk Control Indicators of Securities Companies and Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies successively, which improved the risk control indicators system centering on the net capital and liquidity, enhanced the guiding role of capital allocation of securities companies and promoted the continuous, stable and healthy development of the securities industry.

In November 2019, CSRC published the Response Letter to Proposal No. 3353 (Cai Shui Jin Rong Lei No. 280) of the Second Session of the 13th National Committee of the Chinese People’s Political Consultative Conference, stipulated that it will continue to encourage and guide securities companies to replenish capital, enrich service functions, optimize incentive and restraint mechanisms, increase investment in technology and innovation, improve international layouts, strengthen compliance risk management and control, and actively support all kinds of state-owned capital to inject capital into securities companies through subscription of preference shares, ordinary shares, convertible bonds and subordinated bonds, so as to promote the securities industry bigger and stronger.

With the rapid growth of the business scale and the continuous expansion of emerging businesses of the Company, the current net capital can no longer satisfy the business development demands of the Company in future and regulatory requirements. The public issuance of securities by way of the Rights Issue is in line with the CSRC’s measures to encourage securities companies to further replenish the capital, which is in line with the national industrial policies.

In conclusion, the securities industry in China is confronting with a historic opportunity for the comprehensive development. The capital strength is an important factor for the Company to expand business scale, enhance comprehensive competitiveness and stabilize competitive advantage. The proceeds from the Issuance can help the Company to consolidate its capital strength, enhance its industry competitiveness, and strengthen its risk resistance, which will provide strong support for the realization of the strategic goals of the Company. Meanwhile, the Issuance complies with conditions stipulated in relevant laws, regulations and normative documents, and conforms to the national industrial policies. Therefore, the Rights Issue is necessary and rational.

VI. The Dilution of Immediate Return by the Rights Issue and Remedial Measures to be Taken in this Respect

Upon completion of the Rights Issue, the number of Shares and the net assets scale of the Company will be increased significantly. However, it takes a certain period to produce benefits after the investment of proceeds, and the Company will still mainly rely on its existing business to realize profits and Shareholders' return. Therefore, indicators such as the earnings per share and return on weighted average equity of the Company may experience a certain decrease in the short term, i.e. the immediate return upon completion of the Rights Issue of the Company will be subject to the risk of dilution.

On 26 February 2021, the 20th Meeting of the Seventh Session of the Board of the Company considered and approved the Proposal on the Risk Warning of the Dilution of Immediate Return to Existing Shareholders and Remedial Measures to be Taken in This Respect under the Rights Issue (for details, please refer to the Announcement of the Proposal on the Risk Warning of the Dilution of Immediate Return under the Rights Issue to Existing Shareholders and Remedial Measures to be Taken in This Respect).

The specific remedial measures to be taken by the Company in response to the dilution of immediate return shall not be construed as any guarantee of future profit of the Company. Investors shall not make investment decisions thereunder, and any losses thus incurred shall not be borne by the Company.

VII. Profit Distribution of the Company

(I) Policies Stipulated in the Articles of Association

As at the issuance date of this proposal, the provisions of profit distribution policy in the Articles of Association are as follows:

“**Article 277** The Company attaches much importance to providing reasonable returns to investors and formulates a stable and sustaining profit distribution policy.

- (1) The profit shall be distributed in the form of cash, stock shares, or a combination of both. Priority will be given to cash dividend payment when the conditions for cash dividend are fulfilled. The percentages of distribution shall be drafted by the Board of Directors according to the situation of the Company and the stipulations of the CSRC, and shall be approved by the General Meeting of Shareholders;
- (2) The Company shall, in principle, make one profit distribution each year when the conditions for dividend payment are fulfilled, but the Company may distribute dividends in an interim period according to its profitability and capital requirements;

- (3) Where the Board of Directors fails to prepare a plan for the annual cash profit distribution when the Company has earned a profit, the Company shall, if so requested by the relevant regulatory authority, disclose the reasons for the failure in its regular report; and
- (4) Where any shareholder misappropriates any fund of the Company in violation of laws or regulations, the Company shall, before distributing the profit, deduct the amount so misappropriated by such shareholder from the cash amount to be distributed to such shareholder.

The Company shall disclose the formulation and implementation of the cash dividend policy. It shall fully disclose the reason where the Company chooses not to pay cash dividends when conditions are fulfilled.

Article 278 When determining the profit distribution plan, particularly the cash dividend plan of the Company, the Board of Directors shall carefully research and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions on adjustments and the decision-making procedures of the cash dividend. The independent directors shall clearly express their opinions on these matters.

Independent directors may solicit the opinions from minority shareholders and make a dividend distribution proposal to be directly submitted to the Board of Directors for review.

The General Meeting of Shareholders, before considering the profit distribution plan, especially the cash dividend distribution plan submitted by the Board of Directors, shall take initiatives to communicate with shareholders (especially minority shareholders) through public channels and sufficiently listen to the comments and requests from minority shareholders.

Article 279 The Company shall, in formulating its profit distribution plan, consider both internal and external factors, and do its best to ensure that the annual profit distribution scale is not less than 20% of the net profit attributable to shareholders of the parent company for that year.

When the profit and accumulated undistributed profit for the year is positive, the cash flows are sufficient for the Company's normal operation and long-term development and the implementation of the cash dividend plan will not affect the Company's on-going operation, the Company may make profit distribution in the form of cash. The Company shall, taking into consideration factors such as industry characteristics, the Company's development stage, business operation model, profitability level and whether there are significant capital expenditure arrangements, develop differentiated cash dividend policies to be applicable in the following different situations:

- (1) Where the Company is at a sophisticated stage of development and has no significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall reach a minimum of 80%;
- (2) Where the Company is at a sophisticated stage of development and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 40%; and

- (3) Where the Company is at a growth stage of development and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 20%.

Where the Company's development stage is difficult to be defined but the Company has any significant capital expenditure arrangement, the preceding provisions may still be followed.

Article 280 Where the Company is in a sound operating condition, and the Board of Directors considers that the earnings per share and stock price of the Company does not reflect its scale of share capital and distributing dividends in shares will be in the interests of the shareholders of the Company as a whole, the Company may make profit distribution in the form of stock shares after considering the growth of the Company, dilution of net asset value per share and other factors. The distribution of dividends in the form of shares shall be subject to the approval of the General Meeting, and to the approval of the CSRC or other regulatory authorities.

Article 281 In any of the following situations, after the Board of Directors has discussed in details, the independent directors have expressed their clear opinions, and the adjustment has been passed by all the shareholders present at the general meeting of the Company representing 2/3 of their shares with voting rights, the Company may adjust the aforementioned cash dividend payout policy:

- (1) related laws and regulations or the profit distribution policy for listed companies issued by the securities regulatory authority are changed or adjusted;
- (2) the risk control indicator on net capital reaches early-warning level;
- (3) operating conditions of the Company deteriorate;
- (4) the Board of Directors proposes to adjust.”

(II) Shareholders' Return Plan

In order to further improve the returns to investors and formulate a sustainable, stable and positive profit distribution policy, and after taking into consideration the actual condition of the Company, the Company prepared the Shareholders' Return Plan for the next three years (2021–2023) of the Company, in accordance with the requirements of the Company Law, the Securities Law, the Notice of the China Securities Regulatory Commission on Further Implementing Matters in relation to the Cash Dividend Distribution of Listed Companies, the No. 3 Regulatory Guideline of the Listed Companies — Cash Dividend Distribution of Listed Companies, the Guideline of the Shanghai Stock Exchange for Cash Dividend Distribution of Listed Companies, the Articles of Association and other relevant documents, details of which are as follows:

1. *The method of profit distribution*

The profit shall be distributed in the form of cash, shares, or a combination of both. Priority will be given to cash dividend payment when the conditions for cash dividend are fulfilled. The basis of distribution shall be proposed by the Board based on the operating condition of the Company and the requirements of the CSRC, and shall be subject to the approval by the Shareholders' general meeting.

2. *Specific conditions for and basis of cash dividends*

The Company shall, in formulating its profit distribution plan, consider both internal and external factors, and do its best to ensure that the annual profit distribution amount is not less than 20% of the net profit attributable to owners of the parent for that year.

When the profit and accumulated undistributed profit for the year is positive, the cash flows are sufficient for the Company's normal operation and long-term development and the implementation of the cash dividend plan will not affect the Company's on-going operation, the Company may make profit distribution in the form of cash. The Company shall, taking into consideration factors such as industry characteristics, the Company's development stage, business operation model, profitability level and whether there are significant capital expenditure arrangements, develop differentiated cash dividend policies to be applicable in the following different situations:

- (1) Where the Company is at a sophisticated stage of development and has no significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall be no less than 80%;
- (2) Where the Company is at a sophisticated stage of development and has significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall be no less than 40%; and
- (3) Where the Company is at a growth stage of development and has significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall be no less than 20%;

Where the Company's development stage is difficult to be defined and the Company has significant capital expenditure arrangements, the above-mentioned provisions may still be followed.

3. *Conditions for share dividend distribution*

Where the Company is in a sound operating condition, and the Board considers that the earnings per share and share price of the Company does not reflect its scale of share capital and distributing dividends in shares will be in the interests of the Shareholders of the Company as a whole, the Company may make profit distribution in the form of shares after taking into consideration the growth of the Company, dilution of net asset value per share and other factors. The distribution of dividends in the form of shares shall be subject to the approval by the Shareholders' general meeting, and the approval by the CSRC and other regulatory authorities.

4. Conditions for adjusting the cash dividend distribution policy

In any of the following situations, after the Board has discussed in details, the independent Directors have expressed their clear opinions, and the adjustment has been passed by all the Shareholders present at the Shareholders' general meeting of the Company representing 2/3 of their shares with voting rights, the Company may adjust the aforementioned cash dividend payout policy:

- (1) relevant laws and regulations or the profit distribution policy for listed companies issued by the securities regulatory authorities are changed or adjusted;
- (2) the risk control indicator on net capital reaches early-warning level;
- (3) operating conditions of the Company deteriorate;
- (4) the Board proposes to adjust.

5. Time intervals between profit distributions

The Company shall, in principle, make one profit distribution each year when the conditions for dividend payment are fulfilled, but the Company may distribute dividends in an interim period according to its profitability and capital requirements.

(III) Profit distribution for the past three years

Cash dividends of the Company for the past three years are as follows:

Year of distribution	Amount of dividend for every 10 shares (tax inclusive)	Amount of cash dividend (tax inclusive)	Unit: RMB	
			Net profit attributable to owners of the parent as shown in the consolidated financial statements for the year of distribution	Percentage of net profit attributable to owners of the parent as shown in the consolidated financial statements (%)
2019	5.0000	6,463,388,014.50	12,228,609,723.82	52.85
2018	3.5000	4,240,917,940.00	9,389,895,989.94	45.16
2017	4.0000	4,846,763,360.00	11,433,264,545.60	42.39
Accumulated amount of cash dividend for the past three years				15,551,069,314.50
Average net profit attributable to owners of the parent for the past three years				11,017,256,753.12
Accumulated amount of cash dividend for the past three years/Average net profit attributable to owners of the parent for the past three years				141.15%

Under the new era background that China's economy has entered the New Normal and the macro economy has transformed from high-speed growth to high-quality development, the deepening reform of capital market and the supply-side reform of securities industry not only provide historic opportunities for the development of the securities industry, but also set higher requirements for the capabilities of securities companies.

The profitability model in securities industry is in the midst of profound changes. In the future, the securities companies will rely more on capital strength, risk pricing capabilities, business synergy capabilities and fintech capabilities to achieve profitability. With the two-way opening up of the capital market and the securities industry, top-tier securities company will face competition from foreign institutions directly. Meanwhile, local top-tier securities companies are also accelerating the pace of internationalization and participate in international competition with helping capital in China and Chinese investors going abroad.

In order to actively seize the opportunities in the capital market reform and development and constantly improve the Company's comprehensive competitive strength and sustainable development capabilities, the Company proposes to expand capital scale and consolidate capital strength by Rights Issue, so as to achieve high-quality and sustainable development of the Company and create greater returns to the shareholders, as well as make its own contribution to promoting the high-quality development of the securities industry and the reform of the capital market.

I. Basic Information about the Proceeds Raised from the Rights Issue

The gross proceeds raised from the Rights Issue is expected to be no more than RMB28 billion. The net proceeds raised from the Rights Issue, after deduction of relevant expenses relating to the issuance, will be fully used for the development of flow-based business, the increase in investments to the subsidiaries of the Company, the strengthening of construction of the information system and the replenishment of other working capital, details of which are as follows:

No.	Investment Projects to be Funded by the Proceeds	Proposed Investment Amount
1	Development of flow-based business	No more than RMB19 billion
2	Increase in investments to the subsidiaries	No more than RMB5 billion
3	Strengthening of construction of the information system	No more than RMB3 billion
4	Replenishment of other working capital	No more than RMB1 billion
Total		No more than RMB28 billion

If the net proceeds are less than the amount of proceeds proposed to be used for the abovementioned purposes, the shortfall will be funded by the Company itself. On the condition that the use of proceeds will not be changed, the Board may make appropriate adjustments to the sequence and amount of proceeds to be invested in the abovementioned projects according to the actual needs of such projects. From the date of approval at the Board meeting on the plan of the Rights Issue till the date on which the proceeds raised are available for use, the Company shall invest in the abovementioned projects with internal funds according to the operating conditions and development plans, and after the proceeds become available for use, the Company shall replace the internal funds with the proceeds in accordance with the relevant procedures required under relevant laws and regulations.

II. The Necessity Analysis of Proceeds from the Rights Issue

(I) Answer the Call of National Strategy to Build an Aircraft-Carrier-Class Securities Company

Under the new era background that China's economy has entered the New Normal and the macro economy has transformed from high-speed growth to high-quality development, the deepening reform of capital market and the supply-side reform of securities industry provide historic opportunities for the development of the securities industry. In September 2019, the CSRC unveiled 12 Key Missions for Reform of Capital Markets, aiming to establish a market system with high quality and efficiency. The development of capital markets not only requires professional institutions capable of risk pricing, rich financial products, good market liquidity and diversified financing channels, but also requires securities companies to play the roles of financing steward, wealth manager, provider of trading services and liquidity, key investor of the market and risk manager, which means a historic opportunity for the all-round development of securities industry.

In November 2019, the CSRC issued the Response Letter to Proposal No. 3353 (Cai Shui Jin Rong Lei No. 280) of the Second Session of the 13th National Committee of the Chinese People's Political Consultative Conference, stating that it will continue to encourage securities companies with guidance to replenish capital, enrich services, optimize incentive and restraint mechanisms, increase investments in technology and innovation, update internationalization initiatives, strengthen compliance risk management and control, and proactively develop aircraft-carrier-class securities companies. As a leading enterprise in the securities industry, the Company should take action to answer the call of the national strategy by constantly consolidating its own capital strength, tap into the opportunities to the development of capital market and the securities industry, and become bigger, better and stronger.

(II) Respond to the Increasingly Fierce Competition in the Industry and Actively Participate in the Competition of the International Market

With the opening of China's financial market and the deepening reform of the capital market, competition in the securities industry has become increasingly fierce. On the one hand, with the two-way opening up of the capital market and the securities industry, domestic securities companies will face competition from foreign institutions. With their global vision, standardized trading and clearing systems, and global product chains, foreign institutions have competitive strength in terms of providing services to institutional investors and high-net-worth individual customers, and will inevitably impose pressure of competition on local securities companies when developing their business in China. Meanwhile, local top-tier securities companies are also accelerating their pace of internationalization and participate in international competition with helping capital in China and Chinese investors going abroad. On the other hand, the supply-side reforms will be adopted to achieve the survival of the fittest in the securities industry. The wealth management transformation, registration system reform, de-channeling of asset management, and the Matthew effect of derivatives businesses has accelerated the concentration of the securities industry. Large securities companies with strong capital strength and leading operation scale will capture the vantage point in the development of the industry.

In recent years, with the operation and management work progressed steadily, the Company has been consistently ranked first among domestic securities companies in terms of principal businesses and financial indicators. The Issuance will help the Company further enhance its capital strength and its capital advantage in the new round of industrial competition.

(III) Promote the Achievement of the Company's Strategic Goals and Help the Company with Becoming a Domestically Leading and Internationally First-class Chinese Investment Bank Most Trusted by Clients Around the World

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

Due to the capital-intensive nature of securities industry, the business development of securities companies is closely related to their capital strength, and the capital scale directly determines the business scale. The Issuance will further consolidate the Company's capital strength, optimize the capital structure, expand the business scale, and effectively seize market opportunities, which will provide solid capital guarantee for the achievement of strategic goals.

(IV) Reducing Liquidity Risks and Enhancing the Company's Ability to Resist Risks

Risk management and internal control are critical to the successful operation of securities companies. In June 2016 and January 2020, the Measures for the Risk Control Indicators of Securities Companies and Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies were successively issued by the CSRC, which improved the risk control indicators system centering on the net capital and liquidity, and put forward higher requirements on the risk management and capital strength of the securities companies. In July 2020, the CSRC issued the revised Provisions on the Classified Supervision and Administration of Securities Companies, which proposed comprehensive risk management for the purpose of promoting the securities companies to enhance the comprehensive risk management ability. In addition, the Company was the first to pilot the consolidated supervision under the guidance of the CSRC which put forward higher requirements on the risk management capability of the Company.

Since its establishment, the Company has always attached great importance to the construction of risk control mechanism, and achieved standardized operation, stable and healthy development, and high asset quality. Its various financial and business risk supervision indicators meet the regulatory requirements. The Company has established the monitoring system of dynamic risk control indicators in accordance with the relevant requirements, which realized real-time, dynamic monitoring and automatic warning of risk control indicators. At the same time, the Company has established the net capital replenishment mechanism to ensure continued compliance of risk control indicators, such as the net capital, in accordance with the requirements of the securities regulatory authorities. On the one hand, the Company constantly strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity supervision indicators with the regulatory standards. On the other hand, the Company evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure the secured liquidity of the Company.

By increasing the long-term capital and optimizing the capital structure, the Company can enhance its long-term competitiveness and anti-risk ability. Under the background that the current regulatory policies have tightened control on the risk management capabilities of securities companies, the Company needs to maintain long-term capital matching with its asset scale to continuously meet the regulatory requirements. The proceeds from the Issuance will help reduce liquidity risk and improve risk resistance of the Company.

III. Feasibility Analysis of the Proceeds from the Rights Issue

(I) The Issuance Complies with Relevant Laws, Regulations and Normative Documents

The Company has a perfect corporate governance structure, and has established and improved the perfect internal control system and effective real-time risk monitoring system, thus has complete risk control system and strong risk control capability. With high-quality assets, a sound financial status and sustainable profit-making capability, the Company satisfies the conditions for public issuance of shares by way of rights issue as stipulated in laws, regulations and normative documents such as the Company Law, the Securities Law, the Administrative Measures, the Offering Regulation Q&A — Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised) and the Hong Kong Listing Rules.

(II) The Issuance Follows the Industrial and National Policies

In May 2014, the State Council released the Opinions on Further Promoting the Sound Development of Capital Markets, encouraging the differentiated, professional and characteristic development of the securities operating institutions, and promoting the development of several modern investment banks with international competitiveness, brand influence and system significance.

In May 2014, the CSRC released the Opinions on Further Promoting the Innovative Development of Securities Operating Institutions, raising 15 opinions on further promoting the innovative development of securities operating institutions in terms of, among others, expanding channels for financing and supporting the equity and debt financing of securities operating institutions.

In September 2014, the CSRC released the Notification on Encouraging Further Capital Replenishment by Securities Companies, and the Securities Association of China released the Guidelines on Capital Replenishment by Securities Companies, requiring that securities companies should in principle “replenish the capital once at least in the future three years by means of IPO or increase in capital and issuance of new shares to ensure that the business scale is in line with the capital strength and its overall risk profile matches the risk tolerance”.

In June 2016 and January 2020, the CSRC released the Measures for the Risk Control Indicators of Securities Companies and Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies successively, which improved the risk control indicators system centering on the net capital and liquidity, enhanced the guiding role of capital allocation of securities companies and promoted the continuous, stable and healthy development of the securities industry.

In November 2019, CSRC published the Response Letter to Proposal No. 3353 (Cai Shui Jin Rong Lei No. 280) of the Second Session of the 13th National Committee of the Chinese People's Political Consultative Conference, stipulated that it will continue to encourage and guide securities companies to replenish capital, enrich service functions, optimize incentive and restraint mechanisms, increase investment in technology and innovation, improve international layouts, strengthen compliance risk management and control, and actively support all kinds of state-owned capital to inject capital into securities companies through subscription of preference shares, ordinary shares, convertible bonds and subordinated bonds, so as to promote the securities industry bigger and stronger.

With the rapid growth of the business scale and the continuous expansion of emerging businesses of the Company, the current net capital can no longer satisfy the business development demands of the Company in future and regulatory requirements. The public issuance of securities by way of the Rights Issue is in line with the CSRC's measures to encourage securities companies to further replenish the capital, which is in line with the national industrial policies.

IV. Use of the Proceeds from the Rights Issue

(I) Development of Flow-based Business

No more than RMB19 billion of the proceeds from the Rights Issue is intended to be used to develop flow-based business.

The flow-based business refers to a kind of business that the Company seeks to meet the investment and financing needs of the clients through product design by virtue of its statement of financial position, including but not limited to margin financing and securities lending, stock pledge, return swap, equity derivatives, commodity derivatives, market-making business, cross-border transactions and other businesses. The development of the flow-based business depends on the Company's capital strength, pricing capability of transactions and product design capacity. With the acceleration of financial supply-side structural reform and two-way opening up of the capital market, clients' demands for risk management, global assets allocation and strategic investment are increasing rapidly, making flow-based business an important carrier for the Company to provide integrated one-stop services for customers. With the characteristics of broad customer bases, rich products, stable interest margin and risks controllable, the flow-based business has become the key business trend of the Company in recent years. The Company has established strong competitive strengths in flow-based business with a leading position in the industry in respect to business scale. Innovative flow-based business such as return swap and equity derivatives has become important business growth points of the Company.

The flow-based business is capital consuming, thus scale and profitability and the business depends on relatively stable long-term capital supply. The Company plans to increase its investment in the flow-based business with the proceeds raised from the Rights Issue in order to better meet the requirements of the risk control indicators and to ensure the reasonable growth of the flow-based business.

(II) Increase in Investment to the Subsidiaries of the Company

No more than RMB5 billion of the proceeds from the Rights Issue is intended to be used to increase investment in the subsidiaries of the Company.

The first-level wholly-owned subsidiaries of the Company include CSI, GoldStone Investment Co., Ltd., CITIC Securities Investment Limited, CITIC Futures Company Limited, CITIC Securities (Shandong) Co., Ltd. and CITIC Securities South China, and China AMC is controlled by the Company. The Company is also preparing to establish a wholly-owned asset management subsidiary, being CITIC Securities Asset Management Co., Ltd. (tentative name). To drive the group-oriented development of the Company, build company brand and enhance the synergistic effect among parent company and subsidiaries, the Company plans to use some of the proceeds to provide capital support for subsidiaries including CITIC Securities International in diversified ways, so as to enhance the capital strength of the subsidiaries, enrich diversified income of the Company, optimize business structure and promote harmonious development.

(III) Strengthening of Construction of the Information System

No more than RMB3 billion of the proceeds from the Rights is intended to be used to strengthen the construction of information system in order to improve the overall informatization level of the Company.

Information system is an important carrier for the operation of securities market and is important for the sound development of securities market, the protection of investors' interests and the strengthening of market competitiveness. As financial technology is speeding up its integration with securities industry, securities companies continue to increase their investments in technology and internet companies continuously strengthen their layout in smart investment consultancy, asset management and other fields, posing new challenges to business expansion of securities companies by leveraging on their advantages in digitalization and technological capabilities. Technologies are gradually expediting the reform on commercial models of finance.

Meanwhile, regulatory authorities are paying more attention on the investments in information technology construction of securities companies. According to the regulations on classification of securities companies newly amended by the CSRC in 2020, the percentage of the investment amount in information technology to operation revenue is taken as an important plus for classification and evaluation of securities companies.

The Company highly values the significance of information system construction to respond to changes of competitive environment and to promote the transformation of business model. In recent years, the Company continues to increase the resource input in information technology, make more efforts to hire relevant professional talents and reinforce the development of financial technological platform and the application of new technologies including big data and artificial intelligence. In this regard, the Company plans to increase the input in information system construction through the proceeds from the Rights Issue and further improve the overall informatization level and ability of financial technology to support business growth of the Company.

(IV) Replenishment of Other Working Capital

No more than RMB1 billion of the proceeds from the Rights Issue is intended to be used to replenish other working capital.

The Company will pay close attention to the changes in regulatory policies and market conditions, reasonably allocate the proceeds from the Rights Issue after taking into consideration the development strategies and actual operating conditions of the Company, and promptly replenish the working capital required in the business development of the Company, so as to ensure the orderly development of various businesses.

V. Conclusion

The securities industry in China is confronting with a historic opportunity for the comprehensive development. The capital strength is an important factor for the Company to expand business scale, enhance comprehensive competitiveness and stabilize competitive advantage. The proceeds from the Issuance can help the Company to consolidate its capital strength, enhance its industry competitiveness, and strengthen its risk resistance, which will provide strong support for the realization of the strategic goals of the Company. Meanwhile, the Issuance complies with conditions stipulated in relevant laws, regulations and normative documents, and conforms to the national industrial policies. Therefore, the Rights Issue is necessary and reasonable. The successful implementation of the Issuance will optimize the Company's business structure, enhance the profitability, and bring better returns for our Shareholders.

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

I. Calculation of the Impact of the Rights Issue on Main Financial Indicators of the Company

(I) Explanations on Main Assumptions and Calculations

1. Assume that there are no major adverse changes in the macroeconomic environment, trend for industrial development and the operation situations of the Company in 2021;
2. Assume that, under the Rights Issue, the Rights Shares are allotted on the basis of 1.5 Rights Shares for every 10 Shares. Calculated by the total share capital of 12,926,776,029 as at 31 December 2020, the number of Rights Shares to be issued under the Rights Issue will not exceed 1,939,016,404 Shares, and the total share capital of the Company upon completion of the Issuance is 14,865,792,433 (the aforesaid numbers are only used to calculate the impact of the dilution of immediate returns under the Rights Issue on main financial indicators, subject to the confirmation of the Company according to regulatory requirements and market conditions);
3. Assume that the total proceeds from the Rights Issue (excluding issuance expenses) is RMB28 billion;
4. Assume that the Rights Issue is completed on 30 September 2021 (the aforesaid date is only used to calculate the impact of the dilution of immediate returns by Rights Issue on main financial indicators, subject to the number of shares approved by the CSRC to be issued, amount of proceeds and actual date of completion of issuance);
5. Assume that the audited net profit attributable to owners of the parent and the audited net profit attributable to owners of the parent excluding extraordinary gains and losses in 2020 are consistent with the Preliminary Financial Data for the Year 2020, i.e. the net profit attributable to owners of the parent in 2020 is RMB14.897 billion, and the net profit attributable to owners of the parent excluding extraordinary gains and losses in 2020 is RMB14.895 billion;
6. Assume that the net profit attributable to owners of the parent including extraordinary gains and losses and the net profit attributable to owners of the parent excluding extraordinary gains and losses in 2021 record an increase of 10%, remains constant, or has a decrease of 10% compared with 2020;
7. The impact of the proceeds from the Rights Issue on the production, operation and financial conditions (such as the financial expenses and investment returns) of the Company is not taken into consideration;
8. Assume that there are no matters that affect the number of Shares such as capitalization of capital reserves, distribution of dividends and share repurchase in 2021.

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UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

(II) Impacts on the Earnings per Share of the Company

On the basis of the aforesaid assumptions, the Company has measured the impacts on earnings per Share before and after the completion of the Issuance as follows:

Item	For the year of	For the year of 2021/ As at 31 December 2021	
	2020/As at 31 December 2020	Excluding the Issuance	Including the Issuance
Assumption 1: The net profit attributable to owners of the parent and the net profit attributable to owners of the parent excluding extraordinary gains and losses in 2021 record an increase of 10% compared with 2020			
Total share capital of ordinary Shares (RMB'00 million)	129.27	129.27	148.66
Weighted average number of ordinary Shares in issue ('00 million Shares)	127.24	129.27	134.12
Net profit attributable to owners of the parent (RMB'00 million)	148.97	163.87	163.87
Net profit attributable to owners of the parent excluding extraordinary gains and losses (RMB'00 million)	148.95	163.85	163.85
Basic earnings per Share (RMB)	1.17	1.27	1.22
Diluted earnings per Share (RMB)	1.17	1.27	1.22
Basic earnings per Share excluding extraordinary gains and losses (RMB)	1.17	1.27	1.22
Diluted earnings per Share excluding extraordinary gains and losses (RMB)	1.17	1.27	1.22

Assumption 2: The net profit attributable to owners of the parent and the net profit attributable to owners of the parent excluding extraordinary gains and losses in 2021 remains constant compared with 2020

Total share capital of ordinary Shares (RMB'00 million)	129.27	129.27	148.66
Weighted average number of ordinary Shares in issue ('00 million Shares)	127.24	129.27	134.12
Net profit attributable to owners of the parent (RMB'00 million)	148.97	148.97	148.97
Net profit attributable to owners of the parent excluding extraordinary gains and losses (RMB'00 million)	148.95	148.95	148.95
Basic earnings per Share (RMB)	1.17	1.15	1.11
Diluted earnings per Share (RMB)	1.17	1.15	1.11
Basic earnings per Share excluding extraordinary gains and losses (RMB)	1.17	1.15	1.11
Diluted earnings per Share excluding extraordinary gains and losses (RMB)	1.17	1.15	1.11

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

Item	For the year of 2020/As at 31 December 2020	For the year of 2021/ As at 31 December 2021 Excluding the Issuance	Including the Issuance
Assumption 3: The net profit attributable to owners of the parent and the net profit attributable to owners of the parent excluding extraordinary gains and losses in 2021 record a decrease of 10% compared with 2020			
Total share capital of ordinary Shares (RMB'00 million)	129.27	129.27	148.66
Weighted average number of ordinary Shares in issue ('00 million Shares)	127.24	129.27	134.12
Net profit attributable to owners of the parent (RMB'00 million)	148.97	134.07	134.07
Net profit attributable to owners of the parent excluding extraordinary gains and losses (RMB'00 million)	148.95	134.05	134.05
Basic earnings per Share (RMB)	1.17	1.04	1.00
Diluted earnings per Share (RMB)	1.17	1.04	1.00
Basic earnings per Share excluding extraordinary gains and losses (RMB)	1.17	1.04	1.00
Diluted earnings per Share excluding extraordinary gains and losses (RMB)	1.17	1.04	1.00

(III) Explanations on the Calculation

The aforesaid assumptions of the calculation do not constitute a profit forecast of the Company. Investors shall not make investment decisions on the above basis, and any losses thus incurred shall not be borne by the Company.

The number of Shares to be issued, the total amount of proceeds and the date of completion of the Issuance are only estimations, subject to the approval by the regulatory authorities and the subscription to the Shares to be issued.

II. Risk Warning on the Dilution of Immediate Returns by the Issuance

Upon completion of the Rights Issue, the number of Shares and net assets scale of the Company will be increased to a greater extent. However, it takes a certain period to produce benefits after the investment of proceeds, and the Company mainly depends on its existing business to realize profits and shareholders' return, so indicators such as the earnings per share and return on weighted average equity may experience a certain decrease in the short term i.e. the immediate returns will be susceptible to dilution after the Company's Rights Issue. In addition, if the proceeds from the Issuance cannot realize the expected benefits, it will probably dilute the earnings per share and the return on equity, and reduce the Company's return for the Shareholders.

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

III. Necessity and Rationale of the Issuance

(I) Necessity of the Issuance

1. Answer the call of national strategy to build an aircraft-carrier-class securities company

Under the new era background that China's economy has entered the New Normal and the macro economy has transformed from high-speed growth to high-quality development, the deepening reform of capital market and the supply-side reform of securities industry not only provide historic opportunities for the development of the securities industry. In September 2019, the CSRC unveiled 12 Key Missions for Reform of Capital Markets, aiming to establish a market system with high quality and efficiency. The development of capital markets not only requires professional institutions capable of risk pricing, rich financial products, good market liquidity and diversified financing channels, but also requires securities companies to play the roles of financing steward, wealth manager, provider of trading services and liquidity, key investor of the market and risk manager, which means a historic opportunity for the all-round development of securities industry.

In November 2019, the CSRC issued the Response Letter to Proposal No. 3353 (Cai Shui Jin Rong Lei No. 280) of the Second Session of the 13th National Committee of the Chinese People's Political Consultative Conference, stating that it will continue to encourage securities companies with guidance to replenish capital, enrich services, optimize incentive and restraint mechanisms, increase investments in technology and innovation, update internationalization initiatives, strengthen compliance risk management and control, and proactively develop aircraft-carrier-class securities companies. As a leading enterprise in the securities industry, the Company should take action to answer the call of the national strategy by constantly consolidating its own capital strength, tap into the opportunities to the development of capital market and the securities industry, and become bigger, better and stronger.

2. Respond to the increasingly fierce competition in the industry and actively participate in the competition of the international market

With the opening of China's financial market and the deepening reform of the capital market, competition in the securities industry has become increasingly fierce. On the one hand, with the two-way opening up of the capital market and the securities industry, domestic securities companies will face competition from foreign institutions. With their global vision, standardized trading and clearing systems, and global product chains, foreign institutions have competitive strength in terms of providing services to institutional investors and high-net-worth individual customers, and will inevitably impose pressure of competition on local securities companies when developing their business in China. Meanwhile, local top-tier securities companies are also accelerating their pace of internationalization and participate in international competition with helping capital in China and Chinese investors going abroad. On the other hand, the supply-side reforms will be adopted to achieve the survival of the fittest in the securities industry. The wealth management transformation, registration system reform, de-channeling of asset management, and the Matthew effect of derivatives businesses has accelerated the concentration of the securities industry. Large securities companies with strong capital strength and leading operation scale will capture the vantage point in the development of the industry.

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In recent years, with the operation and management work progressed steadily, the Company has been consistently ranked first among domestic securities companies in terms of principal businesses and financial indicators. The Issuance will help the Company further enhance its capital strength and its capital advantage in the new round of industrial competition.

3. *Promote the achievement of the Company's strategic goals and help the Company with becoming a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world*

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

Due to the capital-intensive nature of securities industry, the business development of securities companies is closely related to their capital strength, and the capital scale directly determines the business scale. The Issuance will further consolidate the Company's capital strength, optimize the capital structure, expand the business scale, and effectively seize market opportunities, which will provide solid capital guarantee for the achievement of strategic goals.

4. *Reducing liquidity risks and enhancing the Company's ability to resist risks*

Risk management and internal control are critical to the successful operation of securities companies. In June 2016 and January 2020, the Measures for the Risk Control Indicators of Securities Companies and Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies were successively issued by the CSRC, which improved the risk control indicators system centering on the net capital and liquidity, and put forward higher requirements on the risk management and capital strength of the securities companies. In July 2020, the CSRC issued the revised Provisions on the Classified Supervision and Administration of Securities Companies, which proposed comprehensive risk management for the purpose of promoting the securities companies to enhance the comprehensive risk management ability. In addition, the Company was the first to pilot the consolidated supervision under the guidance of the CSRC which put forward higher requirements on the risk management capability of the Company.

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UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

Since its establishment, the Company has always attached great importance to the construction of risk control mechanism, and achieved standardized operation, stable and healthy development, and high asset quality. Its various financial and business risk supervision indicators meet the regulatory requirements. The Company has established the monitoring system of dynamic risk control indicators in accordance with the relevant requirements, which realized real-time, dynamic monitoring and automatic warning of risk control indicators. At the same time, the Company has established the net capital replenishment mechanism to ensure continued compliance of risk control indicators, such as the net capital, in accordance with the requirements of the securities regulatory authorities. On the one hand, the Company constantly strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity supervision indicators with the regulatory standards. On the other hand, the Company evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure the secured liquidity of the Company.

By increasing the long-term capital and optimizing the capital structure, the Company can enhance its long-term competitiveness and anti-risk ability. Under the background that the current regulatory policies have tightened control on the risk management capabilities of securities companies, the Company needs to maintain long-term capital matching with its asset scale to continuously meet the regulatory requirements. The proceeds from the Issuance will help reduce liquidity risk and improve risk resistance of the Company.

(II) Rationale of the Issuance

1. The Issuance complies with relevant laws, regulations and normative documents

The Company has a perfect corporate governance structure, and has established and improved the perfect internal control system and effective real-time risk monitoring system, thus has complete risk control system and strong risk control capability. With high-quality assets, a sound financial status and sustainable profit-making capability, the Company satisfies the conditions for public issuance of shares by way of rights issue as stipulated in laws, regulations and normative documents such as the Company Law, the Securities Law, the Administrative Measures, the Offering Regulation Q&A — Regulatory Requirements for Guiding and Regulating the Financing Conduct of Listed Companies (Revised) and the Hong Kong Listing Rules.

2. The Issuance follows the industrial and national policies

In May 2014, the State Council released the Opinions on Further Promoting the Sound Development of Capital Markets, encouraging the differentiated, professional and characteristic development of the securities operating institutions, and promoting the development of several modern investment banks with international competitiveness, brand influence and system significance.

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

In May 2014, the CSRC released the Opinions on Further Promoting the Innovative Development of Securities Operating Institutions, raising 15 opinions on further promoting the innovative development of securities operating institutions in terms of, among others, expanding channels for financing and supporting the equity and debt financing of securities operating institutions.

In September 2014, the CSRC released the Notification on Encouraging Further Capital Replenishment by Securities Companies, and the Securities Association of China released the Guidelines on Capital Replenishment by Securities Companies, requiring that securities companies should in principle “replenish the capital once at least in the future three years by means of IPO or increase in capital and issuance of new shares to ensure that the business scale is in line with the capital strength and its overall risk profile matches the risk tolerance”.

In June 2016 and January 2020, the CSRC released the Measures for the Risk Control Indicators of Securities Companies and Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies successively, which improved the risk control indicators system centering on the net capital and liquidity, enhanced the guiding role of capital allocation of securities companies and promoted the continuous, stable and healthy development of the securities industry.

In November 2019, the CSRC published the Response Letter to Proposal No. 3353 (Cai Shui Jin Rong Lei No. 280) of the Second Session of the 13th National Committee of the Chinese People’s Political Consultative Conference, stipulated that it will continue to encourage and guide securities companies to replenish capital, enrich service functions, optimize incentive and restraint mechanisms, increase investment in technology and innovation, improve international layouts, strengthen compliance risk management and control, and actively support all kinds of state-owned capital to inject capital into securities companies through subscription of preference shares, ordinary shares, convertible bonds and subordinated bonds, so as to promote the securities industry bigger and stronger.

With the rapid growth of the business scale and the continuous expansion of emerging businesses of the Company, the current net capital can no longer satisfy the business development demands of the Company in future and regulatory requirements. The public issuance of securities by way of the Rights Issue is in line with the CSRC’s measures to encourage securities companies to further replenish the capital, which is in line with the national industrial policies.

In conclusion, the securities industry in China is confronting with a historic opportunity for the comprehensive development. The capital strength is an important factor for the Company to expand business scale, enhance comprehensive competitiveness and stabilize competitive advantage. The proceeds from the Issuance can help the Company to consolidate its capital strength, enhance its industry competitiveness, and strengthen its risk resistance, which will provide strong support for the realization of the strategic goals of the Company. Meanwhile, the Issuance complies with conditions stipulated in relevant laws, regulations and normative documents, and conforms to the national industrial policies. Therefore, the Rights Issue is necessary and rational.

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

IV. The Relationship Between the Investment Projects to be Funded by the Proceeds from the Issuance and the Existing Businesses of the Company

The Company is principally engaged in providing investment banking, wealth management, assets management, financial market and related financial services. The gross proceeds raised from the Issuance is expected to be no more than RMB28 billion, and after deduction of relevant expenses relating to the issuance, will be used for the development of flow-based business, the increase in investments to the subsidiaries of the Company, the strengthening of construction of the information system and the replenishment of other working capital. Upon completion of the Issuance, the principal businesses of the Company will remain unchanged, and its capital strength will be further enhanced, which can help the Company enhance the comprehensive strength at home and abroad, improve and enhance the business layout in an all-round way, and actively participate in international competition.

V. The Company's Reserve in Personnel, Technology and Market for the Investment Projects to be Funded by the Proceeds

In terms of the personnel reserve, the Company has continuously strengthened the development of the talent team, optimize the Company's talent structure, and form a high-quality international talent team. The operation and management team of the Company has several years of working experience in the securities industry, and a deep understanding of the domestic and overseas securities market. The Company attaches great importance to the ability improvement of management personnel and the construction of reserve talents, pays attention to the training of new employees and the ability improvement of on-the-job employees, as well as organizes various and targeted trainings for employees every year, which aims at cultivating talents and realizes the common growth of employees and the Company. Such personnel reserve lays a solid talent foundation for the implementation of the investment projects to be funded by the proceeds for the Company.

In terms of the technical reserve, the Company, in recent years, has continued to increase resources investment in information technology, strengthen the development of financial technology platform and the application of big data, artificial intelligence and other new technologies, increase investment in information technology system construction, build intelligent customer service system, constantly explore and expand emerging businesses, and improve the level of financial technology empowerment. At the same time, the Company will continue to increase contributions into its independent research and development, promote the building and optimization of the compliance and risk control module in the professional compliance and risk control system and business system, reinforce standardization and automation of the risk management process and achieve the systematic calculation and monitoring of risk indicators of the Group.

In terms of the market reserve, the Company's various operation and management works have achieved steady progresses, coupled with stable growth in various financial indicators and continuing top rankings in various businesses. As at 30 September 2020, the total assets of the Company reached RMB1,044.14 billion, and the equity attributable to the equity owners of the Company reached RMB179.75 billion. In 2019, the Company's domestic equity business underwriting size amounted to RMB279.8 billion with a market share of 18.16%, and the bond business underwriting size amounted to RMB1,001.5 billion, with a market share of 5.29%, both ranking the forefront in the industry. The size of A-share material assets restructuring transactions completed by the Company was approximately RMB163.3 billion and ranked first in the industry. In the ranking of operating performance of securities companies in 2019 released by the Securities Association of China, the Company ranked first in the industry in terms of the total assets, net assets, operating income, net profit and other indicators.

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

VI. Main Measures Adopted by the Company in Response to the Dilution of the Immediate Returns under the Rights Issue

(I) Promote the Comprehensive Development of the Existing Businesses, and Expand Emerging Profit Growth Channels

On the basis of promoting the stable growth of the existing businesses, the Company will pay close attention to the market development, customer demand and policy changes, explore new business opportunities, optimize business structure, expand business areas, provide customers with all-round and diversified financial services so as to seize the first chance in the increasingly fierce market competition.

(II) Standardize the Management and Use of Proceeds

The Company has formulated the Administrative Measures on the Use of Proceeds by CITIC Securities Company Limited (《中信証券股份有限公司募集資金使用管理辦法》) in accordance with the Administrative Measures, the SSE Listing Rules, the No. 2 Regulatory Guideline of the Listed Companies — Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (《上市公司監管指引第2號 — 上市公司募集資金管理和使用的監管要求》), and in combination with the Articles of Association and the actual situations of the Company, stipulating the requirements on the deposit, use and change of investment, usage management and supervision of the proceeds to guarantee the use of the proceeds are reasonable and in compliance. The Company will use scientific and standard management means, adhere to the principle of stability, and strictly control and manage risks, as well as optimize asset allocation, improve the efficiency of the use of funds on the basis of ensuring the safety of the Company's funds.

(III) Strengthen Internal Control and Risk Management, Enhance the Operational Efficiency

The Company will improve its internal control, give full play to the effectiveness of enterprise management and control, prevent business risks, explore more efficient management methods, improve the investment decision-making mechanism, accelerate the release of the effect of the Company's existing projects, and enhance operational efficiency. The Company will further strengthen personnel and cost control, improve the daily operation efficiency, comprehensively and effectively control the Company's operation risks, and improve business results. The Company will also continue to be committed to further promoting the internationalization process, improve domestic and foreign customer service capabilities, achieve high-quality sustainable development of the Company, and consolidate and enhance the comprehensive competitive advantage.

**ANNEX F RISK WARNING OF THE DILUTION OF IMMEDIATE RETURN
UNDER THE RIGHTS ISSUE TO EXISTING SHAREHOLDERS
AND REMEDIAL MEASURES TO BE TAKEN IN THIS RESPECT**

(IV) Further Improve the Corporate Governance, and Provide System Guarantee for the Company Development

The Company will continuously improve the corporate governance structure in strict accordance with relevant laws, regulations and normative documents such as the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies, the SSE Listing Rules and the Hong Kong Listing Rules in order to ensure that the Board can exercise their powers in accordance with laws, regulations and the Articles of Association, the independent Directors can diligently fulfill their responsibilities, the Shareholders can fully exercise their rights, and the Shareholders' general meeting, the Board and the Supervisory Committee operate in a standard manner, protect the interest of the Company as a whole, especially the legal rights and interests of the minority Shareholders, and provide system guarantee for the development of the Company.

(V) Optimizing the Company's Profit Distribution System to Improve Investment Returns

The Company has formulated the relevant provisions on profit distribution in the Articles of Association of the Company in accordance with the relevant requirements in the Notice of the CSRC on Further Implementing Matters in relation to the Cash Dividend Distribution of Listed Companies and the No. 3 Regulatory Guideline of the Listed Companies — Cash Dividend Distribution of Listed Companies. The Company will continue to strictly adhere to the provisions of the Articles of Association and continue to implement the sustainable, stable and positive profit distribution policy. Based on the Company's actual conditions, the Company will listen to the opinions and suggestions of investors, especially the independent Directors and the minority Shareholders, improve returns for investors, improve the profit distribution policy, increase the transparency of the implementation of the distribution policy, and protect the interests of the Shareholders as a whole according to the requirements of the CSRC, the Shanghai Stock Exchange and the relevant laws and regulations.

**ANNEX G LETTER OF UNDERTAKING BY THE DIRECTORS AND SENIOR MANAGEMENT
OF THE COMPANY ON THE PERFORMANCE OF THE REMEDIAL MEASURES
FOR THE DILUTION OF IMMEDIATE RETURN UNDER THE RIGHTS ISSUE**

The Company proposed to allot and issue Shares to its existing Shareholders by way of the Rights Issue. In accordance with the requirements of laws, regulations and normative documents such as the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Market (Guo Ban Fa [2013] No. 110), the Opinions of the State Council on Further Promoting the Sound Development of the Capital Market (Guo Fa [2014] No. 17), and the Guiding Opinions on Matters concerning the Dilution of Immediate Return by Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31), the Directors and senior management of the Company hereby make the following undertakings:

1. “I undertake not to transfer benefits to other entities or individuals without compensation or under unfair conditions, nor to impair the Company’s interests in other ways.
2. I undertake that I shall constrain the expenses in performing my duties.
3. I undertake that I shall not use the assets of the Company for any investment or expenditure which is unrelated to the performance of my duties.
4. I undertake that the remuneration package formulated by the Board or the remuneration and appraisal committee under the Board shall be implemented in accordance with the remedial measures for the returns of the Company.
5. I undertake that if the Company implements any share incentive plan subsequently, the proposed conditions for the exercise of rights under the share incentive plan shall be linked to the remedial measures for the returns of the Company.
6. I undertake that if the CSRC puts forward other regulatory provisions related to the remedial measures for the returns and the undertakings during the period from the date on which these undertakings are made to the completion of the Issuance, and the aforesaid undertakings fail to satisfy such provisions of the CSRC, a supplementary undertaking shall be made according to the latest provisions of the CSRC.”

In order to further improve the returns to investors and formulate a sustainable, stable and positive profit distribution policy, according to the requirements of relevant documents including the Company Law, the Securities Law, the Notice of the China Securities Regulatory Commission on Further Implementing Matters in relation to the Cash Dividend Distribution of Listed Companies, the No. 3 Regulatory Guideline of the Listed Companies — Cash Dividend Distribution of Listed Companies, the Guideline of the Shanghai Stock Exchange for Cash Dividend Distribution of Listed Companies as well as the Articles of Association, taking into comprehensive consideration of the actual situation of the Company, the Company has formulated the Shareholders' Return Plan for 2021–2023 of the Company (the “Plan”). Details of which are as follows:

I. The Principles for the Formulation of the Plan

1. Strictly abide by relevant laws, regulations and regulatory requirements as well as the provisions of the Articles of Association;
2. Attach importance to reasonable investment returns for investors, and formulate a sustaining and stable profit distribution policy according to the strategic goals and the need for future sustainable development of the Company;
3. The profit shall be distributed in the form of cash, stock shares, or a combination of both. Priority will be given to cash dividend payment when the conditions for cash dividend are fulfilled;
4. Fully listen to the opinions and suggestions of the Shareholders, especially the minority Shareholders, and independent Directors, improve the profit distribution policy, increase the transparency of the implementation of the distribution policy, and protect the interests of the Shareholders as a whole.

II. Considerations in the Formulation of the Plan

1. Laws, Regulations and Regulatory Provisions

Strictly abide by the relevant laws and regulations as well as the requirements in relation to the profit distribution policy of the regulatory authorities on the listed companies, and ensure that the net capital and other risk control indicators continue to meet the requirements of the securities regulatory authorities.

2. Shareholder Requirements and Wishes

Take into full consideration the will of the Shareholders, especially the needs of minority Shareholders, not only pay attention to the reasonable investment return for investors, but also give consideration to the expectations of investors for the sustained and rapid development of the Company, provide proactively the investors with returns, fulfill due social responsibilities, establish a good corporate image, and build up the investors' confidence in the development prospects of the Company.

3. Business Development Plan of the Company

Comprehensive analyze the long-term strategic development plan and the stage of development of the Company, maintain the proper proportion of retained earnings to meet the current capital needs of the business development, provide a financial cover for the achievement of the vision of the Company, and eventually “become a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world”, so as to provide the investors with sustained and stable returns.

4. Financial Position of the Company

The Company shall, in formulating the Shareholders' Return Plan, take full consideration the current and future liquidity level, earning performance and profitability of the Company, with reference to the characteristics of the securities industry.

5. External Financing Environment

The Company shall comprehensively consider the impact of the global macroeconomic situation and the external financing environment, and formulate a sustainable, stable and positive profit distribution policy for investors.

III. The Contents of the Shareholders' Return Plan for 2021–2023

1. The method of profit distribution

The profit shall be distributed in the form of cash, shares, or a combination of both. Priority will be given to cash dividend payment when the conditions for cash dividend are fulfilled. The basis of distribution shall be proposed by the Board based on the operating condition of the Company and the requirements of the CSRC, and shall be subject to the approval by the Shareholders' general meeting.

2. Specific conditions for and basis of cash dividends

The Company shall, in formulating its profit distribution plan, consider both internal and external factors, and do its best to ensure that the annual profit distribution amount is not less than 20% of the net profit attributable to owners of the parent for that year.

If the profit and accumulated undistributed profit for the year is positive, the cash flows are sufficient for the Company's normal operation and long-term development and the implementation of the cash dividend plan will not affect the Company's continuous operation, the Company may make profit distribution in the form of cash. The Company shall develop differentiated cash dividend policies to be applicable in the following different situations, after taking into consideration factors such as industry characteristics, the development stage, business operation model, profitability level of the Company and whether there are significant capital expenditure arrangements:

- (1) Where the Company is at a sophisticated stage of development and has no significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall be no less than 80%;

- (2) Where the Company is at a sophisticated stage of development and has significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall be no less than 40%; and
- (3) Where the Company is at a growth stage of development and has significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall be no less than 20%;

Where the Company's development stage is difficult to be defined and the Company has significant capital expenditure arrangements, the above-mentioned provisions may still be followed.

3. Conditions for share dividend distribution

Where the Company is in a sound operating condition, and the Board considers that the earnings per share and share price of the Company does not reflect its scale of share capital and distributing dividends in shares will be in the interests of the Shareholders of the Company as a whole, the Company may make profit distribution in the form of shares after taking into consideration the growth of the Company, dilution of net asset value per share and other factors. The distribution of dividends in the form of shares shall be subject to the approval by the Shareholders' general meeting, and the approval by the CSRC and other regulatory authorities.

4. Conditions for adjusting the cash dividend distribution policy

In any of the following situations, after the Board has discussed in details, the independent Directors have expressed their clear opinions, and the adjustment has been passed by all the Shareholders present at the Shareholders' general meeting of the Company representing 2/3 of their shares with voting rights, the Company may adjust the aforementioned cash dividend payout policy:

- (1) relevant laws and regulations or the profit distribution policy for listed companies issued by the securities regulatory authorities are changed or adjusted;
- (2) the risk control indicator on net capital reaches early-warning level;
- (3) operating conditions of the Company deteriorate;
- (4) the Board proposes to adjust.

5. Time intervals between profit distributions

The Company shall, in principle, make one profit distribution each year when the conditions for dividend payment are fulfilled, but the Company may distribute dividends in an interim period according to its profitability and capital requirements.

IV. The Formulation Cycle and Adjustment Mechanism of the Shareholders' Return Plan

The Company reformulates the Shareholders' Return Plan every three years based on its operating condition, and timely revises it according to its development and policy changes, so as to ensure that the Plan complies with relevant laws, regulations and regulatory requirements as well as the requirements of the Articles of Association of the Company.

The formulation or modification of the Shareholders' Return Plan shall be submitted to the Shareholders' general meeting for approval after being considered and approved by the Board and the independent Directors clearly expressed their opinions.

V. Others

Any matters not stated in the Plan shall be executed pursuant to the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association of the Company. The Plan shall be interpreted by the Board of the Company and shall be effective from the date of approval by the Shareholders' general meeting of the Company.

In accordance with the Regulations on the Report on the Use of Previous Proceeds issued by the CSRC (Zheng Jian Fa Xing Zi [2007] No. 500), the Company hereby reports the use of its previous proceeds as at 31 December 2020 as follows²:

I. Information about Previous Proceeds

According to the Approval of the Acquisition of Assets by CITIC Securities Company Limited through Issuance of Shares to Guangzhou Yuexiu Financial Holdings Group Co., Ltd. and Other Companies (Zheng Jian Xu Ke [2019] No. 2871) issued by the CSRC on 26 December 2019, the Company was approved to issue 809,867,629 ordinary A Shares to Yuexiu Financial Holdings and its wholly-owned subsidiary, Financial Holdings Limited. The fair value of equity securities in issue amounted to a total of RMB12,167,730,660.00 (hereinafter referred to as the “**Previous Proceeds from Domestic Issuance**”).

As at 31 January 2020, Yuexiu Financial Holdings and Financial Holdings Limited have completed the change of registration regarding the transfer of 100% equity interest in former Guangzhou Securities Company Limited (hereinafter referred to as the “**Former Guangzhou Securities**”) (excluding 99.03% equity interest in Guangzhou Futures and 24.01% equity interest in Golden Eagle) to the Company with relevant industrial and commercial administrations.

On 11 March 2020, the Company has completed the registration and listing procedures with China Securities Depository and Clearing Corporation Limited, Shanghai Branch in relation to the issuance of ordinary A Shares to Yuexiu Financial Holdings and its wholly-owned subsidiary Financial Holdings Limited. The newly issued Shares are listed shares with trading moratorium and subject to a lock-up period of 48 months from the date of completion of the issuance.

The 809,867,629 Shares issued by the Company under the previous issuance are issued as consideration for acquisition of assets with no actual inflow of proceeds, no date of receipt of proceeds and no deposit of proceeds in special accounts.

²Note: Unless otherwise stated, the relevant financial data is presented in the unit of million and rounded to two decimal places in the English version of this annex.

II. Actual Use of the Previous Proceeds

The use of Previous Proceeds from Domestic Issuance under the acquisition of assets by issuance of Shares of the Company is to acquire 100% equity interest in Former Guangzhou Securities by way of issuance of Shares. As at 31 December 2020, the comparison table of the actual use of the Previous Proceeds from Domestic Issuance of the Company is set out as follows:

As at 31 December 2020, details of the use of the Previous Proceeds from Domestic Issuance of the Company are set out as below:

			In RMB million
Total amount of proceeds:	12,167.73	Total proceeds accumulatively used:	12,167.73
Total proceeds with changed use:	N/A	Total proceeds used in each year:	
The proportion of total proceeds with changed use:	N/A	2020	12,167.73

Investment projects	Total investment with proceeds		Cumulative investment with proceeds as at					The difference between actual investment amount and investment amount	Date when the project is available for the intended use (or the degree of completion as at the date of this report)		
			31 December 2020		Investment amount	Investment amount	Actual investment amount			Actual investment amount	
No.	Investment projects undertaken	Actual investment projects	Investment amount undertaken before fundraising	Investment amount undertaken after fundraising				Actual investment amount	Investment amount undertaken before fundraising		Investment amount undertaken after fundraising
1	Acquisition of 100% equity interest in Former Guangzhou Securities	Acquisition of 100% equity interest in Former Guangzhou Securities	12,167.73	12,167.73	12,167.73	12,167.73	12,167.73	12,167.73	12,167.73	—	31 January 2020

III. Asset Operation of Asset Restructuring Used for Share Subscription

1. Changes in ownership of assets

As at 31 January 2020, Yuexiu Financial Holdings and Financial Holdings Limited have completed the change of registration regarding the transfer of 100% equity interest in Former Guangzhou Securities (excluding 99.03% equity interest in Guangzhou Futures and 24.01% equity interest in Golden Eagle) to the Company with relevant industrial and commercial administrations. The Former Guangzhou Securities has changed its name to CITIC Securities South China Company Limited. Furthermore, the Company has obtained all the necessary approvals for the acquisition of the Former Guangzhou Securities, including the Approval of the Acquisition of Assets by CITIC Securities Company Limited through Issuance of Shares to Guangzhou Yuexiu Financial Holdings Group Co., Ltd. and Other Companies (Zheng Jian Xu Ke [2019] No. 2871) issued by the CSRC.

As at 31 January 2020, the Company has confirmed that each of the newly added registered capital and ordinary share capital was RMB809,867,629.00 in total. The Previous Proceeds from Domestic Issuance as mentioned above have been verified by PricewaterhouseCoopers Zhong Tian LLP under the capital verification report (PwC Zhong Tian YZ (2020) No. 0134).

On 15 October 2020, the 2020 third extraordinary general meeting of CITIC Securities South China considered and approved the transfer of 100% equity interest in Guangzheng Lingxiu Investment Co., Ltd., a wholly-owned subsidiary of the Target Company, to the Company and the transfer of 100% equity interest in Guangzhou Securities Innovation Investment Management Company Limited, a wholly-owned subsidiary of the Target Company, to Goldstone Investment Co., Ltd., a wholly-owned subsidiary of the Company, with the transfer prices of equity interest in aforesaid subsidiaries being not lower than the audited net asset value as at the latest period. As at 31 December 2020, the aforesaid transfers of equity interest have been completed, and the change of registration regarding the transfers with relevant industrial and commercial administrations has also been completed.

2. Changes in the book value of the Target Company

	In RMB million		
	30 November 2018, being the valuation benchmark date	31 January 2020, being the closing date	31 December 2020
Total assets	47,810.84	28,189.42	23,899.17
Total liabilities	37,922.09	16,965.73	12,486.79
Total net assets attributable to parent company	9,859.52	11,200.00	11,404.23

3. Production and operation and profit contribution of the Target Company

The predecessor of the Target Company is Guangzhou Securities Company Limited (as previously named), which was established in 1988 and is one of the earliest founded securities companies in China. As a comprehensive securities company, the business scope of the Target Company covers all traditional business types of securities companies, including securities brokerage, investment banking, proprietary securities, asset management, research and consulting, etc.

From 31 January 2020 to 31 December 2020, the net profit attributable to owners of the parent realized by the Target Company amounted to RMB204.23 million.

4. The performance of the Asset Security Agreement

According to the Report on the Acquisition of Assets by Issuance of Shares and Related Party Transactions of CITIC Securities Company Limited, the Company acquired 100% equity interest in Former Guangzhou Securities by issuance of Shares to Yuexiu Financial Holdings and its wholly-owned subsidiary, Financial Holdings Limited (the “**Transaction**”) without requiring performance undertaking from the Former Guangzhou Securities, which was in compliance with the requirements of relevant laws and regulations and in line with the characteristics of the industry of securities companies. Based on the appraised value of the Transaction, the characteristics of the business and assets of the Former Guangzhou Securities, the Company has adopted targeted safeguard measures in relation to the business and asset safety of the Former Guangzhou Securities both before and after the transfer of asset under the Transaction.

With regards to the undertaking in relation to the transfer of the Target Assets, Yuexiu Financial Holdings has undertaken to compensate for the difference between the net assets of the Target Company as at the impairment test benchmark date and the reference value in accordance with the agreement if the net assets of the Target Company as at the impairment test benchmark date is lower than the reference value. As at 31 December 2020, the Target Company has received the guarantee amount as at the impairment test benchmark date in relation to the net assets in cash, thus Yuexiu Financial Holdings has fulfilled its undertaking for the net assets value of the Target Company at the time of the transfer of the assets.

With regards to the undertaking in relation to the Target Assets after the impairment test benchmark date, Yuexiu Financial Holdings has undertaken to compensate for any impairment in the balance-sheet assets of the Target Company as well as its branches and subsidiaries after the impairment test benchmark date in accordance with the agreement; and to provide liquidity support for the off balance-sheet business products if the underlying asset size cannot be repaid on time in accordance with the agreement. As at 31 December 2020, the undertaking continues to be valid. In accordance with the Asset Security Agreement and using the value revaluation date (31 December in the year of the impairment test benchmark date and 31 December for each year thereafter) as the benchmark date, the Company will determine the subsequent amount that Yuexiu Financial Holdings shall pay under the undertaking in relation to the Target Assets.

The Company has compared the actual use of the abovementioned proceeds with the relevant contents disclosed in the periodic report and other information disclosure documents issued by the Company as at the date of this report, and is of the view that the actual use is consistent with the relevant contents disclosed.

Dear Shareholders,

Pursuant to the relevant requirements imposed on listed companies by the regulatory authorities, the 2020 duty performance report was issued and signed by each of the Independent Non-executive Directors of the Company (announcement on the same day as the resolutions of the Board). The duty performance of the Independent Non-executive Directors for 2020 is reported as follows:

I. Basic Information of the Independent Non-executive Directors

As of the end of the Reporting Period, the Seventh Session of the Board of the Company comprised six Directors, among whom, three were Independent Non-executive Directors, including (listed in the order of the number of strokes in their surnames): Mr. LIU Ke, Mr. HE Jia and Mr. ZHOU Zhonghui.

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

Mr. HE Jia serves as an Independent Non-executive Director of the Company. Mr. HE was appointed as an independent non-executive Director of the Company on 19 January 2016. He formally took office on 23 March 2016 (upon approval by the regulatory authority on the qualification for serving as an independent director). Mr. HE also serves as a professor of Tsinghua University, Cheung Kong Scholar Chair Professor of the Ministry of Education, an executive director and academic member of the China Society for Finance and Banking and the president of Shanghai North Bund Finance Institute. He is also an independent director of each of NORINCO International Cooperation Ltd. (a company listed on SZSE), China Chengtong Development Group Limited (a company listed on Hong Kong Stock Exchange), Wealthking Investments Limited (a company listed on Hong Kong Stock Exchange), and Bank of Tianjin Co., Ltd. (a company listed on Hong Kong Stock Exchange), and the chairman of Shanghai Xinxi. Mr. HE was an assistant professor and associate professor (life tenure) of the University of Houston from August 1991 to August 1999, professor of the Department of Finance of the Chinese University of Hong Kong from August 1996 to July 2015, chair professor of Southern University of Science and Technology of China from May 2014 to November 2020, member of the Planning and Development Committee of the CSRC from June 2001 to July 2002 and the director of the Research Institute of SZSE from June 2001 to October 2002. Mr. HE had served as an independent director of Shenzhen Soling Industrial Co., Ltd. (a company listed on the SME board of SZSE) from August 2015 to November 2016, an independent director of Shenzhen Xinguodu Co., Ltd. (a company listed on the ChiNext of SZSE) from May 2014 to June 2019, an independent director of Tongfang Co., Ltd. (a company listed on SSE) from May 2016 to February 2020, an independent director of Shanghai Junshi Biosciences Co., Ltd. (a company listed on the SSE Star Market and the Hong Kong Stock Exchange) from June 2018 to June 2020 and an independent director of Tibet Huayu Mining Co., Ltd. (a company listed on the SSE) from October 2012 to October 2018. Mr. HE graduated from Heilongjiang University in 1978, majoring in mathematics. He obtained a double Master's degree in computer science and decision science engineering from Shanghai Jiao Tong University in 1983 and obtained a Doctoral degree majoring in finance from the Wharton Business School of the University of Pennsylvania in 1988.

Mr. ZHOU Zhonghui serves as an independent non-executive Director of the Company. Mr. ZHOU was appointed as an independent non-executive Director of the Company on 27 May 2019. Mr. ZHOU has been a senior member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會), a member of the Finance Director Specialized Committee of the China Association for Public Companies (中國上市公司協會) and a member of the Advisory Committee of the China Appraisal Society (中國評估師協會) since November 2010. Mr. ZHOU also serves as an independent director of each of Shanghai Fudan-Zhangjiang BioPharmaceutical Co., Ltd. (a company listed on the SSE Star Market and the Hong Kong Stock Exchange), S.F. Holding Co., Ltd. (a company listed on the SZSE SME Board), COSCO SHIPPING Holdings Co., Ltd. (a company listed on the SSE and the Hong Kong Stock Exchange) and Goldman Sachs Gao Hua Securities Company Limited. Mr. ZHOU was one of the founders of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, and used to serve as its first general manager and chief accountant. He also served as a senior partner of PricewaterhouseCoopers, a lecturer, an associate professor and a professor of Accounting of Shanghai University of Finance and Economics and the chief financial officer of Xinlong Hong Kong Co., Ltd. Mr. ZHOU served as the chief accountant of the CSRC from May 2007 to April 2011, a member of the International Advisory Council of the CSRC from September 2011 to September 2016, a senior advisor of PricewaterhouseCoopers from June 2011 to May 2014, and an independent director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE and the Hong Kong Stock Exchange) from July 2013 to June 2019. Mr. ZHOU obtained a master's degree in Economics (majoring in accounting) in 1983 and a Ph.D. degree in Economics (majoring in accounting) in 1993 from Shanghai University of Finance and Economics. He was qualified as a Chinese CPA in 1995.

II. Performance of Duties by the Independent Non-executive Directors during the Year

During the Reporting Period, and in accordance with the requirements of the CSRC and the provisions of the Company's Working Rules for Independent Directors, all Independent Non-executive Directors duly performed all their duties during the preparation of the annual report, and gave specific explanations or delivered independent opinions on the related party/connected transactions and external guarantees of the Company.

The Independent Non-executive Directors of the Company actively participated in the general meetings and meetings of the Board and the relevant specialized committees under the Board. Among the members of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Related Party Transactions Control Committee of the Board, the requisite number of Independent Non-executive Directors were appointed as required by their respective rules, and the chairman of each of the committees is assumed by an Independent Non-executive Director. All the chairmen of the committees are able to convene the meetings according to the relevant rules of procedure.

As at the end of the Reporting Period, positions of the Independent Non-executive Directors of the Seventh Session of the Board of the Company in the specialized committees under the Board were as follows:

Independent Non-executive Director	Positions in the specialized committees under the Board
LIU Ke	Chairman of the Remuneration and Appraisal Committee and the Nomination Committee, members of the Strategic Planning Committee, the Audit Committee and the Related Party Transactions Control Committee
HE Jia	Chairman of the Related Party Transactions Control Committee, and members of the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Risk Management Committee
ZHOU Zhonghui	Chairman of the Audit Committee and members of the Remuneration and Appraisal Committee, the Risk Management Committee and the Related Party Transactions Control Committee

During the Reporting Period, the Company convened 2 general meeting, 15 meetings of the Board (14 meetings voted via tele-communications and one meeting voted via on-site combined with tele-communications) and 22 meetings of the specialized committees (18 meetings voted via tele-communications and 4 meetings voted via on-site combined with tele-communications). All Independent Non-executive Directors actively participated in the meetings and gave their independent opinions. Attendances of the meetings were as follows:

Name of meeting	LIU Ke	HE Jia	ZHOU Zhonghui
General meeting	2/2	2/2	2/2
Meeting of the Board	15/15	15/15	15/15
Meeting of the Strategic Planning Committee of the Board	5/5	—	—
Meeting of the Audit Committee of the Board	7/7	7/7	7/7
Meeting of the Remuneration and Appraisal Committee of the Board	1/1	1/1	1/1
Meeting of the Nomination Committee of the Board	1/1	1/1	—
Meeting of the Related Party Transactions Control Committee of the Board	4/4	4/4	4/4
Meeting of the Risk Management Committee of the Board	—	4/4	4/4

Note: The above table shows the times of actual attendance/scheduled attendance. In 2020, the specialized committees of the Board convened a total of 22 meetings (18 meetings voted via tele-communications and 4 meetings voted via on-site combined with tele-communications), among which, 5 meetings of the Strategic Planning Committee (voted via tele-communications), 7 meetings of the Audit Committee (4 meetings voted via tele-communications and 3 meetings voted via on-site combined with tele-communications), one meeting of the Remuneration and Appraisal Committee (voted via on-site combined with tele-communications), one meeting of the Nomination Committee (voted via on-site combined with tele-communications), 4 meetings of the Risk Management Committee (voted via tele-communications) and 4 meetings of the Related Party Transactions Control Committee (voted via tele-communications).

During the Reporting Period, the Company provided the requisite working conditions for the Independent Non-executive Directors to exercise their rights and regularly prepared Weekly Information and Monthly Management so that the Independent Non-executive Directors were able to fully understand the operation, management, business development and compliant operation of the Company in a timely manner. The Company also duly organized the meetings, made arrangement for the dispatch of documents and on-site visits without any restriction or impediment posed to the Independent Non-executive Directors in the process of understanding the operation of the Company.

III. Independent Non-executive Directors' Major Consideration in Duty Performance

(I) Related Party/Connected Transactions

On 6 March, 27 March, 23 July and 23 August 2020, respectively, the independent non-executive Directors of the Company, as members of the Related Party Transactions Control Committee, preliminarily considered the Proposal on Entering into the Supplementary Agreement on the Acquisition of Assets by Issuance of Shares and Related Party Transactions, the Proposal on Compensation by Counterparties Based on Impairment Test in the Restructuring Transactions, and the Proposal on the Estimation of Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2020, considered the Proposal on the Non-exercise of the Right of First Refusal and Formation of Joint Investment Relationship with Related Party and the Proposal on Considering the Related Party/Continuing Connected Transactions in the Ordinary Course of Business of the Company in the First Half of 2020.

On 6 March 2020, the independent non-executive Directors of the Company issued the Prior Approval Opinions and Independent Opinions about the relevant matters in the 3rd Meeting of the Seventh Session of the Board in relation to the acquisition of assets by issuance of shares and related party transaction.

On 7 May, 20 July and 2 September 2020, respectively, the independent non-executive Directors of the Company conducted special voting on the 2020 budget of related party transactions with the newly added related persons, the joint establishment of fund with related parties, and the lease contracts with related persons.

On 22 July and 23 July 2020, the independent non-executive Directors of the Company issued the Prior Approval Opinions and Independent Opinions on the Non-exercise of the Right of First Refusal and Formation of Joint Investment Relationship with Related Party.

(II) Other Performance of Duties

On 16 March 2020, the independent non-executive Directors of the Company gave a special explanation and issued independent opinions about the relevant matters in the 4th Meeting of the Seventh Session of the Board in relation to the guarantees, the related party/connected transactions, the profit distribution, the re-appointment of accounting firms and the total remuneration of the Directors and Senior Management.

On 7 August 2020, the independent non-executive Directors of the Company issued their independent opinions on that there were no de facto controller of the Company.

(III) Use of Proceeds

During the Reporting Period, the Company issued 12 tranches of public corporate bonds with an issuance size of RMB65 billion in total and one tranche of non-public corporate bonds with an issuance size of RMB5.6 billion. The Company issued one tranche of non-public subordinated bonds with an issuance size of RMB2 billion, proceeds of which were used to replenish the working capital of the Company and repay debt financing instruments. The Company issued 13 tranches of short-term Commercial Papers with an issuance size of RMB61 billion in total, proceeds of which were used to replenish the liquidity capital, and issued 2,517 tranches of beneficiary certificates with an issuance size of RMB108.106 billion in total, proceeds of which were used to replenish the working capital of the Company. The Company established special proceeds accounts for various tranches of corporate bonds and subordinated bonds in accordance with the Administrative Measures for the Issuance and Trading of Corporate Bonds, to receive, deposit and transfer proceeds and to organize and manage the payment of interest and redemption of principal. As at the end of the Reporting Period, proceeds of each tranche of bonds were completely used, which was in line with the usage, using plan and other agreements in the prospectuses.

The proceeds of the above bonds were used in line with the content disclosed in the prospectuses. The Independent Non-executive Directors of the Company paid attention to the use of proceeds and communicated and verified the relevant matters with the Company in a timely manner.

(IV) Remuneration of Directors and Senior Management

On 16 March 2020, the Independent Non-executive Directors considered and reviewed the total remuneration of the Directors and senior management of the Company for 2019 according to the Articles of Association, the Rules of Procedure of the Remuneration and Appraisal Committee of the Board and the Remuneration Management System of the Company, and issued the following independent opinions: the total remuneration of the Directors and senior management of the Company for 2019 are in compliance with the requirements of the relevant laws and regulations, the Articles of Association, the Rules of Procedure of the Remuneration and Appraisal Committee of the Board and the Remuneration Management System of the Company, and there is no disagreement on the total remuneration of Directors and senior management for 2019.

On 19 March 2020, the Independent Non-executive Directors of the Company, as members of the Remuneration and Appraisal Committee of the Board of the Company, conducted a preliminary review on the Proposal on the Total Remuneration of the Directors of the Company for 2019, the Proposal on the Total Remuneration of Senior Management of the Company for 2019 and the Proposal on Annual Assessment on the Chief Compliance Officer of the Company, and considered and approved the Resolution on Considering the 2019 Duty Performance Report of the Remuneration and Appraisal Committee of the Board of the Company, the Resolution on Reviewing the Achievement of Performance in 2019 and the Implementation Plan of Annual Performance-based Remuneration for Senior Management of the Company and the Resolution on Considering the Pre-distribution Plan of Senior Management Loyalty Award of the Company in 2019.

(V) Appointment of Accounting Firms

On 16 March 2020, the Independent Non-executive Directors of the Company, after attending the presentation of the Report of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers regarding the Company's Preliminary Audit Results for 2019 and taking into consideration their acknowledgment about the Company and relevant information at hand, believed that PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have the corresponding professional qualifications and competence and the relevant review procedures are fully and appropriately performed, and approved the Company to re-appoint PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Company for 2020. On 23 June 2020, the Resolution on Re-appointment of Accounting Firms was considered and approved at the 2019 annual general meeting of the Company.

(VI) Cash Dividend

On 16 March 2020, in accordance with relevant requirements of the Articles of Association and Working Rules for Independent Directors of the Company, the Independent Non-executive Directors of the Company issued the following independent opinions on the proposal on the 2019 profit distribution plan of the Company: the proposal on the 2019 profit distribution plan, which was made after comprehensive consideration of the internal and external factors by the Board of the Company, was in compliance with the relevant laws and regulations, normative documents and the actual condition of the Company, which was beneficial for the long term development of the Company as well as the long term interests of the shareholders as a whole. It was agreed to submit such proposal to the Board and the general meeting of the Company for consideration.

(VII) Performance of the Undertakings of the Company and the Shareholders

The Independent Non-Executive Directors duly performed their duties to safeguard the overall interests of the Company, especially focusing on the protection of the legitimate interest of minority Shareholders from damage and the performance of the undertakings of the Company and the Shareholders.

(1) Undertaking in respect of the share reform

During the Company's implementation of the share reform in 2005, CITIC Group, the largest Shareholder of the Company, has undertaken "not to transfer its shares within 12 months from the date of listing of the shares of CITIC Securities or upon expiry of the non-transfer undertaking, and whenever it transfers through the stock exchange any shares of CITIC Securities amounting to 1% of total issued shares of the Company, it shall announce within two working days of such transfer, and 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, which has been performed satisfactorily at present and will continue to be duly performed.

(2) *Undertaking related to IPO*

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

The long-term undertaking is effective and is succeeded by CITIC Corporation Limited. It has been performed satisfactorily at present and will continue to be duly performed.

(3) *Undertaking related to the issuance of shares to acquire Guangzhou Securities*

During the Company issued shares to acquire Guangzhou Securities in 2019, CITIC Corporation Limited, the largest Shareholder of the Company, undertook that “during the period from the date of resumption of trading in Shares of the Company to the completion of the acquisition of assets by issuance of Shares, if CITIC Corporation Limited intends to reduce its shareholding in the Company, 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 timely manner.”

Yuexiu Financial Holdings and Financial Holdings Limited undertook that “the consideration Shares subscribed by Yuexiu Financial Holdings and Financial Holdings Limited in this transaction shall not be transferred within 48 months from the issuance completion date, unless a longer lock-up period is required by CSRC or other regulatory authorities. Upon completion of this transaction, the above-mentioned agreement shall also apply to the additional Shares of CITIC Securities to be issued to Yuexiu Financial Holdings and Financial Holdings Limited in the event of distribution of dividends, bonus issue, rights issue and conversion of capital reserve into share capital of CITIC Securities, etc.”

The above undertakings have been fulfilled as scheduled. In addition, the largest Shareholder of the Company, CITIC Corporation Limited, its Shareholders, Yuexiu Financial Holdings and Financial Holdings Limited, and the Company have also made undertakings to maintain the Company’s independence, resolve related party transactions, resolve inter-industry competition and not to encroach on the Company’s interests. The undertaking is long-term effective. It is currently in good implementation and will continually be duly performed and observed.

(VIII) Implementation of Information Disclosure

The Independent Non-executive Directors are of the opinion that, throughout 2020, the Company had been in strict compliance with the requirements of information disclosure of domestic and foreign laws and regulations and ensured the timeliness, accuracy, truthfulness and completeness of the disclosure of various significant information to keep investors informed of the major events of the Company in a timely manner and secure investors' interests to the largest extent.

As appointed by the Company, the secretary to the Board is responsible for information disclosure, specifically responsible for incoming calls, visits and enquiries from investors. The Company has appointed China Securities Journal, Shanghai Securities News and Securities Times as the designated newspapers of the Company for information disclosure, and the website of the Shanghai Stock Exchange at <http://www.sse.com.cn> and the HKEXnews website of Hong Kong Stock Exchanges and Clearing Limited at <http://www.hkexnews.hk> as the designated websites of the Company for information disclosure. The Company had been in strict compliance with rules and requirements of the relevant laws and regulations and Information Disclosure Management System and ensured the truth, accuracy, timeliness and completeness of disclosure of relevant information, and that all Shareholders were given equal opportunities to be informed of the relevant information.

During the Reporting Period, the Information Disclosure Management System and the Registration System for Person Informed of Inside Information and other relevant systems of the Company were effectively implemented to provide for additional requirements on information disclosure with an aim to improve the governance and quality of information disclosure and maintain the principle of fairness of information disclosure, so that the legitimate interests of investors were safeguarded. Meanwhile, the Information Disclosure Management System and the internal systems of the Company expressly provided for the reporting, circulation, review, disclosure procedures of major events of the Company, and the operation of such systems was satisfactory.

(IX) Execution of Internal Control

In 2020, the Independent Non-executive Directors continued to strengthen the focus on the internal control of the Company and duly supervised the implementation of the internal control system, so as to ensure the internal control and risk management to be an integral part of decision making process of the Company. On 17 March 2020, the Independent Non-executive Directors, as members of the Audit Committee of the Board of the Company, conducted a preliminary review on the 2019 Assessment Report on the Internal Control of the Company and Audit Report on the Internal Control of the Company, and were of the view that the internal control system of the Company was effective and in good operation, thereby effectively securing the steady development of the Company.

(X) Other Matters that Need to be Improved in the Opinion of Independent Non-executive Directors

During the Reporting Period, no Independent Non-executive Directors raised any objections to any resolution of the Board or of any specialized committee of the Company, and delivered constructive opinions on the operation and management, risk management, information system optimization and other aspects of the Company.

IV. Overall Evaluation and Recommendation

All Independent Non-executive Directors complied with relevant requirements of the laws, regulations and the Articles of Association, and had sufficient time and energy to perform their duties during their terms of office. When making an independent judgment, the Independent Non-executive Directors were not affected by the substantial Shareholders of the Company or any other entity or individual having an interest in the Company, thus protected the interests of the Company and all minority Shareholders.

The above is the 2020 Duty Performance Report of the Independent Non-executive Directors, which is proposed to the Annual General Meeting for its review.