CICC
中金公司

China International Capital Corporation Limited

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

Stock code: 3908

Annual Report 2019

Core Values

By the People and For the Nation

People are our most valuable assets. We strive to attract, cultivate and retain the best people. Since inception, CICC has positioned itself as "a China-based investment bank with international perspectives". It is our mission to serve the nation by promoting economic reform and long-term development of the capital markets.

Professionalism and Diligence

We develop our businesses up to the highest professional standards, and nurture a high-caliber team of financial professionals, who boast international visions, diligently perform their duties and share our corporate values.

Innovation and Entrepreneurship

Innovation is the lasting force that drives CICC forward. Blessed with deep industry knowhow, visionary leadership, close relationship with clients, and abundant execution experiences, CICC is always prepared to embrace change and continue to deliver innovative products and quality services to our clients.

Client First

We always put our clients first. We develop and maintain long-term relationships of trust with our clients by truly safeguarding their interests and satisfying their needs.

Integrity

We build our franchise upon the utmost professional integrity and highest ethical standards. We value our franchise and never compromise on integrity.

Chinese Roots and International Reach

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

Content

Important Notes

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

The financial statements for 2019 were prepared by our Company according to International Financial Reporting Standards ("IFRSs"), which have been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu has issued auditors' report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

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

Significant Risk Warnings

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

The risks faced by our Group mainly include: strategic risk arising from the adjustment of the strategic plan of our Group under the changes in domestic and overseas capital markets; business management risk arising from changes of business models, development of innovative businesses and application of new technologies; market risk caused by changes in the fair value of the financial assets held by the Group resulting from fluctuations in equity prices, interest rates, exchange rates and commodity prices, etc; credit risk arising from defaults or deterioration in creditworthiness of counterparties, financing parties and issuers of securities; liquidity risk arising from our Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting normal business operations; operational risk arising from losses resulting from failed or defective internal procedures or IT systems, human factors and external events; compliance risk arising from legal sanctions, regulatory actions, loss of property or damage to our reputation, which our Group is to be subject to, imposed on or suffered from as a result of violation of laws, regulations, self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior; legal risk for which our Group may suffer from economic loss or loss of reputation arising from breach of contracts, disputes in respect of infringement, litigations or other legal disputes; and reputational risk caused by negative comments on our Group due to operational activities, business management and other actions as well as external events; IT risk refers to the operational, legal and reputational risks arising from natural disasters, human factors, technology vulnerabilities and management deficiencies in the course of carrying out business activities or providing services by means of information technology.

Our Group will work on its organizational structure, management mechanism, IT system, risk indicator framework, talents cultivation and risks response mechanism to prevent and manage the above mentioned risks. For detailed analysis and measures taken by our Group in respect of the risks, please refer to the content in "Management Discussion and Analysis – VI. Risk Management".

Message from Our Chairman

DEAR SHAREHOLDERS,

2019 marks the 70th anniversary of the founding of the People's Republic of China, and the year for reforms of China's capital market. With the launch of the science and technology innovation board and the steady advancement of piloting of the registration-based IPO system, China has put forward the road map for comprehensively deepening reforms of the capital market and accelerated the opening-up of its financial industry to foreign players.

In 2019, CICC has been forging ahead and striving forward to constantly improve its core competitiveness. To cope with the complicated domestic and global landscapes, our Company proactively implemented and played an active role in the national strategies to support the real economy, prevent financial risks and advance financial reforms, maintaining a steady growth in various businesses. Our Company ranked first acting as sponsor in terms of underwriting amount of IPOs in A shares, the Hong Kong market and the science and technology innovation board, and completed numerous landmark projects. Riding on our increasing advantages in institutional and high-end businesses and our steady improvement in comprehensive customer service capabilities, our balance sheet business recorded significant growth. We managed to gain new ground in the transformation and upgrading of wealth management and investment management businesses and completed the name change of CICC Wealth Management, with the Group's total assets under management of over RMB800 billion. As for the organization of the Company, we have further deepened our international presence, smoothly carried out risk control and compliance work, constantly improved the development of corporate culture and strengthened Party building wok significantly, contributing more effort in poverty alleviation and social welfare. Facing the national challenge of the COVID-19 epidemic, our Group has actively responded to the call of our country, made every effort to follow the policy guidance of the CPC Central Committee on epidemic prevention and control, gave full play to our own advantages by taking multiple measures to ensure provision of financial services, and helped the country fight the epidemic by various means such as issuing epidemic prevention and control debts.

2020 is the final year for building a moderately prosperous society in all aspects and achieving the first centenary goal as well as the 25th anniversary of the establishment of CICC, which is of extraordinary significance. For the past 25 years, CICC has been giving full play to its piloting and leading role in introducing advanced international experience, and witnessed the progress of the China's capital market. With serving the national strategy and supporting reforms and innovation as our responsibilities, we have maintained industry-leading position in quality, efficiency, risk control and compliance, gradually developing as a modern investment bank with market competitiveness and brand influence.

During China's progress in comprehensively deepening structural supply-side reforms, increasing the proportion of direct financing and expanding opening-up, we will continue to leverage our leading advantages in investment banking, research, cross-border and other businesses, and continuously improve our comprehensive strengths. With the guidance of innovation and the support of technologies, we will enhance risk control and compliance management, and continue to improve our organization, so as to fulfill our social responsibility and support the national strategy. In line with our value of "By the People and For the Nation" and mission of "Chinese Roots and International Reach", we will make every effort to become a world-leading international investment bank!

Shen Rujun
Chairman
March 25, 2020

Message from Our CEO

VIEWS ON THE ECONOMY AND THE MARKET

Growth of the world's major economies slowed down in 2019, prompting governments to implement accommodative policies. Equity assets performed relatively well. In 2019, the world economy has not yet recovered from deep corrections in the aftermath of the global financial crisis, as evidenced by sluggishness in the Eurozone, weakness of emerging markets, and signs of a slowdown in the US economy. Central banks around the world launched a new round of monetary easing. Against such a backdrop, the world's major stock markets stabilized and rebounded in 2019. Both the A-share market and Hong Kong stock market delivered strong performance. Meanwhile, overseas bond markets strengthened, but China's government bond yields fluctuated and stayed largely flat over the year. Performance of global commodities diverged.

The Chinese economy remained largely stable, albeit still faced with a number of changes and concerns in 2019. However, the long-term economic outlook remained promising. On the external front, the global economic slowdown, combined with the twists and turns in the US-China trade negotiation drove up the external demand uncertainties and volatility of the renminbi exchange rate. On the domestic side, liquidity conditions remained largely stable despite continued financial deleveraging. The government's nearly RMB2 trillion reduction of taxes and fees effectively bolstered aggregate demand. Meanwhile, China's CPI saw a short-term "spike" while corporate earnings growth decelerated. The Chinese government made proactive counter-cyclical policy adjustments to cope with complex internal and external challenges. As a result, the Chinese economy remained largely stable with resilient consumption growth, stabilizing investment, balanced international capital flows, and improving business environment.

We believe China will continue to aim for economic stability and growth in 2020, which is the last year for both the 13th Five-Year Plan and the campaign to build China into a "moderately prosperous society in all aspects". The Chinese government has stepped up its growth-stabilization efforts since mid-2019. In addition, the US-China trade friction eased and global manufacturing growth picked up. The Chinese economy has begun to show signs of stabilization and recovery, although uncertainty remains. We expect the government to further implement counter-cyclical policies and better coordinate fiscal and monetary policies to create a stable macro environment and keep economic growth within a reasonable range. Moreover, given current macro condition, it is increasingly necessary for China to implement reforms to unleash the country's potentials and enhance its economic vitality and efficiency. China will further move forward with structural supply-side reforms, improve industrial basic capabilities and industrial chain levels and promote the integration of advanced manufacturing industries and modern service industries so as to reduce costs of conducting business in all sectors of the society and enhance relatively under-developed infrastructures and facilities to bolster areas of weaknesses. SOE reforms, social security system reforms, reforms to fiscal, taxation and financial systems, as well as reforms to land, housing and household registration systems to support the country's progress in urbanization merit close attention.

INDUSTRY OUTLOOK

In recent years, China's economy has entered a new period. As the pace of reforms and opening up of the financial system steppes up, the top-level design attaches significance to the development of the capital market. With the launch of various important policies, the securities industry remains in the critical period of development. As China elevates the positioning of the capital market, which requires securities companies to enhance capacities in serving the real economy and exert greater roles, the industry is expected to achieve explosive growth benefiting from the deepening of capital market reforms and the development of direct financing.

With respect to the securities industry, we see the following driving factors:

- **Comprehensively deepening reforms of the capital market.** Since the 19th CPC National Congress, Party and state leaders has given important directives and instructions on the capital market on many occasions. In line with the overall objective of "building a standardized, transparent, open, dynamic and resilient capital market", China Securities Regulatory Commission (CSRC) has listed 12 priorities of deepening reform of China's capital market, and the new securities law has further improved the basic system of the securities market. Following the reform direction of marketization and rule of law, China focused on optimizing the supply of the capital market, promoted key institutional innovations, and implemented the comprehensively deepening of structural reforms on the financial supply side, thereby laying solid foundation for comprehensively deepening reforms of the capital market, reshaping the new market ecology, and optimizing the industry structure.

- **Significantly increasing the proportion of direct financing.** As China is steadily advancing the economic transformation and capital market reforms, we expect that the financing of new shares will step up. With the full implementation of registration-based IPO system, the optimization of refinancing system, and the advancement of the Growth Enterprise Market and the National Equities Exchange and Quotations ("NEEQ"), the proportion of direct financing, especially the proportion of equity financing, is expected to increase significantly, and business opportunities such as the new economy, industry integration and asset securitization will continue to emerge. As an important brokerage services provider of the capital market, securities companies will be effectively enhanced in terms of business scale and systematic importance.

- **The capital market is in a process of internationalization and institutionalization.** With the entry into market of pensions and international asset management institutions, a number of large-scale and highly professional long-term institutional investors are forming in the capital market. As a result, it will play an important role in improving functions of China's capital market, promoting institutional reforms, enriching products and tools and enhancing market efficiency, and will promote China's securities and financial institutions to absorb advanced ideas and enhance professional capabilities and international competitiveness, thus developing more mature business models.

- **Rapid development of the asset management and wealth management businesses.** Regulatory reforms led by the offering of NAV-based products and functional supervision have created a healthy environment for the development of asset management and wealth management businesses. With the highest savings ratio and the second highest number of high-income people in the world, the conversion from wealth accumulation and savings to investment have brought vigorous demand for high-end financial services, which will become a solid driver for the rapid development of asset management and wealth management businesses.

- **Restructuring securities and financial businesses with technologies.** Disruptive technologies such as big data, cloud computing and artificial intelligence have promoted close integration and interaction in the securities business, provided the market with more convenient, intelligent and differentiated financial solutions, and restructure the models and landscape of the securities business, thus prompting some securities financial institutions to make breakthroughs towards science and technology to achieve wider inclusiveness and accessibility.

Currently, China's securities companies is still relatively small in volume and relatively preliminary in business models as compared with leading international investment banks, domestic commercial banks and other financial institutions. On the one hand, the strategic space for the development of the securities industry has expanded significantly driven by numerous powerful factors. However, on the other hand, competition within and even across the industry has been intensified due to increasingly obscure boundary of the industry. We believe that there will be several large-scale core players with full value chain and comprehensive solution capabilities in the future. Whether an institution can lead the financial system depends on its comprehensive strengths in terms of scale, specialization, internationalization, digitalization and innovative cooperation.

REVIEW OF OUR PERFORMANCE

In 2019, to cope with the complicated and changing macro and market environment, we maintained sound business momentum. In line with the missions of "serving the real economy, preventing and controlling financial risks and advancing financial reforms", we promoted the healthy development of various businesses, further expanded our international presence and continued to improve our institution, so as to achieve steady and rapid growth and generate sound returns for shareholders.

Financial Performance

As at the end of 2019, the total assets of the Group amounted to RMB344,971.2 million, representing an increase of 25.3% compared with that at the end of 2018; net assets(note) amounted to RMB48,293.8 million, representing an increase of 14.5% compared with that at the end of 2018. Our Group recorded total revenue and other income of RMB22,782.5 million, increasing by 22.9% year on year; and net profit(note) of RMB4,238.7 million, increasing by 21.4% year on year, with a weighted average return on net assets of 9.6%.

Business Achievements

With the guidance of national policies and our own expansion, we have comprehensively reinforced the structure of "two bases and six pillars" and continued to improve our business capabilities and consolidated our advantages in institutional, high-end and cross-border businesses.

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

Maintaining a leading position in core businesses

Our investment banking business fully supported the development of the real economy. In 2019, our Company ranked first acting as sponsor in terms of underwriting amount achieved in A share IPOs and the Hong Kong stock market, second in terms of underwriting amount in US IPOs of PRC-based companies, and first acting as sponsor in terms of underwriting amount of IPOs on the science and technology innovation board. Our Company ranked third among securities firms in terms of onshore bond offerings with an increase of approximately 40% in aggregate underwriting amount compared with the same period of last year. As for the M&A business, our Company has remained No.1 on the league table, and played a lead role in a number of milestone large-scale industrial restructuring and debt restructuring projects. Through consolidating our business advantages in the primary market, we have supported the development of the new economy with diversified financial means, so as to contribute to supply-side structural reforms, drive the financial industry to service the real economy and prevent and mitigate risks.

Our equities business embraced opportunities for institutionalization, productization, and internationalization. With institutional client focus,, our equities business capitalized on opportunities from the reform, innovation, and opening-up of the capital market to promote product innovation, enhance cross-border business capabilities, and enhance the rapid development of businesses such as prime brokerage business and derivative products business. We were committed to developing the exchange and OTC business in domestic and overseas markets, and contributed our share to bolstering areas of weaknesses and further improving trading functionality. In 2019, the prime brokerage business and derivative products business in mainland China showed continuous growth in terms of scale, and the Hong Kong prime brokerage business ranked among the top in overseas markets in terms of business size. These results contributed to our leading position and steady growth in the Connect business in terms of coverage of clients and market share.

Our FICC trading and comprehensive service capabilities continued to grow. Relying on our comprehensive trading qualifications, industry-leading trading capabilities and extensive dealer networks, our trading teams continued to demonstrate strong trading and risk control capabilities and achieved stable investment income, which have won us honors and awards in terms of inter-bank market trading and market-making. We have steadily improved our client service capabilities in the FICC business, and gradually built an integrated platform that covers interest rate, credit, foreign exchange, commodities, securitization, derivatives and futures to provide sales, research, trading, financing and cross-border services. Capturing opportunities from the opening-up of the bond market, we ramped up our international strategy, and were honored the "Opening-up Award" in the interbank local currency market.

Achieving growth in the size of emerging businesses

We maintained industry-leading position in terms of the total assets under management of private equity investment. CICC Capital has built a comprehensive and integrated platform for private equity investment fund with multi-layered risk diversification, becoming one of China's largest platforms for private equity investment. In 2019, with close focus on the national strategy and in order to support China's economic transformation and upgrading, CICC Capital has actively deployed large funds in key areas of strategic significance, continued to enrich product lines and cultivated cross-border business capabilities, with the aim to support industrial reshuffle, regional development and the growth of new economy through vigorously mobilizing social resources. At the end of 2019, the total size of assets under the management of private equity investment business of the Group amounted to over RMB300 billion, with a year-on-year growth rate of nearly 10%.

Our asset management business continued to make breakthroughs. Relying on our advantages as a comprehensive investment banking platform, we have been committed to building a comprehensive asset management platform with multiple assets, multiple strategies and cross-market capacities. In 2019, seizing opportunities from institutionalization and the offering of NAV-based products, we focused on strengthening our investment research teams. As a result, we have achieved stable investment performance, made breakthrough progress in corporate annuities, bank wealth management subsidiaries and insurance outsourcing business, and steadily improved our active management capabilities for cross-border businesses. Our mutual fund business achieved breakthroughs in the number of clients and institutional access, and launched new products such as strategic placement on the science and technology innovation board. At the end of 2019, our total assets under management exceeded RMB500 billion, representing a year-on-year increase of nearly 50%.

Our wealth management forged ahead with business integration and transitioning. We unified the brand name with CICC Wealth Management, which marked a major milestone in terms of integration since the merger three years ago. We managed to gain new ground in transformation, laying a sound foundation for forward growth. We continued to intensify the development of wealth management platforms as well as the establishment of the Private Wealth Management (PWM) division and the Global Family Office (GFO) teams to provide "wealth planning + asset allocation" solutions. With the optimization of wealth management service models, our product sales continued to reach new heights and product assets have accumulated rapidly. We have proposed to establish joint-venture technology company with Tencent to capture development opportunities in wealth management business.

Realizing solid progress in research and information technology

We committed our research work to become as the "China Expert" with international perspectives. Riding on our advantages in "one team across two markets", our research business closely followed trends of the global market, and focused on professional analysis of macroeconomics, market strategies, asset allocation and stocks, thus supporting various business lines. In 2019, we assembled a series of significant thematic reports, including new products such as "CICC Outpost", "Overseas Prospective from CICC" and "Interviews with Chief Officers". These research products continued to enhance the influence of our brand and won numerous awards issued by the Institutional Investor and the Asiamoney Brokers Poll for consecutive years. We were exploring the creation of index assets based on our research, and made preliminary progress in research into productization and commercialization.

Information technology was moving towards systematization, platformization and intelligence. Our Company has newly developed and launched multiple core business and management systems, and gradually developed three basic technology systems regarding trading, products and services, and risk control and operation management. We also have established a technical support platform for business lines through connecting and integrating core business systems, which can fully support our core businesses and the rapid launch and scaled development of our innovative businesses. We continued to research and explore new technology applications and new business models, improved our IT governance and optimized our IT organizational structure and operation model, with a view to promoting the integration of business and technology.

Continuously enhancing corporate culture

We strengthened firm-wide understanding of our corporate culture through multiple cultural discussions. According to the requirements of the China Securities Regulatory Commission on cultural construction of the securities industry, we have striven to strengthen the organization, summarization and training on our culture, and continued to enrich and refine our corporate culture, so as to give play to the positive role of corporate culture in strategy formulation and implementation. We carried out in-depth discussions and exchanges on CICC's mission, vision and values with employees at all levels through various activities such as the CICC Institute, Managing Director (MD) seminars and the Participating Managing Director (PMD) meetings.

We actively participated in poverty alleviation and charity activities to fulfill our social responsibility. We have expanded our footprint of poverty alleviation in 14 state-level poverty counties (regions) in Beijing, Gansu, Hunan, Anhui, Shanxi, Qinghai, Sichuan, Chongqing, Fujian, Xinjiang, Tibet and other provinces (autonomous regions), and paired up with and assisted poverty counties to alleviate poverty. In line with the strategies of poverty alleviation by stimulating local consumption and empowering the local people and the value of "For the Nation", we have always committed our efforts in fulfilling our social responsibility and contributing to poverty alleviation. In 2019, we were named as the "Pioneering Institution in Targeted Poverty Alleviation" by China.org.cn. Since the outbreak of COVID-19 epidemic, our Group has paid close attention to the development of the epidemic, actively implemented various prevention and control measures, and made rapid response to aid the virus-stricken areas. Our Group donated more than RMB18 million of funds and medical supplies to the Hubei province and other severely affected areas.

FORWARD STRATEGIES AND INITIATIVES

Looking into the future, CICC will actively seize strategic opportunities to drive growth and achieve a leap in development, so as to establish the Company as a first-class international investment bank in China and become a core player in the future financial system.

Our concrete strategic initiatives include:

- **Intensifying investment to drive growth in scale and strength.** On the one hand, we will expand our core resources such as capital and talent teams, actively invest to enhance our client coverage and market influence, increase market share, drive growth, and achieve scaled development, to gain a leading position in the industry in terms of quality, scale and market influence, and reinforce our positioning as an important financial institution.

- **Two Bases and Six Pillars, One CICC.** With the strong support of research and IT, we will solidify our strengths in investment banking, equities, and FICC, and expand the business scale of private equity, asset management and wealth management, to integrate the capabilities and resources of different business segments through a full value chain, and establish One CICC built upon two bases and six pillars. In the meantime, we will seek extensive alliances with all types of financial institutions, to provide the best total financial solutions to our clients.

- **Promoting institutional innovation and strengthening corporate culture.** In line with the principles of strengthening risk management and preventing conflicts of interest, we will optimize our organizational structure to establish a mechanism and corporate culture that match with our strategies. We will unite our talent teams and improve organizational efficiency to promote collaboration among departments and give full play to the advantages of "One CICC". In terms of soft power, we will develop ourselves as an industry benchmark, and contribute to creating an industry culture of "compliance, integrity, professionalism and prudence".

Message from Our CEO

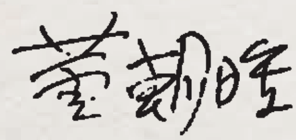
- **Deepening local penetration, and expanding international footprints.** We will deepen regional penetration in China, to provide more timely and high-quality financial services to serve local economic development, industrial restructuring and household needs for wealth management through the close cooperation between business lines and regional outlets. We will vigorously increase investment in overseas markets and strengthen our presence in international financial centers, while expanding footprints along the Belt and Road regions through both organic growth and M&A opportunities, to build cross-border capabilities comparable to world-class investment banks.

- **Promoting digitalized transformation and building a CICC eco-cycle.** We will intensify IT investment and enhance IT team capacity to fully address the evolving needs for business development and office administration. Through organizational and institutional innovation, we will promote closer collaboration between IT teams and business lines to improve efficiency and drive momentum. Through investments and partnerships, we will remain extensive access to the state-of-the-art technologies, and build a CICC eco-cycle, to become a promoter and leader in digital economy and intelligence financial services sector.

Twenty-five years ago, CICC was established in the new era of China's reform and opening up and at the booming eve of China's capital market, showcasing an organizational and institutional innovation.

In the past twenty-five years, CICC has insisted on introducing advanced international experience with the actual conditions of China, and fully exerted its role in piloting reforms and promoting opening up. We have witnessed the ups and downs of China's economy and capital market, and committed to fulfilling our missions and responsibilities.

In the future, as China continues to deepen reform and expand opening up, we will spare no effort in making contributions to the process to a responsible investment bank. Devoted with innovation and hard work, we will provide quality and trusted financial services to promote economic development and social progress, and serve for national prosperity and personal wellness. We will contribute our share to promoting institutional reforms and system evolution, and support China to integrate deeper into the global market, towards a road to realize the causes of CICC and the whole China.



Huang Zhaohui
Chief Executive Officer
March 25, 2020

Definitions

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

"Acquisition"	the acquisition by our Company of 100% of the equity interest of Former CISC (now renamed as CICC Wealth Management) from Huijin pursuant to the Equity Transfer Agreement
"Articles of Association"	the articles of association of our Company (as amended)
"AUM"	the amount of assets under management
"Basic and diluted earnings per share"	(net profit attributable to shareholders of the Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the year)/weighted average number of ordinary shares in issue
"Board" or "Board of Directors"	the board of directors of our Company
"CASs"	the Chinese Accounting Standards for Business Enterprises
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CG Code" or "Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"China Investment Consulting"	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
"CICC Capital"	CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly-owned subsidiary of our Company
"CICC Fund Management"	CICC Fund Management Co., Ltd.* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly-owned subsidiary of our Company
"CICC Futures"	CICC Futures Co., Ltd.* (中金期貨有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of our Company
"CICC Jiacheng"	CICC Jiacheng Investment Management Co., Ltd.* (中金佳成投資管理有限公司), a company incorporated in the PRC in October 2007 and a wholly-owned subsidiary of our Company
"CICC HK AM"	China International Capital Corporation Hong Kong Asset Management Limited (中國國際金融香港資產管理有限公司), a company incorporated in Hong Kong in December 2005 and a wholly-owned subsidiary of CICC Hong Kong
"CICC HK Futures"	China International Capital Corporation Hong Kong Futures Limited (中國國際金融香港期貨有限公司), a company incorporated in Hong Kong in August 2010 and a wholly-owned subsidiary of CICC Hong Kong
"CICC HK Securities"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), a company incorporated in Hong Kong in March 1998 and a wholly-owned subsidiary of CICC Hong Kong
"CICC Hong Kong"	China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司), a company incorporated in Hong Kong in April 1997 and a wholly-owned subsidiary of our Company

Definitions

"CICC Pucheng"	CICC Pucheng Investment Co., Ltd.* (中金浦成投資有限公司), a company incorporated in the PRC in April 2012 and a wholly-owned subsidiary of our Company
"CICC Singapore"	China International Capital Corporation (Singapore) Pte. Limited, a company incorporated in Singapore in July 2008 and a wholly-owned subsidiary of our Company
"CICC UK"	China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly-owned subsidiary of our Company
"CICC US Securities"	CICC US Securities, Inc., a company incorporated in the United States in August 2005 and a wholly-owned subsidiary of our Company
"CICC Wealth Management" or "CICC Wealth Management Securities"	China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司), formerly known as China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of our Company
"CISC" or "Former CISC"	China Investment Securities Company Limited* (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly-owned subsidiary of our Company, whose name was changed to China CICC Wealth Management Securities Company Limited (中國中金財富證券有限公司) in August 2019
"CMBS"	commercial mortgage-backed securities
"Company", "our Company", or "CICC"	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock company incorporated in the PRC with limited liability converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission* (中國證券監督管理委員會)
"Directors"	directors of our Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
"Equity Transfer Agreement"	the equity transfer agreement entered into between our Company and Huijin dated November 4, 2016, pursuant to which our Company has agreed to purchase and Huijin has agreed to sell 100% of the equity interest of Former CISC (now renamed as CICC Wealth Management)
"FICC"	fixed income, commodities and currencies
"GDR(s)"	global depositary receipt(s)
"Gearing ratio"	(total liabilities – accounts payable to brokerage clients and to underwriting clients)/(total assets – accounts payable to brokerage clients and to underwriting clients)

"GIC"	GIC Private Limited, a company incorporated in Singapore in May 1981 and a Shareholder of our Company
"Group", "our Group" or "we"	our Company and its subsidiaries (or with reference to the context, our Company and anyone or more of its subsidiaries)
"Growth Enterprise Market" or "ChiNext board"	the ChiNext board of the Shenzhen Stock Exchange
"H Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Huijin" or "Huijin Company"	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
"I&G"	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
"ICAEW"	The Institute of Chartered Accountants in England and Wales
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Jianyin Investment"	China Jianyin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly-owned subsidiary of Huijin and a Shareholder of our Company
"JIC Investment"	JIC Investment Co., Ltd. (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly-owned subsidiary of Jianyin Investment and a Shareholder of our Company
"Latest Practicable Date"	March 25, 2020
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Mingly"	Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong in 1988 and a Shareholder of our Company
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC* (中華人民共和國財政部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules

"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Net capital"	net capital refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
"NSSF"	the National Council for Social Security Fund of the PRC* (全國社會保障基金理事會)
"Operating leverage ratio"	(total assets – account payable to brokerage clients and to underwriting clients)/equity attributable to shareholders of the Company and holders of other equity instruments
"PBOC"	the People's Bank of China* (中國人民銀行), the central bank of the PRC
"Placing"	the placing by or on behalf of CICC HK Securities of the Placing Shares on the terms and subject to the conditions referred to in the Placing Agreement
"Placing Agreement"	the placing agreement dated October 16, 2019 entered into between the Company and CICC HK Securities
"Placing Agent"	CICC HK Securities
"Placing Price"	HK$14.40 per Placing Share
"Placing Share(s)"	176,000,000 new H Shares issued by the Company pursuant to the Placing Agreement
"PMD"	Participating Managing Director
"PPP"	public–private partnership
"PRC" or "China"	the People's Republic of China
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"QDII(s)"	Qualified Domestic Institutional Investor* (合格境內機構投資者)
"QFII(s)"	Qualified Foreign Institutional Investor* (合格境外機構投資者)
"Reporting Period"	the period from January 1, 2019 to December 31, 2019
"REPOs"	financial assets sold under repurchase agreements
"Reverse REPOs"	financial assets held under resale agreements
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RQFII(s)"	Renminbi Qualified Foreign Institutional Investor*
"SAC"	the Securities Association of China* (中國證券業協會)
"science and technology innovation board" or "STAR Market"	Sci-Tech innovation board of Shanghai Stock Exchange
"Securities Law"	the Securities Law of the PRC as amended, supplemented or otherwise modified from time to time

"SFC"	the Hong Kong Securities and Futures Commission* (香港證券及期貨事務監察委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange* (上海證券交易所)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange* (深圳證券交易所)
"SOE(s)"	state-owned enterprise(s)
"State Council"	the State Council of the PRC* (中華人民共和國國務院)
"Supervisors"	supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Tencent"	Tencent Holdings and its subsidiaries
"Tencent Digital"	Tencent Digital (Shenzhen) Limited* (騰訊數碼(深圳)有限公司)
"Tencent Holdings"	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 700)
"Tencent Mobility Limited"	Tencent Mobility Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Tencent Holdings
"TPG"	TPG Asia V Delaware, L.P., a limited partnership established in the United States in 2009 and a Shareholder of our Company
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S." or "USA" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Weighted average return on net assets"	(net profit attributable to shareholders of the Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the year)/weighted average of equity attributable to shareholders of the Company
"%"	per cent

Notes:

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

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

Company Profile

Company Profile

(As of December 31, 2019)

I. COMPANY OVERVIEW

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Shen Rujun (Note 1)
Chairman:	Shen Rujun (Note 1)
Chief Executive Officer:	Huang Zhaohui (Note 2)
Registered capital:	RMB4,368,667,868 (Note 3)
Headquarters in the PRC:	
Registered and office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong, China:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Secretary to the Board:	Xu Yicheng
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Xu Yicheng, Zhou Jiaxing
Authorized Representatives:	Huang Zhaohui (Note 4), Zhou Jiaxing
Statutory Auditors engaged by our Company:	
Domestic accounting firm:	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Overseas accounting firm:	Deloitte Touche Tohmatsu

Note 1: As approved by the Board of Directors and the shareholders' general meeting of the Company, Mr. Shen Rujun, the non-executive director of the Company, has started to serve as the chairman of the Board and the legal representative of the Company since August 22, 2019, and Mr. Bi Mingjian ceased to perform the duties of the Chairman of the Board and the legal representative of the Company since then.

Note 2: As approved by the Board of Directors, Mr. Huang Zhaohui has started to serve as the Chief Executive Officer of the Company since December 30, 2019, and Mr. Bi Mingjian has ceased to hold this position since then.

Note 3: On October 24, 2019, the Company has completed the placing of 176,000,000 new H Shares, as a result of which the registered capital of the Company increased to RMB4,368,667,868. Please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (ii) Equity Financing" for details.

Note 4: As approved by the Board of Directors and the shareholders' general meeting, Mr. Huang Zhaohui has started to serve as the executive director and authorized representative of the Company since February 28, 2020, and Mr. Bi Mingjian has ceased to hold these positions since then.

II. INTRODUCTION TO OUR COMPANY

History

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

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

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

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

On March 23, 2018, the Company completed the issue of 207,537,059 new H Shares to Tencent Mobility Limited. Accordingly, the number of the Company's issued H Shares and the total issued Shares increased to 1,727,714,428 H Shares and 4,192,667,868 Shares, respectively.

On October 24, 2019, the Company has successfully allotted an aggregate of 176,000,000 new H Shares to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons of the Company, and accordingly, the total issued H Shares and the total issued Shares of the Company increased to 1,903,714,428 and 4,368,667,868 Shares, respectively.

Company Profile

(As of December 31, 2019)

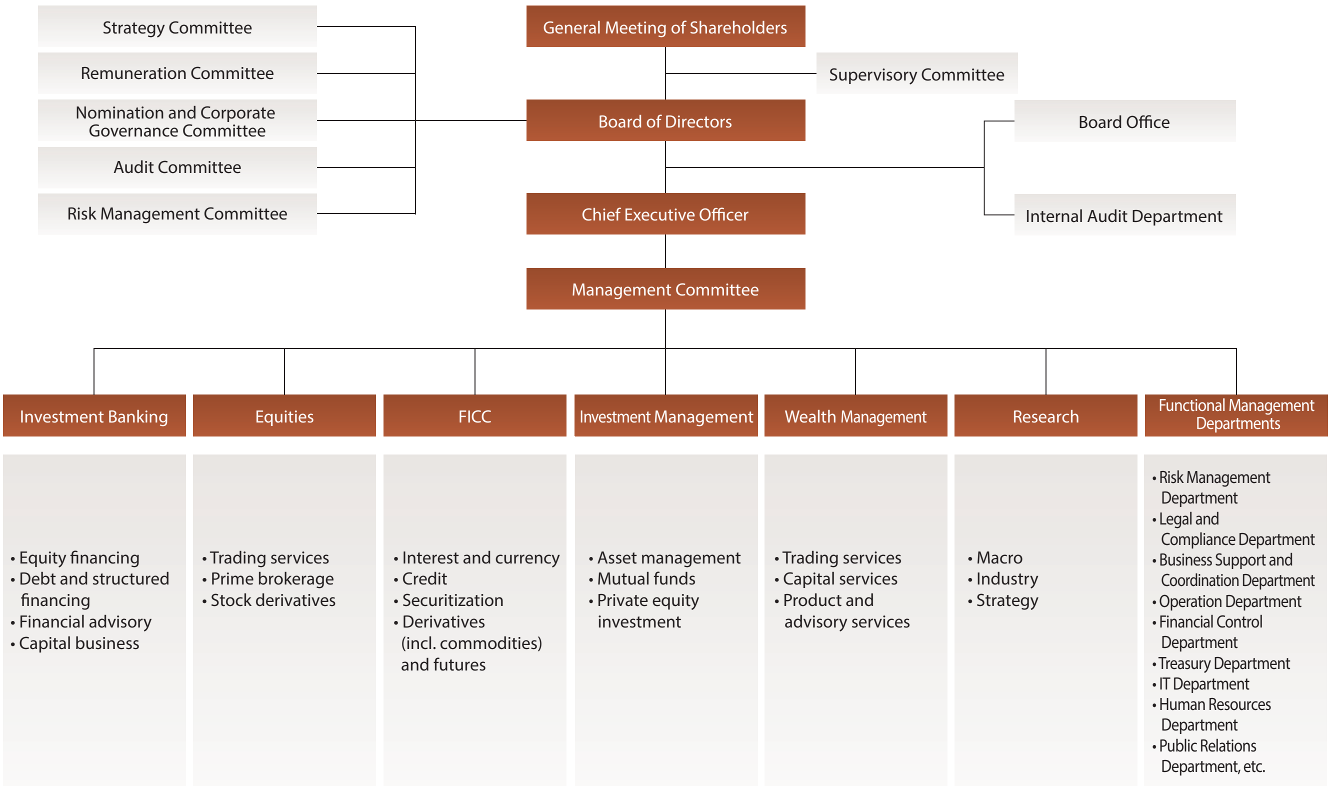
The Headquarters of our Group is in Beijing and as of December 31, 2019, our Group has a number of subsidiaries in the PRC, including CICC Wealth Management, CICC Capital, CICC Fund Management, CICC Pucheng and CICC Futures, and our Group has established branch companies in Shanghai, Shenzhen, Xiamen, Chengdu and the Company and its subsidiaries with over 200 securities branches located in 29 provinces and municipalities of the PRC.

After over 20 years of unremitting efforts, our Group has achieved remarkable progress in business development and transformed into an investment bank with an outstanding team, solid client base and excellent brand. In 2015, our Group obtained several business qualifications such as qualifications for internet finance business, integrated custodian business for private funds and custodian business for securities investment funds. In 2017, CICC obtained from the National Interbank Funding Centre the qualification of market makers for the Northbound Trading under Bond Connect. CICC Futures became a member of Shanghai International Energy Exchange Co., Ltd.. In 2018, CICC obtained the qualification for conducting pilot cross-border businesses and the tier-one OTC option dealer qualification. In 2019, CICC obtained the Operation Qualification of RMB Currency Trading Business and the Operation Qualification of Commodity Options Market-Making Business approved by the CSRC, the Pilot Qualification of Financing Through Exercising Incentive Share Options of Listed Companies approved by the Shenzhen Stock Exchange, the Operation Qualification of Private Equity Fund Service approved by the Asset Management Association of China (including the Operation Qualification of Shares Registration Business Service and the Operation Qualification of Valuation and Accounting Business Service), the Operation Qualification of Lead Market Maker of Listed Funds approved by the Shanghai Stock Exchange, and the Operation Qualification of STAR Market Securities Refinancing Business approved by the China Securities Finance Co., Ltd., and CICC also became the Core Dealer of Credit Protection Contracts approved by the Shenzhen Stock Exchange and a member of the China Banking Association in 2019, which further improved our Group's business landscape.

As the scope of business continues to expand, our Group has also actively ventured into overseas markets and has established offices in six international financial centres, namely Hong Kong, New York, London, Singapore, San Francisco and Frankfurt with our international presence further strengthened. It laid a solid foundation for our Company to become a China-based global investment bank. Our Company was the first securities firm to obtain QDII qualification in 2007 and CICC US Securities was licensed by the US Financial Industry Regulatory Authority and the US Securities and Exchange Commission in the same year; CICC Singapore was licensed by the Monetary Authority of Singapore in 2008. In 2010, CICC UK was licensed by the UK Financial Services Authority. In 2011, CICC Hong Kong was among the first batch of securities companies to obtain approval to commence RQFII business under pilot scheme, CICC HK Futures obtained a license to operate the futures business, and CICC UK was qualified as a member of the London Stock Exchange. In 2012, CICC HK Securities obtained the license for leveraged foreign exchange trading during the same year. In 2013, CICC US Securities was qualified to operate its own research report issuance business, and CICC HK AM obtained QFII qualification. In 2016, the subsidiary of CICC Hong Kong obtained the qualification to be admitted to the national interbank bond market, and CICC HK Securities obtained qualification for the Shenzhen-Hong Kong Stock Connect. In 2017, CICC HK Securities became the first batch of CCASS members to obtain the qualification for the Bond Connect. In 2018, CICC HK Securities became a member and a settlement participant of Astana International Exchange Limited. CICC UK obtained the qualification of serving as a UK cross-border global depositary receipt conversion institution under the Shanghai-London Stock Connect.

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

Corporate Organization and Structure



Notes:

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

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

Major Honors Awarded in 2019

Since its incorporation in 1995, CICC has won honors and awards in events organized by domestic and foreign media and organizations: such as Best Investment Bank in China, Best Sales Service Team and Most Influential Research Institution by leveraging on its profound and professional knowledge in economies, industries, laws and regulations, and quality customer services. Below is a list of awards that we obtained in 2019:

Awards Sponsor: Finance Asia

China Awards 2019

- Best Investment Bank
- Best M&A House
- Best Structured Finance Deal:
  Suning Yunchuang RMB4.9 billion Asset-backed Securitization

Achievement Awards 2019

- Deal of the Year:
  Alibaba's US$11.2 billion HK IPO
- Best Equity Deal:
  Sea Limited US$1.6 billion NYSE Follow-on Offering
- Best IPO:
  Hansoh Pharmaceutical's US$1 billion HK IPO
- Best Deal of China:
  China Railway Signal RMB10.5 billion A-Share STAR Market IPO

Awards Sponsor: IFR Asia

IFR Asia Awards 2019

- China Equity House

Awards Sponsor: The Asset

Triple A Country Awards 2019

- Best Equity:
  China East Education Holdings US$632 million HK IPO
- Best ADR:
  Luckin Coffee US$695 million US IPO
- Best Bank Capital Bond:
  China Construction Bank US$1.85 billion tier 2 Capital Bond
- Best Local Currency Bond:
  Bank of China RMB40 billion Perpetual Capital Bond
- Best Domestic M&A Deal:
  China Merchants Group Acquisition of Liaoning Port Group
- Best IPO (Singapore):
  Prime US REIT US$632 million IPO

Awards Sponsor: Global Capital

2018 Equity Capital Markets Awards

– ECM Deal of the Year in CEE, Russia and the CIS: Kazatomprom US$449 million IPO (Rank 1)
– Privatisation of the Year: Kazatomprom US$449 million IPO (Rank 2)

Awards Sponsor: Mergermarket

China M&A Awards 2019

– M&A Financial Adviser of the Year
– Mid-Market M&A Financial Adviser of the Year 50-300 million USD
– Pharmaceuticals, Medical and Biotech M&A Financial Adviser of the Year

Awards Sponsor: HK Takung Wenwei

Golden Bauhinia Awards 2019

– Best Listed Companies

Awards Sponsor: Institutional Investor

2019 All-Asia Executive Team (Banks Sector)

– Most Honored Companies (Rank 3)
– Best CEOs:
  Bi Mingjian (Buy-Side Rank 1/Combined Rank 2)
– Best CFOs:
  Wong King Fung (Buy-Side Rank 1/Combined Rank 2)
– Best IR Companies (Buy-Side Rank 2/Combined Rank 3)
– Best Corporate Governance (Rank 3)
– Best ESG/SRI Metrics (Rank 3)

Awards Sponsor: Institutional Investor & Caixin

2019 All-China Research Team Awards

– The All-China Best Research Team (ranked by analysts)
  Analyst Leaders: Overall (Rank 1)
  Analyst Leaders: Mainland China(Rank 2)
  Analyst Leaders: Rest of World (Rank 1)
– The All-China Best Sales Team
  The Leaders: Overall (Rank 1)
  The Leaders: Mainland China (Rank 1)
  The Leaders: Rest of World (Rank 1)

Awards Sponsor: Asiamoney

China Corporate and Investment Banking Awards 2019

– Best for Domestic M&A
– Best for Cross Border Equity Capital Markets

New Silk Road Finance Awards 2019

– Best Overall Research House for “Belt and Road” Initiative
– Best Chinese Bank in the Region for “Belt and Road” Initiative (Central and Eastern Europe & Central and West Asia)

China Asset-Backed Securities Awards 2019

– Most Innovative House of Securitization Business

China Best Wealth Managers 2019

– Best Securities House in Wealth Management

Asiamoney 30th Anniversary Brokers Poll of Polls

– Best Local Brokerage in China

Brokers Poll 2019

– China (A&B Share)
  - ➤Overall Combined Research & Sales
  - ➤Best Local Brokerage
  - ➤Best for Overall Research
  - ➤Best Overall Sales Services
– China (H-share, Red chip & P-chip)
  - ➤Best Local Brokerage
  - ➤Best for Overall Research
  - ➤Best Overall Sales Services
– Hong Kong, China (Local Share)
  - ➤Best Local Brokerage
  - ➤Best for Overall Research (Rank 2)
  - ➤Best Overall Sales Services

Awards Sponsor: Refinitiv

The Macallan ALB Hong Kong Law Awards 2019

– Lewis Sanders Award Investment Banking In-House Team of the Year

The StarMine Analyst Awards 2019 (Mainland China & Hong Kong)

– Top Most Award-Winning Brokers (Rank 2)

Awards Sponsor: HKEX

Stock Connect Awards 2019

– Top Broker

Awards Sponsor: Forbes

List of 50 Top Multinational Leaders 2019

– Bi Mingjian, CICC

Global 2000 List 2019

– World's Best Employers

Awards Sponsor: Fortune China

China's 30 Most Powerful Investors 2019

– Ding Wei, Chairman of CICC Capital

Awards Sponsor: Asian Private Banker

China Wealth Awards 2018

– Best Wealth Manager in China (Ultra High Net Worth Services)

– Best Wealth Manager in China (Entrepreneur Services)

Awards Sponsor: Universum

2019 China's Most Attractive Employers Rankings

– Top 1 Investment Banks

Awards Sponsor: International SOS

2019 Duty of Care Awards

– Innovation Honourable Mentions

Awards Sponsor: Securities Times

Best Investment Bank in China Awards 2019

– Best Full-Service Investment Bank

– Best Financial Advisory Investment Bank

– Best IPO Investment Bank

– Best ABS Investment Bank

Awards Sponsor: China Securities Journal

Best Asset Management Products Awards 2018

- Best Asset Management Institution of the Year
- Best Asset Management Institution for Corporation Social Responsibility of the Year
- Best Innovative Asset Management Plan of the Year: CICC Bloomberg Barclays China Treasury 1-10 Years ETF

Best Securities Company Awards 2019

- Top 10 Best Securities Companies
- Best Securities Companies for CSR
- Best Wealth Management Team
- Best Investment Banking Team

Awards Sponsor: YICAI

SCI-TECH Innovation Awards 2019

- Best Investment Bank for STAR Market Service

Equity Investment Value Ranking 2019

- Market-oriented FOF of the Year: CICC Capital

Best Securities Analyst 2018

- Best Research Institution

Awards Sponsor: CCDC

Best Member Awards 2018

- Best Non-bank Underwriters
- Best Non-bank Underwriters for Local Government Bond
- Best Investment Bank for Principal Investment Business
- Best Market Making and Clearing for Local Government Bond

Awards Sponsor: New Fortune

12th Best Investment Bank in China Awards

- Best Investment Bank for IPO
- Best Investment Bank for Overseas Market
- Best IPO Projects: PICC
- Best Overseas Projects:
  Tianhua Institute's Material Asset Restructuring and Raising Supporting Funds via Issuing New Shares

Awards Sponsor: Caixin

Achievement Awards of Capital Market 2018

- Best A-Share IPO Underwriter in China

Awards Sponsor: Caijing

Evergreen Awards 2018

- Best for Sustainable Development and Inclusive Finance

China Finance Summit Awards 2019

- Best Investment Institution: CICC Capital

Best Analyst Awards 2019

- Best Research Institution

Awards Sponsor: Wealth Magazine

Wealth APAC & China Awards 2019

- Best Securities Company for Wealth Management

Awards Sponsor: China.org.cn

Financial Poverty Alleviation Awards 2018

– Best Targeted Poverty Alleviation Institutions

Awards Sponsor: Tencent

China Benefit Corporation Award 2019

– Best Charity Award

Awards Sponsor: Ifnews

Charity and Poverty Alleviation Awards 2019

– Best Enterprises for Charity Innovation

Corporate Social Responsibility Awards 2019

– Best Enterprises in China for Technology and Innovation

Awards Sponsor: Sina

China ESG Golden Awards 2019

– Best Securities Company for Responsible Investment

Awards Sponsor: China FoF Alliance

China FoF Award 2019

– Best Return FoF Manager in China
  CICC Capital
– Top 10 Most Outstanding Persons of FoF Institutions in China
  DING Wei from CICC Capital

Awards Sponsor: World Artificial Intelligence Conference Committee

– Outstanding Organization Award for 2019 WAIC

Summary of Accounting Data and Financial Indicators

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	2019	2018	Change year-on-year	2017	2016	2015
Operating results[1] (RMB in million)						
Total revenue and other income	**22,782.5**	18,539.7	22.9%	15,260.2	8,941.3	9,506.7
Total expenses	**17,541.3**	14,270.9	22.9%	11,729.7	6,667.2	6,989.8
Profit before income tax	**5,301.6**	4,387.3	20.8%	3,601.0	2,329.7	2,620.6
Profit for the year attributable to shareholders of the Company and holders of other equity instruments	**4,238.7**	3,492.2	21.4%	2,766.3	1,820.3	1,952.6
Net cash (used in)/generated from operating activities	**(27,657.8)**	11,056.1	N/A	(30,484.5)	(10,098.0)	(5,226.6)
Earnings per share (RMB/share)						
Basic and diluted earnings per share	**0.990**	0.830	19.4%	0.760	0.764	1.115
Weighted average return on net assets	**9.6%**	8.8%	Increased by 0.8 percentage point	8.8%	10.7%	20.4%

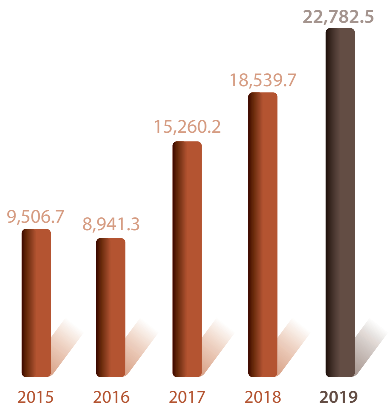
Items	December 31, 2019	December 31, 2018	Change year-on-year	December 31, 2017	December 31, 2016	December 31, 2015
Financial position (RMB in million)						
Total assets	**344,971.2**	275,420.5	25.3%	237,811.9	101,948.5	94,108.8
Total liabilities	**296,439.7**	233,043.8	27.2%	200,919.5	83,451.7	77,666.8
Total equity attributable to shareholders of the Company and holders of other equity instruments	**48,293.8**	42,183.5	14.5%	36,706.7	18,446.9	16,442.0
Accounts payable to brokerage clients and to underwriting clients	**52,815.4**	41,317.9	27.8%	47,346.5	17,392.4	25,218.1
Total share capital (in million shares)	**4,368.7**	4,192.7	4.2%	3,985.1	2,306.7	2,306.7
Net assets per share attributable to shareholders of the Company (RMB/share)	**10.8**	9.8	10.2%	9.0	7.6	6.7
Gearing ratio (%)	**83.4%**	81.9%	Increased by 1.5 percentage points	80.6%	78.1%	76.1%

(1) Our Group had included CISC (now known as CICC Wealth Management) in our consolidated financial statements since March 31, 2017, and therefore the Group's operating results for 2017 consolidated the corresponding amounts of CISC (now known as CICC Wealth Management) for the period from April 1, 2017 to December 31, 2017, and the Group's operating results for 2018 and 2019 consolidated the corresponding amounts of CISC (now known as CICC Wealth Management) for the year from January 1, 2018 to December 31, 2018 and for the year from January 1, 2019 to December 31, 2019, respectively.

Summary of Accounting Data and Financial Indicators

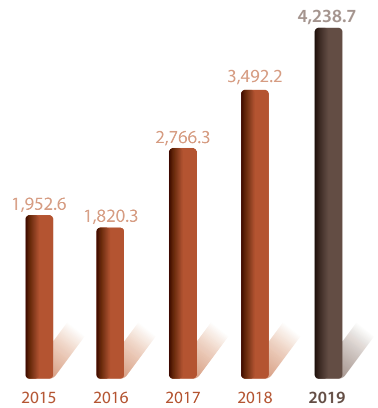
Total revenue and other income

RMB in million

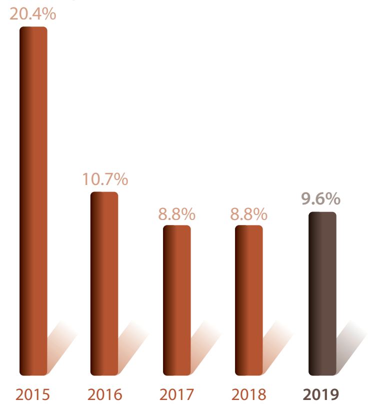


Profit for the year – attributable to shareholders of the Company and holders of other equity instruments

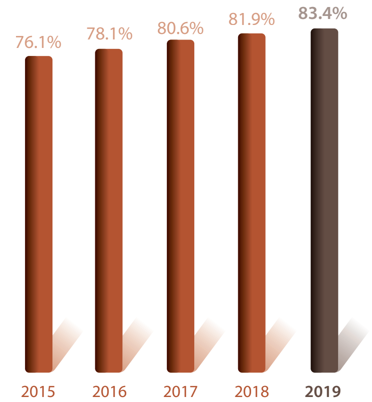
RMB in million



Weighted average return on net assets

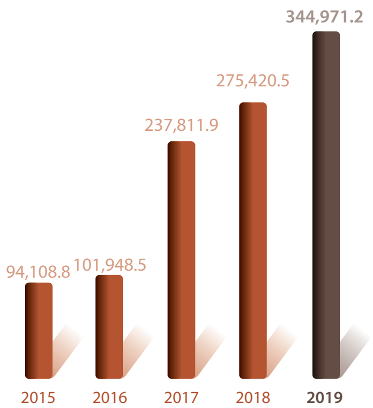


Gearing ratio



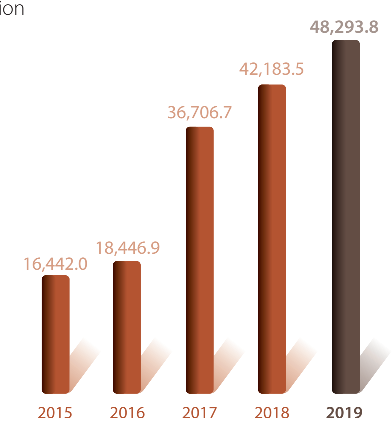
Total assets

RMB in million



Total equity attributable to shareholders of the Company and holders of other equity instruments

RMB in million



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

In terms of our Group's consolidated net profits for 2019 and 2018 and the consolidated net assets as of December 31, 2019 and December 31, 2018, there's no difference between the data presented in the consolidated financial statements prepared in accordance with IFRSs and that presented in the consolidated financial statements prepared in accordance with CASs.

III. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As of December 31, 2019, the net capital of the Company amounted to RMB28,702.0 million, representing an increase of 16.8% as compared with RMB24,577.5 million as of December 31, 2018. In 2019, our Company's net capital and other risk control indicators all met regulatory requirements.

Unit: RMB in million

Items	December 31, 2019	December 31, 2018
Core net capital	**19,134.7**	16,385.0
Supplementary net capital	**9,567.3**	8,192.5
Net capital	**28,702.0**	24,577.5
Net assets	**40,885.3**	37,265.5
Total risk capital reserves	**21,663.2**	18,399.0
Total on-and-off-balance-sheet assets	**182,810.8**	155,320.8
Risk coverage ratio	**132.5%**	133.6%
Capital leverage ratio	**10.5%**	10.5%
Liquidity coverage ratio	**251.9%**	438.3%
Net stable funding ratio	**128.8%**	157.0%
Net capital/net assets	**70.2%**	66.0%
Net capital/liabilities	**24.7%**	22.7%
Net assets/liabilities	**35.1%**	34.5%
Equity securities and related derivatives held/net capital	**44.9%**	20.6%
Non-equity securities and related derivatives held/net capital	**290.1%**	347.5%

Management Discussion and Analysis

Management Discussion and Analysis

I. CORPORATE STRATEGIES AND OPERATIONS

Market Environment

China continued to advance financial reforms and open up its financial sector in 2019. To cope with challenging economic and financial conditions at home and abroad, China has made its macro and financial policies more forward-looking and well-targeted. The financial industry provided greater support to private-sector companies and small/micro enterprises. China has made significant progress in prevention and settlement of major financial risks. The country properly resolved various risk events and went on to deal with risks at deeper levels. Despite rising forces against globalization, China took firm and decisive action to further open up its financial sector, lower entry barriers for overseas players, and made steady progress in capital account liberalization. These well illustrate China's openness and wisdom as a major member of the international community.

The opening-up of China financial sector further picked up speed in 2019, i.e. removing restrictions on the business scope of overseas banks, securities firms and fund management companies in China, scrapping the quota limits on QFII and RQFII investment schemes, setting clear timetables for the removal of foreign equity limits in securities firms, lowering its requirement on the qualification of overseas banks and insurance companies that intend to enter the Chinese market, as well as introducing policies to facilitate overseas institutions' investment in China's interbank bond market. These measures clearly show that China's opening-up has accelerated rather than stalled, demonstrating China's determination of further integration into global financial markets. As China may step up policy effort to open up its financial sector in 2020, Chinese financial institutions should take the opportunity to develop cross-border business and seek more opportunities for long-term growth.

At a meeting held in September 2019, China Securities Regulatory Commission (CSRC) highlighted twelve key missions in the capital market reform. Major reform measures implemented before and after the meeting include amendments to the Securities Law, especially amendments to facilitate the registration-based IPO reform, and revisions to rules on major asset restructuring. Other reform initiatives implemented include issuance of draft rules on follow-on offerings for public opinion, the launch of pilot stock options and stock index options, reforms to the ChiNext board and the NEEQ system (National Equities Exchange and Quotations), as well as the reform to convert non-float stocks (non-tradable shares) of H-share companies into free float (the "H-share full circulation" reform). We believe that China will further advance capital market reforms in 2020. Taking into account information from the Central Economic Work Conference held at end-2019, we believe key capital market reforms in 2020 may include further expansion of the registration-based IPO reform, improvement to the market's exit mechanisms, further development of the derivatives market, attraction of more long-term funds into the market, and continued reforms to the ChiNext board and the NEEQ system. In the medium and long term, capital market reforms will help improve market mechanisms, boost development of strong companies, and improve the market's vitality and resilience. Capital market reforms present strategic opportunities for securities firms, as they are main service providers in this market.

In the face of complex economic conditions at home and abroad, the regulatory authority maintained prudent monetary policies and took decisive actions to prevent and resolve major financial risks. Meanwhile, structural supply-side financial reforms continued. The PBOC cut the reserve requirement ratio (RRR) three times in 2019, and kept liquidity in the banking system at a reasonable and adequate level by using a variety of monetary policy tools. China curbed the excessive rise of its macro leverage ratio, and the crackdown on shadow banking has been effective. The regulator's takeover of Baoshang Bank marks a major breakthrough in its treatment of troubled financial institutions, as it protected the interest of depositors to the largest extent but broke the misconception that the regulator would guarantee the recovery of all principals and interests. Meanwhile, China effectively dealt with external shocks. The trade friction and fluctuations in overseas markets did not have significant impacts on domestic financial markets. In addition, China has been building better mechanisms to deal with bond defaults. Market-based credit spread is also improving. Risks in internet finance, particularly those linked to P2P and cash loan lenders, have been brought under control.

The financial sector provided increasing support to the real economy and facilitated China's economic transformation. Financing for small/micro and private-sector companies improved. Banks gave priority to lending support to key projects, small/micro and private-sector companies, as well as household consumption. Regulators urged financial institutions to support key areas, major programs and key projects under construction, and hence assist in the high-quality development of the manufacturing industry. Meanwhile, China took various measures to improve financing availability and reduce financing costs for small/micro and private-sector companies. Thanks to joint efforts of multiple regulators and institutions, the volume of financing for small and micro companies increased, a higher percentage of these companies obtained financing, and the cost of financing declined. These achievements beat the regulator's target that large state-owned commercial banks' total lending to small/micro companies should grow more than 30% in 2019, while the total cost of financing for these companies should decline by 1 percentage point. The government required various ministries and regulators to work together to improve financial services to small/micro companies by issuing favorable monetary policies, fiscal policies, as well as policies on taxation, credit check and NPL write-off.

Further opening-up of China's financial sector created opportunities. Overseas capital kept flowing into Chinese markets, raising the market share of foreign investors. Despite internal and external uncertainties and challenges, overseas capital inflows to Chinese markets further mounted throughout 2019. MSCI substantially raised the inclusion factor for A-shares from 5% at the beginning of 2019 to 20% at the end of the year, and also admit included mid-cap A-shares into its indices. As a result, overseas investors' net purchase of A-shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs reached RMB351.7 billion on a full-year basis in 2019, much higher than the level in 2018 (RMB294.2 billion). In addition to equities, overseas investors also continued to buy Chinese bonds. As Chinese bonds were included into key international bond indexes, the trading volume through the Bond Connect scheme has hit new highs and overseas institutions' holdings of Chinese bonds have been growing steadily. The total number of overseas investors and trading volume through the Bond Connect scheme grew 218% and 198% on a full-year basis. Latest data from the PBOC shows that overseas institutions and individuals combined held RMB2.1 trillion worth of Renminbi-denominated equities in China at the end of 2019, up by RMB950.1 billion from the level at the end of 2018. In addition, overseas institutions and individuals held RMB2.26 trillion worth of Renminbi-denominated bonds in China at the end of 2019, up by RMB551.3 billion from the level at the end of 2018. The share of overseas investors in the Chinese market also rose along with the continued inflow of overseas capital. Looking forward, against the backdrop of overall lackluster global economic growth, and prevailing low yields, even negative yields, we believe Chinese assets' attractiveness will increase and attract further foreign inflows.

Landscape of securities industry

The capital market rebounded and profitability of the securities industry recovered significantly. In 2019, we saw a 36% rise in the CSI 300 Index and a 42% YoY increase in A-share market turnover. Given the strong correlation between capital market performance and business results of securities firms, we estimate the aggregate earnings of securities firms grew nearly 70% in 2019. From the perspective of business structure, the main contributor to earnings growth was the substantial increase in investment income from rising equity and bond markets. Brokerage and investment banking business both improved, while the asset management business remained stable. The decline in financing costs also boosted earnings, as falling market interest rates reduced the marginal financing costs of securities firms. Top securities firms enjoyed even lower funding costs, as the regulatory authority allowed them to issue financial bonds and gave them higher quotas for commercial paper issuance. Top securities firms received these favorable treatments as the regulatory authority asked them to help solve liquidity problems in non-bank financial institutions.

We expect industry concentration to further increase thanks to the CSRC's initiatives to boost development of top securities firms. These initiatives include: 1) Multiple measures to replenish capital of securities firms and encourage market-based M&A to create stronger companies; 2) Expansion of securities firms' service scope to cover new business lines, including over-the-counter (OTC) business, M&A-related financing, as well as pilot derivative business and conversion of Renminbi into/from foreign exchange; 3) Support for improvement in corporate rules and incentive mechanisms; 4) Encouragement of corporate investment in IT and technological innovation; 5) Support for international business expansion; 6) Requirement for better compliance and risk management. While capital replenishment is an important topic, investors should pay greater attention to the reform/opening-up of China's capital market and market-based competition among domestic and foreign securities firms, as they may help securities firms better utilize their capital to develop business more efficiently. Investors should also keep a close eye on improvement of competitive landscape as a result of market-based M&A, and securities firm's ability to better utilize their capital to develop new businesses, such as derivatives and OTC business. In addition, we should watch for the enhancement of corporate competitiveness amid market opening-up and overseas business expansion. We believe that winners will be top securities firms with market-based business mechanisms and superior ability to better utilize their capital to support business development.

Top-down reform and opening-up of capital market support long-term growth of the securities industry. Under the regulator's new policy stance, we expect three key long-term trends in the securities industry: 1) As China's economic transformation calls for changes in the financing structure, we believe the percentage of direct financing (especially equity financing) will grow substantially. A recent document issued by the China Banking and Insurance Regulatory Commission states that China plans to take various measures to channel household savings into the capital market as long-term investment. We believe that growth of the capital market will create a wide range of development opportunities for securities firms, as they are the most professional providers of financial intermediary services in the capital market. 2) Accelerated opening-up of China's capital market and the removal of entry barriers for overseas financial institutions may result in more intense competition. However, we believe that market opening and intensifying competition will lead to more mature business models, and hence make China's securities industry more competitive. 3) As competition intensifies and regulators favor strong players, we believe the market share of large securities firms will further increase and the industry landscape will improve. In capital-backed business lines, securities firms attach greater importance to product development and services for institutional clients. Meanwhile, brokerage business is transforming into wealth management, and the focus of asset management business is shifting towards active management and product creation that leverage securities firms' unique strengths. The investment banking business is also undergoing significant changes as China shifts from the approval-based IPO system to a registration-based framework. We believe these trends will help securities firms improve capital utilization efficiency (i.e. the leverage ratio) and business profitability (ROA), thereby raising ROE over the long term.

Development Strategies

The strategic goal of our Group is to actively seize strategic opportunities to drive growth and achieve a leap in development, so as to establish the Company as a first-class international investment bank in China and become a core player in the future financial system.

Business Plans

To achieve our strategic goal, our concrete strategic initiatives for 2020 include: intensifying investment to drive growth in scale and strength; Two Bases and Six Pillars, One CICC; promoting institutional innovation and strengthening corporate culture; deepening local penetration, and expanding international footprints; promoting digitalized transformation and building a CICC eco-cycle.

II. ANALYSIS OF CORE COMPETITIVENESS

(I) Premier Brand

Our Company has established a premier brand in the financial services industry. Since the inception, our Company has drawn on advanced management model of world-class investment banks and combined with best practices in China, and has always adhered to the business philosophy of "By the People and For the Nation, Professionalism and Diligence, Innovation and Entrepreneurship, Clients First, and Integrity", which won us a market reputation at home and abroad. For the years, while maintaining high-standard practices, our Company has actively participated in reforms and system construction of the capital market to stimulate business innovation. Our Company maintained leading positions in many businesses for years, and was honored numerous awards as the best player in China.

Our Company regarded the brand cultivation and cultural building as key measures to continuously enhance our market leading position. Leveraging our franchise and core values of professionalism, entrepreneurship and pursuing excellence, our Company continued to attract outstanding talents and new clients, expand our business scope and capture important business opportunities while maintaining the stability of existing employees and clients.

(II) High-quality Client Base

Our Company has explored an extensive and profound client base with high quality. Relying on our excellent service quality and professional service capabilities, our Company has formed a profound client base covering a wide range of large-sized enterprises, high-quality emerging growth companies, professional institutional investors and growing wealth management clients that play important roles in the national economy and capital market. We can provide our clients with complicated, diversified and high-quality business services through our integrated and customized cross-border platform. We have developed long-term cooperation with clients and are dedicated to providing them with a comprehensive suite of products and services.

(III) Forward-Looking and Balanced Business Structure

We have established our business structure from a forward-looking prospective based on our insight into development trends of global capital markets. With the accelerating process of internationalization and institutionalization of the capital market in recent years, a large number of traditional channel businesses are facing tremendous pressure. As such, in line with the trend of internationalization, institutionalization and productization, our Company continued to enhance overall capabilities and embark on a new track in advance, with the aim to promote the sustainable development of emerging businesses related to the science and technology innovation board, prime brokerage business, cross-border business, asset management business and wealth management business.

(IV) Outstanding Cross-border Capability

Capitalizing on our distinct international DNA and first mover advantage in pursuing international strategy, our Company has formed outstanding cross-border business capabilities with a leading position in the cross-border arena, thus proactively playing our role in serving cross-border capital transactions and promoting the mutual opening of financial markets.

In terms of international presence, Our Company has established overseas operations and business activities in six financial centres across Hong Kong, New York, London, Singapore, San Francisco and Frankfurt, which are managed by respective business lines vertically, so as to fully mobilize domestic and overseas resources including research, people and products, thus providing one-stop cross-border services for our clients. The seamless connection among our domestic and overseas businesses equipped our teams with both domestic and overseas business experience. The substantial majority of members of our investment banking and research teams have obtained qualifications for domestic businesses and businesses in several overseas regions.

In terms of cross-border business, our Company has been serving the “introduction” and “going global” needs of industrial capital and financial capital, which enabled us to enjoy certain advantages in businesses such as overseas IPOs for PRC-based companies, offshore bond offerings, and cross-border mergers and acquisitions, to sustain strong growth in emerging businesses such as cross-border transactions and the Connect business and to maintain the leading market in terms of transaction volume of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect business, thereby strengthening the influence of PRC-based institutions in the international market. In addition, our Company continued to enhance cross-border business capabilities and international presence through the acquisition of Krane Funds Advisors in the United States.

(V) Leading and Influential Research

Research is an important foundation for our business. Our talented and experienced international research team has provided objective, independent, prudent and professional research services for domestic and overseas clients through our research platform covering the global markets. With in-depth understanding, thorough analysis and unique insights into Chinese companies and industries, our research team won the Company a reputation as the “China Expert”.

Our research capabilities have been widely recognized by influential international institutions. These included the “No. 1 Overall Country Research for China” in the Asiamoney Brokers Poll, which marked the 14th consecutive year of our championship in this poll from 2006 to 2019. We were also named the “No.1 The All-China Best Research Team”（Ranked by Analyst Leaders：Overall）by Institutional Investor for eight consecutive years from 2012 to 2019.

(VI) Experienced Management and High-quality Workforce

Our Company has a senior management team with global perspectives and entrepreneurship, and a high-quality workforce with full licenses at home and abroad.

Rooted in our international DNA, most members of our senior management team have work experience in domestic and overseas financial institutions with global perspectives. Meantime, they have experienced the main development course and multiple cycles of China's securities industry, and are equipped with rich experience and profound understanding regarding domestic and overseas capital markets and the securities markets. Riding on the concept of "Chinese Roots and International Reach", our senior management team has constantly combined advanced management experience with the practices of China's financial reform, and took the lead in developing new products and vigorously exploring new markets.

Our excellent brand and high-quality platforms enabled us to recruit the best graduates from top domestic and overseas universities, providing the best talents for our domestic and overseas branches. Our sound staff development and training system have provided comprehensive and systematic training for employees at different levels and positions, thereby continuously enhancing professional capabilities of our workforce and equipping them with practice capabilities to obtain full licenses. Meanwhile, riding on the advanced international experience, our Company has developed advanced talent selection and cultivation mechanism combining incentives in line with market benchmarks, thereby maintaining a large number of outstanding talents to support the long-term sustainable development of our Company. Through the above measures, we developed high-quality workforce, to support our rapid, healthy and sustainable development.

(VII) Efficient Management Model and Prudent Risk Management Mechanism

We have established an efficient and reasonable management model and a comprehensive and prudent risk management mechanism. Since establishment, our Company has adhered to the concept of combining best international practices with the actual conditions of China, formulated a full set of governance structure and management procedures in line with international standards, and established a vertical management model covering business operations and internal control of the Company to ensure efficient and effective management. At the same time, our Company has always adhered to and continuously strengthened the "all staff, whole process, full coverage and penetrating" risk control compliance system and operating mechanism, through which the parent company can conduct integrated vertical management over domestic and overseas subsidiaries and branches, and the same business and the same client can be subject to unified risk management. Therefore, our Company has formed a centralized and effective business management and risk control, and unified decision-making, management and resources allocation, thus ensuring the smooth and orderly development of our business and the stable operation of our risk control system.

(VIII) Advanced Information Technology Capabilities

We consider information technology as a core component of our competitiveness. We have a sound IT governance structure and the industry-leading independent research and development capabilities. Our Company has developed three basic technology systems regarding basic transactions, products and services, and risk control and operation management, to provide complicated whole-process and end-to-end financial products and services for clients and various business units as well as global support of comprehensive business operation and management capabilities. Our Company has adopted self-developed and industry-leading core business systems and platforms with stable operation.

The Company will continue to promote our business development based on information technologies. With the continuous advancement of information technologies in recent years, our Company has also increased capital investment in and attached importance to talent training and capacity building, continued to optimize our organizational structure and operating model, and proactively researched and explored the application of new technologies in various business areas of investment banks, so as to promote the integration of businesses and technologies. Capitalizing on the advantages brought by the booming development of China's financial technologies, we have actively carried out strategic cooperation with China's leading technology companies in the development of new products, businesses and models. In September 2019, our Company announced that it proposed to establish a joint venture technology company with Tencent in China. As such, we can provide more convenient, intelligent and differentiated wealth management solutions, enhance the service efficiency of investment consultants, optimize precision marketing and drive the accelerated transformation and scalable development of the Company's wealth management business.

III. ANALYSIS OF PRINCIPAL BUSINESS

Investment Banking

Equity Financing

Market Environment

In the A-share primary market, the size of IPO increased significantly, while the size of follow-on offering has decreased dramatically. Driven by the rebound of secondary market and the official launch of STAR Market, in 2019, a total of 202 A-share IPOs were completed, with an aggregate financing size of RMB253,367 million, representing a year-on-year increase of 84.3%; in terms of follow-on offerings, a total of 146 transactions were closed, with an aggregate financing size of RMB149,128 million, representing a year-on-year decrease of 58.0%.

In the Hong Kong primary market, the market activities continued to maintain relatively high. In 2019, a total of 160 Hong Kong IPOs were completed, with an aggregate financing size of approximately US$40,316 million, representing a year-on-year increase of 9.9%; in terms of follow-on offerings and selldowns, a total of 164 transactions were closed with an aggregate amount of approximately US$16,780 million, representing a year-on-year decrease of 39.9%.

In the U.S. primary market, listings in the U.S. by PRC-based companies slowed down, while follow-on offerings were relatively active. In 2019, a total of 29 US IPOs of PRC-based companies were completed, with an aggregate financing size of approximately US$3,881 million, representing a year-on-year decrease of 58.0%; in terms of follow-on offerings and selldowns, a total of 42 transactions were closed with an aggregate amount of approximately US$8,366 million, representing a year-on-year increase of 101.5%.

Actions and Achievements

In 2019, our Company continued to enjoy advantages in traditional businesses such as finance, energy, military industry, transportation, construction and consumption; in the meantime, we enhanced our presence and coverage in emerging industries to improve our industry capabilities. We ranked No.1 sponsor for global IPOs of PRC-based enterprises in terms of aggregate financing and underwriting amount in 2019.

In 2019, our Company maintained a leading position in the A-share stock market. In 2019, the Company completed eight of the top 10 A-share IPO projects in terms of aggregate financing amount. In 2019, the Company closed a total of 15 A-share IPOs, with an aggregate lead underwriting amount of RMB65,016 million acting as the sponsor, ranking No.1 in the market in terms of aggregate underwriting amount; we also closed a total 18 A-share IPOs, with an aggregate lead underwriting amount of RMB40,262 million acting as the lead underwriter, ranking No.2 in the market in terms of aggregate underwriting amount. The Company closed a total of 6 A-share refinancing projects, with an aggregate lead underwriting amount of RMB7,830 million acting as the lead underwriter, ranking No.7 in the market in terms of aggregate underwriting amount.

In 2019, the Company maintained a leading position in the Hong Kong stock market, completed such landmark transactions as the secondary listing of Alibaba on the HKEx and the Hong Kong IPO of Budweiser Brewing Company APAC Limited, and furthered our edges in Hong Kong equity financing deals. In 2019, the Company sponsored a total of 16 Hong Kong IPOs with an aggregate underwriting amount of US$8,073 million, ranking No. 1 in the market in terms of the number of IPOs and the aggregate underwriting amount. The Company underwrote a total of 23 Hong Kong IPOs acting as the global coordinator, with an aggregate underwriting amount of US$5,911 million, ranking No. 1 in the market in terms of the number of IPOs and the aggregate underwriting amount. The Company underwrote a total of 30 Hong Kong IPOs acting as the lead bookrunner, with an aggregate underwriting amount of US$4,201 million, ranking No. 1 in the market in terms of aggregate underwriting amount. The Company underwrote 10 transactions of refinancings and sell-downs for Hong Kong IPOs acting as the lead bookrunner, with an aggregate lead underwriting amount of US$1,373 million, ranking No. 3 in the market in terms of aggregate underwriting amount.

In 2019, we participated and executed well in several landmark US IPOs of PRC-based companies. The Company underwrote a total of 10 US IPOs of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US$422 million, ranking No. 1 in the market in terms of deal number and No. 2 in terms of aggregate underwriting amount. The Company underwrote one US follow-on offering of PRC-based companies acting as the lead bookrunner, with an aggregate lead underwriting amount of US$316 million, ranking No. 7 in the market in terms of aggregate underwriting amount.

Items A Shares	2019 Lead underwriting amount (RMB in million)	2019 Number of offerings	2018 Lead underwriting amount (RMB in million)	2018 Number of offerings
IPOs	**40,262**	**18**	36,193	9
Follow-on offerings	**7,830**	**6**	25,126	7
Preference shares offerings	**38,125**	**5**	11,875	2

Items Hong Kong equity offerings	2019 Lead underwriting amount (USD in million)	2019 Number of offerings	2018 Lead underwriting amount (USD in million)	2018 Number of offerings
IPOs	**4,201**	**30**	1,605	17
Follow-on offerings	**1,373**	**10**	2,296	9

Items U.S. equity offerings by PRC-based companies	2019 Lead underwriting amount (USD in million)	2019 Number of offerings	2018 Lead underwriting amount (USD in million)	2018 Number of offerings
IPOs	**422**	**10**	739	5
Follow-on offerings	**316**	**1**	–	–

Outlook for 2020

In 2020, we will continue to adhere to national strategies to seize opportunities brought by market reforms; we will improve service capabilities with focus on core customers from all areas of new economies, to ensure our leadership in major transactions; we will enhance expansion of cross-border businesses and implement regional strategies; in addition, we will continue to strengthen risk management and accelerate the development of information system, to improve the overall quality and efficiency of our operation.

Debt and Structured Financing

Market Environment

In 2019, the yield of the domestic bond market headed down sharply as a whole. The supply in primary market continued to expand, and the supply of medium- and long-term items increased. The total amount of onshore credit bond issuance reached approximately RMB14.8 trillion in the year, representing a year-on-year increase of 29.3%. In the offshore market, with US Fed's interest rate cuts and the net capital inflows in Asian bond markets, the offshore bond markets went strong. In 2019, the overseas debt capital raising amount of PRC-based companies amounted to approximately US$225,521 million, representing a year-on-year increase of 16.9%.

Actions and Achievements

In 2019, with expanding regional presence and improving professional capabilities as the core, the FICC strategy of CICC continued to make achievements. Breakthroughs were also made in exploring business innovation and improving sales capabilities. In 2019, we closed a total of 540 transactions, representing a year-on-year increase of over 61%, with an aggregate underwriting amount of approximately RMB665,973 million, including 437 onshore transactions with an aggregate underwriting amount of approximately RMB612,094 million, and 103 offshore transactions with an aggregate underwriting amount of approximately US$7,738 million.

In 2019, CICC further deepened its strategic deployment with regional layout, product innovation and professional teams as the core. CICC's ranking moved up from No. 4 in 2018 to No. 3 among securities firms in terms of onshore bond offering amount, representing an improvement in market ranking for two consecutive years. CICC ranked first among state-owned financial institutions in terms of size of financial bond issuance, and took the lead in all aspects in the perpetual bond of commercial banks which was the most important innovative product in the year. As for asset-backed securities business, CICC has basically covered all types of basic assets. We ranked first in the industry in terms of size of CMBS products as the project manager, maintaining our competitive advantages in onshore innovative bond products. Meantime, benefiting from our sound business layout, the scale of our offshore debt business has grown significantly, and continued to rank No. 1 among Chinese securities firms in terms of the underwriting amount of investment-grade USD bond offerings by PRC-based issuers.

In terms of product innovation, CICC completed the perpetual bond of Bank of China which represented the first perpetual bond product in the industry, the perpetual bond of Minsheng Bank which was the first perpetual bond product of joint stock banks, the perpetual bond of Taizhou Bank which was the first perpetual bond product of city commercial banks. We completed the asset-backed PPP bill of Shiyan Branch of China Construction Third Engineering Bureau Co. Ltd., which was the first pipeline corridor PPP; the Sinar Mas Group CMBS, which was the largest renewal of CMBS products in the year; CDS of WENS, which was the first credit protection contract on the Shenzhen Stock Exchange; the financing of CICC-China Jinmao mezzanine project, which was the first financing of tilting allocation project; and the China State Construction International bond with a size of US$500 million, which was the first bond listed on the Macau Stock Exchange by a state-owned enterprise and its subsidiaries.

Outlook for 2020

In 2020, we will continue to enhance capacity building, and improve the quality of fixed income business; we will enhance coverage over core local customers to improve our overall productivity; we will consolidate our market share by integrating advantageous resources, and ensure our leading position in large financial bond projects and bond projects of centrally-owned enterprises. In addition, we will summarize our existing experience, explore effective cooperation related to the debt restructuring business, and look ahead to seize major business opportunities such as public offering of REITs.

Financial Advisory Services

Market environment

In 2019, according to statistics of Dealogic, 5,308 mergers and acquisitions ("M&A") by PRC-based companies were announced with an aggregate amount of approximately US$458,807 million, representing a year-on-year decrease of 14.0%, among which, 4,506 were domestic M&A transactions with a total amount of approximately US$374,767 million, representing a year-on-year decrease of 13.6%; and 802 were cross-border M&A transactions with a total amount of approximately US$84,040 million, representing a year-on-year decrease of 15.5%.

Actions and Achievements

We continued to grow and reinforce our leadership in the M&A business. In 2019, according to M&A statistics by Dealogic, the Company announced 60 deals, involving an amount of approximately US$103,010 million. Among these transactions, 47 were domestic M&A transactions with a total amount of approximately US$59,175 million and 13 were cross-border M&A transactions with a total amount of approximately US$43,835 million. In 2019, the Company ranked No.1 in the PRC M&A market, with a market share of approximately 13.9%, further strengthening CICC's market leadership.

The milestone transactions announced in 2019 include:

Projects	Size	Highlights
Market-based reform of Evergrowing Bank	RMB100 billion	The largest domestic M&A and restructuring deal in 2019 in terms of transaction amount
China Merchants Group's takeover of Liaoning Port Group	RMB65.7 billion	The first project to support the revitalization of old industrial bases in Northeast China and promote supply-side structural reforms of the port industry
China Baowu's restructuring of Ma Steel Group	RMB20.1 billion	A milestone strategic reorganization in the steel industry, with the aim to build a steel group with hundreds of millions of tons throughput and a global leader in the steel industry
Shanghai RAAS's acquisition of equity interests in GDS	RMB13.2 billion	The first project of cross-border stock swap between private enterprises
Privatisation of Admiral Oversea Corporation	HK$6.8 billion	The first privatization deal of a Chinese company listed in Hong Kong and Singapore
Minjiang Hydropower asset swap	RMB4.6 billion	A pilot project for mixed ownership reform in the power industry, which transformed the traditional electricity generation, distribution and sales businesses into cloud-network integration business with the State Grid
China Merchants Property's injection into AVIC Sunda	RMB3 billion	The first project to realize the A-share listing of both the parent company and the subsidiary by using the equity as the consideration
Debt Restructuring Project of Qinghai Salt Lake	Debt size of RMB48.3 billion	The largest ever debt restructuring of a listed company
Debt Restructuring Project of Shenyang Machine Tool	–	Central and local cooperation to promote the integration and product upgrading of China's machine tool industry

Outlook for 2020

In 2020, we will strengthen our coverage of listed companies, enhance our regional development capabilities, and increase our market share in M&A and reorganizations. Capitalizing on our experience in debt restructuring and reorganization of financial institutions in recent years, we will actively make innovative attempts to reduce risks and promote reforms. Meantime, we will explore new business opportunities in leveraged buyout and M&A financing, and strengthen development of cross-border M&A around areas such as inbound acquisitions and business divestitures.

Equities

Market environment

In 2019, major stock indices in the mainland China and Hong Kong SAR markets headed down after early year hikes with intensified volatility, but still recorded gains for the year; A-share market turnover increased, while Hong Kong market turnover plummeted. Among them, the Shanghai Composite Index rose by 22.3%, the Shenzhen Stock Exchange Composite Index by 44.1%, the Hang Seng Index by 9.1%, and the H-share index by 10.3%, which underperformed the major international markets. Since the second half of 2019, as investors turned more risk-averse due to increasing uncertainties of trade friction between China and the US and the slowdown of Hong Kong's economy, major stock indices plunged with narrowing trading volumes. In 2019, the average daily trading volume in the A-share market was RMB559,770 million, representing an increase of 35% compared with the corresponding period last year. The average daily turnover volume of the Hong Kong SAR stock market was HK$87,155 million, representing a decrease of 19% compared with the corresponding period last year, of which the average daily turnover volume for the second half of the year was approximately HK$77,061 million, representing a significant decrease of 21% over the first half.

Actions and Achievements

In 2019, the overall domestic capital market environment improved compared with 2018, but Hong Kong market turnover plummeted. The equities business captured historical opportunities brought by further opening-up and deepened reform of the capital market to keep up with regulatory developments, expand client coverage, innovate product structures, and promote cross-border business interactions. At the same time, the equities business of the Group strictly managed business risks, and strengthened risk management for margin financing and securities lending businesses in STAR Market and under new regulations. We continued to strengthen customer management, optimize business procedures and accelerate the construction of IT systems, to strictly manage business risks. Our revenues from domestic and overseas markets grew significantly compared with 2018 with a balanced revenue structure between the exchange and OTC markets at home and abroad, reaching a record high and outperforming the overall market.

In international services, our Group intensified business development efforts in the international financial markets. We maintained a leading and growing customer coverage and market share in the stock connect programs, while continuing to expand business presence in the international market. In the domestic market, we maintained a strong coverage over fund and insurance accounts, and our market share in Hong Kong stock trading volume by domestic fund and insurance clients exceeded 10%. In the offshore market, the total trading volume in Hong Kong stocks and the volume of northbound trading of Shanghai and Shenzhen Stock Connect programs hit record highs in 2019. We continued to maintain a leading market share in terms of northbound trading in Shanghai and Shenzhen Stock Connect programs among all international and Chinese brokers, and were awarded the Most Active Broker Award of Shanghai and Shenzhen Stock Connect Awards 2019 by HKEx. As our sources of revenue from overseas trading activities became increasingly diversified, in addition to the mainland and Hong Kong SAR markets, our brokerage income from US in 2019 increased by 25% compared with last year. As one of the first qualified cross-border conversion agencies for global depositary receipts (GDRs), CICC UK facilitated conversion between A shares and GDRs for investors.

In product business, the Group continued to expand institutional customer base at home and abroad with enhanced coverage over anchor investors, and was committed to diversifying product business, while maintaining vigorous risk management and steady development. We continued to optimize the prime brokerage business at home and abroad and the derivative trading business platform. The prime brokerage business of CICC Hong Kong enjoyed steady growth in business size and customer base in 2019. Our domestic prime brokerage business platform provides one-stop services to institutional investors covering their full life cycle. We continued to enhance our core competitiveness in cross-border business by designing innovative trading instruments and services to help clients improve their risk-return profile. In derivatives business, we rapidly adapted to changing regulatory, market and competitive environment, to strive to maintain our leading position in OTC derivatives market making by offering both standard and tailor-made services. We provided liquidity services for Exchange-traded funds, and were honored as the 2019 Outstanding ETF Liquidity Provider Award by the Shenzhen Stock Exchange. Meantime, we strengthened our trading capabilities in major global markets, continuously diversified our products, and enhanced our 24-hour trading platform. In terms of operations, we continued to optimize our business IT systems and enhance the operation efficiency of middle and back offices and level of risk control, to consistently provide high-end and customized services to our clients.

In terms of expansion of institutional customers, being deeply rooted in the domestic and overseas secondary markets for years, our Group has built a prestigious institutional client base and provided clients with comprehensive financial services through seamless cooperation of cross-border teams of different business lines, including equity sales, trading and product. We maintained high levels of customer coverage and market shares among long funds (including QFIIs/RQFIIs, WOFE, QDIIs, and the Shanghai- Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect), insurance companies and hedge funds. Meanwhile, the Company further strengthened ties with bank clients, and signed strategic cooperation agreements with a number of commercial banks, successfully establishing partnerships with a number of medium and large banks and their wealth management subsidiaries. For the northbound trading of the Connect Program through the Hong Kong Stock Exchange, we recorded a significant increase in the number of trading accounts opened in 2019, with a leading market share in terms of total trading volume.

Outlook for 2020

With the continuous development and growth of domestic financial institutions and the further opening-up of China's capital market, and as we further enhance our business platforms in Hong Kong SAR and overseas markets, the Group will continue to give full play to CICC's advantages in light of our "Chinese Roots and International Reach" and our market-oriented and international-standard practices. Relying on our high-quality customer base, we will actively expand new products and new business in the exchange and OTC markets at home and abroad, continue to improve our risk management capabilities, and promote cross-selling activities, to enhance our capabilities to offer total financial solutions.

FICC

Market environment

In 2019, China's economic growth decreased quarter by quarter, the external demand dropped significantly, and China's exports to the United States declined significantly due to trade friction between China and the US. However, with the support of domestic demand, fiscal policies such as tax cuts, increased issuance of local government debts as well as support of fiscal expenditure, China's economy has avoided stalled decline. In 2019, China's monetary policy showed no trend of relaxation, as a result of which the interest rates of the money market and the yields of interest rate bonds at the end of the year maintained the same level as the beginning of the year, and the yield of 10-year government bonds fluctuated around 3.2% with plus/minus 20 bps throughout the year. In contrast, foreign central banks made big policy moves toward relaxation, and the yields of bonds in overseas markets declined dramatically. Due to the significant expansion of the yield spreads between Chinese and foreign bonds and the gradual inclusion of Chinese bonds in key global bond indexes, the demand of allocation of Chinese bonds by overseas institutions also increased significantly, and the opening up of China's bond market has been further enhanced. Even though there were no significant declines in the yields of money markets and interest rate bonds, the supply of high-interest real estate bonds and local government financing vehicle ("LGFV") bonds continued to decrease due to tightened control over the property market and the ongoing LGFV debt-equity swap program. As a result, the yields of non-standard assets and credit bonds headed downward based on strong allocation demand. Although the scale of credit bond defaults reached a record high in 2019, credit spreads still fell to record lows, and the net increase in credit bonds rose to a historical high of over RMB4 trillion. Throughout the year, there was generally no significant drop in the yields of interest rate bonds, while the yields of credit bonds across the rating and maturity spectrum declined dramatically.

Actions and Achievements

In 2019, the Company continued to forge ahead our FICC business. We continued to improve our comprehensive service capability, and achieved good results in client business. We delivered strong results in structured product business, and our asset-backed securitization business continued to grow, maintaining a leading market share. We further strengthened structuring of new products, and further enhanced interactions with and product offerings to a more diversified customer base.

In 2019, in spite of increasing market volatility and credit risks following the China-US trade friction, our trading teams continued to demonstrate strong trading and risk control capabilities, and once again achieved good returns by actively capturing market opportunities. In 2019, the Company continued to strengthen the IT infrastructure of our FICC business and steadily push forward relevant IT system development.

Outlook for 2020

In 2020, our Company will continue to strengthen the FICC business and focus on developing the client business. We will further enhance risk control in trading and proprietary investment businesses to strive for better returns. We will continue to build our product innovation and design capabilities, increase product varieties and expand the scale of products. We will focus on our cross-border business capability and steadily upgrade our product design and customer service platform.

Investment Management

As of December 31, 2019, the scale of assets under the Group's management through a variety of ways amounted to approximately RMB859.9 billion.

Asset Management

Market Environment

Since the beginning of 2019, with the gradual implementation of new asset management regulations, the policies of removal of implicit guarantees, regulating the money pool and curbing the "conduit" business began to take effect. In line with the regulation direction of "preventing risks and going back to the fundamental purpose" in the asset management industry, the asset management institutions should focus on enhancing their active management capabilities and investment and research capabilities. With the successive launch of wealth management subsidiaries of banks, the ecological landscape of the industry has been further reshaped, and all institutions started to compete and cooperate under the unified regulatory standards.

Actions and Achievements

Our Company focuses on active asset management. Always putting clients' interest first, we design and offer high-quality and innovative asset management products and services to domestic and overseas clients for the purpose of steady value appreciation over the long term. In 2019, the Company further strengthened the investment and research team, and continued to strengthen investment decision-making process and disciplined management system, and delivered sound investment performance which has been well-recognized by the market and our customers. We continued to enrich our product lines, constantly develop new strategies and solutions tailored to changing market environment, client demand, and investment and research resources, so as to continuously strengthen our comprehensive service capabilities. Moreover, we made breakthroughs in the pension business, and after full launch of the occupational pension plan within the year, the Company won 100% bids for the occupational pension plans in several provinces as the mandated investment manager. In line with the new asset management regulations, and closely following the transformation of wealth management subsidiaries of banks and the outsourcing demand of insurance institutions, we provided targeted net asset value ("NAV")-based product strategies and services. We steadily enhanced the capabilities of active cross-border asset management, and have formed relatively complete cross-border product lines. Moreover, the Company continued to strengthen synergies with CICC Wealth Management and achieved substantial progress in pension business, overseas asset management and products distribution, thus constantly enhancing the depth and breadth of customer coverage.

As of December 31, 2019, the business scale of the Asset Management Department of the Company was RMB245,090 million, representing an increase of 51.5% compared with the end of 2018. By product line, the assets under management of collective asset management products and segregated asset management products (including NSSF, corporate annuities, occupational pension and collective pension plans) were RMB19,307 million and RMB225,783 million, respectively. We had altogether 381 products under management, and most of them were under active management.

Outlook for 2020

In 2020, the Company will focus on building the brand of CICC Asset Management, improving business processes and enhancing internal management. We will take the following specific measures: continuing to strengthen the investment and research teams and enhancing the investment and research capabilities; deepening understanding of customer needs, and maintaining and increasing the scale and market share of our businesses; improving product lines and services; enhancing the professional service capabilities of the sales team; strengthening internal management and system development, and improving risk control and operation systems; continuing to tap into synergies among departments and with CICC Wealth Management.

In 2020, the Company will seize market opportunities to provide customers with one-stop comprehensive solutions, with the aim to grow our asset management business into a global leading multi-asset, multi-strategy, cross-market full-service asset management institution.

Mutual funds

Market environment

In 2019, there were 6,085 mutual funds in China with total assets under management of RMB14.8 trillion, representing a year-on-year growth of 13.5%, reaching a new high. The mutual funds achieved sound returns due to the strong support from the domestic and foreign equity markets. With the launch of the STAR Market which highlighted science and technology innovation, consumption, pharmaceutical and development sectors were preferred by investors, and the issuance of bond funds remained high. The streamlined registration procedure for mutual funds further released the vitality of the industry, as a result of which the newly issued funds amounted to RMB1.4 trillion, reaching a four-year high. In 2019, new opportunities and challenges were also brought by the successive launch of wealth management subsidiaries of banks, the pilot of fund investment advisory business and the accelerating participation of foreign investment institutions.

Actions and Achievements

In 2019, in line with the positioning of serving the mass retail market, CICC Fund Management strengthened retail channels and institutional business, and made breakthroughs in the number of retail customers and institutional access. We formed unique product lines and focused on the development and promotion of distinctive mutual fund products fit for constructing long-term portfolios. We actively carried out product research and launched new products such as strategic placement on the STAR Market and bond funds based on amortized cost method. We comprehensively enhanced risk screening and improved the audit control to safeguard the steady development of the Company.

In 2019, the assets under management of CICC Fund Management amounted to RMB27,869 million, representing a year-on-year increase of 39.2%. In particular, the size of mutual funds increased to RMB23,784 million, representing a year-on-year increase of 55.0%; and the size of private asset management schemes amounted to RMB4,085 million.

Outlook for 2020

In 2020, CICC Fund Management will continue to develop stable investment capabilities that meet the demand of public offerings with focus on macro asset allocation and instrument-type products, thus comprehensively improving investment performance. We will continue to expand retail market coverage by strengthening channel service capabilities and make attempts to expand institutional business. We will actively promote cooperation and innovation through fully combining resources of the Group, and make important contributions to enhance the overall asset management and service capabilities of our Group.

Private Equity Investment

Market environment

In 2019, as affected by the tightening regulations over the financial industry, financial deleveraging and challenges with bank fundraising channels, China's private equity investment market saw a downturn and could still feel the chill winds. The industry continued to polarize where leading private equity funds continued to deliver strong performance thanks to their professional investment and risk management capabilities, while small funds experienced a tough time.

In 2019, the fundraising amount of the Chinese private equity investment market continued to decline year on year, and the number and size of new RMB funds that completed fundraising remained low. In contrast, USD funds were less affected, and several large USD funds completed fundraising during the Reporting Period. Thanks to their unique advantage in investment exit, USD funds were chased by capital, as more institutions preferred dual currency funds (RMB and USD) in fundraising and investment.

In terms of investment management, China's private equity investment market remained depressed in 2019, with declining investment activities. As more institutions turned risk averse, and flew to value investments with highlighted focus on project earnings model and performance, the number and amount of transactions continued to drop. Since fundraising became increasingly challenging, available capital tightened rapidly and investment institutions turned more risk averse, making it even difficult for later stage investment with a smaller number of large transactions.

In terms of exit, due to slowdown of approval processes of domestic IPOs in 2019, exit through A share IPOs became challenging. Therefore, more investments turned for exit through mergers and acquisitions or overseas IPOs. The CSRC's green channel for IPO approval and the STAR Market provided more exit options for investments. In the second half of 2019, the IPO exit cases via the STAR Market in the venture capital market increased significantly.

Actions and Achievements

At present, CICC Capital has established a unified and open management platform. Internally, we achieved resource centralization and management synergy. Externally, we fostered an open platform ecosystem. The family of funds managed by CICC Capital mainly includes government guiding funds, RMB equity investment funds, USD equity investment funds, M&A funds and infrastructure funds. The industries covered include new generation information technology, biomedicine, cultural consumption, and high-end equipment manufacturing industries.

In 2019, on the basis of relatively diversified product lines, CICC Capital focused on serving national strategies and deploying large-scale funds in strategical regions. We also actively developed overseas investors and improved cross-border business capabilities, to balance the overall risk of the business in light of diversified risk profiles of different products. During the Reporting Period, CICC Capital established a number of equity investment funds, covering infrastructure, civil-military integration, energy, cultural consumption, innovative drugs, mixed ownership reform of SOEs and real estate sectors, to diversify existing product lines. In 2019, CICC Capital concentrated its resources to develop the CICC Yangtze River Delta Fund Cluster, support building Shanghai into an international finance and science and technology innovation center and implement the national strategy of realizing integrated development of the Yangtze River Delta region, which mobilized social resources and formed a sound regional strategy synergy. As of the end of December 2019, the size of assets managed by the domestic and overseas businesses of CICC Capital reached RMB279,296 million, increasing by RMB30,084 million compared with the end of 2018, making us one of the largest platforms in the private equity investment sector in China.

CICC Capital attaches great importance to risk, and risk awareness has been implanted in CICC culture. Facing fundraising headwinds, CICC Capital emphasized on further strengthening risk awareness of the team, and urged the team to carry out investment, post-investment and exit businesses in a more prudent manner to generate more revenue through investment appreciation, and create value for investors and invested funds/enterprises. In terms of internal control management, CICC Capital continued to enhance the unified management and control capabilities of its platform, and further formulated more strict standards for investment decisions and post-investment management of each fund in addition to a complete and vigorous risk control system in line.

Outlook for 2020

CICC Capital will continue to adhere to the basic concept of pursuing growth in prudent and steady paces, and gather resources for long-term development and pragmatic actions. We will fully leverage upon the franchise of CICC to effectively exert our advantages, and grasp opportunities brought by the reform of China's stock economies and development of new economies to assist in China's economic transformation and upgrading. In addition, we will continue to promote resource synergies and cross-department collaboration with the research and investment banking departments, to build full-scope, multilayered equity investment capabilities to generate sound returns for investors. In 2020, CICC Capital will focus on developing key products in major regions, and proactively bridge asset management and financing channels. CICC Capital will actively develop overseas investors, improve cross-border business capabilities, and deepen the unified management and control of its business platforms, so as to create a leading management platform for private equity funds.

Others

As of December 31, 2019, the breakdown of total assets managed by different business divisions and subsidiaries of our Group is set forth as follows:

Scale of the Group's investment management business

Unit: RMB million

Items	December 31, 2019	December 31, 2018	% of change
AUM in relation to fee and commission income (wholly-owned)			
Collective asset management schemes	**49,046**	19,059	157.3%
Segregated asset management schemes	**271,395**	183,752	47.7%
Special asset management schemes	**152,959**	116,514	31.3%
Mutual funds[1]	**27,869**	20,017	39.2%
Private equity funds	**198,626**	170,900	16.2%
Subtotal	**699,895**	510,242	37.2%
AUM in relation to share of profits of associates and joint ventures (jointly-invested)			
Private equity funds	**135,470**	135,917	(0.3%)
Non-private equity funds	**24,534**	15,873	54.6%
Subtotal	**160,004**	151,789	5.4%
Total	**859,899**	662,031	29.9%

Note 1: Mutual funds include public securities investment funds and private asset management schemes under the management of CICC Fund.

Wealth Management

Market Environment

In 2019, the Shanghai Composite Index rose by 22.3%, and the overall trading activities increased. Meantime, the implementation of new asset management regulations continued to guide residents' investments into NAV-based products, creating a sound market environment for transformation of our business into wealth management based on asset allocation.

Actions and Achievements

In 2019, our Group's wealth management business achieved sound growth across the board, with more-than-expected growth of asset allocation business and enhanced product capabilities. By partnering with top asset managers in China, asset allocation became an important engine for product business growth. The traditional trading business also recovered with a pickup in market share thanks to continuous innovation. In terms of customer expansion, we continued to focus on private wealth management business, and invested more resources to provide comprehensive wealth management services driven by advisory services for high-net-worth individuals. While continuously improving our recruitment, training, and evaluation work, we established a large-scale standardized team expansion model, thus leading to steady development in the private wealth management business.

2019 marks the comprehensive integration and deep transformation of the wealth management segment. In terms of integration, the Company completed the unification of the brand of CICC Wealth Management and the in-depth integration of business management, and further integrated the network and supporting systems and achieved initial results. In terms of financial technology development, with the strong support of the Company's management and relevant departments, we entered into a shareholder agreement with Tencent to establish a joint venture financial technology company. The joint venture company will assist CICC wealth management and retail brokerage businesses in providing more convenient, intelligent and differentiated wealth management solutions by providing support in the development of technology platforms and digital operation.

As of December 31, 2019, the number of CICC's wealth management customers reached 3,271,317, with a growth of 8.6% compared with the end of 2018 on a comparable basis. The total customer assets reached approximately RMB1,839,100 million, with a growth of 42.5% compared with the end of 2018 on a comparable basis. Among them, there were 19,395 high-net-worth individuals[1] as of December 31, 2019, with a growth of 33.5% compared with the end of 2018 on a comparable basis. The total assets of high-net-worth individuals amounted to RMB460,283 million, with a growth of 34.6% compared with the end of 2018 on a comparable basis.

Outlook for 2020

In 2020, the Company will continue to firmly promote its wealth management strategy. While continuing to accelerate the transformation of product business, the wealth management business will focus on gather assets by providing tailored investment solutions that meet the demand of different customers. At the same time, we will take advantage of integration with CICC Wealth Management and cooperation with Tencent to explore different service and operation models for different customer bases, thus improving our marketing and service efficiency.

Note 1: High-net-worth individuals refer to the clients with client assets of over (including) RMB 3 million

Research

Our research team covers global markets and serves clients both at home and abroad through the Group's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy, market strategy, and asset allocation to equities, commodities, and derivatives. As of December 31, 2019, our research team employed more than 100 highly experienced, high-caliber professionals and covered more than 40 sectors and nearly 1,000 companies listed in the Chinese mainland, Hong Kong SAR, New York and Singapore.

CICC Research has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In 2019, we published more than 13,000 research reports in Chinese and/or English. On top of numerous sector and company reports, we also assembled a series of in-depth thematic reports, such as *China's asset management industry: a US$10 trillion market, Blockchain: How digital currencies will reshape financial infrastructure, Cosmetics industry report: rise of China's domestic brands, 5G: Ten trends to watch in 2020-2030, China AI+5G: 10 investment opportunities in the next 10 years, China's transfer of SOE shares to social security funds, Marvelous travel: growing market backed by improving living standards, New infrastructure in China, and Booming "new consumption" in China.* These research products show our profound understanding of China. The superior quality and extensive coverage of our research reports have earned us the reputation as the "China Expert".

Our research team continued to win awards from prominent international institutions in 2019. These include the "No. 1 Overall Country Research for China" in the *Asiamoney* Brokers Poll, marking the 14th consecutive year of our championship in this poll from 2006 to 2019. We were also named the "No.1 The All-China Best Research Team[2]" by *Institutional Investor* for eight consecutive years from 2012 to 2019.

Note 2: By Analyst Leaders: Overall

IV. ANALYSIS OF FINANCIAL STATEMENTS

(i) Profitability Analysis of Our Group

During 2019, the Group realized a significant growth in the revenue of the equities business compared with that in 2018, and the revenue of the investment banking business and the FICC business also realized a notable increase. In the meantime, in the complicated and changing macro and market environment, we maintained sound business momentum with a significant growth in revenue and profits compared with 2018. Our investment banking business fully supported the development of the real economy. Our equities business embraced opportunities for institutionalization, productization, and internationalization. Our FICC trading and comprehensive service capabilities continued to grow. We maintained industry-leading position in terms of the total amount under management of private equity investment. Our asset management business continued to make breakthroughs. Our wealth management segment forged ahead with business integration and transition.

In 2019, the Group realized total revenue and other income of RMB22,782.5 million, representing a year-on-year increase of RMB4,242.9 million or 22.9%. The Group realized profit attributable to shareholders of the Company and holders of other equity instruments of RMB4,238.7 million, representing a year-on-year increase of RMB746.6 million or 21.4%. The Group realized earnings per share of RMB0.990 in 2019, representing a year-on-year increase of 19.4%. The weighted average return on net assets was 9.6%, representing a year-on-year increase of 0.8 percentage point.

(ii) Asset Structure and Quality

As of December 31, 2019, total assets of the Group amounted to RMB344,971.2 million, representing a year-on-year increase of RMB69,550.7 million or 25.3%. The total liabilities of the Group amounted to RMB296,439.7 million, representing a year-on-year increase of RMB63,395.9 million or 27.2%. The Group's total equity attributable to shareholders of our Company and holders of other equity instruments amounted to RMB48,293.8 million, representing a year-on-year increase of RMB6,110.3 million or 14.5%. After deducting accounts payable to brokerage clients and to underwriting clients of RMB52,815.4 million, the adjusted total assets of the Group amounted to RMB292,155.9 million; the adjusted total liabilities amounted to RMB243,624.4 million; the gearing ratio of the Group was 83.4%, increased by 1.5 percentage points from 81.9% of December 31, 2018; the operating leverage ratio was 6.0 times, representing an increase of 9.0% compared with 5.5 times as of December 31, 2018.

As of December 31, 2019, the Group's financial assets at fair value through profit or loss and derivative financial assets totalled RMB172,694.1 million, accounting for 50.1% of the total assets; financial assets at fair value through other comprehensive income amounted to RMB28,985.8 million, accounting for 8.4% of the total assets; cash and bank balances and cash held on behalf of clients amounted to RMB72,417.7 million, accounting for 21.0% of the total assets; receivable from margin clients and financial assets held under resale agreements (reverse REPOs) totalled RMB37,488.9 million, accounting for 10.9% of the total assets; interests in associates and joint ventures amounted to RMB1,168.5 million, accounting for 0.3% of the total assets; other assets amounted to RMB32,216.2 million, accounting for 9.3% of the total assets.

As of December 31, 2019, most of the Group's liabilities were current liabilities, among which accounts payable to brokerage clients and to underwriting clients amounted to RMB52,815.4 million, accounting for 17.8% of the total liabilities; financial assets sold under repurchase agreements (REPOs) amounted to RMB24,708.3 million, accounting for 8.3% of the total liabilities; placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year totalled RMB67,128.8 million, accounting for 22.6% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB32,932.5 million, accounting for 11.1% of the total liabilities; long-term debt securities issued amounted to RMB57,585.3 million, accounting for 19.4% of the total liabilities; other liabilities amounted to RMB61,269.5 million, accounting for 20.7% of the total liabilities.

(iii) Cash Flows

In 2019, excluding the impacts of change in accounts payable to brokerage clients and to underwriting clients, net increase in cash and cash equivalents of the Group amounted to RMB471.4 million, representing a decrease of RMB3,657.3 million or 88.6% compared with that in 2018, mainly consisted of net cash used in operating activities.

Net cash used in operating activities amounted to RMB27,657.8 million in 2019 and net cash generated amounted to RMB11,056.1 million in 2018. The variation was primarily a result of the decrease in net cash inflows caused by a reduction in REPOs and by an increase in investments of financial assets at fair value through profit or loss. The decrease in net cash inflows was partially offset by the increase in net cash inflows caused by an increase in other liabilities.

Net cash generated from investing activities amounted to RMB6,452.4 million in 2019 and net cash used amounted to RMB19,029.2 million in 2018. The variation was primarily a result of the decrease in payment for purchase of investments and the increase in receipts from disposal of investments.

Net cash generated from financing activities amounted to RMB21,676.9 million in 2019, representing an increase of RMB9,575.0 million or 79.1% compared with the net cash generated of RMB12,101.8 million in 2018, mainly due to an increase in proceeds from issuing debt securities.

(iv) Financing Channels and Capability

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

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

(v) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss

Summary of Financial Performance

In 2019, the Group realized net profit of RMB4,247.8 million, representing a year-on-year increase of 20.2%. The financial performance of the Group is summarized as follows:

Unit: RMB in million

Items	2019	2018	Change	% of change
Revenue				
Fee and commission income	**10,733.1**	8,820.4	1,912.6	21.7%
Interest income	**4,800.2**	4,586.9	213.3	4.6%
Investment income	**6,958.6**	4,541.1	2,417.6	53.2%
Total revenue	**22,491.9**	17,948.4	4,543.5	25.3%
Other income, net	**290.6**	591.3	(300.6)	(50.8%)
Total revenue and other income	**22,782.5**	18,539.7	4,242.9	22.9%
Total expenses	**17,541.3**	14,270.9	3,270.4	22.9%
Share of profits of associates and joint ventures	**60.4**	118.6	(58.2)	(49.1%)
Profit before income tax	**5,301.6**	4,387.3	914.3	20.8%
Income tax expense	**1,053.8**	852.7	201.1	23.6%
Profit for the year	**4,247.8**	3,534.6	713.2	20.2%
Attributable to:				
Shareholders of the Company and holders of other equity instruments	**4,238.7**	3,492.2	746.6	21.4%

Revenue Breakdown

In 2019, the Group's revenue increased by 25.3% to RMB22,491.9 million compared with that in 2018. Of the Group's revenue, fee and commission income accounted for 47.7%, representing a year-on-year decrease of 1.4 percentage points; interest income accounted for 21.3%, representing a year-on-year decrease of 4.2 percentage points; investment income accounted for 30.9%, representing a year-on-year increase of 5.6 percentage points. Breakdown of the Group's revenue for 2019 is listed as follows:

Items	**2019**	2018	Change
Fee and commission income	**47.7%**	49.1%	Decreased by 1.4 percentage points
Interest income	**21.3%**	25.6%	Decreased by 4.2 percentage points
Investment income	**30.9%**	25.3%	Increased by 5.6 percentage points
Total	**100.0%**	100.0%	

In 2019, the Group's investment income increased significantly compared with that for last year, resulting in a smaller proportion of interest income in total revenue.

Fee and Commission Income and Expenses

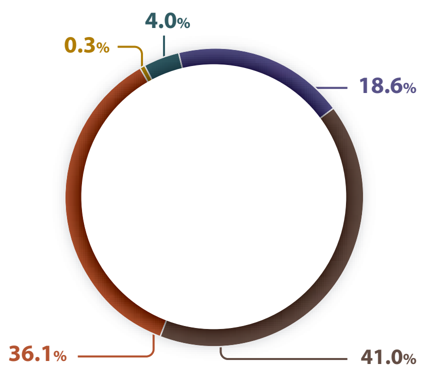
In 2019, the Group realized a net fee and commission income of RMB9,546.7 million, representing a year-on-year increase of RMB1,594.9 million or 20.1%. Breakdown of the Group's net fee and commission income in 2019 is listed as follows:

Unit: RMB in million

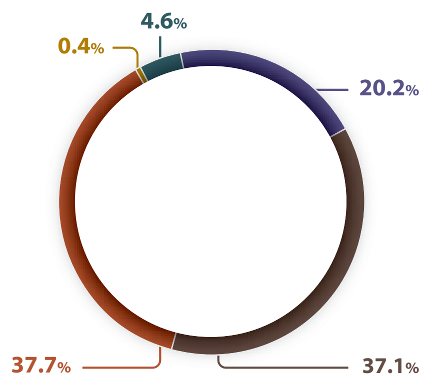
Items	**2019**	2018	**Change**	**% of change**
Fee and commission income				
Brokerage commission income	**3,878.0**	3,323.7	554.4	16.7%
Investment banking income	**4,396.3**	3,272.7	1,123.7	34.3%
Underwriting and sponsoring fees from equity financing	**2,388.0**	2,091.0	297.0	14.2%
Underwriting and sponsoring fees from debt and structured financing	**1,333.6**	620.7	713.0	114.9%
Financial advisory fees	**674.7**	561.0	113.6	20.3%
Asset management fees	**2,001.5**	1,779.1	222.3	12.5%
Asset management and mutual funds	**886.2**	768.6	117.6	15.3%
Private equity investment funds	**1,115.3**	1,010.5	104.8	10.4%
Investment advisory fees	**424.7**	405.9	18.8	4.6%
Others	**32.5**	39.1	(6.6)	(16.9%)
Total fee and commission income	**10,733.1**	8,820.4	1,912.6	21.7%
Fee and commission expenses	**1,186.3**	868.6	317.7	36.6%
Net fee and commission income	**9,546.7**	7,951.8	1,594.9	20.1%

The charts below set forth the composition of the Group's fee and commission income in 2019 and 2018:

Composition of fee and commission income in 2019



Composition of fee and commission income in 2018



- Brokerage commission income
- Investment banking income
- Asset management fees
- Investment advisory fees
- Others

The respective proportions of the Group's fee and commission income in 2019 are listed as follows:

Items	2019	2018	Change
Brokerage commission income	**36.1%**	37.7%	Decreased by 1.5 percentage points
Investment banking income	**41.0%**	37.1%	Increased by 3.9 percentage points
Asset management fees	**18.6%**	20.2%	Decreased by 1.5 percentage points
Investment advisory fees	**4.0%**	4.6%	Decreased by 0.6 percentage point
Others	**0.3%**	0.4%	Decreased by 0.1 percentage point
Total	**100.0%**	100.0%	

Brokerage commission income amounted to RMB3,878.0 million, representing a year-on-year increase of RMB554.4 million or 16.7%, under the influence of the major stock indices performance in Mainland China and Hong Kong SAR. In particular, the major stock indices in Mainland China and Hong Kong SAR markets headed down after early year hikes with intensified volatility, but still recorded gains in 2019. The average daily trading volume in the A-share market was RMB559,800 million, representing an increase of 35% compared with the corresponding period last year.

Investment banking income amounted to RMB4,396.3 million, representing a year-on-year increase of RMB1,123.7 million or 34.3%. Investment banking income included underwriting and sponsoring fees from equity financing and from debt and structured financing and financial advisory fees. The underwriting and sponsoring fees amounted to RMB3,721.7 million, representing a year-on-year increase of RMB1,010.0 million or 37.2%, mainly due to a growth in underwriting and sponsoring business of debt and structured financing. Financial advisory fees amounted to RMB674.7 million, representing a year-on-year increase of RMB113.6 million or 20.3%, mainly due to an increase in the Group's financial advisory fees from domestic IPOs, advisory fees from M&A projects and financial advisory fees from asset-backed special plans compared with that in 2018.

Asset management fees amounted to RMB2,001.5 million, representing a year-on-year increase of RMB222.3 million or 12.5%, in line with the growth in AUM. Asset management fees consisted of the management fees from asset management business, mutual fund business and private equity fund business. In addition to asset management fees, the Group also had a share of profits of associates and joint ventures generated from AUM managed by fund management companies jointly-invested by the Group.

Investment advisory fees amounted to RMB424.7 million, representing a year-on-year increase of RMB18.8 million or 4.6%, mainly due to an increasing demand for advisory services for private equity investment and block trading referral services in 2019.

Fee and commission expenses increased by RMB317.7 million or 36.6% year on year, in line with the growth of the Group's fee and commission income.

Interest Income and Expenses

In 2019, the Group incurred net interest expenses of RMB1,095.3 million, among which interest income amounted to RMB4,800.2 million, representing a year-on-year increase of 4.6%, and among which interest expenses amounted to RMB5,895.5 million, representing a year-on-year increase of 21.0%. Breakdown of the Group's interest income and expenses in 2019 is listed as follows:

Unit: RMB in million

Items	2019	2018	Change	% of change
Interest income				
Interest income from financial institutions	**1,379.0**	1,362.6	16.5	1.2%
Interest income from margin financing and securities lending	**1,461.1**	1,490.3	(29.1)	(2.0%)
Interest income from reverse REPOs	**724.5**	797.5	(73.0)	(9.2%)
Interest income from financial assets at fair value through other comprehensive income	**1,160.5**	915.4	245.1	26.8%
Others	**75.0**	21.2	53.8	254.2%
Total interest income	**4,800.2**	4,586.9	213.3	4.6%
Interest expenses				
Interest expenses of accounts payable to brokerage clients	**164.3**	171.1	(6.8)	(4.0%)
Interest expenses on REPOs	**1,009.6**	1,088.1	(78.5)	(7.2%)
Interest expenses on placements from financial institutions	**765.5**	482.8	282.7	58.5%
Interest expenses on debt securities issued	**3,424.9**	2,889.2	535.7	18.5%
Interest expenses on lease liabilities	**73.5**	-	73.5	N/A
Others	**457.7**	239.6	218.1	91.0%
Total interest expenses	**5,895.5**	4,870.9	1,024.6	21.0%
Net interest expenses	**(1,095.3)**	(284.0)	(811.4)	285.7%

Interest income from financial institutions amounted to RMB1,379.0 million, representing a year-on-year increase of RMB16.5 million or 1.2%.

Interest income from margin financing and securities lending amounted to RMB1,461.1 million, representing a year-on-year decrease of RMB29.1 million or 2.0%.

Interest income from reverse REPOs amounted to RMB724.5 million, representing a year-on-year decrease of RMB73.0 million or 9.2%, mainly due to a decrease in the interest income from stock-based lending business.

Interest expenses amounted to RMB5,895.5 million, representing a year-on-year increase of RMB1,024.6 million or 21.0%, mainly due to the increase in debt financing. In 2019, in order to meet its business development needs and the regulatory requirements, the Group issued various debt securities including corporate bonds, subordinated bonds, financial bonds, USD-denominated medium-term notes, structured notes and long-term beneficiary certificates, and its placements from banks increased compared with that in 2018, resulting in the corresponding increase in interest expenses.

Investment Income

In 2019, the Group realized an investment income of RMB6,958.6 million, representing a year-on-year increase of RMB2,417.6 million or 53.2%. Breakdown of the Group's investment income in 2019 is listed as follows:

Unit: RMB in million

Items	2019	2018	Change	% of change
Investment income				
Net gains from disposal of financial assets at fair value through other comprehensive income	**200.6**	184.1	16.5	9.0%
Net gains from financial instruments at fair value through profit or loss and from derivative financial instruments	**6,759.3**	4,357.0	2,402.4	55.1%
– Equity investments	**2,753.6**	1,003.3	1,750.3	174.5%
– Debt investments	**2,890.3**	2,895.8	(5.5)	(0.2%)
– Other investments	**1,115.5**	457.9	657.6	143.6%
Others	**(1.3)**	–	(1.3)	N/A
Total	**6,958.6**	4,541.1	2,417.6	53.2%

Net gains from disposal of financial assets at fair value through other comprehensive income totalled RMB200.6 million, representing a year-on-year increase of RMB16.5 million or 9.0%, mainly due to the increase in gains from disposal of debt investments at fair value through other comprehensive income.

Net gains from financial instruments at fair value through profit or loss and from derivative financial instruments totalled RMB6,759.3 million, representing a year-on-year increase of RMB2,402.4 million or 55.1%. The net gains were from the following categories of investments:

– Net gains from equity investments represented a year-on-year increase of RMB1,750.3 million or 174.5%, mainly resulting from the Group's increasing business scale of OTC derivatives amid a stock market with a fluctuating upward trajectory and increasing trading activities in 2019.

– Net gains from debt investments represented a year-on-year decrease of RMB5.5 million or 0.2%, remaining essentially unchanged from that in 2018.

– Net gains from other investments represented a year-on-year increase of RMB657.6 million or 143.6%, mainly due to the increase in gains from the trust and fund investments at fair value through profit or loss as well as the increase in gains from the derivative financial instruments under commodity, currency and interest rate contracts.

For detailed information of the financial assets at fair value through profit or loss and of derivative financial assets held by the Group at the end of 2019, please refer to "(vi) Analysis of Items in Statement of Financial Position – 1. Items of Assets – Investments – Financial Assets at Fair Value through Profit or Loss" and "(vi) Analysis of Items in Statement of Financial Position – 1. Items of Assets – Investments – Derivative Financial Assets" respectively.

Operating Expenses

In 2019, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB10,459.4 million, representing a year-on-year increase of RMB1,928.1 million or 22.6%. Breakdown of the Group's operating expenses in 2019 is listed as follows:

Unit: RMB in million

Items	**2019**	2018	**Change**	**% of change**
Operating expenses				
Staff costs	**7,202.9**	5,737.8	1,465.0	25.5%
Depreciation and amortization expenses	**913.2**	301.9	611.3	202.5%
Tax and surcharges	**84.4**	72.3	12.1	16.7%
Other operating expenses and costs	**2,099.3**	2,345.1	(245.8)	(10.5%)
Impairment losses	**159.6**	74.2	85.4	115.2%
Total	**10,459.4**	8,531.4	1,928.1	22.6%

Staff costs amounted to RMB7,202.9 million, representing a year-on-year increase of RMB1,465.0 million or 25.5%, mainly due to an improvement in the operating results of the Group compared with that of 2018 and an increase in the number of staff.

Depreciation and amortization expenses amounted to RMB913.2 million, representing a year-on-year increase of RMB611.3 million or 202.5%, mainly due to the depreciation and amortization expenses recognized for the right-of-use assets by the Group as a result of adopting IFRS 16, *Leases* ("IFRS 16"). For details of changes in accounting policies of the Group in 2019, please refer to Independent Auditor's Report – Notes to the Consolidated Financial Statements – 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS").

Tax and surcharges amounted to RMB84.4 million, representing a year-on-year increase of RMB12.1 million or 16.7%, mainly due to the increase in surcharges of value added tax resulting from the increase in the taxable revenue in respect of value added tax.

Other operating expenses and costs amounted to RMB2,099.3 million, representing a year-on-year decrease of RMB245.8 million or 10.5%, mainly due to expenses incurred from office leasing and office equipment maintenance no longer recognized as lease expenses as a result of adopting IFRS 16.

In 2019, impairment losses of the Group amounted to RMB159.6 million, representing a year-on-year increase of RMB85.4 million or 115.2% compared with that of 2018, mainly consisted of impairment losses of accounts receivable.

2. Segment Results

We have five principal business segments: Investment Banking, Equities, FICC, Wealth Management and Investment Management. The segment Others mainly comprises of other business departments and back offices.

Unit: RMB in million

Items	2019	2018	Change	% of change
Investment Banking[1]				
Segment revenue and other income	**3,865.2**	2,990.4	874.8	29.3%
Fee and commission income	**3,359.7**	2,669.4	690.4	25.9%
Interest income	**34.9**	12.0	22.9	190.8%
Investment income	**461.4**	284.8	176.5	62.0%
Other income, net	**9.2**	24.2	(15.0)	(61.9%)
Interest expenses	**(146.6)**	(115.2)	(31.4)	27.3%
Revenue and other income after interest	**3,718.6**	2,875.2	843.4	29.3%
Non-interest expenses[2]	**(2,390.3)**	(1,890.4)	(499.8)	26.4%
Profit before income tax	**1,328.3**	984.8	343.5	34.9%
Segment margin[3]	**34.4%**	32.9%	Increased by 1.4 percentage points	

Interest income of Investment Banking increased significantly year on year, mainly consisted of the interest income from the financing services provided to our clients.

Items	2019	2018	Change	% of change
Equities[1]				
Segment revenue and other income	**4,101.1**	2,738.1	1,362.9	49.8%
Fee and commission income	**1,668.9**	1,599.7	69.2	4.3%
Interest income	**341.8**	257.3	84.5	32.9%
Investment income	**2,025.9**	671.9	1,354.0	201.5%
Other income, net	**64.5**	209.2	(144.7)	(69.2%)
Interest expenses	**(622.7)**	(511.4)	(111.4)	21.8%
Revenue and other income after interest	**3,478.3**	2,226.7	1,251.6	56.2%
Non-interest expenses[2]	**(1,163.9)**	(998.9)	(165.0)	16.5%
Profit before income tax	**2,314.4**	1,227.8	1,086.6	88.5%
Segment margin[3]	**56.4%**	44.8%	Increased by 11.6 percentage points	

Investment income of Equities increased significantly year on year, mainly resulting from the Group's increasing business scale of OTC derivatives amid a stock market with a fluctuating upward trajectory and increasing trading activities in 2019.

Items	2019	2018	Change	% of change
FICC[1]				
Segment revenue and other income	**5,663.3**	4,391.6	1,271.7	29.0%
Fee and commission income	**948.3**	491.0	457.3	93.1%
Interest income	**1,285.7**	1,061.6	224.2	21.1%
Investment income	**3,349.2**	2,731.1	618.1	22.6%
Other income, net	**80.1**	108.0	(27.9)	(25.9%)
Interest expenses	**(3,045.0)**	(2,508.6)	(536.4)	21.4%
Revenue and other income after interest	**2,618.3**	1,883.1	735.2	39.0%
Non-interest expenses[2]	**(759.9)**	(577.4)	(182.5)	31.6%
Profit before income tax	**1,858.4**	1,305.7	552.7	42.3%
Segment margin[3]	**32.8%**	29.7%	Increased by 3.1 percentage points	

Items	2019	2018	Change	% of change
Investment Management[1]				
Segment revenue and other income	**2,067.9**	1,878.7	189.2	10.1%
Fee and commission income	**1,785.9**	1,655.2	130.7	7.9%
Interest income	**10.0**	24.9	(14.9)	(59.8%)
Investment income	**217.0**	151.7	65.2	43.0%
Other income, net	**55.0**	46.9	8.1	17.3%
Interest expenses	**(114.9)**	(83.8)	(31.1)	37.1%
Revenue and other income after interest	**1,953.0**	1,794.9	158.0	8.8%
Non-interest expenses[2]	**(1,195.5)**	(1,035.4)	(160.1)	15.5%
Share of profits of associates and joint ventures	**70.8**	44.1	26.7	60.5%
Profit before income tax	**828.3**	803.7	24.6	3.1%
Segment margin[3]	**40.1%**	42.8%	Decreased by 2.7 percentage points	
Wealth Management[1]				
Segment revenue and other income	**5,572.8**	5,409.4	163.4	3.0%
Fee and commission income	**2,934.5**	2,353.8	580.7	24.7%
Interest income	**2,685.3**	2,767.3	(81.9)	(3.0%)
Investment income	**(68.6)**	238.1	(306.8)	N/A
Other income, net	**21.6**	50.2	(28.6)	(56.9%)
Interest expenses	**(1,656.1)**	(1,755.0)	98.9	(5.6%)
Revenue and other income after interest	**3,916.7**	3,654.4	262.3	7.2%
Non-interest expenses[2]	**(2,850.7)**	(2,548.9)	(301.7)	11.8%
Share of (losses)/profits of associates and joint ventures	**(6.6)**	98.8	(105.4)	N/A
Profit before income tax	**1,059.5**	1,204.3	(144.8)	(12.0%)
Segment margin[3]	**19.0%**	22.3%	Decreased by 3.3 percentage points	

Items	2019	2018	Change	% of change
Others[(1)(4)]				
Segment revenue and other income	**1,512.3**	1,131.4	380.9	33.7%
Fee and commission income	**35.7**	51.3	(15.6)	(30.4%)
Interest income	**442.5**	463.9	(21.4)	(4.6%)
Investment income	**973.9**	463.4	510.5	110.2%
Other income, net	**60.2**	152.8	(92.6)	(60.6%)
Segment expenses	**(3,595.7)**	(2,245.8)	(1,349.8)	60.1%
Share of losses of associates and joint ventures	**(3.9)**	(24.4)	20.5	(84.2%)
Loss before income tax	**(2,087.3)**	(1,138.9)	(948.4)	83.3%

Investment income of Others increased significantly year on year, mainly due to a notable increase in gains from debt investments at fair value through profit or loss and from derivative financial assets of equity contracts of the consolidated structured entities in which the Group held interests.

(1) The Company acquired 100% equity interests of CICC Wealth Management (Former CISC) in March 2017. As of December 31, 2018, as the restructuring and integration was still in progress, CICC Wealth Management was managed and, in the 2018 annual report, presented as a separate operating segment. As of December 31, 2019, with a greater progress achieved in the integration, based on the nature of their business activities, the existing business units of CICC Wealth Management were reorganized and their financial performance was presented in the relevant operating segments. The information of comparative period was restated accordingly.

(2) Non-interest expenses include fee and commission expenses, staff costs, depreciation and amortization expenses, tax and surcharges, other operating expenses and costs, and impairment losses.

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

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

(vi) Analysis of Items in Statement of Financial Position

1. Items of Assets

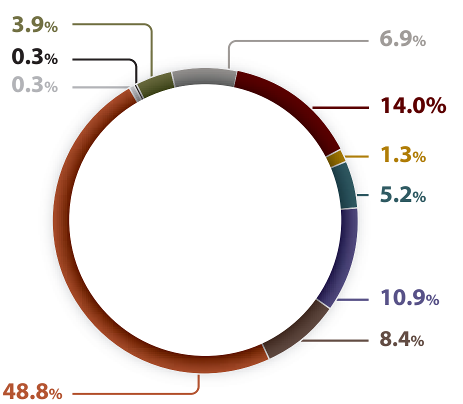
As of December 31, 2019, the Group's total assets amounted to RMB344,971.2 million, representing a year-on-year increase of RMB69,550.7 million or 25.3%. Excluding accounts payable to brokerage clients and to underwriting clients, the Group's adjusted total assets as of December 31, 2019 amounted to RMB292,155.9 million, representing a year-on-year increase of RMB58,053.3 million or 24.8%. Breakdown of the Group's assets is listed as follows:

Unit: RMB in million

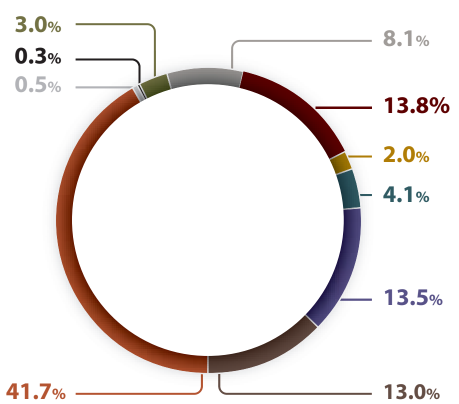
Items	December 31, 2019	December 31, 2018	Change	% of change
Property and equipment and intangible assets	**1,014.6**	869.4	145.2	16.7%
Interests in associates and joint ventures	**1,168.5**	1,267.0	(98.5)	(7.8%)
Financial assets at fair value through profit or loss	**168,191.9**	114,784.9	53,407.0	46.5%
Financial assets at fair value through other comprehensive income	**28,985.8**	35,699.7	(6,713.8)	(18.8%)
Receivable from margin clients and reverse REPOs	**37,488.9**	37,297.2	191.7	0.5%
Accounts receivable	**17,876.6**	11,368.8	6,507.8	57.2%
Derivative financial assets	**4,502.2**	5,529.5	(1,027.3)	(18.6%)
Cash held on behalf of clients	**48,458.8**	37,902.9	10,555.9	27.8%
Cash and bank balances	**23,958.9**	22,424.5	1,534.4	6.8%
Others	**13,325.1**	8,276.7	5,048.4	61.0%
Total	**344,971.2**	275,420.5	69,550.7	25.3%

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

Composition of assets as of December 31, 2019



Composition of assets as of December 31, 2018



- Property and equipment and intangible assets
- Interests in associates and joint ventures
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Receivable from margin clients and reverse REPOs
- Accounts receivable
- Derivative financial assets
- Cash held on behalf of clients
- Cash and bank balances
- Others

INVESTMENTS

The Group's investments consisted of financial assets at fair value through other comprehensive income, interests in associates and joint ventures, financial assets at fair value through profit or loss and derivative financial assets.

As of December 31, 2019, the investments of the Group amounted to RMB202,848.4 million, representing a year-on-year increase of RMB45,567.3 million or 29.0%. Breakdown of the Group's investments is listed as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Financial assets at fair value through other comprehensive income	**28,985.8**	35,699.7	(6,713.8)	(18.8%)
Interests in associates and joint ventures	**1,168.5**	1,267.0	(98.5)	(7.8%)
Financial assets at fair value through profit or loss	**168,191.9**	114,784.9	53,407.0	46.5%
Derivative financial assets	**4,502.2**	5,529.5	(1,027.3)	(18.6%)
Total	**202,848.4**	157,281.1	45,567.3	29.0%

Financial Assets at Fair Value through Other Comprehensive Income

As of December 31, 2019, the Group's financial assets at fair value through other comprehensive income amounted to RMB28,985.8 million, accounting for 8.4% of the Group's total assets. The financial assets at fair value through other comprehensive income decreased by RMB6,713.8 million or 18.8%, mainly due to the decrease in debt investments. Breakdown of the Group's financial assets at fair value through other comprehensive income is listed as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Debt investments	**28,985.8**	35,699.7	(6,713.8)	(18.8%)
Total	**28,985.8**	35,699.7	(6,713.8)	(18.8%)

Interests in Associates and Joint Ventures

As of December 31, 2019, the Group's interests in associates and joint ventures amounted to RMB1,168.5 million, accounting for 0.3% of the Group's total assets. The interests in associates and joint ventures decreased by RMB98.5 million or 7.8%, mainly due to a decrease in the Group's share of profits of associates and joint ventures and the exit of investments in some of the associates and joint ventures in 2019. Breakdown of the Group's interests in associates and joint ventures is listed as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Associates	624.4	716.6	(92.2)	(12.9%)
Joint ventures	544.1	550.4	(6.3)	(1.1%)
Total	**1,168.5**	1,267.0	(98.5)	(7.8%)

Financial Assets at Fair Value through Profit or Loss

As of December 31, 2019, the Group's financial assets at fair value through profit or loss amounted to RMB168,191.9 million, representing a year-on-year increase of RMB53,407.0 million or 46.5% and accounting for 48.8% of the Group's total assets. The details of the investment categories are as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Equity investments				
– Hedge position held for OTC derivative transactions	62,114.4	23,580.7	38,533.8	163.4%
– Financial assets of consolidated structured entities	2,117.9	306.4	1,811.5	591.2%
– Equity investments held directly by the Group	5,457.2	3,305.8	2,151.4	65.1%
Subtotal	69,689.5	27,192.9	42,496.6	156.3%
Debt investments				
– Financial assets of consolidated structured entities	7,017.9	2,778.7	4,239.2	152.6%
– Debt investments held directly by the Group	69,112.9	65,104.4	4,008.5	6.2%
Subtotal	76,130.8	67,883.1	8,247.8	12.1%
Funds and other investments				
– Financial assets of consolidated structured entities	1,359.9	1,343.7	16.2	1.2%
– Funds and other investments held directly by the Group	21,011.6	18,365.2	2,646.4	14.4%
Subtotal	22,371.5	19,708.9	2,662.6	13.5%
Total	**168,191.9**	114,784.9	53,407.0	46.5%

The Group's financial assets at fair value through profit or loss represented a year-on-year increase of RMB53,407.0 million or 46.5%, mainly because that the Group expanded its scale of investments:

— RMB10,495.7 million in financial assets of consolidated structured entities that the Group sponsored and held interests in, accounting for 6.2% of the total financial assets at fair value through profit or loss. The financial assets of these consolidated structured entities included RMB2,117.9 million of equity investments, primarily listed stocks; RMB7,017.9 million of debt investments, most of which were debt securities above investment grade and securitized products; RMB1,359.9 million of funds and other investments, mainly money market funds;

— RMB62,114.4 million of investments in hedge equity position held for OTC derivative transactions by the Group, consisted of underlying assets of the OTC derivatives trading agreements into which the Group had entered with its clients, accounting for 36.9% of the total financial assets at fair value through profit or loss. These underlying assets were held to hedge the market risks associated with OTC derivative trading whereby the volatility in fair value of the underlying assets was mainly assumed by the clients and had no material impact to the Group's profit or loss;

— RMB5,457.2 million of equity investments held directly by the Group, accounting for 3.2% of the total financial assets at fair value through profit or loss, most of which were equity investments of the private equity funds, investment in STAR Market and investment in stocks for the NEEQ market making business;

— RMB69,112.9 million in debt investments held directly by the Group, accounting for 41.1% of the total financial assets at fair value through profit or loss, most of which were debt securities above investment grade and securitized products;

— RMB21,011.6 million in funds and other investments held directly by the Group, accounting for 12.5% of the total financial assets at fair value through profit or loss, most of which were money market funds and fixed-income products with high liquidity and low risks.

Derivative Financial Assets

As of December 31, 2019, the Group's derivative financial assets amounted to RMB4,502.2 million, representing a year-on-year decrease of RMB1,027.3 million or 18.6% and accounting for 1.3% of the Group's total assets. The decrease in the Group's derivative financial assets was mainly caused by a lower valuation of the OTC derivatives attributable to change in prices of the stock market. As a result, the derivative financial assets of equity contracts decreased by RMB1,221.8 million or 27.7% compared with that at the end of 2018. Breakdown of the Group's derivative financial assets is listed as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Interest rate contracts	**558.9**	826.5	(267.5)	(32.4%)
Currency contracts	**209.9**	99.6	110.3	110.7%
Equity contracts	**3,195.1**	4,416.9	(1,221.8)	(27.7%)
Credit contracts	**2.3**	5.9	(3.6)	(61.1%)
Other contracts	**536.0**	180.7	355.3	196.7%
Total	**4,502.2**	5,529.5	(1,027.3)	(18.6%)

RECEIVABLE FROM MARGIN CLIENTS AND REVERSE REPOs

As of December 31, 2019, the Group's receivable from margin clients and reverse REPOs totalled RMB37,488.9 million, representing a year-on-year increase of RMB191.7 million or 0.5%.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

As of December 31, 2019, the Group's property and equipment and intangible assets totalled RMB1,014.6 million, representing a year-on-year increase of RMB145.2 million or 16.7%, mainly due to the increase in expenditures on office equipment and softwares. Breakdown of the Group's property and equipment and intangible assets is listed as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Property and equipment	**729.5**	597.2	132.3	22.2%
Intangible assets	**285.1**	272.2	12.9	4.7%
Total	**1,014.6**	869.4	145.2	16.7%

CASH HELD ON BEHALF OF CLIENTS

The Group's cash held on behalf of clients consisted of cash held on behalf of brokerage clients and underwriting clients. As of December 31, 2019, it amounted to RMB48,458.8 million, representing a year-on-year increase of RMB10,555.9 million or 27.8%, mainly due to the increase in deposits from brokerage clients.

CASH AND BANK BALANCES

As of December 31, 2019, the Group's cash and bank balances amounted to RMB23,958.9 million, representing a year-on-year increase of RMB1,534.4 million or 6.8%.

2. Items of Liabilities

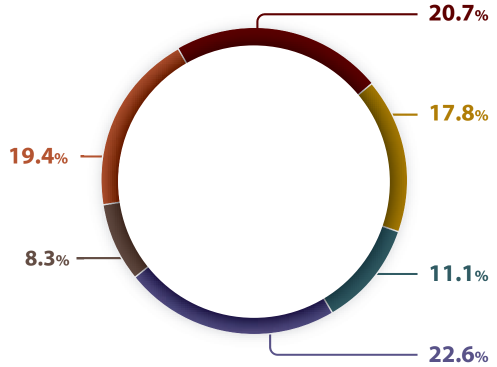
As of December 31, 2019, the Group's total liabilities amounted to RMB296,439.7 million, representing a year-on-year increase of RMB63,395.9 million or 27.2%. Excluding accounts payable to brokerage clients and to underwriting clients, the Group's adjusted total liabilities as of December 31, 2019 amounted to RMB243,624.4 million, representing a year-on-year increase of RMB51,898.5 million or 27.1%. Breakdown of the Group's liabilities is listed as follows:

Unit: RMB in million

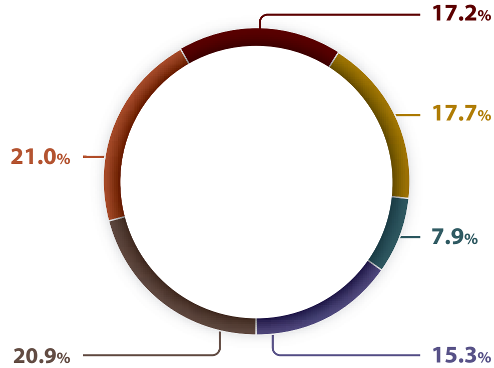
Items	December 31, 2019	December 31, 2018	Change	% of change
Accounts payable to brokerage clients and to underwriting clients	**52,815.4**	41,317.9	11,497.5	27.8%
Financial liabilities at fair value through profit or loss and derivative financial liabilities	**32,932.5**	18,475.5	14,457.1	78.3%
Placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year	**67,128.8**	35,589.1	31,539.7	88.6%
REPOs	**24,708.3**	48,650.8	(23,942.5)	(49.2%)
Long-term debt securities issued	**57,585.3**	48,998.8	8,586.5	17.5%
Others	**61,269.5**	40,011.8	21,257.7	53.1%
Total	**296,439.7**	233,043.8	63,395.9	27.2%

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

Composition of liabilities as of December 31, 2019



Composition of liabilities as of December 31, 2018



- Accounts payable to brokerage clients and to underwriting clients
- Financial liabilities at fair value through profit or loss and derivative financial liabilities
- Placements from financial institutions, short-term debt securities issued and long-term debt securities issued due within one year
- REPOs
- Long-term debt securities issued
- Others

As of December 31, 2019, the Group's accounts payable to brokerage clients amounted to RMB48,337.9 million, representing a year-on-year increase of RMB7,020.0 million or 17.0%, mainly due to an increase in the balance of client deposits.

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Individual clients	**29,686.3**	22,623.8	7,062.6	31.2%
Institutional/corporate clients	**18,643.7**	18,686.5	(42.9)	(0.2%)
Accrued interest	**7.9**	7.6	0.3	3.3%
Total	**48,337.9**	41,317.9	7,020.0	17.0%

As of December 31, 2019, the Group's financial liabilities at fair value through profit or loss and derivative financial liabilities totalled RMB32,932.5 million, representing a year-on-year increase of RMB14,457.1 million or 78.3%, mainly due to the increase in liabilities payable in relation to client trading.

As of December 31, 2019, the Group's placements from financial institutions and outstanding short-term debt securities issued and long-term debt securities issued due within one year totalled RMB67,128.8 million, representing a year-on-year increase of RMB31,539.7 million or 88.6%, mainly due to the increase in short-term debt financing for the development of balance sheet business. Breakdown of the Group's placements from financial institutions and outstanding short-term debt securities issued and long-term debt securities issued due within one year is listed as follows:

Items	December 31, 2019	December 31, 2018	Change	% of change
Beneficiary certificates	**15,885.8**	13,291.2	2,594.6	19.5%
Corporate bonds	**19,469.8**	6,148.1	13,321.6	216.7%
Subordinated bonds	**1,041.4**	2,204.7	(1,163.3)	(52.8%)
Medium-term notes	–	3,439.9	(3,439.9)	N/A
Structured notes	**6,649.5**	1,971.4	4,678.1	237.3%
Placements from financial institutions	**24,082.4**	8,533.8	15,548.6	182.2%
Total	**67,128.8**	35,589.1	31,539.7	88.6%

As of December 31, 2019, the Group's REPOs amounted to RMB24,708.3 million, representing a year-on-year decrease of RMB23,942.5 million or 49.2%, mainly due to the decrease in scale of the Group's bond pledged repurchase transactions.

As of December 31, 2019, the balance of the Group's outstanding long-term debt securities issued amounted to RMB57,585.3 million, representing a year-on-year increase of RMB8,586.5 million or 17.5%. The Group's long-term debt securities issued in 2019 included three tranches of corporate bonds with an aggregate principal of RMB6,500.0 million, five tranches of subordinated bonds with an aggregate principal of RMB9,500.0 million, one tranche of financial bonds with a principal of RMB2,500.0 million, seven tranches of long-term beneficiary certificates with an aggregate principal of RMB1,775.0 million and two tranches of USD-denominated medium-term notes with an aggregate principal of US$1,000.0 million. Breakdown of the Group's outstanding long-term debt securities issued is listed as follows:

Items	December 31, 2019	December 31, 2018	Change	% of change
Beneficiary certificates	**1,004.1**	404.7	599.4	148.1%
Subordinated bonds	**21,366.7**	12,812.1	8,554.6	66.8%
Corporate bonds	**18,704.1**	28,905.2	(10,201.1)	(35.3%)
Financial bonds	**2,530.6**	–	2,530.6	N/A
Medium-term notes	**13,979.7**	6,876.8	7,103.0	103.3%
Total	**57,585.3**	48,998.8	8,586.5	17.5%

As of December 31, 2019, the Group's other liabilities amounted to RMB61,269.5 million, representing a year-on-year increase of RMB21,257.7 million or 53.1%, mainly due to the increase in trade payable for OTC derivative trading.

3. Items of Equity

As of December 31, 2019, the Group's total equity attributable to shareholders of the Company and holders of other equity instruments amounted to RMB48,293.8 million, representing a year-on-year increase of RMB6,110.3 million or 14.5%, mainly from the placement of H Shares and operational accumulations. Breakdown of the Group's equity is listed as follows:

Unit: RMB in million

Items	December 31, 2019	December 31, 2018	Change	% of change
Share capital	**4,368.7**	4,192.7	176.0	4.2%
Capital reserve	**26,931.6**	24,822.6	2,109.0	8.5%
Surplus reserve	**736.6**	532.5	204.1	38.3%
General reserves	**3,201.2**	2,547.7	653.5	25.6%
Investment revaluation reserve	**191.0**	41.8	149.2	356.7%
Foreign currency translation reserve	**84.1**	(81.0)	165.2	N/A
Retained profits	**11,780.6**	9,127.3	2,653.3	29.1%
Other equity instruments	**1,000.0**	1,000.0	–	–
Total equity attributable to shareholders of the Company and holders of other equity instruments	**48,293.8**	42,183.5	6,110.3	14.5%

As of December 31, 2019, the Group's investment revaluation reserve amounted to RMB191.0 million, representing a year-on-year increase of RMB149.2 million or 356.7%, mainly due to the increase in net gains from changes in fair value of financial assets at fair value through other comprehensive income.

(vii) Contingent Liabilities

As of December 31, 2019, CICC Wealth Management, a subsidiary of the Company, held one piece of land under construction for which CICC Wealth Management had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. By relevant laws and regulations, in the event of delay in commencement of construction, CICC Wealth Management may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CICC Wealth Management may negotiate with relevant government authorities for postponing the commencement of construction and extending the construction period. CICC Wealth Management received an idle land verification report from relevant government authorities on February 1, 2018. According to the report, the aforesaid land was recognised as idle land, and the idling was caused by government and corporate reasons. In May 2018, CICC Wealth Management received a Hearing Right Notice from the relevant government authorities, demanding the payment of a fee on idle land of RMB112.2 million and thereupon CICC Wealth Management applied for attending hearing meeting. Thereafter in August 2018, CICC Wealth Management received a Hearing Notice and attended the hearing. Up to the date of approving the Group's financial statements, CICC Wealth Management is still in the progress of communicating with the relevant government authorities. The amount of the fee is subject to the decision of the relevant government authorities, and CICC Wealth Management is of the view that such amount cannot be reliably measured. As a result, no relevant accrued liabilities were recognised as of December 31, 2019. Up to the date of approving the Group's financial statements, construction of the land has not commenced, and the Group has completed the bidding for the agent construction party for this project and will actively carry forward the construction work thereof.

Except for the above, the Group has no other outstanding matters which have a material impact on its consolidated financial position as of December 31, 2019.

(viii) Pledge of Assets of the Group

The Group has no pledge of assets as of December 31, 2019.

(ix) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the statutory corporate income tax rate applicable to our Company and our PRC subsidiaries is 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. The Company's income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》(Public Notice of the State Administration of Taxation [2012] No.57). During the year ended December 31, 2019, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

V. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF OUR GROUP

(i) Equity Investment

During the Reporting Period, the Group did not have significant equity investments.

(ii) Equity Financing

Save as disclosed below, the Group had no significant equity financing during the Reporting Period.

In order to meet the business development needs of the Company and achieve strategic layout of the Company, on October 16, 2019, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of an aggregate of 176,000,000 new H Shares with an aggregate nominal value of RMB176,000,000 at the Placing Price of HK$14.40 per Placing Share (exclusive of brokerage (if any), the Hong Kong Stock Exchange trading fees and the SFC transaction levy) to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons of the Company, on a best effort basis. The Placing Shares represent approximately 10.187% and 4.198%, respectively, of the total issued H Shares of the Company and the total issued Shares of the Company prior to the Placing, and approximately 9.245% and 4.029%, respectively, of the total issued H Shares and the total issued Shares of the Company as enlarged by the allotment and issue of the Placing Shares. The net Placing Price (after deduction of the expenses of the Placing) is approximately HK$14.22 per Placing Share. The Placing Price of HK$14.40 per Placing Share (exclusive of brokerage (if any), the Hong Kong Stock Exchange trading fees and the SFC transaction levy) represents a discount of approximately 7.34% to the closing price of HK$15.54 per H Share as quoted on the Hong Kong Stock Exchange on October 16, 2019, being the last trading day immediately before the execution of the Placing Agreement. The closing price of the Company's H Shares as quoted on the Hong Kong Stock Exchange on October 17, 2019 was HK$14.78 per H Share. The Company intends to use the net proceeds from the Placing to replenish the capital of the Company, support the development of the Company's existing and new businesses both domestically and overseas, further increase investment in strategic areas such as internationalization and seize opportunities for strategic mergers and acquisitions.

The abovementioned Placing has been completed on October 24, 2019. The aggregate gross proceeds from the Placing are approximately HK$2,534.40 million and the aggregate net proceeds from the Placing are approximately HK$2,502.14 million after deducting the expenses of the Placing. For details, please refer to the announcements issued by the Company on October 17, 2019 and October 24, 2019. As of December 31, 2019, the Group has utilized all of net proceeds from the Placing, of which, 79.4% were used in securities investments and transactions, 2.4% in securities underwriting, 16.5% in capital businesses, 1.8% in the working capital in the ordinary and usual course of businesses and development.

(iii) Debt Financing

As of December 31, 2019, the Group's outstanding bonds are set out below:

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	3.58%	The Company has an option to redeem such bond on July 18, 2019. According to the Company's announcement dated June 28, 2019, the Company announced to waive the option to redeem such bond, and opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the duration of such bond, and hence was obligated to redeem such bond if required by the investors. On July 18, 2019, the Company has redeemed such bond as requested by investors who excised put options, and the remaining amount of such bond following the redemption was RMB2,876 million.
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	17 CICC 01	RMB4,000 million	January 20, 2017	January 20, 2020	4.35%	
	17 CICC 02	RMB1,000 million	May 8, 2017	May 8, 2020	4.97%	
	17 CICC 03	RMB1,000 million	May 8, 2017	May 8, 2022	5.19%	
	17 CICC 04	RMB2,000 million	July 27, 2017	July 27, 2020	4.78%	

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	17 CICC 05	RMB2,000 million	October 20, 2017	October 20, 2020	5.13%	
	17 CICC 06	RMB2,500 million	November 21, 2017	November 21, 2020	5.45%	
	18 CICC 01	RMB1,000 million	January 26, 2018	January 26, 2020	5.58%	
	18 CICC 02	RMB1,000 million	January 26, 2018	January 26, 2021	5.70%	
	18 CICC 03	RMB500 million	April 24, 2018	April 24, 2020	4.80%	
	18 CICC 04	RMB1,000 million	April 24, 2018	April 24, 2021	4.94%	
	18 CICC 05	RMB1,000 million	June 28, 2018	June 28, 2020	5.20%	
	18 CICC 06	RMB1,000 million	June 28, 2018	June 28, 2021	5.30%	
	19 CICC 04	RMB1,500 million	November 21, 2019	November 21, 2025	3.52%	
	17 CISC F1	RMB3,000 million	July 18, 2017	July 18, 2020	4.95%	
	17 CISC F2	RMB1,000 million	July 18, 2017	July 18, 2022	5.10%	
	18 CISC 01	RMB1,000 million	March 23, 2018	March 23, 2021	5.95%	
	18 CISC 02	RMB2,000 million	September 3, 2018	September 3, 2020	4.72%	
	18 CISC 03	RMB1,000 million	September 21, 2018	September 21, 2021	4.99%	

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Corporate bonds	19 CISC 01	RMB2,000 million	April 22, 2019	April 22, 2022	4.22%	
	19 CICC Wealth Management 01	RMB3,000 million	October 16, 2019	October 16, 2024	3.58%	
Financial bonds	19 CICC Financial Bond 01	RMB2,500 million	August 22, 2019	August 22, 2022	3.39%	
Subordinated bonds	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	17 CICC C1	RMB600 million	May 22, 2017	May 22, 2022	5.39%	
	17 CICC C2	RMB1,500 million	July 24, 2017	July 24, 2022	4.98%	
	17 CICC C3	RMB1,500 million	November 16, 2017	November 16, 2022	5.50%	
	18 CICC C1	RMB1,000 million	April 20, 2018	April 20, 2023	5.30%	
	18 CICC C2	RMB1,500 million	August 29, 2018	August 29, 2021	4.70%	
	19 CICC C1	RMB1,500 million	April 19, 2019	April 19, 2022	4.2%	
	19 CICC C3	RMB1,500 million	October 14, 2019	October 14, 2024	4.09%	
	19 CICC C4	RMB1,500 million	November 11, 2019	November 11, 2024	4.12%	
	19 CICC C5	RMB2,000 million	December 5, 2019	December 5, 2024	4.2%	

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Subordinated bonds	17 CISC 01	RMB1,000 million	February 23, 2017	February 23, 2020	4.85%	
	17 CISC 02	RMB1,800 million	February 23, 2017	February 23, 2022	5.00%	
	19 CISC C1	RMB3,000 million	April 25, 2019	April 25, 2022	4.50%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021
Perpetual subordinated bonds	15 CICC Y1	RMB1,000 million	May 29, 2015	–	Bearing an interest rate of 5.70% per annum in the first five years, and subject to reset every five years	As at the end of each five-year period, our Company has a right to extend the term of such perpetual subordinated bonds for another five-year period

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Notes payable	The three-year USD-denominated US$600 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$600 million	April 25, 2018	April 25, 2021, or interest payment date nearest to April 25, 2021	3-month USD LIBOR rate +1.20%	
	The three-year USD-denominated US$400 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$400 million	September 11, 2018	September 11, 2021, or interest payment date nearest to September 11, 2021	3-month USD LIBOR rate +1.20%	

Type	Tranche	Size of Issuance	Date of Value	Maturity Date	Interest Rate	Remarks
Notes payable	The three-year USD-denominated US$700 million guaranteed notes with floating rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$700 million	May 3, 2019	May 3, 2022, or interest payment date falling nearest to May 3, 2022	3-month USD LIBOR rate +1.175%	
	The three-year USD-denominated US$300 million guaranteed notes with fixed rate under the guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$300 million	May 3, 2019	May 3, 2022	3.375%	

In addition, in 2019, the Group completed 2,099 issuances of beneficiary certificates, with an aggregate principal amount of RMB70,442.88 million. As of December 31, 2019, the aggregate principal of the Group's outstanding beneficiary certificates amounted to RMB18,330.39 million. As of December 31, 2019, the balance of bank borrowings and overdrafts of the Group's Hong Kong subsidiaries amounted to approximately HK$2,440 million, US$707 million and RMB425 million.

In 2019, the Group completed the issuance of eight tranches of corporate bonds and one tranche of financial bonds, with an aggregate issuance size of RMB18,500 million.

VI. RISK MANAGEMENT

Overview

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

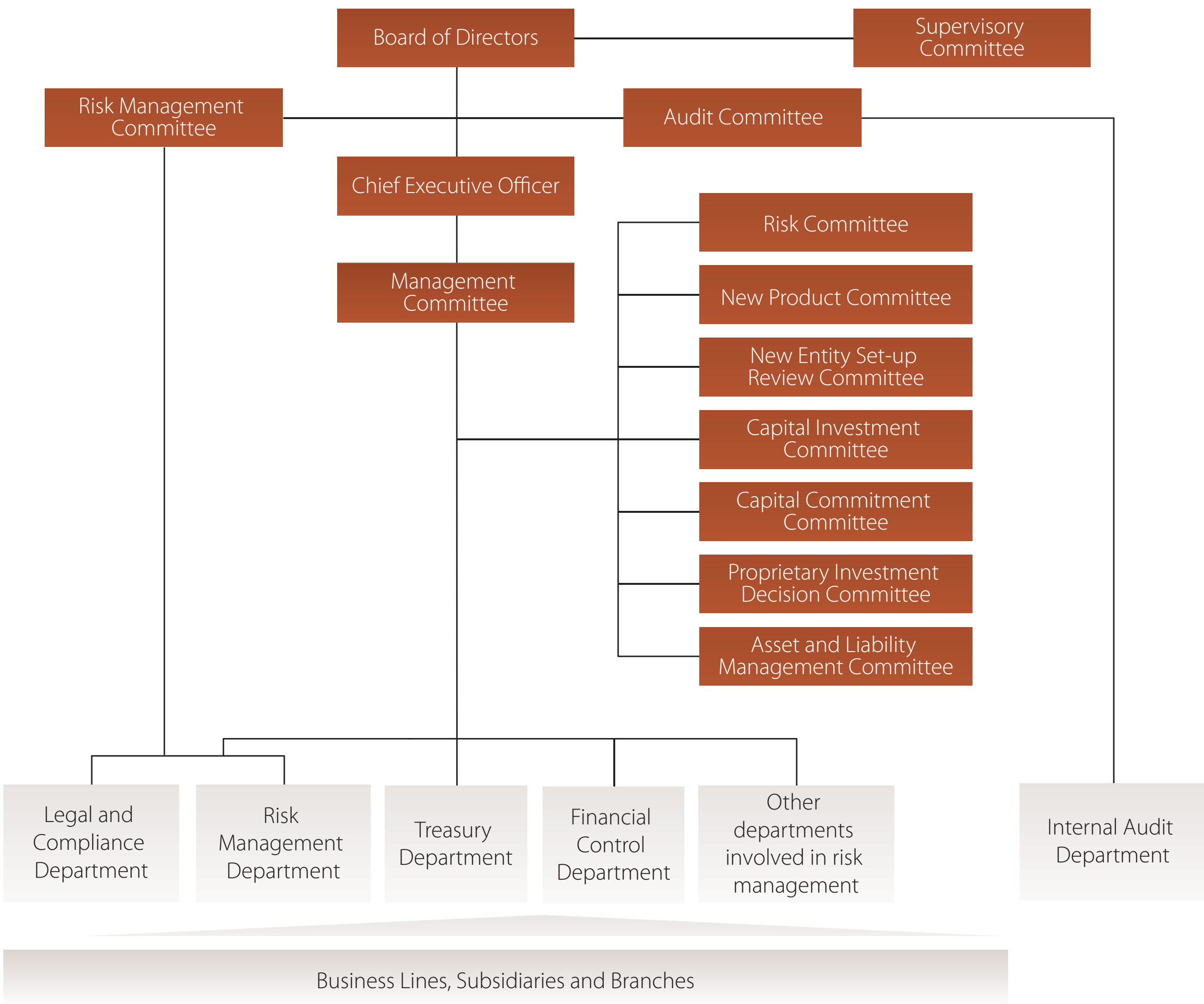
Pursuant to the relevant laws and regulations and regulatory requirements, our Group has established a sound governance structure. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the "Company Law", the "Securities Law", the "Guidance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

Risk Management Framework

The Group has established a multi-level risk management organizational structure which comprises the Board of Directors, the Supervisory Committee, senior management, independent departments performing risk management functions, business departments and branches, of which, (i) the Board of Directors is the top level of our Company's risk management and internal control governance structure and is responsible for facilitating the enforcement of the firmwide risk management culture and reviewing and approving the overall risk management goals, risk appetite, risk tolerance, important risk limits and the risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee; (ii) the Supervisory Committee assumes the supervision duty on the effectiveness of the overall risk management of our Company, and supervises and inspects the fulfillment of the risk management duties performed by the Board of Directors and the Management Committee, and reviews the rectification of risk management deficiencies and findings; (iii) under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes the major responsibility of ensuring the effectiveness of the overall risk management of our Company; (iv) the Risk Committee established under the Management Committee reports risk issues to the Management Committee and significant risk matters to the Risk Management Committee under the Board of Directors. The Chief Operating Officer is the chairman of the Risk Committee, and the Chief Risk Officer and Chief Compliance Officer are the co-executive chairmen of the Risk Committee. Other members include the Chief Financial Officer, heads of each of the business departments and heads of independent departments performing risk management functions. There are New Product Committee, New Entity Set-Up Review Committee, Capital Investment Committee, Capital Commitment Committee, Proprietary Investment Decision Committee and Asset and Liability Management Committee under Management Committee, which perform their duties in respect of new business/new product approval, branch set-up and approval, approval of capital contribution from owned funds, risk control of issuance and underwriting in investment banking business, management of investment decision-making process of proprietary business, management of assets and liabilities of the Company and etc.; (v) independent departments performing risk management functions, including internal control departments such as Risk Management Department, Legal and Compliance Department, Treasury Department, Financial Control Department, Operations Department, Information Technology Department and Public Relations

Department, coordinate to manage various risks based on their respective perspectives; and (vi) heads of business departments and branches take the primary responsibility for the effectiveness of risk management. During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions.

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



Risk to Our Group's Business Activities and Management Measures

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

In 2019, the internal and external environment became increasingly complex and severe, and the Chinese economy was under new downward pressure, but the overall performance was steady and remained within a reasonable range. At the same time, the financial markets fluctuated more wildly and the potential risks of the whole market increased, especially credit risks, market risks and liquidity risks. In view of the complicated and challenging market environment, the Group's risk management encountered greater pressure. In 2019, the Group adhered to the risk management and control requirements of "full coverage, looking through, and full cycle", and continuously strengthened the vertical risk management system covering its subsidiaries and branches. Through joint efforts on risk management control of three lines of defense, the Group actively identified, prudently evaluated, dynamically monitored, timely reported and proactively tackled with risks. The Group continued to enhance risk management capabilities, review risk management limits, mechanism and processes from a forward-looking perspective, and improve risk management and control of the same business and the same customer, to promote the optimization and sustainable development of our business. During the Reporting Period, the Group prevented the occurrence of significant risk events and large losses, and the overall risks were managed within a controllable and tolerable level.

During the Reporting Period, the Group continued to enhance risk management of the same business and the same customer. The Group formulated identification standards for the same business to implement relatively consistent risk management standards and measures for the same business and to identify, assess, measure, monitor and aggregate risks of the same business within the Group in a unified manner. The Group also formulated identification standards for the same customer to enhance standardized and regulated management of information of the same customer and to aggregate and monitor the business transactions in various business lines of the Group with the same customer, which will be implemented throughout all key links of business. At the same time, the Group managed relevant risks of customers identified as related parties in a unified manner.

Market Risk

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

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

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

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

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

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

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

Value at Risk (VaR)

Our Group sets the total VaR limit of our investment portfolio and VaR limits for different business lines. The Risk Management Department computes and monitors VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following table sets forth the computed VaRs and diversification effect of the Group by risk categories (equity prices, Interest rates, currency rates and commodity prices) as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group

(RMB in million)	December 31, 2019	December 31, 2018	2019 (as of December 31) Average	2019 (as of December 31) Highest	2019 (as of December 31) Lowest	2018 (as of December 31) Average	2018 (as of December 31) Highest	2018 (as of December 31) Lowest
Equity prices(1)	**30.9**	10.0	**27.3**	**63.3**	**8.3**	35.3	84.1	9.2
Interest rates(2)	**36.6**	54.1	**53.2**	**63.9**	**35.4**	34.9	59.1	22.7
Currency rates(3)	**33.9**	13.0	**32.0**	**43.0**	**10.5**	17.1	26.1	10.9
Commodity prices(4)	**3.8**	1.7	**1.4**	**6.3**	**0.0**	1.0	2.9	0.2
Diversification effect	**(47.4)**	(24.9)	**(44.2)**	**(19.6)**	**(67.1)**	(31.0)	(19.2)	(46.6)
Total portfolio	**57.9**	54.0	**69.7**	**98.1**	**50.7**	57.4	94.7	31.9

Notes:

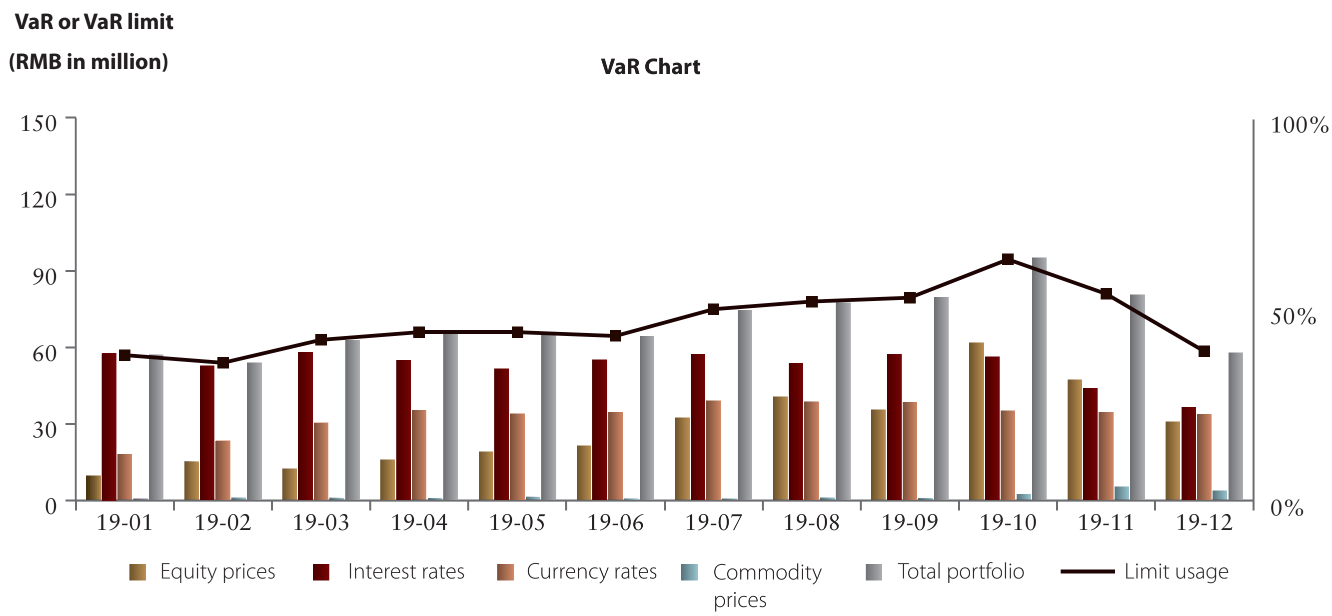
(1) including equities and the price-sensitive portion of derivative products

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

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

(4) including commodity and the price-sensitive portion of derivative products

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



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

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

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, financing parties and securities issuers.

Bond Investments

Our Group emphasizes the diversification level of the fixed income credit products and the credit products invested are those predominantly with relatively high credit ratings. Our Group controls its market risk and credit risk exposures by setting up limits on investment size, product types, credit ratings and concentrations, and closely monitors and tracks bond issuers' business performance and credit profiles so as to constantly evaluate and warn any credit deterioration.

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

	As of December 31, 2019 (RMB in million)		
The Group	**Position**	**DV01**	**Spread DV01**
Outside Mainland China(by international rating agencies)[(1)]			
—AAA	**0.0**	**0.00**	**–**
—AA- to AA+	**–**	**–**	**–**
—A- to A+	**3,059.0**	**0.70**	**0.79**
—below A-	**15,543.8**	**1.77**	**1.78**
Sub-total	**18,602.8**	**2.47**	**2.57**
Mainland China(by domestic rating agencies)[(1)]			
—AAA	**59,157.4**	**10.29**	**8.67**
—AA- to AA+	**6,238.6**	**1.01**	**1.01**
—A- to A+	**1,016.9**	**0.07**	**0.07**
—below A-	**281.8**	**0.02**	**0.02**
Sub-total	**66,964.6**	**11.40**	**9.78**
—Non-rated[(2)]	**1,505.7**	**0.88**	**–**
—Non-rated[(3)]	**18,313.5**	**0.04**	**0.04**
Total	**105,116.7**	**14.79**	**12.38**

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

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

(2) These non-rated financial assets mainly include government bonds, central bank bills and policy financial bonds.

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

Capital Business

For the credit risks of margin financing and securities lending business, stock-based lending business and other capital businesses, our Group has established a comprehensive and robust risk control system, including the customers' creditworthiness assessment, collateral management, underlying securities management, risk limit management, margin ratio monitoring, mandatory liquidation, etc. Our Group attaches considerable importance to customers' on-boarding and has established and implemented a strict customer selection and credit assessment mechanism, under which the branches are responsible for preliminary assessment of the customers' credit profile by collecting customers' basic information, financial status, securities investment experience, credit record and risk tolerance. The information of the customers that has passed the preliminary assessment will be submitted to the relevant business departments at the headquarters for further review, which, if qualified, will then be submitted to the Risk Management Department for formal approval, which will conduct an independent assessment of the customers' qualifications, and determine their credit ratings and credit limits.

During the Reporting Period, no significant losses were incurred in the Group's margin financing and securities lending business and stock-based lending business. Our Group primarily controlled the risks of margin financing and securities lending business and stock-based lending business by the following measures:

Margin Financing and Securities Lending Business

During the Reporting Period, our Group strictly controlled the concentrations of single customer and single underlying security, closely monitored and assessed accounts with higher collateral concentration and riskier investment portfolio, timely communicated with the customers and promptly took corresponding measures to mitigate such risks; our Group attached considerable importance to collateral management and dynamically adjusted the scope and haircuts of the collaterals; we prudently reviewed and approved business extension by considering the following factors, i.e., the concentration and risk condition of the investment portfolio, and the collateral ratio of the existing deal; our Group also conducted regular and irregular stress testing and closely monitored customers with high risks.

Stock-based Lending Business

During the Reporting Period, our Group exercised strict control over the onboarding and approval of the stock-based lending deals, and has taken effective risk control measures, including, but not limited to, strengthening deal risk assessment, evaluating the risks by the customers' creditworthiness and fundamentals of the pledged securities (including the pledge ratio of the large shareholder, pledge ratio of all shareholders, liquidity and trading suspension records, shareholder structure, capital status of the controlling shareholder, potential delisting risk and negative news), carefully determining the loan-to-value ratio, as well as exercising strict control over the financing amount of the customers who are subject to shareholding reduction restriction; our Group strictly controlled single security concentration, established a security blacklist mechanism, and managed the overall exposure of a single security within the Group. In addition, our Group strengthened the on-site due diligence investigation, assessment and analysis of the pledged securities and clients with large financing demand, and raised the approval requirements to ensure risks were managed at a controllable level.

Meanwhile, our Group closely monitored the risks of the outstanding contracts, conducted regular and irregular stress testing, and classified deals into different risk status and kept track of the deals with potential high risks; we maintained close monitoring and regular assessment of the customers' credit risk with large financing amount, and maintained dynamic monitoring of the pledged securities, continuously tracked the fundamentals and security price fluctuations of large deals, and if any abnormal circumstances identified on the pledged security, our Group will ensure the risk precautions are in place, and corresponding measures are taken promptly.

Margin Financing and Securities Lending Business

The following table sets forth the balance of margin financing and securities lending, market value of collaterals, and collateral ratio data of the margin financing and securities lending business of the Group:

Unit: RMB in million

Items	**As of December 31, 2019**	As of December 31,2018
Amounts of margin financing and securities lending	**24,131.5**	17,747.1
Market value of collaterals	**69,650.7**	41,865.7
Collateral ratio	**288.6%**	235.9%

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

As of December 31, 2019, the collateral ratio of the margin financing and securities lending business of the Group was 288.6%. Assuming that the market value of all securities as collaterals of the Group's margin financing and securities lending business declined by 10% and 20% respectively, and financing liabilities increased by 10% and 20% respectively, the collateral ratio of the Group's margin financing and securities lending business as of December 31, 2019, would have been 259.7% and 233.1% respectively.

Stock-based Lending Business

The following table sets forth the lending amount, market value of collaterals, and collateral ratio data of the stock-based lending business of the Group:

Unit: RMB in million

Items	**As of December 31,2019**	As of December 31,2018
Amounts of stock-based lending	**7,712.5**	10,802.6
Market value of collaterals	**22,958.9**	24,413.1
Collateral ratio	**297.7%**	226.0%

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

Liquidity Risk

Liquidity risk refers to the risks arising from our Group's inability to obtain sufficient funds at reasonable costs in a timely manner to settle debts due, fulfill other payment obligations, and satisfy the funding needs in conducting normal business operations.

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

- ➢ Closely monitoring balance sheets of our Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;
- ➢ Setting liquidity risk limits based on our Group's overall situation and regulatory requirement;
- ➢ Conducting cash flow forecast and liquidity risk stress test on a regular and irregular basis to analyze and assess our liquidity risk exposure;
- ➢ Maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

In order to withstand the potential liquidity risk and satisfy the short-term liquidity needs, our Group constantly holds sufficient unsecured and high-quality liquid assets as its liquidity reserves. The liquidity reserves are held by the Treasury Department and are managed independently from business departments. Our Group manages the liquidity reserves of all branches and subsidiaries vertically to ensure the allocation efficiency of the liquidity reserves. Meanwhile, due to the liquidity transfer restrictions between entities and regions, the liquidity reserves are held in various currencies and maintained within the Company and its major operating subsidiaries, ensuring that the liquidity requirements of different entities are met in a timely manner. The size and composition of the liquidity reserves are actively managed by our Group based on the consideration of factors including, but not limited to, funding maturity profile, balance sheet size and composition, business and operational capital requirements, stress test results, and regulatory requirements. Our Group strictly limits the liquidity reserves to high-quality liquid assets (including cash and cash equivalents, interest rate bonds and money market funds) and sets risk limits.

Our Group constantly broadens and diversifies its funding channels to optimize the liability structure. The funding instruments of our Group include corporate bonds, medium term note program, syndication loan, short-term commercial papers, beneficiary certificates, income right transfer, inter-bank borrowing, REPOs, etc. Our Group maintains good relationship with major commercial banks and had sufficient bank credit to meet the funding requirement for business development. In 2019, as assessed by China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司) and China Chengxin International Credit Rating Company Limited (中誠信國際信用評級有限責任公司), the credit rating of our Company was AAA and the rating outlook was stable. As of the Latest Practicable Date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB, the short-term rating was A-2 and the rating outlook is stable. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook was stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook was stable.

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

During the Reporting Period, the regulatory liquidity risk management indicator of our Company continued to comply with the regulatory requirements. As of December 31, 2019, the liquidity coverage ratio and the net stable funding ratio of our Company were 251.9% and 128.8%, respectively.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events. Operational risk can occur in all business operations and daily operations of the Company, which may eventually lead to other risks such as legal risk, compliance risk and reputational risk.

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

➢ Cultivating the operational risk consciousness of all staffs and strengthening employees' attention to operational risks in business processes;

➢ Establishing a transparent organizational structure with a proper decision-making mechanism and defining the responsibilities of the management and control of business processes;

➢ Implementing checks and balances and mature business and internal control policies and procedures and executing them in a strict way;

➢ Conducting risk pre-assessment and follow-up review on new business and new products;

➢ Applying operational risk loss data collection, risk and control self-assessment, and key risk indicators to identify, assess, monitor, and respond to operational risks;

➢ Clarifying the communicating, reporting and processing mechanisms for operational risk information;

➢ Establishing a business continuity plan to ensure business continuity in the event of sudden business disruptions.

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Group. Our Group continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Group further improved the operation efficiency and reduced operational risk.

IT Risk

IT risk refers to the operational, legal and reputational risks arising from natural disasters, human factors, technology vulnerabilities and management deficiencies in the course of carrying out business activities or providing services by means of information technology.

The Group has adopted the following measures to control and prevent IT risks:

➢ Establishing an effective IT governance framework to keep information technology consistent with business goals; conducting IT risk assessment to identify potential risks in information technology, and implementing risk prevention measures;

➢ Formulating and implementing information security plan, monitoring information security threats, and establishing information security management system;

- Ensuring the reliability, integrity, availability and maintainability of information system through the management process of initialization, approval and control of IT projects;

- Establishing a data governance framework to ensure unified management, sustainable controllability and storage safety of data;

- Establishing an effective process to manage problems, which can track, respond to, analyze and deal with problems of information system and emergencies of information technology;

- Establishing an IT emergency management system, formulating an emergency plan, carrying out emergency drills, and evaluating and improving IT emergency management process, to ensure that the system can support the Company's business operations in a continuous and steady manner.

Compliance Risk

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

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

- Our Group formulates and updates our compliance policies and procedures in accordance with changes in laws, regulations and industry norms;

- Our Group conducts compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;

- Our Group controls the circulation of sensitive information by monitoring information flows and establishing dynamic information barrier walls, with the aim to prevent risks of insider trading and manage conflicts of interest;

- Our Group has established a sound internal control system for anti-money laundering to fulfill our responsibilities for client identification and classification of client risk level. We identify and analyze suspicious transactions and promptly report to the regulators where necessary;

- Our Group undertakes compliance reviews in accordance with applicable laws and regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;

- Our Group adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;

- Our Group has established an internal accountability system in respect of employees' violations of laws and regulations and internal policies to impose applicable punishments on offenders.

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

Legal Risk

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

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

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

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

Reputational Risk

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

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

- ➢ All business departments take measures to prevent and control reputational risks across important business activities and processes, and strictly follow "Know your Customers (KYC)" principle, enhance project due diligence and quality control, as well as timely prevent and deal with potential reputational risk;
- ➢ Reinforcing the firmwide culture of risk awareness for all employees and enhancing the professional ethics of employees through policy making and employee training; and any employee who causes a significant reputational loss to our Group due to any misconduct or improper behavior will be subject to disciplinary actions;
- ➢ The Public Relations Department manages the overall reputational risk of our Group by public opinion monitoring, media communications, media management, and takes proper actions to intervene in a timely manner according to the severity of events, and releases or communicates with media the correct information and stance related to our Group, so as to lead correct and objective public opinion and further prevent the spread of inaccurate and false information in public environment.

Directors' Report

I. PRINCIPAL BUSINESSES OF OUR COMPANY

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

II. PROFIT DISTRIBUTION PLAN

1. According to the Company Law, the Securities Law and other laws and regulations and the Articles of Association, the 2019 profit distribution plan of the Company is proposed as follows:

   At the beginning of 2019, the Company's undistributed profits amounted to RMB2,248 million. In addition, the Company realized net profits of RMB2,041 million for 2019. After deducting the 2018 dividends allocated to the shareholders in 2019 of RMB671 million and the profits allocated to holders of other equity instruments of RMB57 million in 2019, and before appropriating the statutory surplus reserves, general risk reserves and trading risk reserves, the profits available for distribution of the Company at the end of 2019 amounted to RMB3,561 million.

   In accordance with the provisions under the relevant laws and regulations and the Articles of Association, the Company will distribute its net profit for 2019 in the following order:

   (1) RMB204 million, or 10% of the net profit of the Company in 2019, is to be appropriated to the statutory surplus reserve (the accumulated amount of the statutory surplus reserves of the Company will account for 16.9% of the registered capital of the Company after this contribution);

   (2) RMB207 million, or 10% of the net profit, 2.5% of the custodian fee income for mutual funds and 10% of collective asset management fee income of the Company in 2019, is to be appropriated to the general risk reserves;

   (3) RMB204 million, or 10% of the net profit of the Company in 2019, is to be appropriated to the trading risk reserves.

   The total contribution of the three items above is RMB615 million.

   After deducting of the three items above, the profits available for distribution of the Company at the end of 2019 is RMB2,946 million.

Note:

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

2. The Company proposes to apply for the initial public offering of the RMB ordinary shares (A shares) and listing on the Shanghai Stock Exchange (the "A Share Offering and Listing"). According to Article 18 of the Measures for the Administration of the Offering and Underwriting of Securities and requirements set out in relevant regulatory Q&As issued by the CSRC, companies which plan to issue securities onshore but have not submitted profit distribution plans and plans for converting reserve into share capital to the general meeting for voting, or have obtained approval from the general meeting but have not implemented such plans, shall not issue securities until such plans are executed. Taking into account of the capital demands of the current business and future development of the Company and the interests of shareholders, the Company does not recommend any distribution of final dividends for 2019 and the capital reserves shall not be transferred to equity shares. The outstanding balance of the undistributed profits shall be retained by the Company. To ensure a reasonable return on investment and implement a sustained and stable profit distribution policy, the Company will consider the profit distribution timely in light of the A Share Offering and Listing and will seek separate approval by the meeting of Board of Directors and the shareholders' general meeting.

The above profit distribution plan has been considered and approved by the Board of Directors on March 30, 2020, and shall be submitted to the annual general meeting of the Company for consideration. The Company will, in due course, announce the date of the 2019 annual general meeting and will give notice on the closure of its register of members to determine Shareholders eligible to attend and vote at the 2019 annual general meeting.

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

On October 24, 2019, the Company has successfully allotted and issued an aggregate of 176,000,000 new H Shares at the Placing Price of HK$14.40 per Placing Share to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons of the Company. The Placing Shares represent approximately 9.245% and 4.029%, respectively, of the total issued H Shares and the total issued Shares of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate gross proceeds from the Placing are approximately HK$2,534.40 million and the aggregate net proceeds from the Placing are approximately HK$2,502.14 million after deducting the expenses of the Placing. For details, please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (ii) Equity Financing" in this report.

IV. ISSUANCE OF BONDS

In 2019, the Group completed the issuance of 8 tranches of corporate bonds and one tranche of financial bond with total amount of RMB18,500 million. The funds raised were used to replenish the working capital and repay direct debt financing instruments that were due or redeemed. For details, please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (iii) Debt Financing" in this report.

V. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with our Company. The Directors or Supervisors may be re-elected upon expiry of their term of office, upon the approval by the shareholders' general meeting (but the independent non-executive Directors shall not remain in office for over six years even if re-elected).

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

VI. PERMITTED INDEMNITY

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

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

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

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

Save as disclosed in the "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management" of this report, none of the Directors has any disclosable interests in any business competing against the businesses of our Company.

IX. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As of December 31, 2019, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of our Company. Neither our Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

X. MANAGEMENT CONTRACTS

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

XI. OTHER DISCLOSURES

(i) Pre-emptive Rights

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

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

For details of the changes in accounting policies, please refer to "Notes to the Consolidated Financial Statements – 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")."

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

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

According to the Individual Income Tax Law of the People's Republic of China《中華人民共和國個人所得稅法》and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

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

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividends derived by Mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. For dividends derived by mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

(iv) Reserves and Distributable Reserves

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

(v) Major Clients and Suppliers

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

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the year.

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

Other Significant Events

I. MATERIAL LITIGATION AND ARBITRATION

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

II. MATERIAL CONTRACTS AND EXECUTION

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

III. CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict compliance with the Listing Rules, the Policy on Information Disclosure Management of China International Capital Corporation Limited and the Policy on Management of Connected Transactions of China International Capital Corporation Limited. The Group's connected transactions are conducted based on the principles of equity, openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group did not conduct any non-exempt connected transactions or continuing connected transactions in accordance with the Listing Rules.

For the year ended December 31, 2019, no related party transactions as set out in "Notes to the Consolidated Financial Statements – 54 Related Party Relationships and Transactions" constitute connected transactions or continuing connected transactions required to be disclosed under the Listing Rules.

IV. MATERIAL ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD

The Company entered into a shareholders' agreement with Tencent Digital, an indirect wholly-owned subsidiary of Tencent Holdings on September 24, 2019, pursuant to which the parties agreed to establish a technological joint venture in the PRC. The technological joint venture is proposed to, through providing technological platform development and digitalized operational support services, facilitate the Company's wealth management, retail brokerage and other businesses to provide more convenient, intelligent and differentiated wealth management solutions, enhance the service efficiency of investment consultants, optimize precision marketing and strengthen compliance and risk control. The technological joint venture is expected to drive the accelerated transformation and scalable development of the Company's wealth management business with digital and fintech capabilities. In the future, the technological joint venture may extend its services to other financial institutions. The proposed registered capital of the technological joint venture will be RMB500 million. The ownership of the joint venture will be held 51% by the Company and 49% by Tencent Digital. For more information, please refer to the Announcement of Inside Information regarding Proposed Formation of a Technological Joint Venture issued by the Company on September 24, 2019.

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

V. COMPLIANCE WITH LAWS AND REGULATIONS

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

VI. SUBSEQUENT EVENTS

For detailed information of the Group's issuance and redemption of debt securities and information of changes in Shares in 2020 and up to the date of approving the Group's financial statements, please refer to "Notes to the Consolidated Financial Statements – 62 SUBSEQUENT EVENTS".

VII. TALENT MANAGEMENT MECHANISM

Since the Company's implementation of the Participating Managing Director Program (the "PMD" Program) in 2018, during the Reporting Period, the Company has held several PMD meetings to discuss major issues on business development, institutional building and cultivation talent team. The CICC Institute also launched the first MD training course through PMD to provide a series of diversified internal and external courses for the directors and the general manager, thus assisting their continuous development and growth and passing on cultures of the Company.

Changes in Shares and Information of Substantial Shareholders

As of December 31, 2019, the share capital structure of our Company is as follows:

Name of shareholders	Number and class of securities	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin	1,936,155,680 Domestic Shares	44.319%	78.547%
Jianyin Investment	911,600 Domestic Shares	0.021%	0.037%
JIC Investment	911,600 Domestic Shares	0.021%	0.037%
China Investment Consulting	911,600 Domestic Shares	0.021%	0.037%
Haier Group (Qingdao) Financial Holdings Ltd.	398,500,000 Domestic Shares	9.122%	16.167%
I&G	127,562,960 Domestic Shares	2.920%	5.175%
Tencent Mobility Limited	216,249,059 H Shares	4.950%	11.359%
Des Voeux Investment Company Limited	202,844,235 H Shares	4.643%	10.655%
Mingly	122,559,265 H Shares	2.805%	6.438%
Public shareholders of H Shares	1,362,061,869 H Shares	31.178%	71.548%

I. CHANGES IN SHARE CAPITAL

On October 24, 2019, the Company has successfully allotted and issued an aggregate of 176,000,000 new H Shares at the Placing Price of HK$14.40 per Placing Share to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons (as defined in the Listing Rules) of the Company, and accordingly, the total issued H Shares and the total issued Shares of the Company increased to 1,903,714,428 and 4,368,667,868 Shares, respectively.

As at the end of the Reporting Period, the total issued Shares of our Company was 4,368,667,868 Shares, of which, 2,464,953,440 were Domestic Shares and 1,903,714,428 were H Shares. Please refer to "Management Discussion and Analysis – V. Significant Investment and Financing Activities of Our Group – (ii) Equity Financing" of this report for details.

II. SHAREHOLDERS

As of December 31, 2019, our Company had 6 holders of Domestic Shares and 438 registered holders of H Shares.

As of December 31, 2019, Huijin was interested in approximately 44.38% of the total capital of our Company directly and indirectly.

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

III. DISCLOSURE OF INTERESTS

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

As of December 31, 2019, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/ Chief Executive	Class of Shares	Capacity	Number of Securities/ Type of shares held	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Cha Mou Daid Johnson	H Shares	Beneficial owner	1,260,400/ Long positions	0.029%	0.066%
		Beneficiary of discretionary trust *(Note 1)*	122,559,265/ Long positions	2.805%	6.438%
		Beneficiary of discretionary trust and others *(Note 2)*	7,300,000/ Long positions	0.167%	0.383%
David Bonderman	H Shares	Interest of controlled corporation *(Note 3)*	42,937,429/ Long positions	0.983%	2.255%
Liu Haifeng David	H Shares	Founder of a discretionary trust *(Note 4)*	636,400/ Long positions	0.015%	0.033%
		Interest of controlled corporation *(Note 5)*	779,600/ Long positions	0.018%	0.041%
Bi Mingjian	H Shares	Beneficiary of a trust *(Note 6)*	2,252,515/ Long positions	0.052%	0.118%
Edwin Roca Lim	H Shares	Beneficial owner	356,000/ Long positions	0.008%	0.019%
Siu Wai Keung	H Shares	Beneficial owner	100,000/ Long positions	0.002%	0.005%
Huang Zhaohui	H Shares	Others *(Note 7)*	6,710,726/ Long positions	0.154%	0.353%

Notes:

(1) The interests deemed to be held by Mr. Cha Mou Daid Johnson consist of 122,559,265 H Shares held by Mingly. Mingly is held by certain discretionary trusts as to 96.12% equity interests as at December 31, 2019, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and Mr. Cha Mou Daid Johnson is among the members of the class of discretionary beneficiaries.

(2) The interests deemed to be held by Mr. Cha Mou Daid Johnson consist of 7,300,000 H Shares held by CMC Master Offshore Fund, L.P.. Each of CMC Master Fund, L.P. (as the sole limited partner of CMC Master Offshore Fund, L.P.), Cagen Holdings Limited (as limited partner which holds 51.10% interest in CMC Master Fund, L.P.), CMC Master Fund Partners, LLC (as general partner of CMC Master Fund, L.P.), Century Advantage Limited (as the sole member of CMC Master Fund Partners, LLC), CCM Trust (Cayman) Limited (as the sole member of Century Advantage Limited and Cagen Holdings Limited) and Mr. Cha Mou Daid Johnson (who is one of the discretionary beneficiaries of a discretionary trust of which CCM Trust (Cayman) Limited is the trustee, and given Century Advantage Limited is accustomed to act on Mr. Cha Mou Daid Johnson's direction) is deemed to be interested in the H Shares held by CMC Master Offshore Fund, L.P. under the SFO.

(3) The interests deemed to be held by Mr. David Bonderman consists of 42,937,429 H Shares held by TPG. Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, LLC (as general partner of TPG Group Holdings (SBS), L.P.), TPG Group Holdings (SBS) Advisors, Inc. (as the sole member of TPG Group Holdings (SBS), Advisors, LLC), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the registered investment adviser to TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is the general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the securities held by TPG.

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

(5) New Trace Limited is wholly-owned by Mr. Liu Haifeng David. Therefore, Mr. Liu Haifeng David is deemed to be interested in 779,600 H Shares held by New Trace Limited for the purpose of the SFO.

(6) Mr. Bi Mingjian holds interests through COFCO Trust Co., Ltd. Qiyuan No.2 Collective Fund Trust Scheme, the trust scheme established by COFCO Trust Co., Ltd.

(7) Mr. Huang Zhaohui indirectly held the interests through subscription of fund and asset management scheme.

Changes in Shares and Information of Substantial Shareholders

Substantial Shareholders' Interests and Short Positions

As of December 31, 2019, to the knowledge of our Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of our Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by our Company under Section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of securities/ Type of Shares held	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin *(Note 1)*	Domestic Shares	Beneficial owner	1,936,155,680/ Long positions	44.319%	78.547%
		Interest of controlled corporation	2,734,800/ Long positions	0.063%	0.111%
Haier Group Corporation *(Note 2)*	Domestic Shares	Interest of controlled corporation	398,500,000/ Long positions	9.122%	16.167%
Tencent Holdings *(Note 3)*	H Shares	Interest of controlled corporation	216,249,059/ Long positions	4.950%	11.359%
Alibaba Group Holding Limited *(Note 4)*	H Shares	Interest of controlled corporation	202,844,235/ Long positions	4.643%	10.655%
I&G *(Note 5)*	Domestic Shares	Beneficial owner	127,562,960/ Long positions	2.920%	5.175%
Mingly *(Note 6)*	H Shares	Beneficial owner	122,559,265/ Long positions	2.805%	6.438%
Invesco Advisor Inc	H Shares	Investment manager	99,015,860/ Long positions	2.267%	5.201%

Notes:

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

(2) According to the share transfer agreement dated June 6, 2018 between Huijin and Haier Group (Qingdao) Financial Holdings Ltd., Huijin agreed to transfer to Haier Group (Qingdao) Financial Holdings Ltd. 398,500,000 Domestic Shares it held in the Company for a consideration of RMB5,411.63 million. The share transfer has been approved by the CSRC and other regulatory authorities, and relevant registration procedures of the register of members of the share transfer were completed on March 11, 2019. As of December 31, 2019, each of Haier Electric International Co., Ltd. (as the sole member of Haier Group (Qingdao) Financial Holdings Ltd.), Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) (holding 48.8% interest in Haier Electric International Co., Ltd.), Haier Group Corporation (holding 51.2% interest in Haier Electric International Co., Ltd.) and Qingdao Haichuangke Investment Management Co., Ltd. (as general partner of Qingdao Haichuangke Management Consulting Enterprise (Limited Partnership) and a member holding its 10% interest) is deemed to be interested in the Domestic Shares held by Haier Group (Qingdao) Financial Holdings Ltd. under the SFO.

(3) As of December 31, 2019, Tencent Mobility Limited, directly interested in 216,249,059 H Shares, is a corporation controlled by Tencent Holdings, which is therefore deemed to be interested in the H Shares held by Tencent Mobility Limited.

(4) As at December 31, 2019, Des Voeux Investment Company Limited held 202,844,235 H Shares of the Company. Des Voeux Investment Company Limited is wholly-owned by Alibaba Group Treasury Limited, which is wholly-owned by Alibaba Group Holding Limited. Therefore, Alibaba Group Treasury Limited and Alibaba Group Holding Limited are deemed to be interested in 202,844,235 H Shares held by Des Voeux Investment Company Limited under the SFO.

(5) As of December 31, 2019, State Development & Investment Corp., Ltd. (國家開發投資集團有限公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.

(6) As of December 31, 2019, Mingly is held by certain but not identical discretionary trusts as to 96.12% equity interests, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and members of the classes of discretionary beneficiaries of such trusts comprise the late Dr. Cha Chi Ming's issue.

IV. SUFFICIENT PUBLIC FLOAT

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

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

On May 21, 2019, the Company completed a married trade of the "16 CICC 05" tranche of corporate bonds in an amount of RMB90 million on the FICC platform of the Shanghai Stock Exchange on the same day, at a purchase price of RMB91,995,595.90 and a sales income of RMB91,998,295.90, and the corporate bonds have been due and fully paid on December 26, 2019.

According to the Company's announcement dated June 28, 2019, the Company announced to waive the option to redeem 16 CICC 01 Bond, and opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the duration of such bond, and hence was obligated to redeem such bond if required by the investors. The Company has redeemed part of such bond as requested by certain investors on July 18, 2019, and the remaining amount of such bond following the redemption was RMB2,876 million.

According to the Company's announcement dated September 23, 2019, the Company has decided to exercise the option as the corporate bond issuer to redeem all registered 16 CICC 03 Bond on the registration date. The Company has completed all redemption on October 28, 2019.

Save as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's securities.

Directors, Supervisors, Senior Management and Employees

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

As of March 30, 2020, the basic information on the Directors, Supervisors and senior management of the Company is as follows:

Name	Position	Gender	Age	Appointment date
DIRECTORS				
Shen Rujun (沈如軍)	Chairman of the Board	Male	56	August 2019
	Non-executive Director			August 2019
Huang Zhaohui (黃朝暉)	Executive Director	Male	56	February 2020
	Chief Executive Officer			December 2019
	Chairman of the Management Committee			December 2019
Huang Hao (黃昊)	Non-executive Director	Male	46	February 2020
Xiong Lianhua (熊蓮花)	Non-executive Director	Female	52	February 2020
Tan Lixia (譚麗霞)	Non-executive Director	Female	49	February 2020
Duan Wenwu (段文務)	Non-executive Director	Male	50	February 2020
Liu Li (劉力)	Independent Non-executive Director	Male	64	June 2016
Siu Wai Keung (蕭偉強)	Independent Non-executive Director	Male	65	May 2015
Ben Shenglin (賁聖林)	Independent Non-executive Director	Male	54	May 2015
Peter Hugh Nolan (彼得•諾蘭)	Independent Non-executive Director	Male	70	February 2020
SUPERVISORS				
Gao Tao (高濤)	Chairman of the Supervisory Committee	Male	55	June 2017
	Employee Representative Supervisor			June 2017
Jin Lizuo (金立佐)	Supervisor	Male	62	May 2015
Cui Zheng (崔錚)	Supervisor	Male	39	February 2020

Name	Position	Gender	Age	Appointment date
SENIOR MANAGEMENT				
Huang Zhaohui (黃朝暉)	See "Directors" above			
Chu Gang (楚鋼)	Chief Operating Officer	Male	56	April 2015
	Member of the Management Committee			April 2015
Wong King Fung (黃勁峯)	Chief Financial Officer	Male	51	February 2017
	Member of the Management Committee			February 2017
Hu Changsheng (胡長生)	Member of the Management Committee	Male	54	June 2017
Huang Haizhou (黃海洲)	Member of the Management Committee	Male	57	April 2015
Liang Hong (梁紅)	Member of the Management Committee	Female	51	April 2015
Cheng Qiang (程強)	Member of the Management Committee	Male	52	April 2015
Ding Wei (丁瑋)	Member of the Management Committee	Male	60	January 2018
Wu Bo (吳波)	Member of the Management Committee	Male	42	April 2018
Wang Sheng (王晟)	Member of the Management Committee	Male	42	March 2020
Zhang Fengwei (張逢偉)	Chief Risk Officer	Male	52	June 2017
Chen Gang (陳剛)	Chief Compliance Officer	Male	47	August 2016
Lu Xu (呂旭)	Chief Technology Officer	Male	66	April 2015
Ma Kui (馬葵)	Financial Controller	Female	48	May 2015
Xu Yicheng (徐翌成)	Secretary to the Board of Directors	Male	45	April 2018
	Assistant President			March 2020
Yang Xinping (楊新平)	Assistant President	Female	64	February 2017

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

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Shen Rujun (沈如軍), aged 56, has been appointed as the Chairman of our Company since August 2019, and serves as the member of the Party Committee and Vice General Manager of China Investment Corporation as well as the Vice Chairman, Executive Director and General Manager of Huijin Company. Mr. Shen successively served as the Deputy Section Chief, Section Chief, and Deputy Director of the Accounting Division, as well as Deputy Director (in charge of the work) and Director of the Planning Division of Jiangsu Branch of Industrial and Commercial Bank of China Limited (hereinafter referred to as "ICBC"), a company listed on the Shanghai Stock Exchange (Stock Code: 601398) and the Hong Kong Stock Exchange (Stock Code: 01398), from December 1984 to December 1998. He served as the Vice General Manager of the Planning and Finance Department of ICBC from December 1998 to November 2003; Vice President of ICBC Beijing Branch from November 2003 to July 2008; General Manager of the Finance and Accounting Department of ICBC from July 2008 to November 2013; and President of ICBC Shandong Branch from November 2013 to March 2015. Mr. Shen served as the Vice President of Bank of Communications Co., Ltd. (hereinafter referred to as "Bank of Communications"), a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328), from March 2015 to June 2018; and Vice President and Executive Director of Bank of Communications from June 2018 to October 2018. Mr. Shen obtained his doctoral degree from School of Technology and Economics of Hohai University in 2001.

Mr. Huang Zhaohui (黃朝暉), aged 56, has been appointed as a Director of the Company since February 2020, the Chief Executive Officer and Chairman of the Management Committee of our Company since December 2019. He joined the Group in February 1998 and held several positions, including the Head, Deputy Head and Co-Head of the Investment Banking Department. He also served as a member of the Management Committee of the Company from April 2015 to December 2019. Prior to joining our Group, he joined China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939), and served as a clerk of the Ningbo branch office, an assistant research officer of the department of investment research, a senior economist of the department of real estate financing, deputy director of department of international business and director of the secretariat of the general administration office from July 1988 to January 1998. He currently serves as a director of CICC HK Securities. Mr. Huang obtained a bachelor's degree in physics from Wuhan University (武漢大學) in July 1985 and a master's degree in economics from Renmin University of China in July 1988.

Mr. Huang Hao (黃昊), aged 46, has been appointed as a Director of the Company since February 2020 and serves as a deputy director of the Leading Group Office of the Directly Managed Enterprise/Equity Management Department II of Huijin. Mr. Huang joined Huijin in February 2005, and successively served as the deputy director of the Capital Market Department, the deputy director and division director of the Equity Management Office of the China Development Bank of the General Department, managing director and deputy director of Securities Institution Management Department and the deputy director of the Securities Institution Management Department/Insurance Institution Management Department of Huijin. He served as a director of Guotai Junan Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601211) and the Hong Kong Stock Exchange (Stock Code: 02611), from September 2005 to January 2013, a director of China Development Bank and concurrently served as a director of China Development Bank Capital Co., Ltd. from April 2012 to October 2017. Mr. Huang successively served as the senior staff member, assistant researcher and concurrently served as the Youth League Secretary of the Policy Research Division in the State Administration of Foreign Exchange from July 1999 to February 2005. Mr. Huang obtained a bachelor's degree in economics from Zhejiang University in July 1996, a master's degree in management from Tsinghua University in May 1999, and a doctoral degree in economics from the Finance Research Institute of People's Bank of China in July 2011.

Ms. Xiong Lianhua (熊蓮花), aged 52, has been appointed as a Director of the Company since February 2020 and has been working in Huijin since January 2012. Ms. Xiong has served as a non-executive director of New China Life Insurance Company Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 601336) and the Hong Kong Stock Exchange (Stock Code: 01336), and has concurrently served as a director of New China Asset Management Co., Ltd.* (新華資產管理股份有限公司) since July 2017. Ms. Xiong worked at Huangshi Sub-branch of Bank of Communications in Hubei province from October 1990 to September 1993. From July 1995 to December 2011, she successively served as a deputy division director, division director and an inspector of deputy-bureau-level of the People's Bank of China. She served as a director candidate and a division director of the General Management Department of Huijin from January 2012 to December 2012 and a director of China Export & Credit Insurance Corporation* (中國出口信用保險公司) from December 2012 to July 2019. Ms. Xiong obtained a bachelor's degree in international finance from Wuhan University in July 1990, and a master's degree in monetary banking from Renmin University of China in June 1995.

Directors, Supervisors, Senior Management and Employees

Ms. Tan Lixia (譚麗霞), aged 49, a Chartered Global Management Accountant, has been appointed as a Director of the Company since February 2020. Ms. Tan joined Haier from August 1992, and successively served as the director of Department of Overseas Market Development of Haier Group, Chief Financial Officer of Haier Group and Head of Wanchain Platform. Ms. Tan currently serves as the Executive Vice President of Haier Group, Chairman of Haier Group (Qingdao) Financing Holding Co., Ltd., Vice Chairman of Haier Smart Home Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690), a non-executive director of Bank of Qingdao Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002948) and the Hong Kong Stock Exchange (Stock Code: 03866), Chairman of Qingdao Haier Biomedical Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 688139) and Chairman of INKON Life Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 300143). Ms. Tan once served as a non-executive director of Haier Electronics Group Co., Ltd. Ms. Tan currently serves as a standing member of the 12th session of All-China Women's Federation, Vice President of China Women Entrepreneurs Association, the Chairman of Shandong Women Entrepreneurs Association and the Vice Chairman of the 13th session of Qingdao Women's Federation. Ms. Tan graduated from Central University of Finance and Economics majoring in public finance in June 1992, and obtained an EMBA degree from the China Europe International Business School in July 2009.

Mr. Duan Wenwu (段文務), aged 50, a senior accountant, has been appointed as a Director of the Company since February 2020. Mr. Duan has served as the General Manager of I&G (NEEQ: 834777) from April 2019, Chairman of SDIC Financial Leasing Co., Ltd. from March 2015, and Chairman of Rongshi International Holding Company Limited from December 2016. Mr. Duan served as the Deputy Manager and Financial Chief of SDIC Yunnan Dachaoshan Hydropower Co., Ltd. Dachao Industrial Company from July 1998 to December 1998, and successively served as Deputy Manager, Manager of the Finance Department, Deputy Chief Accountant, Chief Accountant and Deputy Manager thereof from December 1998 to May 2008. Mr. Duan served as an assistant to the director of Finance and Accounting Department of State Development and Investment Corporation from May 2008 to November 2008, Deputy General Manager of SDIC Finance Co., Ltd. from November 2008 to August 2010, Deputy Director of Finance and Accounting Department of State Development and Investment Corporation from August 2010 to August 2014, Director and Deputy General Manager of China National Complete Plant Import and Export Group Corporation Limited from March 2013 to August 2014, Director of Finance and Accounting Department and Director of the Finance Department of State Development and Investment Corporation from August 2014 to August 2016 and from August 2016 to May 2017, respectively, General Manager of SDIC Essence Co., Ltd. (later renamed as SDIC Capital Co., Ltd.), a company listed on the Shanghai Stock Exchange (Stock Code: 600061), from May 2017 to December 2017, General Manager of SDIC Capital Co., Ltd. from December 2017 to March 2018, Director of Essence Securities Co., Ltd. from December 2017 to January 2019, and Chairman of SDIC Finance Co., Ltd. from March 2018 to April 2019. Mr. Duan obtained a bachelor's degree in economics from Xiamen University in July 1990, and a master's degree in business administration from Jiangxi University of Finance and Economics in January 2003.

Mr. Liu Li (劉力), aged 64, has been appointed as a Director of our Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. Mr. Liu served as an independent non-executive director of China Machinery Engineering Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1829), since January 2011, an independent non-executive director of Bank of Communications, a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 3328), since September 2014, an independent director of Success Electronics Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002289), since January 2016, and an independent director of CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange (Stock Code: 000617), since June 2017. Mr. Liu obtained a master's degree in physics from Peking University in July 1984 and MBA from Catholic University of Louvain in Belgium in July 1989.

Mr. Siu Wai Keung (蕭偉強), aged 65, (former name: Francis Siu Wai Keung), has been appointed as a Director of our Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Huazhen LLP Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Huazhen LLP Beijing Office and North China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. Mr. Siu currently serves as an independent non-executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), since December 2010, an independent non-executive director of CITIC Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 267), since May 2011, an independent non-executive director of China Communications Services Corporation Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 552), since June 2012, an independent non-executive director of CGN Power Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 1816) and the Shenzhen Stock Exchange (Stock Code: 003816), since March 2014, an independent director of Beijing Gao Hua Securities Company Limited since June 2015, and an independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu has been a fellow member of the ICAEW and the HKICPA since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

Directors, Supervisors, Senior Management and Employees

Mr. Ben Shenglin (賁聖林), aged 54, has been appointed as a Director of our Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and general manager of working capital business in China from September 1994 to January 2005. He served at HSBC China from February 2005 to March 2010 as a senior executive, including managing director and China country head of commercial banking from January 2007 to April 2010. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China). Mr. Ben currently serves as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), since September 2014, an independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on Hong Kong Stock Exchange (Stock Code: 168), since June 2014, an independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, and a supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since December 2016. He joined Zhejiang University since May 2014 and currently serves as a full-time professor and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, the dean of the International Business School since October 2018, and the co-director of Zhejiang University- Ant FinTech Research Center since November 2019. He also currently serves as a co-director of the International Monetary Institute in Renmin University of China since January 2014, the dean of Zhejiang Institute of Innovations since April 2018, a counsellor of the Zhejiang People's Government since August 2014, a member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and Vice Commissioner of Economic Policy Committee since January 2018, the chairman of Zhejiang Association of Internet Finance since September 2015, a member of the Guangdong Financial Experts Advisory Committee since November 2017, a member of the International Cooperation Committee of the All-China Federation of Industry and Commerce since December 2018 and an expert specially invited by the FinTech Cooperation Committee of the Asian Financial Cooperation Association since July 2019. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

Mr. Peter Hugh Nolan, aged 70, recipient of the Commander of the Most Excellent Order of the British Empire, has been appointed as a Director of the Company since February 2020. He has served as an independent non-executive director of China Everbright Group since January 2019 and the director of China Centre, Jesus College at University of Cambridge since 2017. He has also served as the Director of the China Executive Leadership Programme (CELP) since 2005. Professor Nolan was a lecturer of School of Economics and Politics at University of Cambridge from 1979 to 1997 and Sinyi Professor of Chinese Management at Cambridge Judge Business School at University of Cambridge from 1997 to 2012. He was the founding director and Chong Hua Professor of Chinese Development in the Centre of Development Studies at University of Cambridge from 2012 to 2016 and Chong Hua Professor of Chinese Development (Emeritus) since 2016. Professor Nolan also served as an independent non-executive director of Bank of Communications (a company listed on the Shanghai Stock Exchange (Stock Code: 601328) and the Hong Kong Stock Exchange (Stock Code: 03328)) from November 2010 to November 2017. Professor Nolan obtained his Doctoral degree in Economics from University of London in 1981.

SUPERVISORS

Mr. Gao Tao (高濤), aged 55, has been elected as the employee representative Supervisor and appointed as the Chairman of the Supervisory Committee of the Company since June 2017. He has been the chairman of the board of directors of Former CISC (now renamed as CICC Wealth Management) since October 2015. From June 1991 to May 2005, he held several positions in China Construction Bank including vice director and general manager of the department of human resources of Anhui Branch, and the president of Huainan Branch. From May 2005 to September 2005, he served as a member of the Securities Restructuring Committee of China Jianyin Investment Co., Ltd. From September 2005 to September 2006, he held several positions in Former CISC (now renamed as CICC Wealth Management) including general manager of the department of human resources and vice president. From September 2006 to September 2012, he held several positions in Hong Yuan Securities Co., Ltd., including vice general manager, board secretary and vice chairman. From September 2012 to August 2015, he served as vice president of China Jianyin Investment Co., Ltd. Mr. Gao graduated with a bachelor's degree from Anhui Agricultural University (formerly known as "Anhui Agricultural College") in July 1986, and an executive master of business administration degree from Renmin University of China in January 2009.

Mr. Jin Lizuo (金立佐), aged 62, has been appointed as a Supervisor of our Company since May 2015. He participated in the establishment of our Company from 1994 to 1995. Mr. Jin serves as an independent non-executive director of Beijing Enterprises Environment Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 154), since September 2004 and a non-executive director of NetBrain Technologies Inc. since August 2012. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from the University of Oxford, the United Kingdom, in November 1993. He is the founding president of the Chinese Economic Association (CEA) UK.

Mr. Cui Zheng (崔錚), aged 39, has been appointed as a Supervisor of the Company since February 2020. He has been serving as head of Legal Compliance Division of the General Management Department of Huijin since February 2020. Mr. Cui joined Huijin in July 2011, successively served as the manager of the General Department, the manager and senior deputy manager of the General Management Department/Banking Institution Department II, head of Legal Compliance Division of the General Management Department/Banking Institution Department II, etc. From July 2003 to July 2011, Mr. Cui successively served as a business director, business executive and senior business executive of Corporate Strategy Department (Legal Department) of China Telecommunications Corporation (中國電信集團公司). Mr. Cui received a bachelor's degree in law and a bachelor's degree in economics from Peking University in July 2003, a master's degree in law from Peking University in July 2009 and a master's degree in business administration from Peking University in July 2010.

SENIOR MANAGEMENT

Mr. Huang Zhaohui (黃朝暉), an executive Director, the Chief Executive Officer and Chairman of the Management Committee of our Company. See "- Directors" in this section for his profile.

Mr. Chu Gang (楚鋼), aged 56, has been appointed as the Chief Operating Officer and member of the Management Committee of our Company since April 2015. He joined the Group in May 2009 and held several positions, including Managing Director of the Research Department, Deputy Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including Emerging Market Risk Manager, US Local Government Bonds Proprietary Trader, Head of Latin America Stock Derivatives Trading and Managing Director of Alternative Investment Funds from September 1993 to August 2008. He currently serves as Director of a number of subsidiaries of our Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.

Mr. Wong King Fung (黃勁峯), aged 51, has been appointed as the Chief Financial Officer and member of the Management Committee of the Company since February 2017. He joined the Group in May 2016 and served as Managing Director in the Firm Management Department. Mr. Wong has over 20 years of working experience in Mainland China, Hong Kong, Japan and the UK, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Before joining the Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016; during which he held a number of positions in the asset management division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and Managing Director. From November 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to November 2006, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and Executive Director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the audit department as Auditing and Accounting Trainee, Assistant Manager and Manager at KPMG (UK and HK). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. He met the professional requirements by passing the exams and going through the required trainings for the ICAEW and officially became a member and a certified accountant of ICAEW in November 1994. He met the professional requirements of the HKICPA and officially became a member and a certified accountant of the HKICPA in October 1995. He is currently Director of CICC Hong Kong. Mr. Wong obtained a Bachelor's Degree in Mechanical Engineering from University of Bristol in June 1990.

Mr. Hu Changsheng (胡長生), aged 54, has been appointed as member of the Management Committee since June 2017. He has been the Vice Chairman of CICC Wealth Management Securities since December 2011, and the President of CICC Wealth Management Securities since November 2011, and Chairman of the Executive Committee of CICC Wealth Management Securities since November 2019. From December 1998 to December 2005, he has successively served as the Deputy Director of the General Division of the Policy Research Office, member (at cadre level) of the Planning and Development Committee, Consultant of the Institution Supervision Division, and Commissioner of the Shenzhen Commissioner's Office under the CSRC. From December 2005 to January 2008, he has served as the Deputy Director and then Director of the capital market department of Huijin. From January 2008 to November 2011, he has acted as the Senior Business Head and Director of Capital Market Division of the non-bank department of Huijin. From December 2005 to April 2010, he successively held the position as Director, Vice Chairman of the board of directors and Acting President of China Galaxy Securities Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 06881) and Shanghai Stock Exchange (Stock Code: 601881). From January 2007 to September 2010, he served as Director of China Galaxy Financial Holdings Company Limited. From November 2007 to January 2010, he acted as a Director of China Everbright Industry Group Ltd. He also served as the Vice Chairman of the board of directors of China Securities Co., Ltd. from March 2011 to November 2012. He has acted as the Chairman of CISC Luckystone Investment Management Co., Ltd. since November 2011. He was the Vice Chairman of the Executive Committee of CICC Wealth Management Securities from March 2012 to November 2019. He was the Chairman of CISC Changchun Venture Capital Fund Management Co., Ltd. from November 2012 to August 2015. Mr. Hu graduated with a doctor's degree in economics from the Graduate Division of Beijing Public Finance Science Research Institute of Ministry of Finance in June 1997.

Mr. Huang Haizhou (黃海洲), aged 57, has been appointed as member of the Management Committee and the Head of the Equities Department of our Company since April 2015 and May 2013 respectively. He joined the Group in December 2007 and held several positions, including the Co-head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as Research Fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, Economist and then Senior Economist at the International Monetary Fund from July 1998 to August 2005, and Chief Economist and Head of Greater China Research of Barclays Capital from September 2005 to December 2007. He served as a member of the first session of the Hong Kong Financial Services Development Council from March 2013 to March 2018. He currently serves as Director of a number of subsidiaries of our Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree from the business school of Indiana University, the United States, in July 1994.

Ms. liang Hong (梁紅), aged 51, has been appointed as member of the Management Committee and the Head of the Research Department of our Company since April 2015 and May 2013 respectively. She joined the Group in November 2008 and held several positions, including Managing Director, the Head of the Capital Markets Department and Co-Head of the Sales and Trading Department. Prior to joining the Group, she served as Economist of the International Monetary Fund from June 1998 to August 2003 and the Chief China economist, Managing Director, and Co-Head of Asia Pacific Economic Research of Goldman Sachs (Asia) LLC from September 2003 to November 2008. She currently serves as Director of CICC Hong Kong and CICC HK Securities. Ms. Liang obtained a bachelor's degree in law from Peking University in July 1991, a master's degree in economics from University of Denver, the United States, in June 1993 and a doctoral degree in economics from Georgetown University, the United States, in July 1998.

Mr. Cheng Qiang (程強), aged 52, has been appointed as member of the Management Committee and the Head of the FICC Department of our Company since April 2015. He joined the Group in October 2003 and held several positions, including a Vice President of the Capital Markets Department, Co-Head of the FICC Department, Head of the Trading Team, Head of the Product Division and Fixed Income Team of the Investment Banking Department. He served as Advisor to our Company from July 2012 to June 2014. Prior to joining the Group, he served several positions in other financial institutions including Associate of Barclays Capital New York from January 1998 to May 2000, and Vice President of ING Bank (Hong Kong) from August 2003 to September 2003. He currently serves as the Chairman of CICC Futures and Director of a number of other subsidiaries of our Company, including CICC Hong Kong. Mr. Cheng obtained a bachelor's degree in physics from the University of Mississippi, the United States, in August 1990, a master's degree in physics and a master's degree and a doctoral degree in economics from the University of Michigan, the United States, in August 1991, December 1993 and May 1998, respectively.

Mr. Ding Wei (丁瑋), aged 60, has been appointed as member of the Management Committee of the Company since January 2018. He currently serves as Managing Director of our Company and Chairman of CICC Capital. From November 1987 to February 1999, Mr. Ding successively served as Economist, Project Officer, Department Manager and other positions in the Headquarter of World Bank in Washington. During such period, from March 1993 to March 1995, Mr. Ding seconded to the IMF as Senior Economist and Chief Representative in Albania. From March 1999 to September 2002, Mr. Ding served as Head of China Region in Deutsche Bank. From October 2002 to December 2010, he served in the Company as Managing Director, and from 2006 to 2010, as Executive Chairman of the Investment Banking Committee and Head of the Investment Banking Department. From February 2011 to December 2013, Mr. Ding served as Senior Managing Director, Head of China Region, member of the Temasek investment policy committee and member of the Temasek senior management committee at Temasek Investment Holdings in Singapore. From January 2014 to August 2015, Mr. Ding acted as private investor and also served as Director or Independent Director in several companies, including Hwa Bao Investments, CAR Inc., Hundsun Technologies Inc., Hikvision, First Trust Fund Management Company, etc. Prior to rejoining the Company, from September 2015 to May 2016, Mr. Ding served as a Vice Chairman of Asia of the investment banking division at Morgan Stanley. Mr. Ding obtained his bachelor's degree in finance and economics from Renmin University of China in June 1982, completed his doctoral study in economics from University of Texas at Austin as a Fulbright scholar in October 1987, and completed the World Bank executive management training program at Harvard Business School in October 1998.

Mr. Wu Bo (吳波), aged 42, has been appointed as member of the Management Committee of the Company since April 2018, and the Head of Wealth Management Department of the Company since February 2017. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department, member of the Operations Team of the Investment Banking Department and Secretary to the Board of Directors. Prior to joining the Group, from July 1999 to June 2002, Mr. Wu served as Auditor of Arthur Andersen Huaqiang Certified Public Accountants and Senior Auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained his bachelor's degree in economics from Peking University in July 1998.

Mr. Wang Sheng (王晟), aged 42, has been appointed as member of the Management Committee since March 2020. Mr. Wang Sheng is currently Head of the Investment Banking Department and Managing Director of our Company. From March 2018 to March 2020, he served as the Assistant President of the Company. Mr. Wang Sheng joined CICC in 2002. He successively participated in the reforms and restructurings of a number of industries, including telecommunications, finance, energy and pharmaceuticals, and led numerous landmark capital market transactions. Mr. Wang Sheng has been covering a number of leading domestic and foreign enterprises all the year round, and has been holding key management positions at the Investment Banking Department of CICC since 2010. Mr. Wang Sheng graduated from the School of Economics and Management of Tsinghua University, and obtained a Bachelor's and a Master's degree in 2000 and 2002 respectively.

Mr. Zhang Fengwei (張逢偉), aged 52, has been appointed as the Chief Risk Officer and the Head of the Risk Management Department of our Company since June 2017. He joined the Group in April 2004 and held several positions, including Senior Associate of the Operations Department, Vice President, Managing Director and Deputy Head of the Risk Management Department. From March 2011 to February 2015, he served as the Chief Risk Officer of Zheshangjinhui Trust Co., Ltd., an associated company of the Group. Prior to joining our Group, he served as a Programmer and Network Engineer of STONE Group from July 1991 to March 1996, and Assistant Vice President of Bank One N.A. Beijing Branch from April 1996 to March 2004. Mr. Zhang obtained a bachelor's degree in Applied Mathematics from Tsinghua University in July 1991 and a master's degree in Economics from Peking University in July 1997.

Mr. Chen gang (陳剛), aged 47, has been appointed as the Chief Compliance Officer of our Company since August 2016. He joined the Group in April 2006 and held several positions, including the Legal Department Coordinator of our US office as well as the Chief Compliance Officer of CICC Investment Management (USA), Inc., and Compliance Counsel in our Beijing and Hong Kong offices until January 2014. Prior to joining the Group, he served as a Research Associate of the Development Research Center of the State Council from August 1996 to January 2001, and Senior Associate of the Broad & Bright Law Firm from September 2004 to April 2006. He served as a Managing Director in charge of legal and compliance matters of HOPU Investment Management Co., Ltd. from January 2014 to April 2016. He rejoined the Group in May 2016 and served as Managing Director of our Compliance Department. Mr. Chen is a registered attorney of the New York State and has obtained the PRC legal professional qualification. Mr. Chen obtained his bachelor of science degree in applied chemistry and master of business administration degree from Peking University in July 1996 and July 2001 respectively. He also obtained a Juris Doctor degree from the University of Pennsylvania Law School in May 2004.

Mr. lu Xu (呂旭), aged 66, has been appointed as Head and the Chief Technology Officer of Information Technology Department of our Company since April 2015, and Chief Information Officer (formerly Chief Technology Officer) since September 2015. He joined the Group in August 2000 and was the Head of Information Technology Department until March 2014. Prior to joining the Group, he served as Software Engineer of the Information Center, Ministry of Electronics Industry, from December 1984 to December 1987, Software Engineer of EG&G Washington Analytical Services Center, Inc. in United States from December 1990 to May 1992, a Senior Software Engineer of MLJ Consulting Telecommunication Engineers, Inc. in the United States from May 1992 to March 1995, Principal Software Engineer of LCC L.L.C in the United States from March 1995 to February 1996, Project Manager of MCI WorldCom in United States from February 1996 to August 2000 and Senior Managing Director of HOPU Investment Management Co., Ltd. from May 2014 to March 2015. Mr. Lu obtained a master's degree in computer science from North China Institute of Computing Technology (華北計算技術研究所) in December 1984, and a master's degree in computer science and technology from George Mason University, the United States, in January 1994.

Ms. Ma Kui (馬葵), aged 48, has been appointed as the Financial Controller, Head of Entity and Process Department of our Company since May 2015 and September 2011 respectively. She joined the Group in April 1998 and held several positions including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC Pucheng. Ms. Ma has been the Director of CICC Jiacheng, a subsidiary of our Company, since June 2014. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as Director of a number of our subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996 respectively.

Mr. Xu yicheng (徐翌成), aged 45, has been appointed as Assistant President of our Company since March 2020. Mr. Xu Yicheng is now Secretary to the Board of Directors and the Head of Asset Management Segment of the Company. He joined the Investment Banking Department of the Company in January 2000, and became Managing Director in January 2008. He took several positions in our Company including Head of Strategic Development Department and Head of Firm Office. As one of China's first batch of mergers and acquisitions (M&A) professionals, he founded and led the Company's M&A business since 2005. Mr. Xu was responsible for and closed a large number of landmark M&A transactions with a total value of more than USD150 billion, and led the team to top the China M&A leaderboard for five consecutive years (2006-2010). In recent years, Mr. Xu assisted in formulating the Company's medium and long-term strategic planning, including wealth management business strategy, asset management business strategy and other significant strategies, and took the lead in accomplishing important capital operations such as the acquisition of CISC and the introduction of Tencent as a strategic investor. Mr. Xu obtained a bachelor's degree in English from Beijing Foreign Studies University in 1997 and a master's degree in finance from the Graduate School of the PBOC in 2000.

Ms. Yang Xinping (楊新平), aged 64, has been appointed as the Assistant President of the Company since February 2017. She was the Chief Compliance Officer of the Company from December 2007 to August 2016. She joined the Company in October 1999 and had served a number of positions, including Head of the Legal Department in 2000 and Head of the Compliance Department in 2004. Prior to joining the Company, she served as a Lawyer in Paul Weiss, Rifkind, Wharton and Garrison Beijing Office, C&C Law Office and held various positions with other institutions in China, Australia and the United States from February 1980 to September 1999. She served as a member of the Issuance Appraisal Committee of CSRC from January 2001 to September 2003, member of the M&A Committee of the Issuance Appraisal Committee of CSRC from March 2002 to February 2004 and member of the Disciplinary and Supervisory Committee of SAC from February 2008 to February 2012. She has served as a Vice Chairman of the Compliance Committee of the SAC from October 2009 to October 2017, member of the Compliance Committee of the Securities Association of Beijing from December 2013 to February 2019, and the Company's representative of the exchange participants of the Shanghai Stock Exchange and Shenzhen Stock Exchange from December 2012 to October 2016, from December 2012 to September 2016, respectively. She has also been selected as an expert appraiser of the SAC for innovative business of securities firms from January 2011 to January 2012. Ms. Yang obtained her juris doctor degree from School of Law, University of Connecticut, the United States in May 1986, LLM from Cornell University Law School, the United States, in May 1991, diploma from the Law Extension Committee of Sydney University Law School, Australia, in May 1993, certificate from the English Language Center, Beijing Institute of International Economics and Management (北京國際經濟管理學院經濟英語培訓中心), in January 1981, and she graduated from the English Department of Shanghai Institute of Foreign Languages (上海外國語學院英語系) in January 1980.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Change in Directors and Composition of the Special Committees of the Board

Mr. Shen Rujun was nominated by the Board as a candidate for the non-executive Director of the Company on June 24, 2019. The term of office of Mr. Shen Rujun shall take effect from August 22, 2019 until the election of a new session of the Board at the shareholders' general meeting to be held by the Company, and Mr. Shen Rujun will be eligible for re-election upon expiry of his term. In addition, as considered and approved by the Board, Mr. Shen Rujun has been appointed as the chairman of the Board, the chairman of the Strategy Committee and a member of the Nomination and Corporate Governance Committee on the same date. Meanwhile, Mr. Bi Mingjian ceased to perform the duties of the chairman of the Board and the chairman of the Strategy Committee. The aforesaid details of the change were disclosed in the announcements relating to the (proposed) appointment of non-executive Director, chairman of the Board and chairman/member of the special committees of the Board dated June 24, 2019 and August 22, 2019 and the circular relating to the election of non-executive Director dated July 5, 2019 as published by the Company.

With the approval of the Company's first extraordinary general meeting in 2020 held on February 28, 2020, the second session of the Board of the Company was established. Mr. Shen Rujun, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia and Mr. Duan Wenwu were appointed as the non-executive Directors of the Company; Mr. Huang Zhaohui was appointed as the executive Director of the Company; Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin and Mr. Peter Hugh Nolan were appointed as the independent non-executive Directors of the Company. At the same time, Mr. Bi Mingjian ceased to be an executive Director of the Company; Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson ceased to be non-executive Directors of the Company; and Mr. Edwin Roca Lim ceased to serve as an independent non-executive Director of the Company. The term of office of the second session of the Board of Directors is three years from February 28, 2020. Details of the foregoing changes were disclosed in the announcement dated December 30, 2019 relating to, among other things, proposed election of new session of the Board of Directors and the circular dated January 3, 2020 relating to, among other things, election of new session of the Board of Directors as published by the Company.

On February 28, 2020, the Board of Directors elected Mr. Shen Rujun as the Chairman of the second session of the Board of Directors of the Company. He will serve as the Chairman of Board of Directors for the same term of office as his service as the Director. On the same day, after consideration and approval by the Board of Directors, the chairmen and compositions of the special committees of the second session of the Board of Directors are as follows:

1. The members of the Strategy Committee are Mr. Shen Rujun, Mr. Huang Zhaohui, Mr. Huang Hao, Ms. Xiong Lianhua, Ms. Tan Lixia, Mr. Duan Wenwu, and the chairman is Mr. Shen Rujun;

2. The members of the Remuneration Committee are Ms. Tan Lixia, Mr. Siu Wai Keung, Mr. Ben Shenglin, Mr. Peter Hugh Nolan, and the chairman is Mr. Peter Hugh Nolan;

3. The members of the Nomination and Corporate Governance Committee are Mr. Shen Rujun, Mr. Huang Hao, Mr. Liu Li, Mr. Ben Shenglin, Mr. Peter Hugh Nolan, and the chairman is Mr. Liu Li;

4. The members of the Audit Committee are Mr. Huang Hao, Ms. Xiong Lianhua, Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin, and the chairman is Mr. Siu Wai Keung;

5. The members of the Risk Management Committee are Mr. Huang Zhaohui, Ms. Xiong Lianhua, Mr. Duan Wenwu, Mr. Liu Li, Mr. Siu Wai Keung, Mr. Ben Shenglin, and the chairman is Mr. Ben Shenglin.

The terms of office of the members of the special committees of the second session of the Board of Directors are the same as those of their service as Directors. The aforesaid details of the change were disclosed in the announcement dated February 28, 2020 relating to, among other things, the election of the Chairman and members of the special committees of the Board of Directors as published by the Company.

(ii) Change in Supervisors

With the approval of the Company's 2020 First Extraordinary General Meeting held on February 28, 2020, the second session of the Supervisory Committee of the Company was established. Mr. Jin Lizuo and Mr. Cui Zheng were appointed as the non-employee representative Supervisors of the Company, who jointly composed the second session of the Supervisory Committee of the Company together with Mr. Gao Tao, the employee representative Supervisor elected at the 2019 First Employees' Representative Meeting of the Company. At the same time, Mr. Liu Haoling ceased to be a Supervisor of the Company. The term of office of the second session of the Supervisory Committee is three years from February 28, 2020. Details of the foregoing changes were disclosed in the announcement dated December 30, 2019 relating to, among other things, proposed election of new session of the Supervisory Committee and the circular dated January 3, 2020 relating to, among other things, election of new session of the Supervisory Committee as published by the Company.

On February 28, 2020, the Supervisory Committee elected Mr. Gao Tao as the Chairman of the second session of the Supervisory Committee of the Company. He will serve as the Chairman of the Supervisory Committee for the same term of office as his service as employee representative Supervisor. The aforesaid details of the change were disclosed in the announcement relating to, among other things, the election of the Chairman of the Supervisory Committee dated February 28, 2020 as published by the Company.

(iii) Change in Senior Management

On December 30, 2019, Mr. Bi Mingjian resigned from the position of Chief Executive Officer of the Company and ceased to serve as chairman and member of the Management Committee. The Board of Directors considered and approved the appointment of Mr. Huang Zhaohui as Chief Executive Officer of the Company and chairman of the Management Committee, with effect from December 30, 2019. The details of the aforesaid change were disclosed in the announcement relating to, among other things, the change of Chief Executive Officer dated December 30, 2019 as published by the Company.

The Board of Directors considered and approved to appoint Mr. Wang Sheng as a member of the Management Committee of the Company, with effect from March 30, 2020. On the same day, Mr. Wang Sheng ceased to serve as the Assistant President of the Company.

The Board of Directors considered and approved to appoint Mr. Xu Yicheng as the Assistant President of the Company, with effect from March 30, 2020.

The Board of Directors considered and approved to appoint Mr. Sun Nan as the Secretary to the Board of Directors and Joint Company Secretary of the Company, with effect from the date of filing of the appointment as Secretary to the Board of Directors with the securities regulatory authority. Once the appointment of Mr. Sun Nan as the Secretary to the Board of Directors and the Joint Company Secretary of the Company takes effect, Mr. Xu Yicheng will no longer serve as the Secretary to the Board of Directors and the Joint Company Secretary of the Company.

Save from the above-mentioned changes, as at March 30, 2020, there has been no other change in Directors, Supervisors and senior management of our Company.

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

The remuneration (net of tax) our Directors and Supervisors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) in 2019 was RMB13.4 million.

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

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to five highest paid individuals of our Company in 2019 was RMB88.5 million.

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

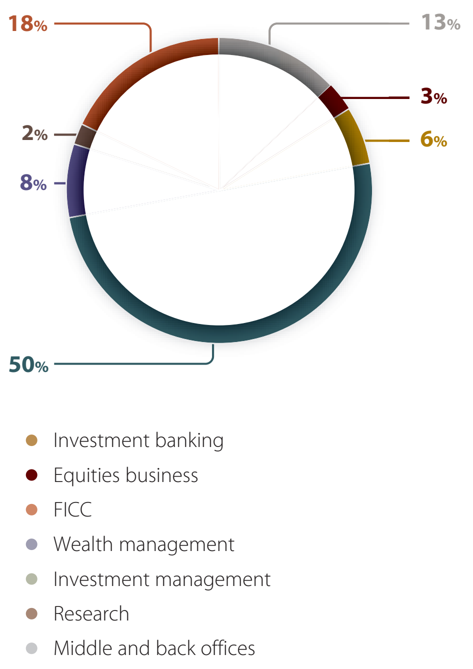
V. EMPLOYEES AND REMUNERATION

Number and Composition of Employees

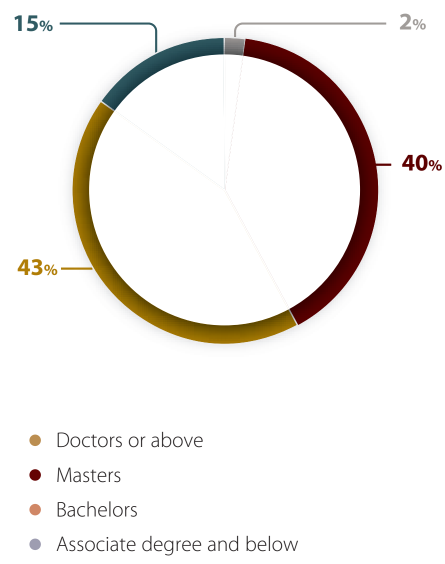
As at December 31, 2019, we had 8,101 employees, among whom 7,443 employees were based in the Mainland China and 658 employees were based in Hong Kong SAR, Singapore, the United States and the United Kingdom, representing 92% and 8%, respectively, of the total number of our employees. Approximately 43% and 42% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 26% of our employees and 47% of our managing directors had overseas education or working experience. The breakdown details are as follows:

Items		The Group		Our Company	
		Number of employees	Percentage of total (%)	Number of employees	Percentage of total (%)
Business Functions	Investment banking	1,019	13	901	27
	Equities business	261	3	165	5
	FICC	453	6	252	8
	Wealth management	4,064	50	717	22
	Investment management	658	8	147	5
	Research	170	2	145	4
	Middle and back offices	1,476	18	957	29
	Total	8,101	100	3,284	100
Educational Background	Doctors or above	127	2	72	2
	Masters	3,288	40	2,090	63
	Bachelors	3,447	43	1,039	32
	Associate degree and below	1,239	15	83	3
	Total	8,101	100	3,284	100

Profession Structure of Employees



Educational Background of Employees



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

Remuneration of Employees

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

Training Plans

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

Relationship with Employees

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

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

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

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

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of Shareholders' General Meetings and Shareholders

The shareholders' general meeting is the body exercising the highest authority of our Company and shall exercise the duties and powers in accordance with the laws, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC. Our Company convened the shareholders' general meetings in strict compliance with the relevant rules and procedures such that all shareholders are treated equally and can exercise their rights fully. During the Reporting Period, our Company convened three shareholders' general meetings in total.

(ii) Overview of Shareholders' General Meetings

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

1. On May 28, 2019, the 2018 annual general meeting of our Company was convened and the following resolutions were considered and adopted: Proposal regarding the 2018 Work Report of the Board of Directors of the Company; Proposal regarding the 2018 Work Report of the Supervisory Committee of the Company; Proposal regarding the 2018 Annual Report of the Company; Proposal regarding the 2018 Profit Distribution Plan of the Company; Proposal regarding the Change of the Accounting Firms of the Company; Proposal regarding Grant of a General Mandate to the Board of Directors to Issue Shares; and Proposal regarding the Authorization on Issuances of Onshore and Offshore Debt Financing Instruments.

2. On August 22, 2019, the 2019 first extraordinary general meeting of the Company was convened, at which the Proposal regarding the Election of Mr. Shen Rujun as a Non-executive Director was considered and adopted.

3. On December 30, 2019, the 2019 second extraordinary general meeting of the Company was convened, and the following resolutions were considered and adopted: Proposal regarding the Amendment to the Articles of Association; and Proposal regarding the Further Amendment to the Articles of Association.

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

During the Reporting Period, three shareholders' general meetings were held and the attendance of the Directors at the shareholders' general meetings is as follows:

Name of Directors	Required attendance at shareholders' general meetings	Actual attendance at shareholders' general meetings
Shen Rujun [Note 1]	1	1
Bi Mingjian	3	3
Zhao Haiying	3	1
David Bonderman	3	1
Liu Haifeng David	3	2
Shi Jun	3	0
Cha Mou Daid Johnson	3	2
Edwin Roca Lim	3	2
Liu Li	3	2
Siu Wai Keung	3	3
Ben Shenglin	3	3

Note 1: Mr. Shen Rujun has served as the non-executive Director of the Company since August 22, 2019.

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

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

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

(ii) Composition of the Board of Directors

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

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

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

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

(iii) Meetings of the Board of Directors

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

1. On January 29, 2019, the 34th meeting of the first session of the Board was convened and at the meeting: the Board heard the Report on the 2018 Performance Review and the Three-year Strategic Plan Objectives (2019-2021) of the Company; considered and adopted the Proposal regarding the 2018 Firm-wide Compensation of the Company; considered and adopted the Proposal regarding the 2019 Operating Plan of the Company; considered and adopted the Proposal regarding the Change of the Accounting Firms of the Company; considered and adopted the Proposal regarding Authorization for the Remuneration Committee of the Board of Directors to Determine the 2018 Compensation of the Senior Management; considered and adopted the Proposal regarding Adjustment of Internal Organization of the Company – establishment of CICC Institute; and heard the Report on FICC Business.

2. On March 29, 2019, the 35th meeting of the first session of the Board was convened and at the meeting: the Board heard the Report on Asset Management Business of the Company; considered and adopted the Proposal regarding the 2018 Work Report of the Board of Directors of the Company; considered and adopted the Proposal regarding the 2018 Annual Report of the Company and the 2018 Annual Results Announcement of the Company; considered and adopted the Proposal regarding the 2018 Profit Distribution Plan of the Company; considered and adopted the Proposal regarding the Grant of a General Mandate by the Shareholders' General Meeting to the Board of Directors to Issue Shares; considered and adopted the Proposal regarding the Authorization on Issuances of Onshore and Offshore Debt Financing Instruments by the Shareholders' General Meeting to the Company; considered and adopted the Proposal regarding the 2018 Compliance Report of the Company; considered and adopted the Proposal regarding the 2018 Internal Control Assessment Report of the Company; considered and adopted the Proposal regarding the 2018 Risk Assessment Report of the Company; considered and adopted the Proposal regarding Formulating the Risk Management System against Money Laundering and Terrorism Financing; and considered and adopted the Proposal regarding General Authorization of Restructuring of Quasi-Publicly Offered Collective Investment Schemes Benchmarking to the Regulations of the Publicly Offering Funds; and considered and adopted the Proposal regarding the Request to Convene the 2018 Annual General Meeting of the Company.

3. On April 22, 2019, the 36th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding Placing of New H Shares under General Mandate.

4. On June 24, 2019, the 37th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the Election of Non-executive Director; considered and adopted the Proposal regarding the Election of the Chairman of the Board, the Chairman of the Strategy Committee and a Member of the Nomination and Corporate Governance Committee, and considered and adopted the Proposal regarding the Request to Convene the 2019 First Extraordinary General Meeting of the Company.

5. On August 23, 2019, the 38th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the 2019 Interim Report and the 2019 Interim Results Announcement of the Company; considered and adopted the Proposal regarding the 2019 Operating Plan of the Company; considered and adopted the Proposal regarding Development of the Technology and Business Building; considered and adopted the Proposal regarding the Information Technology Management Policy of the Company; considered and adopted the Proposal regarding the Information Technology Strategy of the Company; considered and adopted the Proposal regarding Defining Management Objectives of the Professional Integrity of the Company and its Employees; heard the 2019 Interim Compliance Management Report of the Company; heard the 2019 Interim Risk Assessment Report of the Company; and heard the Report on Wealth Management Business of the Company.

6. On November 12, 2019, the 39th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the Amendment to the Articles of Association of the Company; considered and adopted the Proposal regarding the Amendment to Risk Management Policy of the Company; considered and adopted the Proposal regarding the Request to Convene the 2019 Second Extraordinary General Meeting of the Company; heard the Report on 2019 Q1-Q3 Performance Review; and heard the Report on the Investment Banking Business of the Company.

7. On December 30, 2019, the 40th meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the Election of New Session of the Board of Directors; considered and adopted the Proposal regarding the Change of Chief Executive Officer of the Company; considered and adopted the Proposal regarding the Amendments to the Articles of Association of the Company; considered and adopted the Proposal regarding the Amendments to the Rules of Procedures of the Shareholders' General Meeting; considered and adopted the Proposal regarding the Approval of Market-making Business of Exchange-Traded Equity Options; considered and adopted the Proposal regarding Changing the Title of Chief Technology Officer to Chief Information Officer; and considered and adopted the Proposal regarding the Request to Convene the 2020 First Extraordinary General Meeting of the Company.

(iv) Attendance of Directors at Board meetings

During the Reporting Period, the Board of Directors convened seven meetings and the attendance of Directors at the Board meetings is as follows:

Name of Directors	Required attendance at Board meetings	Actual attendance at Board meetings
Shen Rujun [Note 1]	3	3
Bi Mingjian	7	7
Zhao Haiying	7	7
David Bonderman	7	6
Liu Haifeng David	7	7
Shi Jun	7	7
Cha Mou Daid Johnson	7	7
Edwin Roca Lim	7	6
Liu Li	7	7
Siu Wai Keung	7	7
Ben Shenglin	7	7

Note 1: Mr. Shen Rujun has served as the non-executive Director of the Company since August 22, 2019.

(v) Training for Directors

Our Company recognizes the importance of training and continuous professional development of the Directors to ensure that the Directors are kept abreast of the latest developments of our Company and their responsibilities under the relevant laws and regulations as well as our Company's business and governance policies, so as to assist them in performing their duties as Directors. In 2019, our Company arranged trainings for the Directors related to the duties and responsibilities as a director of a company listed in Hong Kong in a variety of ways such as providing video training materials from time to time. The training covered a broad range of topics including the latest amendments to the Listing Rules, the environmental, social and governance report, anti-money laundering and countering financing of terrorism, etc..

IV. BOARD COMMITTEES AND PERFORMANCE OF DUTIES

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

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

Note 1: Mr. Shen Rujun has served as the non-executive Director, chairman of the Board, the chairman of the Strategy Committee and a member of the Nomination and Corporate Governance Committee since August 22, 2019. Meanwhile, Mr. Bi Mingjian ceased to perform the duties of the chairman of the Board and the chairman of the Strategy Committee.

(i) Strategy Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2019, the Strategy Committee has convened one meeting. Details of the meeting of the Strategy Committee are set out below:

On August 23, 2019, the 2019 first meeting of the Strategy Committee of the Board was held, at which the Strategy Committee made a preliminary review of and agreed to submit the Proposal regarding the Information Technology Strategy of the Company to the Board for consideration.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Shen Rujun Note 1	1	1
Bi Mingjian Note 1	1	1
Zhao Haiying	1	1
David Bonderman	1	1
Liu Haifeng David	1	1
Shi Jun	1	1
Cha Mou Daid Johnson	1	1
Edwin Roca Lim	1	1

Note 1: Mr. Shen Rujun has started to serve as the non-executive Director, the chairman of the Board, the chairman of the Strategy Committee and a member of the Nomination and Corporate Governance Committee since August 22, 2019, and Mr. Bi Mingjian ceased to perform the duties of the Chairman of the Board and the Chairman of the Strategy Committee since then.

(ii) Remuneration Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2019, the Remuneration Committee has convened four meetings. Details of the meetings of the Remuneration Committee are set out below:

On January 28, 2019, the 2019 first meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee made a preliminary review of and agreed to submit the Proposal regarding the 2018 Firm-wide Compensation Pool to the Board for review.

On March 7, 2019, the 2019 second meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee heard the Report on the 2018 Performance Review of the Senior Management of the Company and the Report on the 2019 Senior Management Work Plan of the Company.

On March 8, 2019, the 2019 third meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) heard the Report on the 2018 Compensation Market Trends, (ii) heard the Report on the 2018 Divisional Compensation Allocation Analysis of the Company, and (iii) considered and adopted the Proposal regarding the 2018 Compensation of the Senior Management of the Company.

On August 22, 2019, the 2019 fourth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) heard the Inspection on the Proposal regarding Deferring Bonus of the Company, and (ii) heard the Interim Review on the 2019 Senior Management Work Plan of the Company.

3. Attendance of Members of the Committee

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

(iii) Nomination and Corporate Governance Committee

1. Functions of the Committee

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

With respect to nomination for new Directors and re-election of Directors, our Company follows a considered and transparent nomination policy. Under the nomination policy for Directors, the Nomination and Corporate Governance Committee shall nominate suitable candidates to the Board for consideration and make recommendations to the Shareholders regarding election and re-election of Directors. The nomination of Directors shall be made in accordance with the nomination policy for Directors and all appointments of Directors will be merit-based with due regard for the objective criteria (including gender, age, cultural and educational background, relevant or professional experience, ethnicity, skills, knowledge, etc.) as set out under the Board of Directors Diversity Policy. The ultimate decision will be made based on meritocracy and contribution that the selected candidates can bring to the Company and the Board.

The factors used as reference by the Nomination and Corporate Governance Committee in assessing the suitability of a proposed candidate include, but are not limited to, integrity and character; accomplishment and experience in the financial services industry; professional qualifications, skills and knowledge that are relevant to our Company's business and corporate strategy; commitment in respect of available time; diversity; independent criteria as required under the Listing Rules for candidates for independent non-executive Directors; etc.. These factors are not meant to be exhaustive and decisive. The Nomination and Corporate Governance Committee has the discretion to nominate any person, as it considers appropriate.

In short, proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of their standing for election as a Director. The Nomination and Corporate Governance Committee will review such information of the potential candidates and may request candidates to provide additional information and documents if it considers necessary. A meeting of Nomination and Corporate Governance Committee will be called for the members to discuss the credentials of the proposed candidates and assess their qualifications based on the factors set out above. The Nomination and Corporate Governance Committee may also invite nominations of suitable candidates (if any) from the Board members for consideration by the Nomination and Corporate Governance Committee prior to its meeting. For filling a casual vacancy, the Nomination and Corporate Governance Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination and Corporate Governance Committee shall make nominations to the Board for its consideration and recommendation.

2. Work Summaries and Meetings of the Committee

In 2019, the Nomination and Corporate Governance Committee has convened three meetings. Details of the meetings of the Nomination and Corporate Governance Committee are set out below:

On June 17, 2019, the 2019 first meeting of the Nomination and Corporate Governance Committee of the Board was held, at which the Nomination and Corporate Governance Committee made a preliminary review of and agreed to submit the Proposal regarding the Election of Non-executive Director to the Board for consideration.

On November 12, 2019, the 2019 second meeting of the Nomination and Corporate Governance Committee of the Board was held, at which the Nomination and Corporate Governance Committee heard and discussed the Report on the Composition of the Board and the Diversity of the Board Members of the Company.

On December 27, 2019, the 2019 third meeting of the Nomination and Corporate Governance Committee of the Board was held, at which the Nomination and Corporate Governance Committee made a preliminary review of and agreed to submit the following proposals to the Board for consideration: (i) the Proposal regarding Proposed Candidates for Members of the Second Session of the Board of Directors of the Company and (ii) the Proposal regarding the Change of Chief Executive Officer of the Company.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Liu Li	3	3
Shen Rujun [Note 1]	2	2
Zhao Haiying	3	3
Edwin Roca Lim	3	2
Ben Shenglin	3	3

Note 1: Mr. Shen Rujun has started to serve as the chairman of the Board, the non-executive Director, the chairman of the Strategy Committee and a member of the Nomination and Corporate Governance Committee since August 22, 2019.

(iv) Audit Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2019, the Audit Committee has convened seven meetings. Details of the meetings of the Audit Committee are set out below:

On January 8, 2019, the 2019 first meeting of the Audit Committee of the Board was held, at which the Audit Committee made a preliminary review of and agreed to submit the Proposal regarding the Change of the Accounting Firms of the Company to the Board for consideration.

On March 27, 2019, the 2019 second meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) heard the report on the progress of the internal control of CISC, (ii) considered and adopted the Proposal regarding the 2018 Audit Report of the Company, (iii) made a preliminary review of and agreed to submit the Proposal regarding the 2018 Annual Report and the 2018 Annual Results Announcement of the Company to the Board for review, (iv) made a preliminary review of and agreed to submit the Proposal regarding the 2018 Internal Control Assessment Report of the Company to the Board for consideration, (v) considered and adopted the Proposal regarding the 2018 Report on the Effectiveness Evaluation of the Internal Control, Comprehensive Risk Management and Compliance Work of the Company, (vi) considered and adopted the Proposal regarding the Proposal regarding the 2018 Work Report of the Internal Audit Department of the Company, (vii) heard the Work Report from January to February 2019 of the Internal Audit Department of the Company, and (viii) heard the Report on the Progress of transfer work between the retired and proposed accounting firms.

On May 8, 2019, the 2019 third meeting of the Audit Committee of the Board was held, at which the Audit Committee considered and adopted the Proposal regarding Results Announcement for the Three Months Ended March 31, 2019 of the Company.

On May 27, 2019, the 2019 fourth meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the Review Schedule for 2019 Interim Financial Statements of the Company, and (ii) heard the Work Report from March to April 2019 of the Internal Audit Department of the Company.

On August 21, 2019, the 2019 fifth meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) made a preliminary review of and agreed to submit the Proposal regarding the 2019 Interim Report and the 2019 Interim Results Announcement of the Company to the Board for review, and (ii) heard the Work Report from May to July 2019 of the Internal Audit Department of the Company.

On November 11, 2019, the 2019 sixth meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the 2019 Audit Plan of the Company, (ii) considered and adopted the Proposal regarding the 2020 Work Plan of Internal Audit Department of the Company, (iii) heard the 2019 Report on the Progress of the Effectiveness Evaluation of the Internal Control, Comprehensive Risk Management and Compliance Management of the Company, and (iv) heard the Work Report from August to October 2019 of the Internal Audit Department of the Company.

On November 18, 2019, the 2019 seventh meeting of the Audit Committee of the Board was held, at which the Audit Committee considered and adopted the Proposal regarding Results Announcement for the Nine Months Ended September 30, 2019 of the Company.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Siu Wai Keung	7	7
Shi Jun	7	6
Liu Li	7	7

(v) Risk Management Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2019, the Risk Management Committee has convened four meetings. Details of the meetings of the Risk Management Committee are set out below:

On March 27, 2019, the 2019 first meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee made a preliminary review of and agreed to submit the following proposals to the Board for review: (i) the Proposal regarding the 2018 Compliance Report of the Company, (ii) the Proposal regarding the 2018 Risk Assessment Report of the Company, and (iii) the Proposal regarding the formulating the Risk Management System of Money Laundering and Financing of Terrorism of the Company.

On May 27, 2019, the 2019 second meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee (i) considered and adopted the Proposal regarding the 2019 First Quarter Compliance Management Report of the Company, and (ii) considered and adopted the Proposal regarding the 2019 First Quarter Risk Assessment Report of the Company.

On August 21, 2019, the 2019 third meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee (i) considered and adopted the Proposal regarding the 2019 Interim Compliance Management Report of the Company, and (ii) considered and adopted the Proposal regarding the 2019 Interim Risk Assessment Report of the Company.

On November 11, 2019, the 2019 fourth meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee (i) considered and adopted the Proposal regarding the 2019 Third Quarter Compliance Management Report of the Company, (ii) considered and adopted the Proposal regarding the 2019 Third Quarter Risk Assessment Report of the Company, and (iii) made a preliminary review of and agreed to submit the Proposal regarding Amendments to the Risk Management Policy of the Company to the Board for review.

3. Attendance of Members of the Committee

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

V. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Mr. Shen Rujun was nominated by the Board as a candidate for the non-executive Director of the Company on June 24, 2019. The term of office of Mr. Shen Rujun shall take effect from August 22, 2019. In addition, as considered and approved by the Board, Mr. Shen Rujun has been appointed as the chairman of the Board, the chairman of the Strategy Committee and a member of the Nomination and Corporate Governance Committee on the same date. Meanwhile, Mr. Bi Mingjian ceased to perform the duties of the chairman of the Board and the chairman of the Strategy Committee. The details of the aforesaid change were disclosed in the announcements relating to the appointment of non-executive Director, chairman of the Board and chairman/member of the special committees of the Board dated June 24, 2019 and August 22, 2019 and the circular relating to the election of non-executive Director dated July 5, 2019 as published by the Company.

As of the date of this report, the Company has complied with the requirements under Provision A.2.1 of the Corporate Governance Code.

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

VI. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES

(i) Powers and Duties of the Supervisory Committee

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

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

(ii) Composition of the Supervisory Committee

Our Company strictly complied with the Articles of Association and relevant rules in respect of the appointment of the Supervisors. The meetings of the Supervisory Committee shall be held in accordance with the Articles of Association and the Rules of Procedures of the Supervisory Committee of CICC. As at the end of the Reporting Period, our Company's Supervisory Committee comprised three Supervisors, including one employee representative Supervisor (Mr. Gao Tao) and two non-employee representative Supervisors (Mr. Liu Haoling and Mr. Jin Lizuo). For the details in the changes of Supervisors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

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

(iii) Meetings of the Supervisory Committee

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

On March 29, 2019, the fourteenth meeting of the first session of the Supervisory Committee was convened and at the meeting: the Supervisory Committee heard the Report on the 2018 Work Summary and 2019 Work Plan of the Supervisory Committee of the Company; and considered and adopted: the Proposal regarding the 2018 Work Report of the Supervisory Committee of the Company; the Proposal regarding the 2018 Annual Report and the 2018 Annual Results Announcement of the Company; the Proposal regarding the 2018 Profit Distribution Plan of the Company; the Proposal regarding the 2018 Compliance Report of the Company; the Proposal regarding the 2018 Internal Control Assessment Report of the Company; the Proposal regarding the 2018 Risk Assessment Report of the Company; and heard the Report on the Formulation of Risk Management Policies against Money Laundering and Terrorism Financing.

On August 23, 2019, the fifteenth meeting of the first session of the Supervisory Committee was convened and at the meeting: the Supervisory Committee considered and adopted the Proposal regarding the 2019 Interim Report and the 2019 Interim Results Announcement of the Company; heard the Report on the 2019 Interim Compliance Management Report of the Company; and heard the Report on the 2019 Interim Risk Assessment Report of the Company.

On November 12, 2019, the sixteenth meeting of the first session of the Supervisory Committee was convened and at the meeting: the Supervisory Committee heard the Report on the 2019 Third Quarter Compliance Management Report of the Company and the Report on the 2019 Third Quarter Risk Assessment Report of the Company.

On December 30, 2019, the seventeenth meeting of the first session of the Supervisory Committee was convened and at the meeting: the Supervisory Committee considered and adopted the Proposal regarding the Election of New Session of the Supervisory Committee.

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

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

Name of Supervisor	Required Attendance at Meetings	Actual Attendance
Gao Tao	4	4
Liu Haoling	4	4
Jin Lizuo	4	4

VII. OTHER RELEVANT MATTERS

(i) Rights of Shareholders

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

(ii) Compliance with the Model Code for Securities Transactions

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

(iii) Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the independent auditor included in the independent auditor's report. Each responsibility statement shall be interpreted separately.

All Directors acknowledge and confirm their responsibilities of preparing the financial statements which truly reflect the business and operating results of our Company for each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of our Company.

(iv) Appointment and Remuneration of Auditing Firm

Change in the accounting firm appointed during the Reporting Period: Yes.

The shareholders of the Company have approved at the annual general meeting the non-renewal of the appointment of KPMG Huazhen LLP and KPMG (together "KPMG") as the domestic accounting firm and international accounting firm of the Company respectively, and the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic accounting firm and international accounting firm respectively, for the year of 2019, with effect from May 28, 2019. To the best of the Company's knowledge and as confirmed by KPMG, there are no matters regarding the retirement of KPMG as the domestic and international accounting firms of the Company that need to be brought to the attention of the shareholders and investors of the Company, and there are no disagreements or unresolved matters between the Company and KPMG, in relation to the change of accounting firms.

The Company continues to appoint KPMG Huazhen LLP to perform the agreed-upon procedure over the financial statements for the three months ended March 31, 2019 to the Company as the transitional arrangement for change of accounting firms.

Remuneration for accounting firms: Our Company has agreed on the payment of RMB5.10 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as fees for the auditing of the statutory financial statements, the reviewing of the interim financial statements and performing the agreed-upon procedures over quarterly financial statements for 2019.

(v) Review by Audit Committee

The Audit Committee has reviewed the 2019 consolidated financial statements of our Company

(vi) Joint Company Secretaries

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

Both Mr. Xu Yicheng and Mr. Zhou Jiaxing have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2019.

On March 30, 2020, due to work rearrangement of Mr. Xu Yicheng, the Board resolved to appoint Mr. Sun Nan as the Secretary to the Board of Directors and Joint Company Secretary of the Company. The term of office of Mr. Sun Nan shall take effect from the date of filing of the appointment as Secretary to the Board of Directors with securities regulatory authority. Once the appointment of Mr. Sun Nan as the Secretary to the Board and Joint Company Secretary of the Company takes effect, Mr. Xu Yicheng will no longer hold these positions.

(vii) Communication with Shareholders

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

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

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

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

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

Our Company shall arrange the Directors, Supervisors and senior management to answer the questions raised by the Shareholders during the 2019 annual general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

(viii) Investor Relations

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

In 2019, our Company actively received visits from domestic and overseas institutional investors and analysts, organized various forms of investor and analyst exchanges, communicated with investors and analysts for more than 300 person times, and participated in more than 115 times of the group/one-to-one telephone/video conference with investors and analysts, effectively enhancing the investor's understanding of our Group's strategic layout and growth prospects; continuously upgraded and improved the investor relations sector on the official website of our Company so that investors could be kept updated of the latest strategic layout and business developments of our Group comprehensively.

On May 28, 2019, the Company held the Annual General Meeting; on August 22, 2019, the Company held the 2019 First Extraordinary General Meeting; on December 30, 2019, the Company held the 2019 Second Extraordinary General Meeting, during which Directors, Supervisors and senior management of our Company attended and answered questions from investors. In conjunction with the announcement of the annual and interim reports, the Company held the 2018 annual result press conference and analysts' conference, conducted 2018 Annual Report and 2019 Interim Results Roadshow in Beijing, Shanghai, Shenzhen, Hong Kong, Singapore, etc. and participated in the Company's Investment Forum and the Corporate Day activities in New York.

(ix) Board of Directors Diversity Policy

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

The Nomination and Corporate Governance Committee annually reviews and monitors the implementation of the Board of Directors Diversity Policy to ensure its effectiveness. The Nomination and Corporate Governance Committee heard and discussed about the Report on the Composition of the Board and the Diversity of the Board Members of the Company on November 12, 2019 and no revision was needed out of the diversity considerations.

(x) Amendments to the Articles of Association

On October 24, 2019, the Company has successfully allotted and issued an aggregate of 176,000,000 new H Shares to no fewer than six professional, institutional and/or individual investors which are not connected parties or connected persons of the Company. In order to reflect the corresponding change in the registered capital of the Company as a result thereof, the Board of the Company has amended the corresponding provisions of the Articles of Association relating to share capital and shareholdings under the mandate approved at the 2018 annual general meeting held on May 28, 2019. Such amendments took effect on October 24, 2019. Moreover, the Company amended the Articles of Association for the purpose of establishing an information technology subsidiary, and the article regarding the business scope of subsidiaries of the Company has been amended accordingly. Meanwhile, in accordance with the relevant laws and regulations including the Company Law of the People's Republic of China, drawing reference from market precedents and taking into account the actual conditions of the Company, a new article relating to establishing the organization of the Communist Party of China is added as Article 9 in the Articles of Association. Such amendments has been considered and approved by the Shareholders at the 2019 Second EGM on December 30, 2019. In addition, according to the Company Law, the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》(國函[2019]97號)), the Provisions on the Administration of Equities of Securities Companies (《證券公司股權管理規定》), the Measures for Administration of Information Technology Management of Securities Fund Trading Institutions (《證券基金經營機構信息技術管理辦法》) and other relevant laws and regulations and regulatory provisions, based on the actual conditions of the Company, the Company adjusted the current procedures for notice of shareholders' general meetings and other contents under the Articles of Association and added relevant contents including equity administration of securities companies and duties of the Chief Information Officer to the Articles of Association. Such amendments have been considered and approved by the Shareholders at the 2020 First EGM on February 28, 2020.

(xi) Internal Control

1. Establishment of the Internal Control System

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

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

2. Major Characteristics of the Internal Control System

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

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

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

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

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

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

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

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

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

During 2019, the internal audit department has conducted internal audits on the performance of CICC's committees with decision-making functions, and mainly on the investment banking business, brokerage business, financial product sales business, FICC business, asset management business, wealth management business, margin financing and securities lending business, stock-based lending business, OTC derivative trading business, private equity investment funds business, custody business, and fund services business; and the design and implementation of internal control of brokerage business, credit business, structured products business, financial product sales business of CICC Futures, CICC Fund Management and the US, UK and Singapore subsidiaries of CICC and CICC Wealth Management. It has also conducted resignation audit and off-post audits on employees of CICC and CICC Fund Management in Mainland China according to relevant regulatory requirements. Meanwhile, the internal audit department has also conducted audits on the application control of the relevant IT systems relating to the above Mainland China and overseas business as and on the IT general control of information systems. According to the relevant audit results of the internal audit department, no material abnormalities or material deficiencies in the internal control system have been discovered.

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

4. Procedures for Processing and Releasing Inside Information

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

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

5. Appraisal of Internal Control

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

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

The Board concluded that, pursuant to the requirements of the relevant laws, regulations and regulatory rules of the "Guidelines for Internal Control for Securities Companies" and with reference to the requirements of the "Basic Norms of Internal Control for Enterprises" and the provisions of its ancillary guidelines, an appraisal on the internal control of the Group was conducted as at the reference date (as of December 31, 2019) of the "2019 Internal Control Assessment Report of China International Capital Corporation Limited", and the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group has established an effective internal control system, which achieves our objectives of internal control and is free of material defect and significant defect.

Deloitte Touche Tohmatsu Certified Public Accountants LLP performed tests on the design and implementation of the internal controls over financial statements of our Company as at December 31, 2019 in accordance with "Guideline Opinions on Internal Control Audit" issued by the Chinese Institute of Certified Public Accountants. Based on the above understanding, testing and evaluation of the internal controls during the audit, Deloitte Touche Tohmatsu Certified Public Accountants LLP believed that the Company maintained effective internal controls over financial statements in all material aspects in accordance with the requirements of the "Basic Internal Control Standards for Enterprises" issued by the Ministry of Finance and the "Internal Control Guidelines for Securities Firms" issued by the CSRC as at December 31, 2019.

(xii) Dividend Policy

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on factors including our results of operations, cash flows, financial condition, capital adequacy ratio, dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deems relevant.

According to our Articles of Association, we will distribute dividends by way of cash or Shares out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year:

- recovery of losses, if any;
- allocations to the statutory reserve fund equivalent to 10% of our profit after tax, and, when the statutory reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve fund will be required;
- allocations to the general risk reserve in accordance with the relevant requirements in the PRC;
- allocations to the trading risk reserve in accordance with the relevant requirements in the PRC; and
- allocation to discretionary reserve fund according to resolutions of the shareholders' general meeting.

In accordance with our Articles of Association, dividends may be paid only out of distributable profits.

Environmental, Social and Governance Report

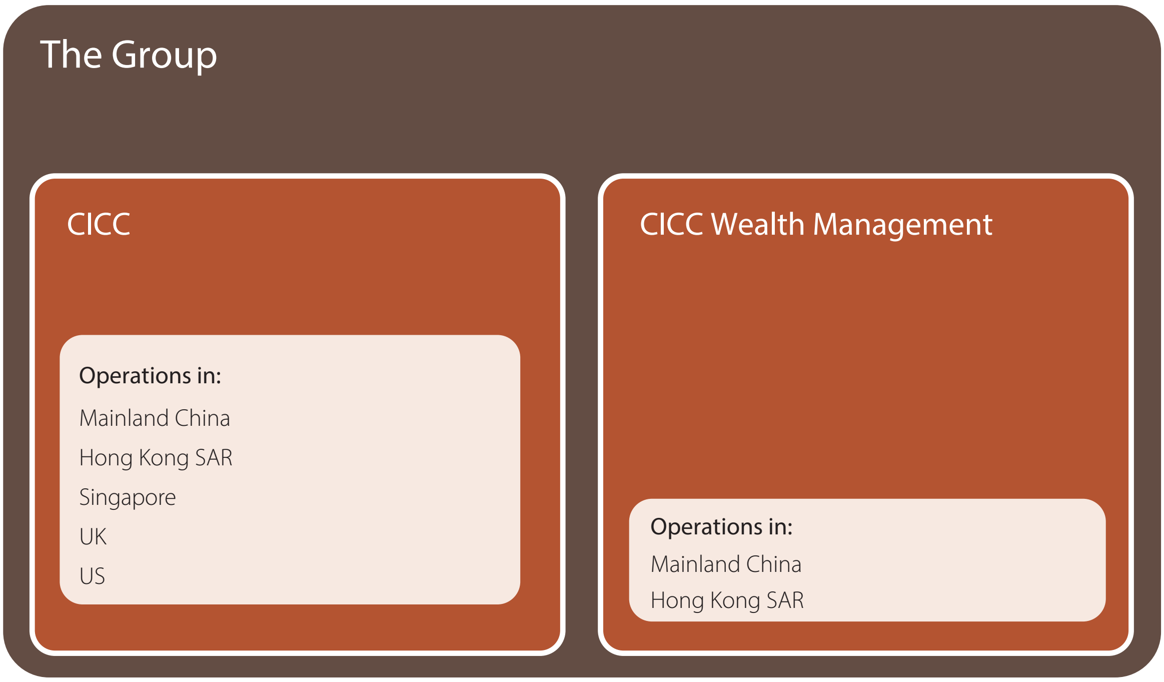
Environmental, Social and Governance Report

1. ABOUT THIS SECTION

a. Reporting Standard and Scope

This Environmental, Social and Governance ("ESG") Section is prepared in accordance with the requirements of the ESG Reporting Guide, Appendix 27 (2015) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Hong Kong Exchanges and Clearing Limited ("HKEx").

To fully reflect the Group's ESG impact, this section includes data from CICC and the significant and relevant operations of its wholly-owned subsidiary CICC Wealth Management. The following is an overview of the operational scope covered in this section:



This section offers an overview of the Group's policies, sustainability initiatives and performance highlights for the period from 1 January to 31 December 2019 (the "reporting year").

Information relating to corporate governance and financial metrics can be found in the relevant sections of this annual report. To aid readers in navigating the related content, a detailed HKEx ESG content index is included at the end of this section.

b. Materiality Assessment

In preparation for this ESG section, an independent consultant was commissioned to conduct an internal stakeholder engagement exercise. This year, the Group distributed an online survey to all CICC and CICC Wealth Management staff members to gather their views and suggestions on various sustainability issues. Employees were also asked to rank the importance of ESG topics as well as express their views and expectations on the Group's sustainability performance.

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

Step 1: Identification

A comprehensive peer benchmarking was conducted. The independent consultant reviewed the ESG disclosures of local and international peer companies to identify the material issues faced by the industry.

CICC and CICC Wealth Management's employees were invited to complete an online survey to rank the importance of ESG issues faced by the Group.

Step 2: Prioritisation

Results from step 1 were consolidated to identify a prioritised list of potential material ESG issues.

Step 3: Validation

The findings from steps 1 and 2 were consolidated into a list of prospective material issues. The Group's management confirmed a finalised list of material issues with consideration of relevance in relation to business operations. A total of 18 Key Performance Indicators ("KPIs")[i] were confirmed for disclosure.

2. GOVERNANCE STRUCTURE FOR SUSTAINABILITY

a) Anti-corruption

As part of our core values, we maintain the utmost professional integrity and highest ethical standards in conducting business. Under our Employee Code of Conduct ("Code"), employees are expected to act with distinction and in line with the requirements for financial industry practitioners who are required to conduct their duties in a moral, honest and fair manner. Our Code prohibits employees from engaging in corruption, bribery, money laundering, and deceitful or fraudulent behaviour. Our Code also provides whistle-blowing channels for our employees at all levels to report violations or suspected violations and raise concerns of any improper behaviours.

Moreover, to further minimise the risk of the aforementioned fraudulent behaviour and other unethical conduct, we implemented our "Anti-commercial Bribery Policy", "Anti-Money Laundering Policy", "Procurement Policy" and counter-terrorist financing policies.

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

In our "Anti-Commercial Bribery Policy", we set out our commitment in eliminating bribe-offering, bribery-taking, and duty encroachment or corruption. Additionally, the policy also stipulates procedures on ex-ante approval, whistle-blowing, corporate investigation and accountability mechanisms for excessive gifts and entertainment.

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

Under our "Procurement Policy", our employees are required to follow guidance related to product and service provider selections, price comparisons, and contract signings. The policy also provides the reporting mechanism for fraudulent behaviour and establishes a complete and fully monitored procurement system to prevent corruption and other non-compliance issues that may arise during the procurement process.

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

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

b) Product Responsibility and Consumer Data Protection

To maintain customer information confidentiality, we have formulated a series of guidelines and procedures. The Group's "Information Security Management System" and "Information System Data Management System" strictly control back-end data access permissions to prevent improper access to customer information.

CICC Wealth Management's "Brokerage Business Practices" clearly defines the process for account information transfers, filings and access. The account information is saved at a dedicated location, managed by qualified professionals, and only authorised personnel have the right to access this information. Furthermore, CICC Wealth Management's "Measures for the Administration of Access Permission to Centralised Over-the-counter Trading System" stipulates the principles of access permissions, the scope of personnel to which such permission can be granted, and the application, granting, and approval of access permissions. Bulk downloading of customer information is managed by our data minimisation principles. In cases where our employees need to download customer information for preparing reports, they are required to apply for such rights and permissions. The heads of the branch office and headquarters shall approve and authorise designated personnel to oversee this process. In addition, we require regulatory authorities, public security organs and other authorities to hold legal instruments and complete registration before copying customer information.

3. OUR HUMAN CAPITAL

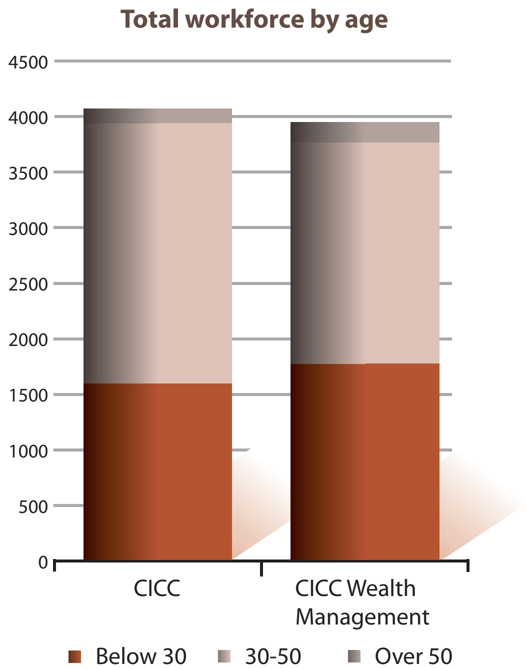
a) Working Conditions

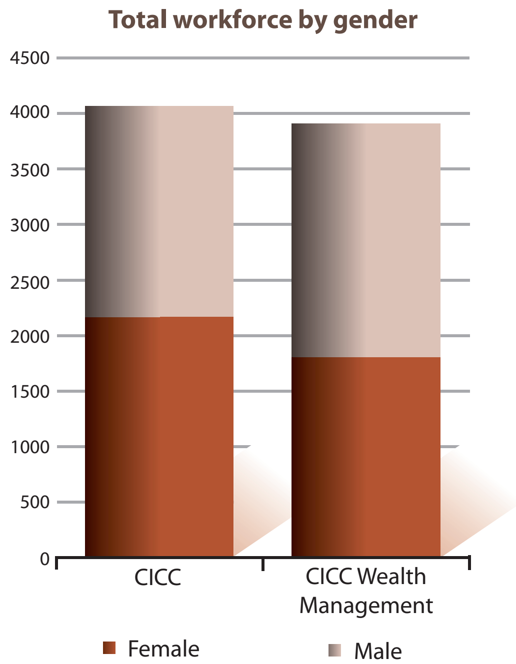
Employees are the foundation for the continuous growth of the Group and we are fully committed to creating a supportive, harmonious and collaborative work environment in which everyone is treated fairly and with respect. When recruiting new staff, we make hiring decisions without consideration of age, gender, pregnancy, marital status, family status, disability, sexual orientation, religion and race. The Group provides attractive remuneration packages and other benefits commensurate with experience and responsibilities. We act beyond the statutory requirements of purchasing "Five Social Insurance and One Housing Fund"[ii] providing additional complementary insurance plans for our employees, such as critical illness insurance and accident and disability insurance. To ensure that our staff management is transparent and fair, we outline expectations for professional conduct in the Staff Manual and ensure that all employees are familiarised with the document. Employee performance is assessed by following a stringent performance appraisal system.

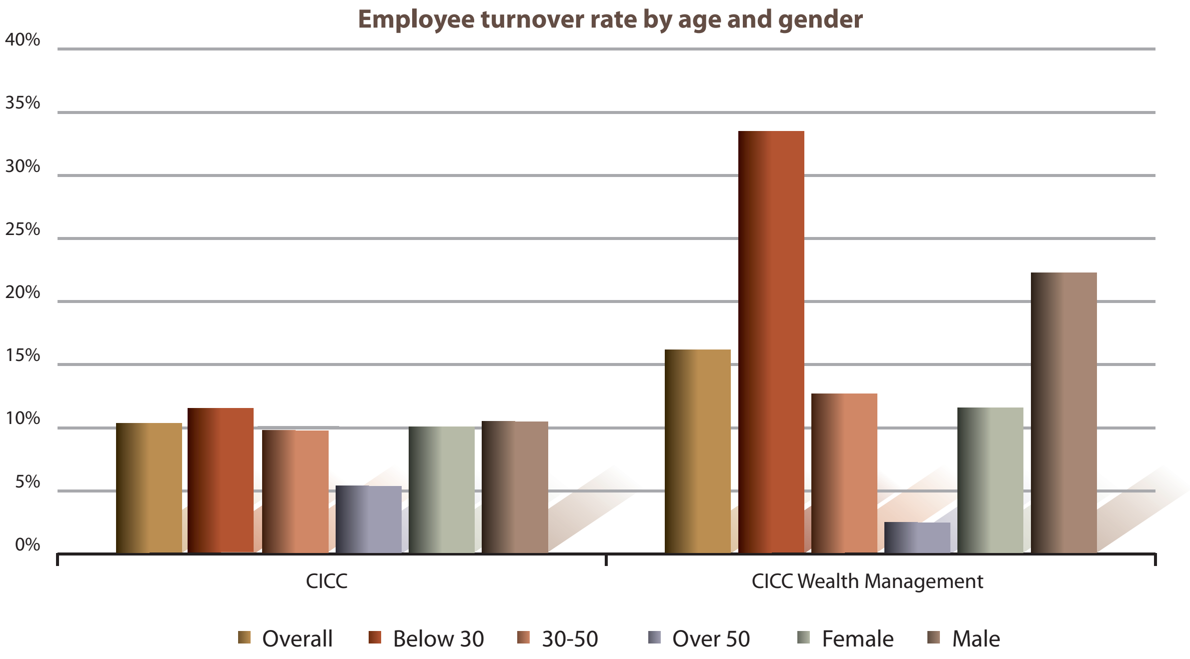
We believe that the health and well-being of our employees is essential in creating a positive and caring workplace. CICC Wealth Management's staff club arranges a wide range of activities for our employees to enhancement communications between departments and accommodate employees' interests. To promote a healthy lifestyle, we regularly arrange numerous sports training sessions and competitions such as tennis, ping-pong, football and basketball. As a caring company, we celebrate special occasions and birthdays with cakes and fruits. If an unfortunate situation which requires hospitalisation befalls one of our employees, we will organise visits and provide the necessary support.

For the reporting year, the Group had a total of 8,030 full-time employees; within this figure, 52% are female. An additional detailed breakdown of employee data for each operation is presented in the Performance Data Summary of this section.

ii Which includes Endowment Insurance, Medical Insurance, Unemployment Insurance, Occupational Health and Safety Insurance, Maternity Insurance and Housing Fund.







All business divisions within the Group are in compliance with all applicable laws and regulations related to employment practices and prohibit the employment of child or forced labour. For the reporting year, there have been no confirmed cases of non-compliance with national and regional economic and labour laws and regulations. CICC Hong Kong manages its tax affairs in compliance with all Hong Kong tax laws and pays all Hong Kong taxes, duties and levies for which it is liable, and expects the same of all employees, both in Hong Kong and in other countries in which they have tax liabilities.

b) Staff Development and Training

To support our employees in achieving their full potential and to remain competitive in the industry, we encourage and arrange job-specific learning and development opportunities. We believe that this strategy will help us attract and retain talented individuals in an ever-changing business environment. Our "CICC Training Management Regulations" describe our training and development objectives as well as training plans and programmes. Specific requirements for the division of labour and responsibility, training cost management and resource management are also detailed in the policies. CICC Wealth Management's "Interim Measures on Staff Training Management" provides guidance on establishing and continuously improving the training system, formulating the annual plan and budgeting, coordinating and planning specific training programmes and courses, organising and building the company's internal trainer team, and collecting training information and resources.

To nurture a lifelong learning mindset, "CICC Academy" provides a range of training courses covering topics such as business development and strategy, leadership skills, and company culture and history. At present, we have six main training programmes covering all levels of staff and a wide range of topics, including industry research, and compliance and regulatory qualification examinations.

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

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

CASE STUDY 1 – TALENT DEVELOPMENT PROGRAMME

It is our belief that helping our employees to reach their full potentials is critical to the Group's business development. In 2019, 259 new recruits across 23 departments participated in a six-month talent development programme. Through the training, our new employees explored different aspects of their career pathways and gained a more comprehensive view of the Group's business strategy. This helps our new colleagues develop a sense of belonging and a deeper understanding of CICC's company culture.

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

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

CASE STUDY 2 – FUTURE LEADERSHIP DEVELOPMENT TRAINING

We understand that the development of future leadership is key to the Group's continued success. In order to strengthen employees' management skills, CICC held a 5-month training programme, "Becoming a Manager", in 2019. During the training, 150 participants across 21 departments engaged in various simulated workplace scenarios and prepared for the challenges that managers may face. We will continue to provide tailor-made training programmes for our future leaders' professional development.

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

6) Compliance and Regulatory Personnel Qualification Examination and Follow-up Training include training and examination to expand staff knowledge on legal compliance. We apply for futures qualification examination 5 or more times per year. We also provide follow-up training for securities, fund, futures and insurance practitioners.

   In addition to these training programmes, we also encourage employees to participate in other work-related qualification examinations. The company reimburses employees for the examination, registration and membership fees required to maintain the validity of the qualification.

c) Occupational Health & Safety

As a caring company, ensuring staff occupational health and safety is a foremost task. We actively organise lectures and training on related topics, and provide our staff with medical insurance, annual physical examinations, psychological counselling and influenza vaccinations. In 2019, CICC Wealth Management encouraged preventative healthcare by arranging medical check-ups for over 3,000 employees. To help our employees maintain their fitness, and to facilitate the use of fitness facilities, CICC provides significant membership discounts every year for employees to join fitness clubs.

4. OUR ENVIRONMENT

The Group is mindful of the environmental impacts that may arise from its operations. We aim to enhance energy efficiency, conserve resources, manage waste and promote environmental awareness throughout our business operations.

a) Emissions and Energy Use

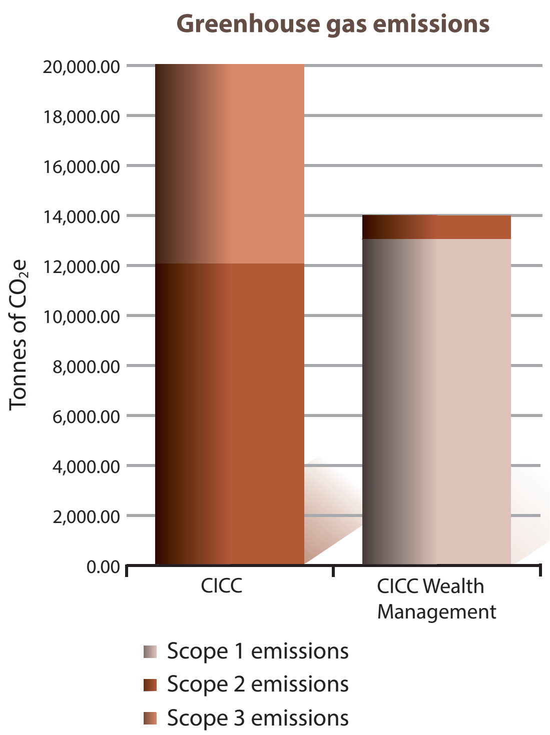
Recognising the importance of environmental protection, we have established a working group to focus on internal energy saving and waste reduction initiatives. The working group monitors the effectiveness of energy and waste reduction measures, and initiates plans for further environmental performance enhancement. We also submit the "CICC Energy Conservation and Emission Reduction Summary Report" to the Beijing Municipal Bureau of Financial Work on an annual basis.

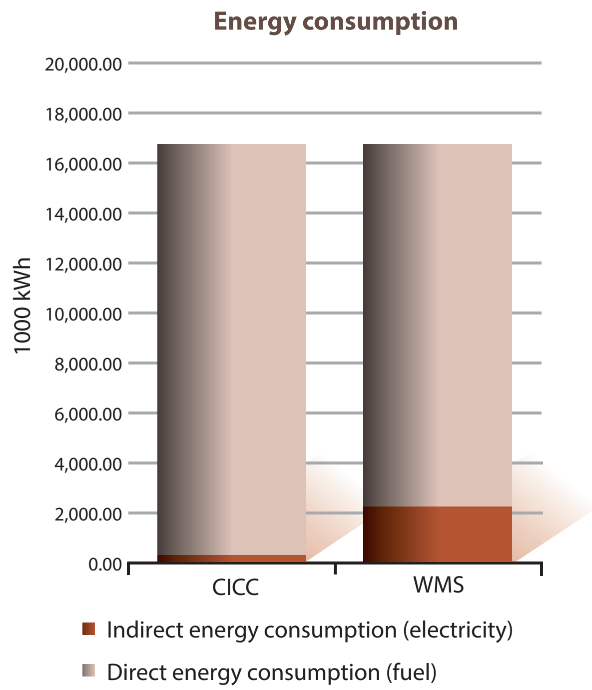
Since electricity consumption accounts for a significant proportion of our greenhouse gases emissions, we have implemented energy efficiency enhancements in our offices through various initiatives. The following initiatives were implemented in 2019:

- Replaced obsolete light fixtures with LED lighting in public areas, offices and control rooms to save 10,000 kWh.
- Placed reminder notices near light switches to reduce unnecessary energy consumption.
- Provided reminders to employees to switch their computers off or to 'standby mode' when not in-use.
- Installed light sensor controls within certain areas of the office to minimise electricity use. Lights are turned off automatically after a fixed time period.
- Procured ENERGY STAR certified products for all IT facilities in CICC's US offices.
- Replaced water-cooled air conditioning systems with energy efficient models in CICC data centres.
- Arranged building security teams to check that all electrical switches and appliances are turned off on weekends.
- Installed systems to automatically turn off light fixtures and air conditioners after office hours.
- Implemented a permission system to control the usage of air conditioners during overtime hours.
- Restricted temperature settings to above 26°C in summer and below 20°C in winter using air conditioning temperature control systems.

We are aware that our air business travel is a key contributor to carbon emissions. In 2019, we continued to promote "sustainable commutes" to our employees. Instead of using private vehicles, we encourage employees to adopt public transportation, carpooling, cycling or walking. Through this initiative, we are able to reduce emissions as well as contribute to better air quality in urban areas. Our Beijing office runs company bus lines, which provides a more convenient way for employees to come to work while reducing the carbon footprint of their daily lives. We advocate the use of video conferences, telephones, e-mail and other means of communication in place of face-to-face meetings to minimise non-essential business trips.

During the Reporting Period, our total GHG emissions equated to 43,623 tonnes of CO_2e, arising mainly from electricity consumption. Our total energy consumption was 31,479,565 kWh.





b) Waste Management

Proper waste management is vital to enhance resource efficiency and avoid waste generation. We continue to explore the types of items we can collect for reuse and recycling at our offices. Working with our office cleaners, we work to identify office waste and follow the proper recycling procedures. Specialised agencies and vendors are employed to handle toner cartridges and other consumables in a safe and proper manner.

The Group implemented a number of waste reduction initiatives to manage our resources responsibly. During our procurement processes, we strive to utilise all available office equipment and supplies before purchasing new ones. We encourage our employees to minimise waste by re-using stationery such as envelopes, letter heads, courier bags and other office materials.

CASE STUDY 1 – GOING PAPERLESS

We advocate a paperless workplace by systemising and digitalising our workflow as much as possible which also encourages the recycling and reuse of paper. Last year, we developed an IT system which migrated some of our workflow online and reduced the use and circulation of printed materials. The system has capabilities to handle human resources registration for new employees and to store e-documents on a company online platform. We also started using facial recognition technology as a replacement for paper registrations of visitors and employees. Furthermore, e-greeting cards are used in place of traditional paper cards.

Facial Recognition Technology Adopted

Recyclable collection points for used batteries and non-hazardous wastes are provided in the offices. In addition, CICC organises regular "Earth Recycling Station Project" donation activities to collect used clothes, books and stationery. The collected items are sent to less fortunate communities in rural China. These initiatives aim to encourage staff to reduce waste throughout business operations and to be mindful in their daily lives.

c) Building Awareness

Enhancing awareness is essential in driving environmental sustainability in the community. Therefore, we regularly organise environmental programmes to strengthen the awareness of our employees and community members.

CASE STUDY 2 – SUPPORTING AN AWARDING-WINNING GREEN INITIATIVE

The Group recognise the importance of ecosystem restoration in reducing the emissions contributing to climate change. In 2019, CICC donated to a tree planting programme of the award-winning green initiative "Ant Forest". Over 36,000 Scots Pines will be planted at Hebei province in Spring 2020. We will continue to explore opportunities in driving environmental awareness in the community.

5. OUR COMMUNITY

a) Objectives, Scope and Vision

The Group is dedicated to contributing to the local community through a variety of charity events. In 2019, we contributed a total of RMB40,695,000 as donations to bolster numerous community engagement projects within the PRC.

Objectives

- Uphold the principles of corporate social responsibility
- Promote the development of social welfare

Scope

- Poverty alleviation in the financial, industrial, education, charity and consumption areas
- Help sick and injured individuals
- Help victims of natural disasters and large-scale emergencies
- Assist the government to improve medical and health conditions in poverty-stricken areas
- Assist the government to improve conditions of schools in poverty-stricken areas
- Subsidise and support education programmes
- Protect the environment and natural resources

Vision

- Focus on education and future development of students

b) CICC Charity Foundation

The Group's approaches to poverty alleviation include financial support for industrial development in poverty-stricken areas, educational support to equip beneficiaries with knowledge and strength and tailor-made measures to help registered poor households. We make contributions to the development of poor regions by providing support in multiple areas including financial services, industrial development, education, public welfare and consumption.

The CICC Charity Foundation was established in Beijing, which serves as a community hub for the Group to organise charity events and motivate our employees to participate in social welfare activities and engagements. We initiated various CICC Charity Foundation projects to support community development, improve the quality of education, renovate medical and sanitation facilities, as well as protect the natural environment.

In 2019, we focused our efforts on poverty alleviation and childhood development. CICC actively fulfilled its social responsibilities by assisting poverty alleviation to Huining and Weiyuan Counties of Gansu Province, Guzhang County of Hunan Province and Yuexi County of Anhui Province. CICC is currently joining efforts with CICC Wealth Management for a programme in Huining County of Gansu Province.

2019 Poverty Alleviation and Charity Projects

Improve the quality of education and subsidise costs for less-fortunate students:

- **Primary and Secondary School Education Subsidy Project – Ning County in Gansu Province – Donation of RMB200,000**

  CICC Wealth Management is committed to helping students complete their studies and lightening their financial pressure by subsidising a total of 200 students in poverty. Coupled with the funding, a series of educational events, such as speech contests, writing tournaments, and festival performance showcase were organised for them.

- **Rural Kindergartens Educational Funding Project – Donation of RMB250,000**

  CICC established funding for kindergarten teachers to enhance the quality of education in rural kindergartens.

- **Primary School Education Subsidy Project – Shanxi and Yunnan Provinces – Donation of RMB330,000**

CICC provided subsidies to support the education of less-fortunate students in two local primary schools located in Shanxi and Yunnan Provinces.

- **Education Subsidy Project – Huining County – Donation of RMB100,000**

  In order to support local producers, CICC Wealth Management purchased winter clothing and stationery for Huining County's local students in need.

- **CICC Teacher Development Foundation – Beijing – Donation of RMB400,000**

  CICC Teacher Development Foundation sponsored a nonprofit educational institute to further enhance the quality of education.

Subsidising underprivileged families in poverty-stricken areas:

- **Local Specialties Procurement Programme – Huining County Donation of RMB3,300,000**

  To promote the local specialties in the Huining County, CICC Wealth Management purchased unique souvenirs as gifts distributed to employees for festival celebrations.

- **Insurance Investment Programme – Ning County Donation of RMB1,500,000**

  In order to secure sufficient food supply and a stable commodify price, CICC Wealth Management procured price and index insurance services for 13 local towns in Ning County.

- **Local Agricultural Product Procurement Programme – Donation of RMB2,580,000**

- **Fund-raising Trekking Event in Beijing – Donation of RMB90,000**

- **Lamb Farming Collaboration Programme – Huining County Donation of RMB1,000,000**

  CICC Wealth Management supported the lamb breeding, farming and management programme to boost the economy in the villages of Huining County.

CASE STUDY 1 – ENHANCING INDUSTRIALISATION IN GANSU PROVINCE

In 2019, CICC donated RMB17,000,000 to the Huining County government in Gansu province, China to initiate an industrial water plant construction project. By assimilating advanced technologies, we aim to develop a sustainable water plant system for industrial use. This project promotes the economic growth of 40 villages in Huining County.

CASE STUDY 2 – PROMOTING EARLY CHILDHOOD EDUCATION IN RURAL REGIONS

CICC is a supporting partner for the charity organisation "China Reach". This year, we contributed RMB2,000,000 to an early childhood education programme in rural regions. This programme aims to promote early childhood education in the underprivileged families by using international teaching materials, including toys and jigsaw puzzles. Monthly home visits for children from six months to 3 years old are arranged by social workers. This project has been successfully implemented in three areas located in Guzhang County in Hunan province, Huining County in Gansu province and Nyêmo County in Tibet Autonomous Region. We believe this programme can bring positive benefits in early childhood development in rural regions.

CASE STUDY 3 – SPONSORING INSURANCE FOR FAMILIES UNDER POVERTY IN NING COUNTY

CICC Wealth management sponsored insurance packages of families living in poverty in Ning County valued at RMB315,000. The tailored insurance plans include injuries from accidents, medical treatment and hospitalisation, as well as acute death due to accidents. The project covered a total of 217 households and 984 local citizens.

CASE STUDY 4 – ENHANCING HEALTHCARE STANDARDS IN TIBET AUTONOMOUS REGION

In 2019, CICC donated RMB350,000 in support of medical programmes which provide maternity and childcare training to local doctors in Tibet's rural areas. The project also raises villagers' awareness and consciousness of health management. We believe that this programme can help to minimise the maternal and infant mortality rate in the region.

CASE STUDY 5 – SUPPORTING INFRASTRUCTURE NEEDS IN THE HUINING COUNTY

Citizens in the Huining County have been suffering from water shortages which affect economic growth. CICC Wealth Management invested RMB2,523,600 to construct water infrastructure for agricultural use. This construction project can help the local community in Huining County to solve water shortage issues.

CASE STUDY 6 – COLLABORATING WITH THE GOVERNMENT ON POVERTY ALLEVIATION

In response to the Huining County government's 1+15 poverty alleviation implementation plan, CICC Wealth Management donated RMB2,386,400 to support urban development and building transformation. The project covered 17 suburbs and 108 households, in which the beneficiaries were offered subsidies for home upgrades. We believe this programme helps to build a safer and more resilient local community.

6. PERFORMANCE DATA SUMMARY

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

	CICC		CICC Wealth Management	
	Tonnes of CO_2e	Tonnes of CO_2e per FTE[iii]	Tonnes of CO_2e	Tonnes of CO_2e per FTE
Scope 1 emissions (Fuel use)	114.32	0.03	742.44	0.19
Scope 2 emissions (Electricity use)	12,217.57	2.99	12,589.45	3.19
Scope 3 emissions (Business air travel)	17,194.00	4.21	785.82	0.20
Total	29,525.88	7.23	14,117.71	3.58

iii FTE: Full time equivalent employees. The total number of CICC's and CICC Wealth Management's FTE in 2019 are 4,082 and 3,948 respectively.

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

	CICC		CICC Wealth Management	
	Consumption (in 1,000 kWh)	Consumption Intensity (kWh per FTE)	Consumption (in 1,000 kWh)	Consumption Intensity (kWh per FTE)
Total direct energy consumption from fuel use	384.43	0.09	2,496.70	0.63
Total indirect energy consumption from the use of electricity	14,151.00	3.47	14,447.44	3.66

KPI A2.2 – Water consumption in total and intensity

	CICC		CICC Wealth Management	
	Total (m^3)	Intensity (m^3 per FTE)	Total (m^3)	Intensity (m^3 per FTE)
Water consumption	78,145.36	19.14	6,889.60	1.75

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

CICC			Age Group			Gender	
		Total	Below 30	30 – 50	Over 50	Female	Male
Mainland China	Full-time	3,564	1,464	2,062	38	1,886	1,678
	Part-time	0	0	0	0	0	0
Hong Kong SAR	Full-time	427	134	269	24	222	205
	Part-time	0	0	0	0	0	0
Singapore	Full-time	19	2	16	1	12	7
	Part-time	0	0	0	0	0	0
UK	Full-time	26	4	21	1	15	11
	Part-time	0	0	0	0	0	0
US	Full-time	46	7	35	4	26	20
	Part-time	0	0	0	0	0	0
Total		4,082	1,611	2,403	68	2,161	1,921

CICC Wealth Management			Age Group			Gender	
		Total	Below 30	30 – 50	Over 50	Female	Male
Mainland China	Full-time	3,869	796	2,853	220	1,879	1,990
	Part-time	0	0	0	0	0	0
Hong Kong SAR	Full-time	79	23	51	5	32	47
	Part-time	0	0	0	0	0	0
Total		3,948	819	2,904	225	1,911	2,037

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

CICC	Age Group			Gender	
	Below 30	**30 – 50**	**Over 50**	**Female**	**Male**
Mainland China	12%	10%	3%	10%	11%
Hong Kong SAR	13%	10%	8%	11%	11%
Singapore	150%	25%	0%	33%	43%
UK	25%	5%	0%	13%	0%
US	57%	9%	25%	15%	20%
All locations	12%	10%	6%	10%	11%
CICC overall rate			11%		

CICC Wealth Management	Age Group			Gender	
	Below 30	**30 – 50**	**Over 50**	**Female**	**Male**
Mainland China	34%	12%	2%	11%	21%
Hong Kong SAR	17%	47%	20%	47%	30%
All locations	34%	12%	3%	11%	21%
CICC Wealth Management overall rate			**16%**		

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

	CICC	CICC Wealth Management
General Staff	79%	96%
Middle Managers	85%	97%
Senior Managers	79%	100%
Female	83%	96%
Male	79%	97%
Overall	81%	96%

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

	CICC	CICC Wealth Management
General Staff	208.00	105.08
Middle Managers	176.00	106.09
Senior Managers	102.00	142.28
Female	162.00	116.44
Male	162.00	118.38
Overall	162.00	117.44

7. HKEX ESG GUIDE CONTENT INDEX

Aspect	HKEx KPI	Description	Page Number/Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	p165-166
	A1.1	The type of emissions and respective emissions data	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.2	Greenhouse gas emissions in total and intensity	p171
	A1.3	Total hazardous waste produced	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.4	Total non-hazardous waste produced	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.5	Description of measures to mitigate emissions and results achieved	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A1.6	Description of how hazardous & non- hazardous wastes are handled, reduction initiatives & results achieved	According to the materiality assessment result, this topic is regarded as not material to the Group.
A2 Use of Resources	A2	General Disclosure	p165-166
	A2.1	Direct and indirect energy consumption by type in total and intensity	p172
	A2.2	Water consumption in total and intensity	p172
	A2.3	Energy use efficiency initiatives and results achieved	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A2.4	Issue in sourcing water, water efficiency initiatives	According to the materiality assessment result, this topic is regarded as not material to the Group.
	A2.5	Total packaging material used for finished products	According to the materiality assessment result, this topic is regarded as not material to the Group.
A3 The Environment and Natural Resources	A3	General Disclosure	p164-166
	A3.1	Description of the significant impacts of activities on the environment and natural resources	

Aspect	HKEx KPI	Description	Page Number/Remarks
B. Social			
B1 Employment	B1	General Disclosure	p161-162
	B1.1	Total workforce by gender, employment type, age group and geographical region	p172
	B1.2	Employee turnover rate by gender, age group and geographical region	p173
B2 Health and Safety	B2	General Disclosure	p164
	B2.3	Occupational health & safety measures	p164
B3 Development and Training	B3	General Disclosure	p163-164
	B3.1	Percentage of employees trained by gender and employee category	p173
	B3.2	Average training hours completed per employee by gender and employee category	p173
B4 Labour Standards	B4	General Disclosure	We abide by relevant employment ordinances and statutory requirements in all locations of our operations. No relevant cases of non-compliance were recorded.
B5 Supply Chain Management	B5	General Disclosure	According to the materiality assessment result, this topic is regarded as not material to the Group.
B6 Product Responsibility	B6	General Disclosure	p160
	B6.4	Description of quality assurance process and recall procedures	p160
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	p160
B7 Anti-corruption	B7	General Disclosure	p159-160
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer its employees during the reporting period and the outcomes of the cases	We abide by relevant employment ordinances and statutory requirements in all locations of our operations. No relevant cases of non-compliance were recorded.
	B7.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	p159-160
B8 Community Investment	B8	General Disclosure	p167-171
	B8.1	Focus areas of contribution	p167
	B8.2	Resources contributed to the focus area	p168-171

Independent Auditor's Report

Independent Auditor's Report

Deloitte. 德勤

To the Shareholders of China International Capital Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China International Capital Corporation Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 185 to 332, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the key audit matter**
Valuation of financial instruments measured at Level III fair value	
We identified the valuation of financial instruments measured at Level III fair value as a key audit matter. As at 31 December 2019, the Group holds financial instruments of RMB4,858 million measured at Level III fair values as disclosed in Note 56, which are significant to the consolidated financial statements. For the valuation of these financial instruments measured at Level III fair value, the selection of valuation techniques, the key assumptions and unobservable inputs used in the valuation techniques involve significant estimation of the management as disclosed in Note 4(a) and Note 56. Owing to the above reasons, we identified the valuation of financial instruments measured at Level III fair value as a key audit matter in our audit of the consolidated financial statements.	Our procedures in relation to valuation of financial instruments measured at Level III fair value included: • Understanding the Group's valuation models for financial instruments at Level III fair value and key controls over selection of valuation methods and determining the valuation of such financial instruments; • Selecting financial instruments at Level III fair value on a sample basis and: – Reviewing the investment agreements to understand the relevant investment terms and identifying any conditions that were relevant to the valuation of the selected financial instruments; – Evaluating the appropriateness of the model adopted by management in the valuation of the selected financial instruments, based on our knowledge of current industry practice; – Evaluating the appropriateness of the unobservable and observable inputs used by the management for measuring the fair value of the selected financial instruments with reference to relevant market data; • For the samples selected in above procedures, involving our internal valuation specialists to develop expected fair values and sensitivity analysis of the selected financial instruments, on a sample basis, and investigating if the expected fair values are significantly deviated from the corresponding fair value adopted by the Group.

Key Audit Matters *(continued)*

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td>We identified the consolidation of structured entities as a key audit matter. As disclosed in Note 52(a) to the consolidated financial statements, as at 31 December 2019, the carrying amount of interests held by the Group amounted to RMB7,947 million, which is significant to the consolidated financial statements.

As disclosed in Note 4(b) to the consolidated financial statements, in accordance with the principle of control in IFRS 10 Consolidated Financial Statements, to determine whether structured entities should be consolidated, a combination of factors need to be assessed by management to make a comprehensive judgment on whether the Group has controlled the structure entities, according to the terms of the related contracts, including the purpose of establishment, the Group's power over the structured entities, all variable returns obtained including investment income and management remuneration, that the Group is a principal or an agent and etc. The assessment above involves significant judgement and estimation of the management.

Owing to the above reasons, we identified the consolidation of structured entities as a key audit matter in our audit of the consolidated financial statements.</td><td>Our procedures in relation to consolidation of structured entities included:

• Evaluating the design and implementation of management's key controls over determining the consolidation of structured entities;

• Reviewing, on a sample basis, the related investment contracts and service agreements of investments in structured entities to assess whether the management has appropriately considered the following factors in determining the consolidation of structured entities:

– The purpose of establishment, the major activities and decision-making process of these structured entities;

– All variable returns entitled, primarily investment income and management remuneration, by the Group;

– The Group's substantive power over these structured entities and how it can affect the variable returns; and

– Whether the Group makes investment decision as the principal.

• Checking and evaluating, on a sample basis, management's quantitative analysis on the Group's exposure or right to variable returns with its economic interests in the structured entity and examining the data used in these calculations by reference to the related contracts.</td></tr>
</table>

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identify the impairment assessment of goodwill as a key audit matter. As disclosed in Note 23, the Company acquired China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited, hereinafter referred to as "CICC Wealth Management") in 2017 and paid the consideration of RMB16,701 million as the cost of the acquisition. The difference between the consideration and the fair value of the net identifiable assets attributable to the Company was RMB1,583 million, which was recognised as goodwill, which is significant to the consolidated financial statements. As disclosed in Note 4(c) to the consolidated financial statements, the carrying amount of goodwill may be exposed to the risk that it cannot be entirely recoverable through the expected future cash flows to be generated from the cash-generating units relevant to the goodwill. As further disclosed in Note 23, in assessing the impairment of the goodwill, management calculated the present value of the expected future cash flows of the relevant cash-generating units by using the discounted cash flow model so as to determine the recoverable amount. Key assumptions adopted by the model including cash flow projection, discount rate and growth rate are of inherent uncertainties and affected by the management bias. Owing to the above reasons, we identified the impairment assessment of goodwill as a key audit matter in our audit of the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill included: • Evaluating the design and implementation of management's key controls over impairment assessment of goodwill, including the preparation of cash flow projections, discount rate and growth rate; • Evaluating the competence, capabilities and objectivity of the external appraiser appointed by the management; • Challenging the assumptions and critical judgements adopted in the discounted cash flow forecasts by comparing the key inputs, including forecasted income, long-term growth rate and forecasted margins with reference to the past performance and the financial budgets approved by the board of directors and industry statistics, and checking against the available supporting documents; and • Obtaining management sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, would indicate that the goodwill may be impaired and considering whether there were any indicators of management bias in the selection of key assumptions.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Man Kai Sze.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
30 March 2020

Consolidated Statement of Profit or Loss

for the Year ended 31 December 2019 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Notes	Year ended 31 December 2019	2018
Revenue:			
Fee and commission income	6	**10,733,052,264**	8,820,404,216
Interest income	7	**4,800,188,053**	4,586,925,312
Investment income	8	**6,958,642,800**	4,541,066,436
Total revenue		**22,491,883,117**	17,948,395,964
Other income, net	9	**290,627,436**	591,257,896
Total revenue and other income		**22,782,510,553**	18,539,653,860
Expenses:			
Fee and commission expenses	10	**1,186,330,727**	868,605,501
Interest expenses	11	**5,895,513,419**	4,870,885,014
Staff costs	12	**7,202,881,554**	5,737,844,920
Depreciation and amortisation expenses	15	**913,235,412**	301,902,598
Tax and surcharges		**84,392,616**	72,320,091
Other operating expenses and costs	16	**2,099,330,393**	2,345,135,899
Impairment losses under expected credit loss model	17	**159,597,831**	74,176,168
Total expenses		**17,541,281,952**	14,270,870,191
Operating profit		**5,241,228,601**	4,268,783,669
Share of profits of associates and joint ventures		**60,403,081**	118,564,684
Profit before income tax		**5,301,631,682**	4,387,348,353
Less: Income tax expense	18	**1,053,804,852**	852,726,740
Profit for the year		**4,247,826,830**	3,534,621,613
Attributable to:			
Shareholders of the Company and holders of other equity instruments		**4,238,719,317**	3,492,157,669
Non-controlling interests		**9,107,513**	42,463,944
Basic earnings per share (in RMB per share)	20	**0.99**	0.83

The notes on pages 195 to 332 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**4,247,826,830**	3,534,621,613
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
– Net gains from changes in fair value	**370,839,097**	408,925,202
– (Reversal of)/provision for expected credit losses	**(3,108,166)**	6,834,257
– Tax effect	**(17,850,298)**	(69,959,604)
– Net gains transferred to profit or loss on disposals	**(200,589,971)**	(184,090,116)
Interests in associates and joint ventures:		
– Share of other comprehensive income	**(103,278)**	–
Foreign currency translation difference of financial statements of overseas subsidiaries	**165,151,703**	274,812,565
Total other comprehensive income for the year, net of income tax	**314,339,087**	436,522,304
Total comprehensive income for the year	**4,562,165,917**	3,971,143,917
Attributable to:		
Shareholders of the Company and holders of other equity instruments	**4,553,058,404**	3,928,679,973
Non-controlling interests	**9,107,513**	42,463,944

The notes on pages 195 to 332 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2019	2018
Non-current assets:			
Property and equipment	21	**729,506,720**	597,207,220
Right-of-use assets	22	**2,603,508,871**	–
Goodwill	23	**1,582,678,646**	1,582,678,646
Intangible assets	24	**285,100,659**	272,225,643
Interests in associates and joint ventures	25	**1,168,476,657**	1,266,950,588
Financial assets at fair value through profit or loss	26	**3,719,607,275**	2,471,319,697
Financial assets held under resale agreements ("reverse REPOs")	27	**241,608,278**	739,070,482
Refundable deposits	28	**6,502,093,854**	3,489,936,509
Deferred tax assets	29	**1,089,945,732**	1,156,997,727
Other non-current assets	30	**1,315,599,799**	1,813,311,700
Total non-current assets		**19,238,126,491**	13,389,698,212
Current assets:			
Accounts receivable	31	**17,876,559,376**	11,368,761,807
Receivable from margin clients	32	**23,189,950,890**	17,716,209,967
Financial assets at fair value through other comprehensive income	33	**28,985,823,339**	35,699,665,877
Financial assets at fair value through profit or loss	26	**164,472,286,846**	112,313,583,432
Reverse REPOs	27	**14,057,328,635**	18,841,937,712
Derivative financial assets	34	**4,502,204,258**	5,529,536,148
Cash held on behalf of clients	35	**48,458,799,900**	37,902,902,736
Cash and bank balances	36	**23,958,928,670**	22,424,488,162
Other current assets		**231,234,510**	233,756,299
Total current assets		**325,733,116,424**	262,030,842,140
Total assets		**344,971,242,915**	275,420,540,352

Consolidated Statement of Financial Position

as at 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Notes	As at 31 December 2019	2018
Current liabilities:			
Financial liabilities at fair value through profit or loss	38	**26,570,318,854**	15,094,248,271
Derivative financial liabilities	34	**6,362,192,001**	3,381,209,869
Accounts payable to brokerage clients	39	**48,337,872,171**	41,317,904,126
Placements from financial institutions	40	**24,082,382,130**	8,533,803,872
Short-term debt securities issued	41	**21,240,334,869**	14,061,377,785
Financial assets sold under repurchase agreements ("REPOs")	42	**24,708,257,231**	48,650,756,322
Employee benefits payable	43	**4,843,433,026**	3,938,854,639
Income tax payable		**991,893,266**	759,950,938
Long-term debt securities issued due within one year	45	**21,806,085,676**	12,993,890,883
Lease liabilities	46	**487,672,398**	–
Contract liabilities	47	**339,489,435**	214,441,996
Other current liabilities	44	**56,957,135,623**	31,914,725,434
Total current liabilities		**236,727,066,680**	180,861,164,135
Net current assets		**89,006,049,744**	81,169,678,005
Total assets less current liabilities		**108,244,176,235**	94,559,376,217
Non-current liabilities:			
Non-current employee benefits payable	43	**636,478,779**	834,544,875
Long-term debt securities issued	45	**57,585,268,714**	48,998,790,985
Deferred tax liabilities	29	**361,389,177**	270,866,094
Lease liabilities	46	**972,322,130**	–
Other non-current liabilities	48	**157,182,000**	2,078,437,686
Total non-current liabilities		**59,712,640,800**	52,182,639,640
Net assets		**48,531,535,435**	42,376,736,577

	Notes	As at 31 December 2019	2018
Equity:			
Share capital	49	**4,368,667,868**	4,192,667,868
Other equity instruments	50	**1,000,000,000**	1,000,000,000
Reserves	49	**31,144,523,534**	27,863,594,595
Retained profits		**11,780,607,940**	9,127,261,314
Total equity attributable to shareholders of the Company and holders of other equity instruments		**48,293,799,342**	42,183,523,777
Non-controlling interests		**237,736,093**	193,212,800
Total equity		**48,531,535,435**	42,376,736,577

The notes on pages 195 to 332 form part of these financial statements.

The consolidated financial statements on pages 185 to 332 were approved and authorised for issue by the board of directors on 30 March 2020.

Shen Rujun	**Huang Zhaohui**	
Chairman of Board	*Chief Executive Officer*	*Company chop*

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 49(a))	Other equity instruments (Note 50)	Capital reserve (Note 49(b)(i))	Surplus reserve (Note 49(b)(ii))	General reserves (Note 49(b)(iii))	Investment revaluation reserve (Note 49(b)(iv))	Foreign currency translation reserve (Note 49(b)(v))	Retained profits	Subtotal	Non-controlling interests	Total equity
At 1 January 2019	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577
Changes in equity for the year											
Profit for the year	–	–	–	–	–	–	–	4,238,719,317	4,238,719,317	9,107,513	4,247,826,830
Other comprehensive income for the year	–	–	–	–	–	149,187,384	165,151,703	–	314,339,087	–	314,339,087
Total comprehensive income for the year	–	–	–	–	–	149,187,384	165,151,703	4,238,719,317	4,553,058,404	9,107,513	4,562,165,917
Appropriation to surplus reserve	–	–	–	204,062,803	–	–	–	(204,062,803)	–	–	–
Appropriation to general reserves	–	–	–	–	653,483,029	–	–	(653,483,029)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(670,826,859)	(670,826,859)	–	(670,826,859)
Issuance of H shares	176,000,000	–	2,109,044,020	–	–	–	–	–	2,285,044,020	–	2,285,044,020
Acquisition of a subsidiary (Note 60(b))	–	–	–	–	–	–	–	–	–	44,411,965	44,411,965
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	(8,996,185)	(8,996,185)
At 31 December 2019	4,368,667,868	1,000,000,000	26,931,646,975	736,558,479	3,201,193,156	191,007,682	84,117,242	11,780,607,940	48,293,799,342	237,736,093	48,531,535,435

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 49(a))	Other equity instruments (Note 50)	Capital reserve (Note 49(b)(i))	Surplus reserve (Note 49(b)(ii))	General reserves (Note 49(b)(iii))	Investment revaluation reserve (Note 49(b)(iv))	Foreign currency translation reserve (Note 49(b)(v))	Retained profits	Subtotal	Non-controlling interests	Total equity
At 31 December 2017	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(135,103,088)	(355,847,026)	7,114,159,008	36,706,688,766	185,748,856	36,892,437,622
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	15,213,647	–	(48,226,392)	(33,012,745)	–	(33,012,745)
At 1 January 2018	3,985,130,809	1,000,000,000	22,721,145,372	347,068,722	2,030,134,969	(119,889,441)	(355,847,026)	7,065,932,616	36,673,676,021	185,748,856	36,859,424,877
Changes in equity for the year											
Profit for the year	–	–	–	–	–	–	–	3,492,157,669	3,492,157,669	42,463,944	3,534,621,613
Other comprehensive income for the year	–	–	–	–	–	161,709,739	274,812,565	–	436,522,304	–	436,522,304
Total comprehensive income for the year	–	–	–	–	–	161,709,739	274,812,565	3,492,157,669	3,928,679,973	42,463,944	3,971,143,917
Appropriation to surplus reserve	–	–	–	185,426,954	–	–	–	(185,426,954)	–	–	–
Appropriation to general reserves	–	–	–	–	572,974,932	–	–	(572,974,932)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(670,826,859)	(670,826,859)	–	(670,826,859)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(36,000,000)	(36,000,000)
Issuance of H shares	207,537,059	–	2,101,457,583	–	–	–	–	–	2,308,994,642	–	2,308,994,642
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	1,000,000	1,000,000
Others	–	–	–	–	(55,399,774)	–	–	55,399,774	–	–	–
At 31 December 2018	4,192,667,868	1,000,000,000	24,822,602,955	532,495,676	2,547,710,127	41,820,298	(81,034,461)	9,127,261,314	42,183,523,777	193,212,800	42,376,736,577

The notes on pages 195 to 332 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2019	2018 (Restated)
Cash flows from operating activities:		
Profit before income tax	**5,301,631,682**	4,387,348,353
Adjustments for:		
Net interest expenses on debt securities issued and others	**3,611,755,518**	2,996,954,181
Depreciation and amortisation expenses	**913,235,412**	301,902,598
Impairment losses under expected credit loss model	**159,597,831**	74,176,168
Net losses on disposal of property, equipment and other assets	**6,165,220**	11,934,189
Foreign exchange gains	**(128,163,134)**	(434,989,176)
Losses/(gains) on changes in fair value of financial instruments at fair value through profit or loss	**2,764,522,596**	(942,601,713)
Interest income from financial assets at fair value through other comprehensive income	**(1,160,481,477)**	(915,365,620)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	**(183,934,701)**	(160,969,378)
Net gains on disposal of investment	**(329,902,783)**	(251,009,220)
Operating cash flows before movements in working capital	**10,954,426,164**	5,067,380,382
(Increase)/decrease in receivables from margin clients	**(5,402,373,306)**	4,528,628,700
Increase in accounts receivable, other receivables and prepayments	**(6,852,979,642)**	(2,726,753,528)
Decrease/(increase) in reverse REPOs	**5,251,248,559**	(5,004,233,345)
Increase in financial instruments at fair value through profit or loss	**(39,788,859,553)**	(10,619,210,123)
(Increase)/decrease in cash held on behalf of clients	**(10,553,418,153)**	6,328,630,073
(Increase)/decrease in restricted bank deposits	**(400,882,159)**	305,593,849
Increase in refundable deposits	**(3,012,242,820)**	(704,340,551)
Increase/(decrease) in accounts payable to brokerage clients	**7,019,714,725**	(6,036,229,946)
(Decrease)/increase in REPOs	**(23,930,577,902)**	17,937,809,498
Increase in other liabilities	**39,738,432,988**	2,442,128,629
Cash (used in)/generated from operating activities, before tax	**(26,977,511,099)**	11,519,403,638
Income taxes paid	**(680,321,278)**	(463,310,352)
Net cash (used in)/generated from operating activities	**(27,657,832,377)**	11,056,093,286

Note: From 2019 onwards, the cash flows of financial assets at fair value through other comprehensive income ("FVTOCI") are presented under "Cash flows from investing activities" in the consolidated statement of cash flows. Accordingly, the comparative figures of cash flows of FVTOCI, which were presented under "Cash flows from operating activities" in the prior year, has been reclassified to conform with the current year presentation.

	Year ended 31 December	
	2019	2018 (Restated)
Cash flows from investing activities:		
Receipts from disposal of investments	**45,813,119,051**	34,605,206,672
Investment returns received	**1,005,047,284**	689,602,248
Cash and cash equivalents from acquisition of subsidiaries	**25,251,681**	–
Proceeds from disposal of property, equipment and other assets	**1,752,207**	745,164
Purchase of investments	**(39,902,385,252)**	(53,877,144,126)
Purchase of property, equipment and other assets	**(490,421,396)**	(447,657,156)
Net cash generated from/(used in) investing activities	**6,452,363,575**	(19,029,247,198)
Cash flows from financing activities:		
Proceeds from issuance of beneficiary certificates	**64,479,473,418**	49,066,845,400
Proceeds from issuance of structured notes	**10,350,739,565**	6,416,379,004
Proceeds from issuance of subordinated bonds	**9,500,000,000**	2,500,000,000
Proceeds from issuance of medium-term notes ("MTNS")	**6,734,400,000**	7,152,300,000
Proceeds from corporate bonds issued	**6,500,000,000**	9,500,000,000
Proceeds from issuance of financial bonds	**2,500,000,000**	–
Proceeds from issuance of shares	**2,285,044,020**	2,308,994,642
Capital contribution from non-controlling interests	**–**	1,000,000
Repayment of beneficiary certificates	**(61,273,122,933)**	(46,919,649,400)
Repayment of structured notes	**(5,822,951,719)**	(5,056,301,166)
Repayment of MTNS	**(3,449,400,000)**	(1,769,912,000)
Cash paid for interest	**(3,407,297,145)**	(2,800,781,718)
Repayment of corporate bonds	**(3,224,000,000)**	(3,500,000,000)
Repayment of subordinated bonds	**(2,200,000,000)**	(4,000,000,000)
Dividends paid to shareholders of the Company	**(670,826,859)**	(670,826,859)
Repayment of lease liabilities	**(532,004,072)**	–
Distribution to holders of other equity instruments	**(57,000,000)**	(57,000,000)
Dividends paid to non-controlling interests	**–**	(36,000,000)
Cash outflows associated with other financing activities	**(36,182,940)**	(33,210,310)
Net cash generated from financing activities	**21,676,871,335**	12,101,837,593

Consolidated Statement of Cash Flows

for the year ended 31 December 2019 (Expressed in RMB, unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Restated)
Net increase in cash and cash equivalents		**471,402,533**	4,128,683,681
Cash and cash equivalents at the beginning of the year		**21,954,987,644**	17,412,367,179
Effect of exchange rate		**671,205,079**	413,936,784
Cash and cash equivalents at the end of the year	37	**23,097,595,256**	21,954,987,644
Net cash used in operating activities including:			
Interest received		**5,443,865,416**	5,193,845,327
Interest paid		**(1,887,262,091)**	(1,923,341,141)

The notes on pages 195 to 332 form part of these financial statements.

1. GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the "Company") was established on 25 June 1995 in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC"). On 31 July 1995, it obtained the Business License for Enterprise Legal Person (Qi He Guo Zi No.000599) issued by the State Administration for Industry and Commerce of the PRC.

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9 November 2015.

The Company acquired 100% equity interests of China CICC Wealth Management Securities Company Limited (formerly known as China Investment Securities Company Limited) ("CICC Wealth Management") in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin investment Ltd. ("Huijin") as a consideration of the acquisition. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The Company issued 207,537,059 new H shares to Tencent Mobility Limited in March 2018. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,192,667,868.

The Company completed general mandate of placement and issuance of 176,000,000 new H shares in October 2019. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868.

The Company's unified social credit code is 91110000625909986U, and the registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing, the PRC. As at 31 December 2019, the Company has 23 securities business offices and 7 branches. Please refer to Note 60 for details of subsidiaries of the Company.

The Company and its subsidiaries (together "the Group") are principally engaged in investment banking business, equities business, fixed-income, currency and commodity ("FICC") business, investment management business, wealth management business and other business activities.

(Expressed in RMB, unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	*Leases*
IFRIC 23 (Note)	*Uncertainty over Income Tax Treatments*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*

Note: IFRIC: Interpretations issued by the IFRS Interpretations Committee of the IASB.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

(i) Impacts and changes in accounting policies of application of IFRS 16

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not to apply IFRS 16 to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed, on the date of initial application, whether the contracts, which already existed prior to the date of initial application, were or contained a lease.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease set out in IFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(a) New and Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

(i) Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

(1) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(2) excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application;

(3) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension or termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.80%.

(Expressed in RMB, unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(a) New and Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

(i) Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

As a lessee *(continued)*

	Lease liabilities
Operating lease commitments disclosed as at 31 December 2018	1,499,512,935
Lease liabilities discounted at relevant incremental borrowing rates	1,215,486,474
Add: Extension options reasonably certain to be exercised	360,030,291
Less: Recognition exemption – short-term leases	(20,620,529)
Lease liabilities relating to operating leases recognised upon application of IFRS 16	1,554,896,236
Add: Obligations under finance leases recognised as at 31 December 2018	1,922,057
Lease liabilities as at 1 January 2019	1,556,818,293
Analysed as:	
– Current	461,551,936
– Non current	1,095,266,357
	1,556,818,293

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(a) New and Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

(i) Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

As a lessee *(continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets
Right-of-use assets in relation to operating leases recognised upon application of IFRS 16		1,554,896,236
Reclassified from prepaid lease payments	(1)	1,190,265,456
Amounts included in property and equipment under IAS 17		
– Assets previously under finance leases	(2)	1,743,476
Right-of-use assets as at 1 January 2019		2,746,905,168
Analysed by type:		
– Buildings		1,597,467,973
– Leasehold land		1,147,558,409
– Equipment		1,878,786
		2,746,905,168

(Expressed in RMB, unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(a) New and Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

(i) Impacts and changes in accounting policies of application of IFRS 16 *(continued)*

As a lessee *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
Non-current assets				
Right-of-use assets		–	2,746,905,168	2,746,905,168
Property and equipment	(2)	597,207,220	(1,743,476)	595,463,744
Other non-current assets	(1)	1,813,311,700	(1,147,558,409)	665,753,291
Current assets				
Other current assets	(1)	233,756,299	(42,707,047)	191,049,252
Current liabilities				
Lease liabilities		–	(461,551,936)	(461,551,936)
Other current liabilities		(31,914,725,434)	560,398	(31,914,165,036)
Non-current liabilities				
Lease liabilities		–	(1,095,266,357)	(1,095,266,357)
Other non-current liabilities		(2,078,437,686)	1,361,659	(2,077,076,027)

(1) As at 31 December 2018, the land use rights of RMB1,147,558,409 were recognised as other non-current assets and prepaid rental deposits of RMB42,707,047 were recognised as other current assets. The land use rights represented upfront payments for leasehold in Mainland China. Upon application of IFRS 16, the prepaid lease payments amounting to RMB1,190,265,456 was reclassified to right of-use assets.

(2) In relation to assets previously under finance leases, the Group recategorised the relevant assets which were still under finance leases as at 1 January 2019 with a carrying amount RMB1,743,476 as right-of-use assets.

(3) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on the opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(b) New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts [i]
Amendments to IFRS 3	Definition of a Business [ii]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [iii]
Amendments to IAS 1 and IAS 8	Definition of Material [iv]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform [iv]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current [v]

(i) Effective for annual periods beginning on or after 1 January 2022.

(ii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

(iii) Effective for annual periods beginning on or after a date to be determined.

(iv) Effective for annual periods beginning on or after 1 January 2020.

(v) Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level I, II or III based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level II inputs are inputs, other than quoted prices included within Level I, that are observable for the asset or liability, either directly or indirectly; and

- Level III inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full when preparing the financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between holders of non-controlling interests and shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(ii) Subsidiaries and non-controlling interests *(continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owner of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture. (see Note 3(a)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the Group's other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(iii) Associates and joint ventures *(continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)).

In the Group's consolidated statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(k)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency

(i) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency used to hedge a net investment in a foreign operation that are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value is measured. The exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial assets at fair value through other comprehensive income which are recognised in other comprehensive income.

(ii) Foreign operations

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

(ii) Classification and subsequent measurement

(1) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") (including debt investment and equity investment); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(1) Financial assets *(continued)*

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

On initial recognition of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 34). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(1) Financial assets *(continued)*

Financial assets – Business model assessment (continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – The "SPPI" assessment

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(1) Financial assets *(continued)*

Financial assets – Business model assessment (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets classified as at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. See Note 34(a) for derivatives designated as hedging instruments.
Financial assets classified as at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. For purchased or originated credit-impaired financial assets, the Group recognises interest by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.
Debt investments classified as at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments classified as at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model and recognises loss allowances on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, reverse REPOs, trade and other receivables in accordance with IFRS 15 and loans to associates);

– debt investment measured at FVTOCI; and

– contract assets in accordance with IFRS 15.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group always recognises lifetime ECL for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, and that do not contain a significant financing component in accordance with IFRS 15 (or when the group applies the practical expedient in accordance with IFRS 15). The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instruments or similar financial instruments with the same expected life;
- an actual or expected significant deterioration in the financial instrument's external or internal (if available) credit rating;
- an actual or expected internal credit rating downgrade for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- significant deterioration in the value of the collateral supporting the obligation or the quality of third-party guarantees or credit enhancements;
- an actual or expected significant deterioration in the quality of credit enhancement;
- significant changes in the expected performance and behavior of the borrower.

Irrespective of the outcome of the above assessment, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Depending on the nature of the financial instruments, the Group identifies significant changes in credit risk on individual financial instruments or a group or sub-group of financial instruments. For purpose of determining significant increases in credit risk on a collective basis, the Group groups financial instruments on the basis of shared credit risk characteristics, which may include, past-due status and credit risk ratings.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets *(continued)*

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(2) Impairment of financial assets *(continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the borrower will enter bankruptcy or other financial reorganization;

– the disappearance of an active market for a security because of financial difficulties;

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVTOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off policy

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(ii) Classification and subsequent measurement *(continued)*

(3) Financial liabilities and equity – Classification, subsequent measurement and gains and losses

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(iii) Derecognition *(continued)*

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

In estimating the fair value of a financial asset or financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset or financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(vi) Derivative financial instruments and hedge accounting

(1) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designated as hedging instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

A derivative instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(2) Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(vi) Derivative financial instruments and hedge accounting *(continued)*

(2) Hedge accounting *(continued)*

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

(vi) Derivative financial instruments and hedge accounting *(continued)*

(3) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

(f) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expenses over the life of each agreement using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 3(k)). Property and equipment under construction is stated at cost less impairment losses (Note 3(k)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress.

(ii) Subsequent costs

The subsequent costs including the cost of replacing part of an item of property or equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

	Estimated useful life	Estimated rate of net residual value
Buildings	20 – 35 years	3% – 5%
Office equipment	2 – 5 years	0% – 10%
Furniture and fixtures	3 – 5 years	0% – 10%
Motor vehicles	3 – 5 years	0% – 10%
Leasehold improvements	Benefit period	Nil

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and net residual values are reassessed at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property and equipment *(continued)*

(iv) Gains or losses from the retirement or disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of disposal or retirement.

(h) Leases

(i) Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2(a))

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a))

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the consideration is allocated in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead to account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date (i.e. the date the underlying asset is available for use) and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

(ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a)) *(continued)*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

Right-of-use assets, of which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term, are depreciated from commencement date to the end of the useful life.

Otherwise, a right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

(ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a)) *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a change in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

(ii) The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 2(a)) *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(iii) The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3(q)). Contingent rentals are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leases *(continued)*

(iii) The Group as a lessee (prior to 1 January 2019) *(continued)*

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Taxation

For the purposes of measuring deferred tax arising from the recognition of right-of-use assets and related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. Temporary differences associated with right-of-use assets and lease liabilities are not recognised when the Group initially recognising the assets and liabilities and over the lease terms as a result of applying the initial recognition exemption of deferred tax under IAS 12 *Income Taxes*.

(i) Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 3(k)).

Amortisation of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3(o)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3(e)(ii)(2) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 3(o)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(o)(v)).

(k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of year to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- intangible assets;
- right-of-use assets;
- investments in subsidiaries, associates and joint ventures; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amounts are estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of non-financial assets *(continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the PRC, the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Employee benefits *(continued)*

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit of loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(o) Revenue from contracts with customers and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue from contracts with customers and other income *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Where the contract contains a variable consideration, the Group estimates the amount of consideration which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in IFRS 15 *Revenue from contracts with customers* and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Underwriting and sponsoring fees, financial advisory fees and investment advisory fees

Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.

Depending on the nature of the services and the contract terms, financial advisory fees and investment advisory fees are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue from contracts with customers and other income *(continued)*

(ii) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fee. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(iii) Brokerage commission income

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognised on the trade date basis when the relevant transactions are executed. Commission income from leasing out trading seats is recognised when the related services are rendered.

(iv) Dividend income

Dividend income from investments is recognised when the rights to receive payment have been established.

(v) Interest income

Interest income is recognised in profit or loss by using the effective interest method. For financial assets measured at amortised cost or debt securities measured at FVTOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Expenses recognition

(i) Interest expenses

Interest expenses are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Fee and commission expenses

Fee and commission expenses are charged to profit or loss on an accrual basis.

(iii) Other expenses

Other expenses are recognised on an accrual basis.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss related to the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to settle the current tax assets and the current tax liabilities on a net basis or realise the assets and settle the liabilities simultaneously.

(s) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the year are not recognised as a liability at the end of the year but disclosed separately in the notes to the consolidated financial statements.

(t) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) The entity is controlled or jointly controlled by a person identified in Note 3(u)(i);

(7) A person identified in Note 3(u)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Fair value of financial instruments

As indicated in Note 3(e)(i), financial instruments at fair value is measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(e)(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance indicating that the Group is a principal. The structured entities shall be consolidated if the Group acts in the role of principal.

(c) Impairment of goodwill

The Group assesses the recoverable amount of the goodwill at the end of year and performs impairment test no matter whether there is indication that the unit may be impaired or not.

The recoverable amount of a CGU (or group of CGUs) is the greater of its fair value less costs of disposal and value in use. In assessing the present value of expected future cash flows, significant judgements are exercised over the asset's selling price, related operating revenue and expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related revenue and operating expenses based on reasonable and supportable assumption.

(d) Measurement and recognition of ECLs

The measurement of the expected credit loss allowance for debt instruments investments of financial assets measured at amortised cost and FVTOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of ECL;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

See Note 57(a) for more details on ECL.

(Expressed in RMB, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(e) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

5. TAXATION

(a) Value-added tax ("VAT") and surcharges

The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(b) Income tax

The income tax rate applicable to the Company and its subsidiaries in mainland China is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong special Administrative Region ("Hong Kong SAR") is 16.5%. Taxes of other subsidiaries are charged at the relevant local rates.

6. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2019	2018
Brokerage commission income	**3,878,042,278**	3,323,653,153
Underwriting and sponsoring fees	**3,721,672,193**	2,711,647,800
Asset management fees	**2,001,492,975**	1,779,149,564
Financial advisory fees	**674,668,431**	561,035,561
Investment advisory fees	**424,706,208**	405,860,342
Others	**32,470,179**	39,057,796
Total	**10,733,052,264**	8,820,404,216

The remaining performance obligation is recognised as contract liabilities as at 31 December 2019 and disclosed in Note 47. Except for otherwise stated, there is no significant remaining performance obligation. Therefore, other information associated with the remaining performance obligations is not disclosed.

7. INTEREST INCOME

	Year ended 31 December	
	2019	2018
Interest income from margin financing and securities lending	**1,461,146,778**	1,490,289,580
Interest income from financial institutions	**1,379,020,348**	1,362,563,543
Interest income from financial assets at fair value through other comprehensive income	**1,160,481,477**	915,365,620
Interest income from reverse REPOs	**724,518,298**	797,528,479
Others	**75,021,152**	21,178,090
Total	**4,800,188,053**	4,586,925,312

8. INVESTMENT INCOME

	Year ended 31 December	
	2019	2018
Net gains from disposal of financial assets at fair value through other comprehensive income	**200,589,971**	184,090,116
Net gains/(losses) from financial instruments at fair value through profit or loss	**13,485,522,358**	(2,833,298,755)
Net (losses)/gains from derivative financial instruments	**(6,726,172,403)**	7,190,275,075
Others	**(1,297,126)**	–
Total	**6,958,642,800**	4,541,066,436

9. OTHER INCOME, NET

		Year ended 31 December	
	Notes	**2019**	2018
Tax refunds		**29,738,215**	25,238,271
Government grants	(i)	**104,880,736**	90,757,862
Others	(ii)	**156,008,485**	475,261,763
Total		**290,627,436**	591,257,896

(i) The government grants were received by the Company and its subsidiaries from the local governments where they reside with no condition attached.

(ii) Others are mainly related to gains resulting from foreign exchange rates fluctuation.

(Expressed in RMB, unless otherwise stated)

10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2019	2018
Brokerage commission expenses	**899,443,687**	706,442,451
Underwriting and sponsoring expenses	**148,752,820**	101,326,611
Asset management expenses	**135,078,063**	60,776,082
Investment advisory expenses	**3,056,157**	60,357
Total	**1,186,330,727**	868,605,501

11. INTEREST EXPENSES

	Year ended 31 December	
	2019	2018
Interest expenses on:		
– Corporate bonds	**1,556,628,404**	1,383,773,551
– REPOs	**1,009,619,621**	1,088,111,020
– Subordinated bonds	**819,653,736**	703,127,467
– Placements from financial institutions	**765,511,832**	482,824,966
– MTNs	**465,437,671**	261,143,847
– Beneficiary certificates	**414,869,689**	483,210,914
– Accounts payable to brokerage clients	**164,291,750**	171,114,853
– Structured notes	**137,646,887**	57,964,122
– Lease liabilities	**73,500,946**	–
– Financial bonds	**30,649,315**	–
– Others	**457,703,568**	239,614,274
Total	**5,895,513,419**	4,870,885,014

12. STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, bonus and allowance	**6,469,209,630**	5,072,150,634
Retirement scheme contributions	**285,900,064**	269,056,094
Other social welfare	**324,308,118**	279,882,850
Other benefits	**123,463,742**	116,755,342
Total	**7,202,881,554**	5,737,844,920

The Group is required to participate in pension schemes in mainland China, Hong Kong SAR and other jurisdictions whereby the Group pays annual contributions for its employees at certain rates of wages. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

13. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

	Year ended 31 December 2019				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (ii)	–	1,680,215	9,271,708	50,055	11,001,978
Non-executive Director					
Shen Rujun (iii)	–	–	–	–	–
Zhao Haiying	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David	–	–	–	–	–
Shi Jun	–	–	–	–	–
Cha Mou Daid Johnson	–	–	–	–	–
Independent Non-executive Director					
Edwin Roca Lim	546,920	–	–	–	546,920
Siu Wai Keung	577,270	–	–	–	577,270
Ben Shenglin	517,600	–	–	–	517,600
Liu Li	532,400	–	–	–	532,400
Supervisor					
Gao Tao (iv)	–	–	–	–	–
Liu Haoling	–	–	–	–	–
Jin Lizuo	263,400	–	–	–	263,400
Total	2,437,590	1,680,215	9,271,708	50,055	13,439,568

(Expressed in RMB, unless otherwise stated)

13. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

Directors' and supervisors' remuneration is as follows: *(continued)*

	Year ended 31 December 2018				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (ii)	–	1,651,015	6,365,046	55,312	8,071,373
Non-executive Director					
Zhao Haiying	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David	–	–	–	–	–
Shi Jun	–	–	–	–	–
Cha Mou Daid Johnson	–	–	–	–	–
Independent Non-executive Director					
Edwin Roca Lim	525,000	–	–	–	525,000
Siu Wai Keung	550,200	–	–	–	550,200
Ben Shenglin	517,400	–	–	–	517,400
Liu Li	535,600	–	–	–	535,600
Supervisor					
Gao Tao (iv)	–	–	–	–	–
Liu Haoling	–	–	–	–	–
Jin Lizuo	267,200	–	–	–	267,200
Total	2,395,400	1,651,015	6,365,046	55,312	10,466,773

(i) The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.

(ii) The remuneration of Mr. Bi Mingjian includes the compensation for the services provided by Mr. Bi Mingjian acting as the Chief Executive Officer of the Company.

(iii) Appointed as non-executive Director and Chairman of the Board in August 2019.

(iv) The remuneration of Mr. Gao Tao with the Group in accordance with the employee remuneration system is not included.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in 2019, one is a director whose emoluments are disclosed (see Note 13), none of the five individuals with the highest emoluments in 2018 are directors or supervisors of the Company. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2019	2018
Salaries and other emoluments	**9,808,939**	7,961,426
Discretionary bonuses	**78,390,645**	117,463,622
Retirement scheme contributions	**307,541**	344,510
Total	**88,507,125**	125,769,558

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2019	2018
From RMB16,000,001 to RMB16,500,000	**1**	–
From RMB17,000,001 to RMB17,500,000	**1**	–
From RMB17,500,001 to RMB18,000,000	**1**	–
From RMB18,000,001 to RMB18,500,000	**1**	–
From RMB19,500,001 to RMB20,000,000	**1**	–
From RMB23,500,001 to RMB24,000,000	**–**	2
From RMB24,500,001 to RMB25,000,000	**–**	1
From RMB26,000,001 to RMB26,500,000	**–**	1
From RMB27,500,001 to RMB28,000,000	**–**	1

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

(Expressed in RMB, unless otherwise stated)

15. DEPRECIATION AND AMORTISATION EXPENSES

	Year ended 31 December	
	2019	2018
Depreciation of right-of-use assets	**562,955,633**	–
Depreciation of property and equipment	**258,573,159**	208,712,106
Depreciation of land use right	**–**	31,463,837
Amortisation of intangible assets	**90,250,322**	59,934,073
Others	**1,456,298**	1,792,582
Total	**913,235,412**	301,902,598

16. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2019	2018
Business development expenses	**636,645,423**	607,142,499
Information technology related expenses	**335,173,436**	319,229,759
Travelling and transportation expenses	**325,239,262**	266,254,081
Professional service fees	**152,286,022**	145,448,354
Utilities and maintenance	**78,692,034**	67,794,876
Lease expense	**57,906,991**	602,170,044
Securities Investor Protection Fund	**54,930,738**	51,793,044
Auditors' remuneration	**11,424,141**	11,944,000
Others	**447,032,346**	273,359,242
Total	**2,099,330,393**	2,345,135,899

17. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended 31 December	
	2019	2018
Impairment losses recognised/(reversed) for:		
Accounts receivable and other non-current assets	**187,940,007**	31,617,778
Receivable from margin clients	**18,772,123**	(1,577,236)
Reverse REPOs	**(43,196,309)**	36,561,081
Financial assets at fair value through other comprehensive income	**(3,369,149)**	6,730,579
Cash and bank balances	**(548,841)**	843,966
Total	**159,597,831**	74,176,168

18. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss:

	Year ended 31 December	
	2019	2018
Current tax		
– Mainland China income tax	**612,820,743**	706,466,248
– Hong Kong SAR profits tax	**299,442,863**	166,054,436
Subtotal	**912,263,606**	872,520,684
Deferred tax		
– Origination and reversal of temporary differences	**141,541,246**	(19,793,944)
Total	**1,053,804,852**	852,726,740

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China during the period. Taxes on profits assessable outside Mainland China have been calculated at the applicable tax rates prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation between income tax expenses that would result from applying the PRC statutory income tax rate to the Group's profit before income tax and the income tax expense in the consolidated statement of profit or loss is as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	**5,301,631,682**	4,387,348,353
Income tax calculated at the PRC statutory income tax rate	**1,325,407,921**	1,096,837,088
Effect of non-deductible expenses	**27,452,308**	26,490,774
Effect of non-taxable income	**(223,485,910)**	(122,344,271)
Effect of different applicable tax rates of the subsidiaries	**(186,059,764)**	(128,219,368)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognised this year	**47,346,584**	28,182,384
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	**(30,514,880)**	(17,635,627)
Others	**93,658,593**	(30,584,240)
Total income tax expense	**1,053,804,852**	852,726,740

(Expressed in RMB, unless otherwise stated)

19. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY AND HOLDERS OF OTHER EQUITY INSTRUMENTS

The profit attributable to shareholders of the Company and holders of other equity instruments includes a profit of RMB2,040,628,027 and RMB1,854,269,544 which have been dealt with in the financial statements of the Company in 2019 and 2018, respectively (see Note 59(b)).

20. BASIC EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
Profit attributable to shareholders of the Company and holders of other equity instruments	**4,238,719,317**	3,492,157,669
Interest for holders of perpetual subordinated bonds for the year	**(57,000,000)**	(57,000,000)
Total	**4,181,719,317**	3,435,157,669
Weighted average number of ordinary shares in issue (Note)	**4,222,001,201**	4,140,783,603
Basic earnings per share (in RMB per share)	**0.99**	0.83

Note: In October 2019, the Company issued 176,000,000 new H shares at a price of HKD14.40 per share with par value of RMB1.00. Accordingly, the registered capital and share capital of the Company increased to RMB4,368,667,868.

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

No diluted earnings per share has been presented for the years 2019 and 2018 as the Group had no potential ordinary shares in issue during the periods.

21. PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Adjustment for initial application of IFRS 16	–	(8,740,873)	–	–	–	–	(8,740,873)
As at 1 January 2019	91,329,992	1,309,334,145	92,619,102	62,971,929	763,693,399	5,369,255	2,325,317,822
Acquired on acquisition of a subsidiary	–	437,762	206,550	–	–	–	644,312
Additions and transfer-in	–	227,455,811	20,334,190	283,879	150,983,636	22,172,883	421,230,399
Transfer – out	–	–	–	–	–	(21,027,999)	(21,027,999)
Disposals	–	(60,124,832)	(9,013,786)	(8,517,249)	(111,841,482)	–	(189,497,349)
Effect of changes in foreign exchange rate	–	4,336,268	292,871	13,109	3,227,919	–	7,870,167
As at 31 December 2019	91,329,992	1,481,439,154	104,438,927	54,751,668	806,063,472	6,514,139	2,544,537,352
Accumulated depreciation							
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
Adjustment for initial application of IFRS 16	–	6,997,397	–	–	–	–	6,997,397
As at 1 January 2019	(32,763,304)	(955,608,651)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,729,854,078)
Acquired on acquisition of a subsidiary	–	(251,055)	(106,123)	–	–	–	(357,178)
Additions	(4,360,937)	(162,310,495)	(11,104,681)	(4,437,978)	(76,359,068)	–	(258,573,159)
Disposals	–	56,547,817	7,983,255	6,127,738	110,850,875	–	181,509,685
Effect of changes in exchange rate	–	(3,446,652)	(442,195)	(13,109)	(3,853,946)	–	(7,755,902)
As at 31 December 2019	(37,124,241)	(1,065,069,036)	(72,650,171)	(45,328,010)	(594,859,174)	–	(1,815,030,632)
Carrying amount							
As at 31 December 2019	54,205,751	416,370,118	31,788,756	9,423,658	211,204,298	6,514,139	729,506,720
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220

(Expressed in RMB, unless otherwise stated)

21. PROPERTY AND EQUIPMENT *(continued)*

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
As at 1 January 2018	85,992,204	1,163,675,156	80,584,668	64,896,377	661,324,246	1,800,808	2,058,273,459
Additions and transfer-in	5,337,788	206,569,086	15,885,152	–	102,716,943	10,667,160	341,176,129
Transfer – out	–	–	–	–	–	(7,098,713)	(7,098,713)
Disposals	–	(59,649,451)	(4,308,266)	(1,951,429)	(5,355,290)	–	(71,264,436)
Effect of changes in exchange rates	–	7,480,227	457,548	26,981	5,007,500	–	12,972,256
As at 31 December 2018	91,329,992	1,318,075,018	92,619,102	62,971,929	763,693,399	5,369,255	2,334,058,695
Accumulated depreciation							
As at 1 January 2018	(28,416,967)	(880,161,655)	(65,593,121)	(39,887,369)	(569,280,943)	–	(1,583,340,055)
Additions	(4,346,337)	(132,118,538)	(7,030,711)	(7,459,813)	(57,756,707)	–	(208,712,106)
Disposals	–	53,155,330	4,067,515	369,502	5,191,717	–	62,784,064
Effect of changes in exchange rates	–	(3,481,185)	(424,110)	(26,981)	(3,651,102)	–	(7,583,378)
As at 31 December 2018	(32,763,304)	(962,606,048)	(68,980,427)	(47,004,661)	(625,497,035)	–	(1,736,851,475)
Carrying amount							
As at 31 December 2018	58,566,688	355,468,970	23,638,675	15,967,268	138,196,364	5,369,255	597,207,220
As at 31 December 2017	57,575,237	283,513,501	14,991,547	25,009,008	92,043,303	1,800,808	474,933,404

22. RIGHT-OF-USE ASSETS

	Buildings	Leasehold land	Equipment	Total
Cost				
As at 1 January 2019	1,597,467,973	1,266,558,879	1,878,786	2,865,905,638
Increases	434,674,329	–	899,021	435,573,350
Decreases	(20,356,964)	–	(1,938,443)	(22,295,407)
Effect of changes in foreign exchange rate	12,057,971	–	52,085	12,110,056
As at 31 December 2019	2,023,843,309	1,266,558,879	891,449	3,291,293,637
Accumulated depreciation				
As at 1 January 2019	–	(119,000,470)	–	(119,000,470)
Increases	(529,574,219)	(32,910,658)	(470,756)	(562,955,633)
Decreases	4,047,432	–	140,836	4,188,268
Effect of changes in foreign exchange rate	(9,997,046)	–	(19,885)	(10,016,931)
As at 31 December 2019	(535,523,833)	(151,911,128)	(349,805)	(687,784,766)
Carrying amount				
As at 31 December 2019	1,488,319,476	1,114,647,751	541,644	2,603,508,871
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16				57,906,991
Total cash outflow for leases				670,930,219

(Expressed in RMB, unless otherwise stated)

22. RIGHT-OF-USE ASSETS *(continued)*

(a) Leases committed

As at 31 December 2019, the Group entered into new leases that are not yet commenced, with average non-cancellable period ranged from 1 to 5 years with extension options, the total future undiscounted cash flows under which amounted to RMB46,513,649 over the non-cancellable period.

Details of the lease maturity analysis of lease liabilities are disclosed in Note 57(b).

23. GOODWILL

(a) Changes in goodwill

	Year ended 31 December	
	2019	2018
At the beginning of the year	**1,582,678,646**	1,582,678,646
Additions for the year	**–**	–
Subtotal	**1,582,678,646**	1,582,678,646
Less: Allowance for impairment losses	**–**	–
Carrying amount	**1,582,678,646**	1,582,678,646

Note: The Company acquired CICC Wealth Management in 2017 and paid the consideration amounting to RMB16,700,695,000 as the cost of the acquisition. The difference between the consideration and the fair value of the identifiable net assets attributable to the Company amounted to RMB1,582,678,646 and was recognised as goodwill.

(b) Impairment test

The Company acquired 100% equity interests of CICC Wealth Management in March 2017, aiming to generate long-term benefit of synergy by utilizing strengths in aspects of products, services and distributions across the enlarged group. The Group recognised the portion of consideration in excess of fair value of the identifiable net assets acquired as the goodwill of the CGU of wealth management.

The recoverable amount of the CGU is determined based on the present value of expected future cash flows, which was determined on the financial budgets (including budgeted income and profit margins based on the CGU's past performance and management's expectations for market development) approved by management covering certain period, cash flows beyond certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Pre-tax discount rates used by the Group range from 16% to 17%.

As at 31 December 2019, the Group performed its annual goodwill impairment test. There was no impairment recognised for the goodwill related to the aforesaid CGU since the recoverable amounts were greater than its carrying amount.

24. INTANGIBLE ASSETS

	Securities trading seat rights	Others	Total
Cost			
As at 1 January 2019	163,989,047	363,140,177	527,129,224
Additions	–	103,110,556	103,110,556
Disposal	–	(56,197)	(56,197)
Effect of changes in exchange rates	19,580	34,345	53,925
As at 31 December 2019	164,008,627	466,228,881	630,237,508
Accumulated amortisation			
As at 1 January 2019	(92,406,520)	(162,497,061)	(254,903,581)
Additions	(8,483,824)	(81,766,498)	(90,250,322)
Disposal	–	49,968	49,968
Effect of changes in exchange rates	–	(32,914)	(32,914)
As at 31 December 2019	(100,890,344)	(244,246,505)	(345,136,849)
Carrying amount			
As at 31 December 2019	63,118,283	221,982,376	285,100,659
As at 31 December 2018	71,582,527	200,643,116	272,225,643

(Expressed in RMB, unless otherwise stated)

24. INTANGIBLE ASSETS *(continued)*

	Securities trading seat rights	Others	Total
Cost			
As at 1 January 2018	163,948,747	263,603,732	427,552,479
Additions	–	109,250,314	109,250,314
Disposal	–	(9,804,704)	(9,804,704)
Effect of changes in exchange rates	40,300	90,835	131,135
As at 31 December 2018	163,989,047	363,140,177	527,129,224
Accumulated amortisation			
As at 1 January 2018	(84,445,428)	(115,901,076)	(200,346,504)
Additions	(7,961,092)	(51,972,981)	(59,934,073)
Disposal	–	5,442,150	5,442,150
Effect of changes in exchange rates	–	(65,154)	(65,154)
As at 31 December 2018	(92,406,520)	(162,497,061)	(254,903,581)
Carrying amount			
As at 31 December 2018	71,582,527	200,643,116	272,225,643
As at 31 December 2017	79,503,319	147,702,656	227,205,975

As at 31 December 2019 and 2018, others mainly included computer software used by the Group.

25. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2019	2018
Share of net assets		
– Associates	**624,355,553**	716,557,648
– Joint ventures	**544,121,104**	550,392,940
Total	**1,168,476,657**	1,266,950,588

The following list contains only the particulars of the major associate which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zheshang Jinhui Trust Co., Ltd. ("Zheshang Jinhui") (Note)	Incorporated	Hangzhou, PRC	RMB 1,700,000,000	17.5%	17.5%	–	Trust business

Note: The Company holds 17.5% equity interest of Zheshang Jinhui but has significant influence over Zheshang Jinhui as it can appoint members in Zheshang Jinhui's Board of Directors. Zheshang Jinhui is accounted for as an associate of the Company.

The summary financial information of the Group's major associate and the reconciliation between the financial information of other associates and joint ventures and their carrying amounts in the Group's financial statements are disclosed below:

(a) Zheshang Jinhui

	As at 31 December 2019	2018
Financial information of the associate		
– Assets	**2,501,050,258**	2,970,828,482
– Liabilities	**325,549,983**	898,203,897
– Net assets	**2,175,500,275**	2,072,624,585
– Operating income	**750,962,871**	740,684,327
– Net profit	**105,826,347**	157,378,125
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	**2,175,500,275**	2,072,624,585
Group's effective interest	**17.5%**	17.5%
Group's share of net assets of the associate	**380,712,548**	362,709,302
Carrying amount in the consolidated financial statements	**380,712,548**	362,709,302

(Expressed in RMB, unless otherwise stated)

25. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Aggregate information of other associates and joint ventures:

	As at 31 December	
	2019	2018
Aggregate carrying amount of Group's interests in other associates and joint ventures in the consolidated financial statements	**787,764,109**	904,241,286
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures		
– Profit for the year	**42,399,835**	91,023,512
– Total comprehensive income	**42,296,557**	91,023,512

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analysed by type:

Non-current

	As at 31 December	
	2019	2018
Equity securities	**3,685,728,809**	2,446,425,365
Funds and other investments	**33,878,466**	24,894,332
Total	**3,719,607,275**	2,471,319,697

Current

	As at 31 December	
	2019	2018
Equity securities	**66,003,797,677**	24,746,482,555
Debt securities (Note)	**76,130,839,312**	67,883,079,318
Funds and other investments	**22,337,649,857**	19,684,021,559
Total	**164,472,286,846**	112,313,583,432

Note: As at 31 December 2019, perpetual bonds amounting to RMB14,055,982,894 are included in debt securities (31 December 2018: RMB8,112,238,278).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(b) Analysed by listing status:

Non-current

	As at 31 December	
	2019	2018
Listed		
– Outside Hong Kong, China	**613,851,417**	38,468,152
Unlisted	**3,105,755,858**	2,432,851,545
Total	**3,719,607,275**	2,471,319,697

Current

	As at 31 December	
	2019	2018
Listed		
– In Hong Kong, China	**13,743,433,216**	7,810,781,597
– Outside Hong Kong, China	**127,010,033,129**	89,856,945,279
Unlisted	**23,718,820,501**	14,645,856,556
Total	**164,472,286,846**	112,313,583,432

(Expressed in RMB, unless otherwise stated)

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS")

(a) Analysed by collateral type:

Non-current

	As at 31 December	
	2019	2018
Stocks	**235,314,895**	719,914,040
Accrued interests	**6,374,726**	21,722,422
Less: Allowance for impairment losses	**(81,343)**	(2,565,980)
Total	**241,608,278**	739,070,482

Current

	As at 31 December	
	2019	2018
Stocks	**7,329,305,168**	9,776,785,226
Debt securities	**6,641,075,887**	8,960,245,243
Subtotal	**13,970,381,055**	18,737,030,469
Accrued interests	**117,464,377**	176,135,712
Less: Allowance for impairment losses	**(30,516,797)**	(71,228,469)
Total	**14,057,328,635**	18,841,937,712

(b) Analysed by market:

Non-current

	As at 31 December	
	2019	2018
Over-the-counter market	**176,557,687**	201,228,657
Stock exchanges	**65,050,591**	537,841,825
Total	**241,608,278**	739,070,482

27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS") *(continued)*

(b) Analysed by market: *(continued)*

Current

	As at 31 December	
	2019	2018
Stock exchanges	**13,150,771,156**	15,586,379,259
Over-the-counter market	**646,292,677**	1,100,430,433
Inter-bank market	**260,264,802**	2,155,128,020
Total	**14,057,328,635**	18,841,937,712

The Group received securities as collateral in connection with financial assets under resale agreements. As part of the resale agreements, the Group received securities allowed to be sold or re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

As at 31 December 2019, the Group received collateral amounted to RMB30,327 million (31 December 2018: RMB33,860 million), in connection with financial assets under resale agreements.

Note: Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

28. REFUNDABLE DEPOSITS

	As at 31 December	
	2019	2018
Self-owned refundable deposits	**2,216,126,145**	1,385,531,190
Refundable deposits held on behalf of clients	**4,285,643,372**	2,103,995,507
Subtotal	**6,501,769,517**	3,489,526,697
Accrued interests	**324,337**	409,812
Total	**6,502,093,854**	3,489,936,509

Refundable deposits are mainly placed at stock exchanges and clearing house, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

(Expressed in RMB, unless otherwise stated)

29. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	As at 1 January 2019	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2019		
					Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/ (liabilities) before set-off:							
Staff cost	1,085,463,782	(255,253,554)	–	94,604	830,304,832	830,304,832	–
Deductible tax losses	29,868,168	3,543,610	–	317,970	33,729,748	33,729,748	–
Depreciation and amortisation	(22,681,482)	(7,542,853)	–	51,176	(30,173,159)	–	(30,173,159)
Changes in fair values of financial instruments at fair value through profit or loss	(216,202,730)	134,633,916	–	3,510,228	(78,058,586)	–	(78,058,586)
Changes in fair values of financial assets at fair value through other comprehensive income	(35,189,455)	–	(16,773,661)	(1,475,852)	(53,438,968)	–	(53,438,968)
Fair value adjustment arising from acquisition of a subsidiary	(182,718,694)	7,725,185	–	–	(174,993,509)	–	(174,993,509)
Others	227,592,044	(24,647,550)	377,587	(2,135,884)	201,186,197	201,186,197	–
Subtotal	886,131,633	(141,541,246)	(16,396,074)	362,242	728,556,555	1,065,220,777	(336,664,222)
Set off						24,724,955	(24,724,955)
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position						1,089,945,732	(361,389,177)

29. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(a) Deferred tax assets and liabilities recognised *(continued)*

	As at 31 December 2017	Adjustment on initial application of IFRS 9	As at 1 January 2018	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Exchange differences (Note)	As at 31 December 2018		
							Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:									
Staff cost	1,161,806,337	–	1,161,806,337	(76,722,973)	–	380,418	1,085,463,782	1,085,463,782	–
Deductible tax losses	21,874,486	–	21,874,486	7,042,446	–	951,236	29,868,168	29,868,168	–
Depreciation and amortisation	4,422,309	–	4,422,309	(27,110,316)	–	6,525	(22,681,482)	–	(22,681,482)
Changes in fair values of financial instruments at fair value through profit or loss	(249,930,662)	(22,715,731)	(272,646,393)	56,849,881	–	(406,218)	(216,202,730)	–	(216,202,730)
Changes in fair values of available-for-sale financial assets	10,918,153	(10,918,153)	–	–	–	–	–	–	–
Changes in fair values of financial assets at fair value through other comprehensive income	–	33,639,707	33,639,707	–	(68,829,162)	–	(35,189,455)	–	(35,189,455)
Fair value adjustment arising from acquisition of a subsidiary	(191,661,156)	–	(191,661,156)	8,942,462	–	–	(182,718,694)	–	(182,718,694)
Others	166,946,763	10,821,787	177,768,550	50,792,444	(1,130,442)	161,492	227,592,044	227,592,044	–
Subtotal	924,376,230	10,827,610	935,203,840	19,793,944	(69,959,604)	1,093,453	886,131,633	1,342,923,994	(456,792,361)
Set off								(185,926,267)	185,926,267
Deferred tax assets/(liabilities) recognised in the consolidated statement of financial position								1,156,997,727	(270,866,094)

Note: Exchange differences represent foreign currency translation difference of financial statements of overseas subsidiaries.

(Expressed in RMB, unless otherwise stated)

29. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of deductible temporary differences and cumulative tax losses amounted to RMB265 million and RMB230 million as at 31 December 2019 and 2018, respectively.

Deferred tax assets not recognised in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognised only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilised may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

30. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2019	2018
Rental and other deposits	**149,502,348**	139,676,337
Land use rights	–	1,147,558,409
Others	**1,182,702,966**	535,918,287
Subtotal	**1,332,205,314**	1,823,153,033
Less: Allowance for impairment losses	**(16,605,515)**	(9,841,333)
Total	**1,315,599,799**	1,813,311,700

31. ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	As at 31 December	
	2019	2018
Trade receivable (Note)	**15,311,390,897**	9,450,000,604
Asset management fees receivable	**1,440,190,809**	1,030,013,910
Underwriting and advisory fees receivable	**1,105,783,772**	685,158,179
Trading seat rental fees receivable	**137,142,963**	110,770,523
Others	**115,351,950**	157,307,244
Subtotal	**18,109,860,391**	11,433,250,460
Less: Allowance for impairment losses	**(233,301,015)**	(64,488,653)
Total	**17,876,559,376**	11,368,761,807

Note: Trade receivable mainly consisted of receivables from exchanges and brokers for trade settlements and from counterparties of derivative trading and deposits for securities lending.

(b) Analysed by aging:

	As at 31 December 2019			
	Gross amount		Allowance for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	**17,173,548,745**	**94.83%**	**(117,707,701)**	**50.45%**
1 – 2 years (inclusive)	**494,208,241**	**2.73%**	**(65,141,935)**	**27.92%**
2 – 3 years (inclusive)	**198,795,635**	**1.10%**	**(23,087,909)**	**9.90%**
More than 3 years	**243,307,770**	**1.34%**	**(27,363,470)**	**11.73%**
Total	**18,109,860,391**	**100.00%**	**(233,301,015)**	**100.00%**

	As at 31 December 2018			
	Gross amount		Allowance for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	10,665,767,987	93.29%	(38,448,699)	59.62%
1 – 2 years (inclusive)	421,694,811	3.69%	(1,687,683)	2.62%
2 – 3 years (inclusive)	134,463,054	1.18%	(528,676)	0.82%
More than 3 years	211,324,608	1.84%	(23,823,595)	36.94%
Total	11,433,250,460	100.00%	(64,488,653)	100.00%

Note: Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

(Expressed in RMB, unless otherwise stated)

32. RECEIVABLE FROM MARGIN CLIENTS

(a) Analysed by nature:

	As at 31 December	
	2019	2018
Individuals	**20,190,212,792**	15,992,254,837
Institutions	**2,556,491,253**	1,364,577,500
Subtotal	**22,746,704,045**	17,356,832,337
Accrued interests	**486,198,955**	383,309,440
Less: Allowance for impairment losses	**(42,952,110)**	(23,931,810)
Total	**23,189,950,890**	17,716,209,967

As at 31 December 2019, the principal amount of receivable from margin clients that the Group transferred to the securitisation vehicle amounted to RMB2.00 billion (31 December 2018: RMB2.00 billion). The securitisation vehicle issued asset-backed securities to investors with the receivable from margin clients as the underlying assets, of which all subordinated tranche were held by the Group.

(b) Analysed by fair value of collaterals:

	As at 31 December	
	2019	2018
Stocks	**65,923,431,986**	40,535,814,487
Cash	**2,191,069,017**	1,069,744,805
Funds	**312,290,301**	226,341,434
Debt securities	**69,326,087**	33,822,536
Total	**68,496,117,391**	41,865,723,262

Note: Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Analysed by type:

	As at 31 December	
	2019	2018
At fair value		
– Debt securities	**28,985,823,339**	35,699,665,877

(b) Analysed by listing status:

	As at 31 December	
	2019	2018
Listed		
– In Hong Kong, China	**2,913,953,460**	3,089,749,567
– Outside Hong Kong, China	**26,062,869,879**	32,609,916,310
Unlisted	**9,000,000**	–
Total	**28,985,823,339**	35,699,665,877

Note : Details of the analysis of the movement of allowance for impairment losses are disclosed in Note 57(a).

(Expressed in RMB, unless otherwise stated)

34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	As at 31 December 2019		
		Fair value	
	Notional amount	Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	**24,640,000,000**	**288,002,265**	**–**
Non-hedging instruments			
– Interest rate contracts	**70,954,087,992**	**270,908,718**	**(326,465,411)**
– Currency contracts	**38,246,090,870**	**209,882,716**	**(351,243,297)**
– Equity contracts	**120,463,872,756**	**3,237,022,236**	**(5,302,698,832)**
– Credit contracts	**740,682,000**	**2,283,489**	**(13,182,890)**
– Other contracts (Note)	**22,904,072,395**	**555,934,539**	**(370,985,627)**
Total	**277,948,806,013**	**4,564,033,963**	**(6,364,576,057)**
Less: Settlement		**(61,829,705)**	**2,384,056**
Net position		**4,502,204,258**	**(6,362,192,001)**

	As at 31 December 2018		
		Fair value	
	Notional amount	Assets	Liabilities
Hedging instruments (a)			
– Interest rate contracts	26,100,000,000	491,128,609	–
Non-hedging instruments			
– Interest rate contracts	56,217,846,128	336,424,488	(427,536,439)
– Currency contracts	19,241,583,018	99,619,314	(106,023,948)
– Equity contracts	76,343,769,429	4,416,901,451	(2,728,859,874)
– Credit contracts	1,247,017,363	5,872,825	(9,888,657)
– Other contracts (Note)	12,361,224,344	182,596,498	(188,281,339)
Total	191,511,440,282	5,532,543,185	(3,460,590,257)
Less: Settlement		(3,007,037)	79,380,388
Net position		5,529,536,148	(3,381,209,869)

Note: Other derivatives mainly include commodity options and commodity futures, etc.

34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

The notional amount of derivative financial instruments represents the volume of transactions that has not been completed but does not reflect the risk undertaken by the Group.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures in Mainland China are settled daily and the corresponding receipts and payments are reflected in "Deposits with clearing houses". Accordingly, the Group did not hold any net position of the above contracts at 31 December 2019 (31 December 2018: Nil).

As at 31 December 2019, the positive fair value of the unexpired commodity futures contracts and stock index futures contracts held by the Group is RMB61,829,705 (31 December 2018: the positive fair value of the unexpired commodity futures contracts and treasury bond futures contracts held by the Group is RMB3,007,037); the negative fair value of the unexpired treasury bond futures contract held by the Group is RMB2,384,056 (31 December 2018: the negative fair value of the unexpired stock index futures held by the Group is RMB79,380,388).

(a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest rate risk of corporate bonds and subordinated bonds issued.

The (losses)/gains of the hedging instruments and hedged items are presented as follows:

	As at 31 December	
	2019	2018
(Losses)/gains arising from fair value hedges, net:		
– Interest rate contracts	**(105,770,742)**	620,064,733
– Hedged items attributable to the hedged risk	**159,362,265**	(585,065,745)
Total	**53,591,523**	34,998,988

(Expressed in RMB, unless otherwise stated)

34. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

(a) Hedging instruments *(continued)*

The notional amounts with remaining life of the designated as hedging instruments in fair value hedges are presented as follows:

	As at 31 December 2019			
	Less than 6 months	6 months to 12 months	More than 12 months	Total
Hedging instruments-interest rate contracts	**6,450,000,000**	**8,600,000,000**	**9,590,000,000**	**24,640,000,000**

	As at 31 December 2018			
	Less than 6 months	6 months to 12 months	More than 12 months	Total
Hedging instruments-interest rate contracts	–	–	26,100,000,000	26,100,000,000

Details of the Group's hedged risk exposure in fair value hedges are set out below:

	As at 31 December	
Bonds Payable	**2019**	2018
Carrying amount of hedged items	**25,395,517,892**	27,223,526,149
Including: Accumulated adjustments to the fair value of hedged items	**376,385,675**	539,674,670

35. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified their brokerage clients' monies as cash held on behalf of clients under the current assets of the consolidated statement of financial position and recognised the corresponding accounts payable to brokerage clients on the grounds that the Group is liable for any misappropriation of their clients' monies. In Mainland China, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong SAR, clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

36. CASH AND BANK BALANCES

	As at 31 December	
	2019	2018
Cash on hand	**227,924**	245,730
Deposits with banks	**20,448,205,535**	20,120,201,092
Deposits with clearing houses	**3,463,005,629**	2,247,502,495
Subtotal	**23,911,439,088**	22,367,949,317
Accrued interests	**47,784,140**	57,382,787
Less: Allowance for impairment losses	**(294,558)**	(843,942)
Total	**23,958,928,670**	22,424,488,162

37. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2019	2018
Cash on hand	**227,924**	245,730
Deposits with banks	**20,448,205,535**	20,120,201,092
Deposits with clearing houses	**3,463,005,629**	2,247,502,495
Subtotal	**23,911,439,088**	22,367,949,317
Less: Restricted bank deposits	**(813,843,832)**	(412,961,673)
Total	**23,097,595,256**	21,954,987,644

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

(Expressed in RMB, unless otherwise stated)

37. CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of liabilities arising from financing activities:

	As at 1 January 2019	Cash flows	Non-cash changes: (Transferred out)/ transferred in	Non-cash changes: Interests, amortisation and effect of changes in foreign exchange rate	Fair value changes	As at 31 December 2019
Short-term debt securities issued	14,061,377,785	6,576,381,766	-	602,575,318	-	21,240,334,869
Long-term debt securities issued due within one year	12,993,890,883	(10,354,722,972)	18,064,283,956	1,213,030,343	(110,396,534)	21,806,085,676
Long-term debt securities issued	48,998,790,985	24,637,441,402	(18,064,283,956)	2,064,066,909	(50,746,626)	57,585,268,714
Total liabilities arising from financing activities	76,054,059,653	20,859,100,196	–	3,879,672,570	(161,143,160)	100,631,689,259

	As at 1 January 2018	Cash flows	Non-cash changes: (Transferred out)/ transferred in	Non-cash changes: Interests, amortisation and effect of changes in foreign exchange rate	Fair value changes	As at 31 December 2018
Short-term debt securities issued	10,626,880,896	2,990,917,949	(19,799,121)	463,378,061	–	14,061,377,785
Long-term debt securities issued due within one year	5,098,498,424	(5,225,699,493)	12,923,176,966	197,914,986	–	12,993,890,883
Long-term debt securities issued	44,835,943,007	12,897,400,343	(12,903,377,845)	3,583,759,735	585,065,745	48,998,790,985
Total liabilities arising from financing activities	60,561,322,327	10,662,618,799	–	4,245,052,782	585,065,745	76,054,059,653

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	**3,067,219,649**	**20,673,051,510**	**23,740,271,159**
Debt securities	**833,356,562**	**1,963,383,218**	**2,796,739,780**
Funds and others	**33,307,915**	**–**	**33,307,915**
Total	**3,933,884,126**	**22,636,434,728**	**26,570,318,854**

	As at 31 December 2018		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity securities	3,324,981,139	8,773,289,241	12,098,270,380
Debt securities	918,861,787	2,077,116,104	2,995,977,891
Total	4,243,842,926	10,850,405,345	15,094,248,271

Note (1): As at 31 December 2019, there were no significant fair value changes related to the changes in the credit risk of the Group.

Note (2): The Group's financial liabilities designated at fair value through profit or loss are mainly are equity instruments, and their balance/gain and loss is linked to stock, index and etc.

(Expressed in RMB, unless otherwise stated)

39. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December	
	2019	2018
Clients' deposits for brokerage trading	**43,942,755,339**	37,472,041,393
Clients' deposits for margin financing and securities lending	**4,387,247,232**	3,838,246,453
Subtotal	**48,330,002,571**	41,310,287,846
Accrued interests	**7,869,600**	7,616,280
Total	**48,337,872,171**	41,317,904,126

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

40. PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analysed by funding source:

	As at 31 December	
	2019	2018
Placements from banks	**21,025,216,615**	7,487,696,864
Placements from China Securities Finance Co., Ltd	**1,800,000,000**	–
Others	**1,000,000,000**	1,000,000,000
Subtotal	**23,825,216,615**	8,487,696,864
Accrued interests	**257,165,515**	46,107,008
Total	**24,082,382,130**	8,533,803,872

40. PLACEMENTS FROM FINANCIAL INSTITUTIONS *(continued)*

(b) Analysed by residual maturity:

	As at 31 December			
	2019		2018	
	Book value	Range of interest rate	Book value	Range of interest rate
Within 1 month (inclusive)	**15,439,958,880**	**1.90% – 4.68%**	5,640,939,681	2.86% – 9.00%
1 – 3 months (inclusive)	**3,238,835,702**	**2.82% – 3.65%**	746,378,339	4.85% – 5.00%
3 months – 1 year (inclusive)	**5,403,587,548**	**2.96% – 3.44%**	2,146,485,852	4.40% – 5.00%
Total	**24,082,382,130**		8,533,803,872	

41. SHORT-TERM DEBT SECURITIES ISSUED

		As at 31 December	
	Notes	2019	2018
Beneficiary certificates	(a)	**14,502,136,485**	12,028,986,000
Notes payable	(b)	**6,581,778,922**	1,944,854,059
Subtotal		**21,083,915,407**	13,973,840,059
Accrued interests:			
Beneficiary certificates		**88,681,587**	60,997,604
Notes payable		**67,737,875**	26,540,122
Total		**21,240,334,869**	14,061,377,785

(Expressed in RMB, unless otherwise stated)

41. SHORT-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 31 December 2019
0.00% – 10.30%	**12,089,983,604**	**62,644,473,418**	**27,683,983**	**(60,171,322,933)**	**–**	**14,590,818,072**

Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Transferred out	Book value as at 31 December 2018
0.00% – 8.10%	8,824,880,000	48,566,845,400	62,996,725	(45,344,939,400)	(19,799,121)	12,089,983,604

The Group has issued beneficiary certificates bearing nominal interest with:

– fixed rates, ranging from 0.30% to 8.10% per annum;

– a fixed rate plus a floating rate; or

– a floating rate.

The floating interest rate is calculated based on Shanghai & Shenzhen 300 Index, China Securities Index (CSI) 500 and other indexes, individual stocks, prices of commodity products or USD index.

Beneficiary certificates issued by the Group are for maturities of 4 days to 733 days.

41. SHORT-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Notes payable:

Name	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
Structured notes (iii)	**1,971,394,181**	**10,350,739,565**	**41,197,753**	**(5,822,951,719)**	**109,137,017**	**6,649,516,797**

Name	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
MTN (i)	1,110,814,000	–	–	(1,079,262,000)	(31,552,000)	–
MTN (ii)	–	628,820,000	–	(690,650,000)	61,830,000	–
Structured notes (iii)	691,186,896	6,416,379,004	26,540,122	(5,056,301,166)	(106,410,675)	1,971,394,181
Total	1,802,000,896	7,045,199,004	26,540,122	(6,826,213,166)	(76,132,675)	1,971,394,181

(i) The interest commencement date and maturity date of the notes were 15 November 2017 and 15 May 2018 respectively. The principal of the notes amounted to USD170 million. The Group has redeemed the notes on 15 May 2018.

(ii) The interest commencement date and maturity date of the notes were 7 February 2018 and 7 November 2018 respectively. The principal of the notes amounted to USD100 million. The Group has redeemed the notes on 7 November 2018.

(iii) The notes were issued bearing nominal interest rates ranging from 0.00% to 4.85% per annum. The notes are for maturities of 11 days to 365 days.

(Expressed in RMB, unless otherwise stated)

42. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS ("REPOS")

(a) Analysed by collateral type:

	As at 31 December	
	2019	2018
Debt securities	**17,549,727,759**	45,485,445,768
Others	**7,111,147,291**	3,106,007,184
Subtotal	**24,660,875,050**	48,591,452,952
Accrued interests	**47,382,181**	59,303,370
Total	**24,708,257,231**	48,650,756,322

(b) Analysed by market:

	As at 31 December	
	2019	2018
Over-the-counter market	**10,222,810,051**	6,877,406,326
Stock exchanges	**6,312,160,573**	13,127,726,502
Inter-bank market	**8,173,286,607**	28,645,623,494
Total	**24,708,257,231**	48,650,756,322

As at 31 December 2019, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB27,942 million (31 December 2018: RMB46,455 million).

43. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2019	2018
Non-current		
Salaries, bonus and allowances	**636,478,779**	834,544,875
Current		
Salaries, bonus and allowances	**4,777,540,462**	3,878,491,126
Retirement scheme contribution	**13,313,025**	13,110,032
Other social welfare	**30,428,775**	24,867,844
Others	**22,150,764**	22,385,637
Subtotal	**4,843,433,026**	3,938,854,639
Total	**5,479,911,805**	4,773,399,514

44. OTHER CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Trade payable (Note 1)	**43,701,363,379**	26,440,618,642
Payables to the investors of consolidated structured entities (Note 2)	**5,083,484,895**	3,432,346,183
Accounts payable to underwriting clients	**4,477,482,000**	–
Accrued expenses	**570,545,312**	571,996,456
Sundry tax payable	**557,257,075**	723,423,784
Others (Note 3)	**2,567,002,962**	746,340,369
Total	**56,957,135,623**	31,914,725,434

Note 1: Trade payable mainly included deposits received in relation to derivative trading.

Note 2: For each reporting period, the consolidation scope of structured entities varies due to the addition and liquidation of the consolidated structured entities, and changes in the interests therein.

Note 3: Others mainly include the payment amounted to RMB1.9 billion that the Group was obligated to make to other investors regarding the securitisation vehicle (see Note 32(a)), which was disclosed as other non-current liabilities (see Note 48) as at 31 December 2018. The mature date of the securitisation vehicle is 21 November 2020.

(Expressed in RMB, unless otherwise stated)

45. LONG-TERM DEBT SECURITIES ISSUED

	Notes	As at 31 December 2019	2018
Due within one year			
– Beneficiary certificates	(a)	**1,251,000,000**	1,117,800,000
– Subordinated bonds	(b)	**999,902,118**	2,198,656,584
– Corporate bonds	(c)	**19,135,896,495**	6,100,000,000
– Notes payable	(d)	**–**	3,428,336,856
Subtotal		**21,386,798,613**	12,844,793,440
Due after one year			
– Beneficiary certificates	(a)	**1,000,000,000**	400,000,000
– Subordinated bonds	(b)	**21,053,581,502**	12,579,474,786
– Corporate bonds	(c)	**18,362,873,397**	28,256,578,851
– Notes payable	(d)	**13,915,473,546**	6,842,394,391
– Financial bonds	(e)	**2,500,000,000**	–
Subtotal		**56,831,928,445**	48,078,448,028
Accrued interests:			
– Beneficiary certificates		**48,034,692**	88,058,806
– Subordinated bonds		**354,549,037**	238,674,537
– Corporate bonds		**675,145,404**	696,792,828
– Notes payable		**64,248,884**	45,914,229
– Financial bonds		**30,649,315**	–
Subtotal		**1,172,627,332**	1,069,440,400
Total		**79,391,354,390**	61,992,681,868
Fair value		**80,280,847,248**	62,408,122,791

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Beneficiary certificates:

Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Transferred in	Redemption	Book value as at 31 December 2019
0.00% – 10.25%	**1,605,858,806**	**1,835,000,000**	**(40,024,114)**	**–**	**(1,101,800,000)**	**2,299,034,692**

Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Transferred in	redemption	Book value as at 31 December 2018
0.00% – 8.00%	2,633,021,155	500,000,000	27,748,530	19,799,121	(1,574,710,000)	1,605,858,806

The Group has issued beneficiary certificates bearing nominal interest with:

- fixed rates, ranging from 3.40% to 6.45% per annum;
- a fixed rate plus a floating rate; or
- a floating rate.

The floating interest rate is calculated based on the index market or the credit situation of certain assets. An investor put or issuer call is applicable on certain beneficiary certificates.

The beneficiary certificates are for maturities of 1 year to 3 years.

(Expressed in RMB, unless otherwise stated)

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,406,855,890	–	–	–	–	3,406,855,890
16 CICC Futures (iii)	16/12/2016	16/12/2024	Annually	1st – 5th year, 5.00%; 6th – 8th year, 8.00%	100,219,178	–	–	–	–	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	642,495,998	–	(5,641,929)	–	(4,179,169)	632,674,900
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,578,638,729	–	(11,495,672)	–	(7,752,508)	1,559,390,549
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,566,077,566	–	(14,668,115)	–	(11,016,338)	1,540,393,113
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	1,067,546,988	–	(6,180,844)	–	(2,562,770)	1,058,803,374
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	1,534,886,625	–	(3,872,002)	–	(1,808,309)	1,529,206,314
19 CICC C1	19/04/2019	19/04/2022	Annually	4.20%	–	1,500,000,000	44,186,301	–	–	1,544,186,301
19 CICC C3	14/10/2019	14/10/2024	Annually	4.09%	–	1,500,000,000	12,942,329	–	–	1,512,942,329
19 CICC C4	11/11/2019	11/11/2024	Annually	4.12%	–	1,500,000,000	8,296,438	–	–	1,508,296,438
19 CICC C5	05/12/2019	05/12/2024	Annually	4.20%	–	2,000,000,000	5,753,425	–	–	2,005,753,425
16 CISC 01 (iv)	07/12/2016	07/12/2019	Annually	4.00%	2,204,683,981	–	(6,027,397)	(2,200,000,000)	1,343,416	–
17 CISC 01	23/02/2017	23/02/2020	Annually	4.85%	1,040,704,314	–	–	–	655,339	1,041,359,653
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,874,696,638	–	–	–	672,589	1,875,369,227
19 CISC C1	25/04/2019	25/04/2022	Annually	4.50%	–	3,000,000,000	92,581,966	–	–	3,092,581,966
Total					15,016,805,907	9,500,000,000	115,874,500	(2,200,000,000)	(24,647,750)	22,408,032,657

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds: *(continued)*

Name	Interest commence-ment date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
15 CICC C1 (i)	29/05/2015	29/05/2021	Annually	1^{st} – 3^{rd} year, 5.25%; 4^{th} – 6^{th} year,8.25%	2,000,000,000	–	–	(2,000,000,000)	–	–
16 CICC C1 (ii)	21/07/2016	21/07/2021	Annually	1^{st} – 2^{nd} year, 3.25%; 3^{rd} – 5^{th} year, 6.25%	2,000,000,000	–	–	(2,000,000,000)	–	–
16 CICC C2	15/12/2016	15/12/2021	Annually	4.60%	3,400,000,000	–	6,855,890	–	–	3,406,855,890
16 CICC Futures (iii)	16/12/2016	16/12/2024	Annually	1^{st} – 5^{th} year, 5.00%; 6^{th} – 8^{th} year, 8.00%	100,000,000	–	219,178	–	–	100,219,178
17 CICC C1	22/05/2017	22/05/2022	Annually	5.39%	601,136,664	–	16,058,086	–	25,301,248	642,495,998
17 CICC C2	24/07/2017	24/07/2022	Annually	4.98%	1,480,139,603	–	30,183,697	–	68,315,429	1,578,638,729
17 CICC C3	16/11/2017	16/11/2022	Annually	5.50%	1,500,000,000	–	2,054,888	–	64,022,678	1,566,077,566
18 CICC C1	20/04/2018	20/04/2023	Annually	5.30%	–	1,000,000,000	34,935,674	–	32,611,314	1,067,546,988
18 CICC C2	29/08/2018	29/08/2021	Annually	4.70%	–	1,500,000,000	23,950,685	–	10,935,940	1,534,886,625
16 CISC 01 (iv)	07/12/2016	07/12/2019	Annually	4.00%	2,197,269,866	–	6,027,397	–	1,386,718	2,204,683,981
17 CISC 01	23/02/2017	23/02/2020	Annually	4.85%	998,622,825	–	41,457,535	–	623,954	1,040,704,314
17 CISC 02	23/02/2017	23/02/2022	Annually	5.00%	1,797,125,551	–	76,931,507	–	639,580	1,874,696,638
Total					16,074,294,509	2,500,000,000	238,674,537	(4,000,000,000)	203,836,861	15,016,805,907

(i) The Company has redeemed the bonds on 29 May 2018.

(ii) The Company has redeemed the bonds on 23 July 2018.

(iii) CICC Futures Co., Ltd. ("CICC Futures") has an option to redeem the bonds on 16 December 2021.

(iv) CICC Wealth Management has redeemed the bonds on 9 December 2019.

(Expressed in RMB, unless otherwise stated)

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds:

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	3.58%	3,041,040,822	–	5,785,186	(124,000,000)	–	2,922,826,008
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,015,052,877	–	–	–	–	1,015,052,877
16 CICC 03 (iii)	27/10/2016	27/10/2021	Annually	2.95%	1,105,867,671	–	(5,867,671)	(1,100,000,000)	–	–
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	905,093,753	–	–	–	–	905,093,753
16 CICC 05 (vi)	26/12/2016	26/12/2019	Annually	4.50%	2,001,232,877	–	(1,232,877)	(2,000,000,000)	–	–
17 CICC 01	20/01/2017	20/01/2020	Annually	4.35%	4,208,384,842	–	(18,749,670)	–	(23,948,519)	4,165,686,653
17 CICC 02	08/05/2017	08/05/2020	Annually	4.97%	1,048,723,409	–	(4,359,391)	–	(11,867,086)	1,032,496,932
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,074,650,503	–	(9,890,186)	–	(9,358,161)	1,055,402,156
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	2,069,448,958	–	(10,236,244)	–	(16,589,178)	2,042,623,536
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,050,793,969	–	(13,625,576)	–	(18,018,097)	2,019,150,296
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,553,722,772	–	(18,368,472)	–	(22,601,548)	2,512,752,752
18 CICC 01	26/01/2018	26/01/2020	Annually	5.58%	1,065,390,775	–	(5,525,618)	–	(7,619,725)	1,052,245,432
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	1,077,396,945	–	(7,678,786)	–	(7,573,900)	1,062,144,259
18 CICC 03	24/04/2018	24/04/2020	Annually	4.80%	522,384,546	–	(2,072,183)	–	(3,255,212)	517,057,151
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	1,051,641,949	–	(5,853,981)	–	(4,184,734)	1,041,603,234
18 CICC 05	28/06/2018	28/06/2020	Annually	5.20%	1,033,134,856	–	(2,831,105)	–	(2,693,790)	1,027,609,961
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	1,038,182,162	–	(3,669,400)	–	(2,310,735)	1,032,202,027
19 CICC 04	21/11/2019	21/11/2025	Annually	3.52%	–	1,500,000,000	5,786,301	–	–	1,505,786,301
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,067,943,835	–	(185,639)	–	–	3,067,758,196
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,023,334,247	–	(63,755)	–	–	1,023,270,492
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	1,046,152,966	–	(126,491)	–	61,858	1,046,088,333
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	2,040,024,557	–	(4,011,525)	–	(3,616,445)	2,032,396,587
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	1,013,772,388	–	(38,100)	–	60,574	1,013,794,862
19 CISC 01	22/04/2019	22/04/2022	Annually	4.22%	–	2,000,000,000	58,572,678	–	(294,261)	2,058,278,417
19 CICC WMS 01	16/10/2019	16/10/2024	Annually	3.58%	–	3,000,000,000	22,595,081	–	–	3,022,595,081
Total					35,053,371,679	6,500,000,000	(21,647,424)	(3,224,000,000)	(133,808,959)	38,173,915,296

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

Name	Interest commencement date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
16 CICC 01 (i)	18/07/2016	18/07/2021	Annually	2.99%	3,000,000,000	–	41,040,822	–	–	3,041,040,822
16 CICC 02 (ii)	18/07/2016	18/07/2023	Annually	3.29%	1,000,000,000	–	15,052,877	–	–	1,015,052,877
16 CICC 03 (iii)	27/10/2016	27/10/2021	Annually	2.95%	1,100,000,000	–	5,867,671	–	–	1,105,867,671
16 CICC 04 (iv)	27/10/2016	27/10/2023	Annually	3.13%	900,000,000	–	5,093,753	–	–	905,093,753
16 CICC 05 (vi)	26/12/2016	26/12/2019	Annually	4.50%	2,000,000,000	–	1,232,877	–	–	2,001,232,877
17 CICC 01	20/01/2017	20/01/2020	Annually	4.35%	3,974,367,918	–	155,115,334	–	78,901,590	4,208,384,842
17 CICC 02	08/05/2017	08/05/2020	Annually	4.97%	1,005,797,807	–	24,141,961	–	18,783,641	1,048,723,409
17 CICC 03	08/05/2017	08/05/2022	Annually	5.19%	1,007,657,164	–	25,868,186	–	41,125,153	1,074,650,503
17 CICC 04	27/07/2017	27/07/2020	Annually	4.78%	1,985,509,769	–	35,137,174	–	48,802,015	2,069,448,958
17 CICC 05	20/10/2017	20/10/2020	Annually	5.13%	2,000,000,000	–	12,048,542	–	38,745,427	2,050,793,969
17 CICC 06	21/11/2017	21/11/2020	Annually	5.45%	2,500,000,000	–	901,662	–	52,821,110	2,553,722,772
18 CICC 01	26/01/2018	26/01/2020	Annually	5.58%	–	1,000,000,000	46,038,946	–	19,351,829	1,065,390,775
18 CICC 02	26/01/2018	26/01/2021	Annually	5.70%	–	1,000,000,000	47,561,580	–	29,835,365	1,077,396,945
18 CICC 03	24/04/2018	24/04/2020	Annually	4.80%	–	500,000,000	15,648,608	–	6,735,938	522,384,546
18 CICC 04	24/04/2018	24/04/2021	Annually	4.94%	–	1,000,000,000	31,538,620	–	20,103,329	1,051,641,949
18 CICC 05	28/06/2018	28/06/2020	Annually	5.20%	–	1,000,000,000	25,834,744	–	7,300,112	1,033,134,856
18 CICC 06	28/06/2018	28/06/2021	Annually	5.30%	–	1,000,000,000	26,115,223	–	12,066,939	1,038,182,162
15 CISC G1 (v)	24/07/2015	24/07/2018	Annually	3.62%	3,497,797,815	–	–	(3,500,000,000)	2,202,185	–
17 CISC F1	18/07/2017	18/07/2020	Annually	4.95%	3,000,000,000	–	67,943,835	–	–	3,067,943,835
17 CISC F2	18/07/2017	18/07/2022	Annually	5.10%	1,000,000,000	–	23,334,247	–	–	1,023,334,247
18 CISC 01	23/03/2018	23/03/2021	Annually	5.95%	–	1,000,000,000	46,295,891	–	(142,925)	1,046,152,966
18 CISC 02	03/09/2018	03/09/2020	Annually	4.72%	–	2,000,000,000	31,035,617	–	8,988,940	2,040,024,557
18 CISC 03	21/09/2018	21/09/2021	Annually	4.99%	–	1,000,000,000	13,944,658	–	(172,270)	1,013,772,388
Total					27,971,130,473	9,500,000,000	696,792,828	(3,500,000,000)	385,448,378	35,053,371,679

(Expressed in RMB, unless otherwise stated)

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

(i) The Company had an option to redeem the bonds on 18 July 2019. If the early-redemption option was not exercised, the Company would have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors. On 28 June 2019, the Company announced to waive its early-redemption option on 18 July 2019. According to the Company's announcement dated on 28 June 2019, the Company announced to waive the option to redeem such bond, and opted to increase the coupon rate from 2.99% to 3.58% for the last two years of the tenure of such bond.

(ii) The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.

(iii) The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised, the Company will have an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors. On 28 October 2019, the Company announced to waive its early-redemption option.

(iv) The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised, the Company has an option to increase the coupon rate and an obligation to redeem the bonds when requested by the investors.

(v) CICC Wealth Management has redeemed the bonds on 24 July 2018.

(vi) CICC has redeemed the bonds on 26 December 2019.

(d) Notes payable:

Name	Interest commence-ment date	Maturity date	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2019
MTN (i)	18/05/2016	18/05/2019	2.75%	3,439,874,674	–	(11,537,818)	(3,449,400,000)	21,063,144	–
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	4,134,978,441	–	(3,880,840)	–	72,221,528	4,203,319,129
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	2,741,792,361	–	(1,258,424)	–	48,680,966	2,789,214,903
MTN (iv)	03/05/2019	03/05/2022	3M LIBOR plus 1.2%	–	4,714,080,000	23,828,016	–	154,093,697	4,892,001,713
MTN (v)	03/05/2019	03/05/2022	3.38%	–	2,020,320,000	11,183,721	–	63,682,964	2,095,186,685
Total				10,316,645,476	6,734,400,000	18,334,655	(3,449,400,000)	359,742,299	13,979,722,430

Name	Interest commence-ment date	Maturity date	Nominal interest rate	Book value as at 1 January 2018	Issuance	Interest accrued, net of interest paid	Redemption	Amortisation and others	Book value as at 31 December 2018
MTN (i)	18/05/2016	18/05/2019	2.75%	3,255,995,294	–	11,537,816	–	172,341,564	3,439,874,674
MTN (ii)	25/04/2018	25/04/2021	3M LIBOR plus 1.2%	–	3,783,960,000	28,328,176	–	322,690,265	4,134,978,441
MTN (iii)	11/09/2018	11/09/2021	3M LIBOR plus 1.2%	–	2,739,520,000	6,048,237	–	(3,775,876)	2,741,792,361
Total				3,255,995,294	6,523,480,000	45,914,229	–	491,255,953	10,316,645,476

45. LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(d) Notes payable: *(continued)*

(i) The interest commencement date and maturity date of the notes are 18 May 2016 and 18 May 2019 respectively. The principal of the notes amounts to USD500 million. The Group has redeemed the notes on 20 May 2019.

(ii) The interest commencement date and maturity date of the notes are 25 April 2018 and 25 April 2021 respectively. The principal of the notes amounts to USD600 million. The interest payment is made quarterly.

(iii) The interest commencement date and maturity date of the notes are 11 September 2018 and 11 September 2021 respectively. The principal of the notes amounts to USD400 million. The interest payment is made quarterly.

(iv) The interest commencement date and maturity date of the notes are 3 May 2019 and 3 May 2022 respectively. The principal of the notes amounts to USD700 million. The interest payment is made quarterly.

(v) The interest commencement date and maturity date of the notes are 3 May 2019 and 3 May 2022 respectively. The principal of the notes amounts to USD300 million. The interest payment is made semi-annually.

(e) Financial bonds:

Name	Interest commence-ment date	Maturity date	Interest payment	Nominal interest rate	Book value as at 1 January 2019	Issuance	Interest accrued, net of interest paid	Transferred in	Redemption	Amortisation and others	Book value as at 31 December 2019
19 CICC Financial Bond 01	22/08/2019	22/08/2022	Annually	3.39%	–	2,500,000,000	30,649,315	–	–	–	2,530,649,315

(Expressed in RMB, unless otherwise stated)

46. LEASE LIABILITIES

	As at 31 December 2019
Buildings	**1,459,424,998**
Equipment	**569,530**
Subtotal	**1,459,994,528**
Less: Amount due for settlement within 12 months shown under current liabilities	**487,672,398**
Amount due for settlement after 12 months shown under non-current liabilities	**972,322,130**

47. CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
Asset and fund management services	**268,698,457**	214,441,996
Investment banking services	**70,790,978**	–
Total	**339,489,435**	214,441,996

Contract liabilities mainly included advanced receipts from clients for the assets and fund management services and investment banking services. Revenue would be recognised within the next 12 months when the Group fulfills its obligations.

48. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2019	2018
Deferred income	**146,982,000**	151,470,000
Long-term borrowings	**10,200,000**	10,200,000
Long-term finance leases payable	–	1,361,659
Others (Note)	–	1,900,000,000
Subtotal	**157,182,000**	2,063,031,659
Accrued interests	–	15,406,027
Total	**157,182,000**	2,078,437,686

Note: The payment that the Group was obligated to make to other investors of a securitisation vehicle amounted to RMB1.9 billion. It was reclassified to other current liabilities (see Note 44) as at 31 December 2019. The maturity date of the securitisation vehicle is 21 November 2020.

49. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2019	2018
Issued and fully paid ordinary shares with a nominal value of RMB1 each		
Domestic shares	**2,464,953,440**	2,464,953,440
H shares	**1,903,714,428**	1,727,714,428
Total	**4,368,667,868**	4,192,667,868
Share capital		
Domestic shares	**2,464,953,440**	2,464,953,440
H shares	**1,903,714,428**	1,727,714,428
Total	**4,368,667,868**	4,192,667,868

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. After the conversion, the Company issued 1,667,473,000 ordinary shares with par value of RMB1 each.

On 9 November 2015, the Company issued 555,824,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share. On 18 November 2015, the Company exercised the over-allotment option and issued 83,372,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share.

Pursuant to the acquisition of 100% equity interests in CICC Wealth Management, the Company issued 1,678,461,809 consideration shares at a price of RMB9.95 per share to Huijin in March 2017. Accordingly, the registered capital and share capital of the Company increased to RMB3,985,130,809 respectively, which was divided into 2,464,953,440 domestic shares and 1,520,177,369 H shares.

On 23 March 2018, the Company issued 207,537,059 new H shares at a price of HKD13.80 per share to Tencent Mobility Limited. Accordingly, the registered capital of the Company increased to RMB4,192,667,868 and the total number of the shares of the Company increased to 4,192,667,868 shares, which was divided into 2,464,953,440 domestic shares and 1,727,714,428 H shares.

On 24 October 2019, the Company issued 176,000,000 new H shares with a par value of RMB1 at a price of HKD14.40 per share. Accordingly, the registered capital of the Company increased to RMB4,368,667,868 and the total number of shares of the Company increased to 4,368,667,868 shares, which was divided into 2,464,953,440 domestic shares and 1,903,714,428 H shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(Expressed in RMB, unless otherwise stated)

49. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves

(i) Capital reserve

The Group

	As at 31 December 2019	2018
Share premium (Note)	**26,884,912,147**	24,775,868,127
Others	**46,734,828**	46,734,828
Total	**26,931,646,975**	24,822,602,955

The Company

	As at 31 December 2019	2018
Share premium (Note)	**29,104,497,086**	27,022,893,623
Others	**21,708,921**	21,708,921
Total	**29,126,206,007**	27,044,602,544

Note: The premium arising from the Company's H share offering and the issuance of domestic shares (see Note 49(a)) was recorded in share premium.

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance (the "MOF") after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

49. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves *(continued)*

(iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In addition, the Company as the mutual fund custodian shall accrue general risk reserve at a proportion of no less than 2.5% of custodian fee income. The accruement could be suspended on condition that the ending balance of risk reserve reached 0.25% of the aggregate of net asset values of the mutual funds, which are under custody, at the end of last quarter.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

In accordance with the Implementation Guidelines for the Large Collective Asset Management Business of Securities Firms under the Guiding Opinions for Regulating the Asset Management Business of Financial Institutions, securities companies shall be analogically governed by relevant laws and requirements of public offering funds. Accordingly, the Company and CICC Wealth Management draw risk reserves from management fee income of Large Collective Asset Management business at a proportion of 10%.

The Company makes the appropriation of general reserves at the end of each year.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

(iv) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income, net of amounts reclassified to profit or loss when those financial assets at fair value through other comprehensive income are disposed of or are determined to be impaired.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

49. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Dividends

Upon the approval of the Annual General Meeting on 28 May 2019, the Company announced the payment of cash dividend for its 2018 profit distribution. The amount of cash dividend was RMB670,826,859 (or RMB1.6 every 10 shares, tax inclusive) and the distribution was made in July 2019.

On 30 March 2020, the 2019 profit distribution plan was approved by the Board of Directors. For details, please refer to Note 62(d).

Dividends proposed by the directors are not deducted from equity, until approved by the Annual General Meeting. After being approved and declared, the dividends are recognised as a liability.

50. OTHER EQUITY INSTRUMENTS

At initial recognition, the Group classifies the perpetual bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bonds is determined as follows:

– The bond bears at a fixed interest rate;

– The nominal interest rate of the first five interest-bearing years is determined by inquiry and will remain unchanged. The nominal interest rate resets every five years since the sixth interest-bearing year.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

51. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2019 and 2018 not provided for in the financial statements were as follows:

	As at 31 December	
	2019	2018
Contracted, but not provided for	**2,756,949,559**	1,597,864,192

(b) Underwriting commitments

According to the relevant tendering documents, there was no underwriting commitments taken but not provided for as at 31 December 2019 for the Group (31 December 2018: RMB40 million).

52. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

For structured entities consolidated by the Group where the Group is involved as manager or investor, the Group assesses the degree of its remuneration generated from these investments. If the Group obtains the variability of returns from the activities of these investments to a level of such significance, it indicates that the Group is a principal.

As at 31 December 2019 and 2018, the total assets of the consolidated structured entities are RMB22,643,139,472 and RMB11,791,819,803 respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB7,946,520,862 and RMB4,778,125,788 respectively.

(b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by other financial institutions.

(Expressed in RMB, unless otherwise stated)

52. INTERESTS IN STRUCTURED ENTITIES *(continued)*

(b) Interests in structured entities sponsored by third party institutions *(continued)*

The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors.

	As at 31 December	
	2019	2018
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**59,215,114,396**	47,327,726,304
– Financial assets at fair value through other comprehensive income	**24,833,283**	619,716,414

The Group's exposure to the variable returns in these structured entities is not significant from the perspective of the structured entities and the maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

(c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group serves as general partner or manager, therefore has power over them during the years include private equity funds, mutual funds and asset management products. These structured entities are mainly financed through issuing units to investors.

	As at 31 December	
	2019	2018
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**7,272,348,899**	4,754,906,498
– Accounts receivable	**1,440,190,809**	1,030,013,910
– Interests in associates and joint ventures	**325,383,470**	330,322,476

For the year ended 31 December 2019 and 2018, the Group obtained management fee and performance fee amounting to RMB2,001,492,975 and RMB1,779,149,564 respectively from these structured entities.

Except for those which have been consolidated by the Group as set out in Note 52(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

53. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which they transfer recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

53. TRANSFERS OF FINANCIAL ASSETS *(continued)*

(a) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a financial asset simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all risks and rewards of those securities transferred. These financial assets are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these financial assets. A financial liability is recognised for cash received. In this kind of transactions, the recourse of counterparties against the Group is not limited to the transferred financial assets.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2019	**Financial assets measured at fair value through profit and loss**	**Financial assets measured at fair value through other comprehensive income**	**Total**
Carrying amount of transferred assets	**8,704,043,049**	**3,102,307,869**	**11,806,350,918**
Carrying amount of associated liabilities	**(7,712,205,571)**	**(2,696,954,807)**	**(10,409,160,378)**
Net position	**991,837,478**	**405,353,062**	**1,397,190,540**

As at 31 December 2018	Financial assets measured at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income	Total
Carrying amount of transferred assets	5,239,294,683	3,932,174,269	9,171,468,952
Carrying amount of associated liabilities	(4,816,202,550)	(3,539,387,554)	(8,355,590,104)
Net position	423,092,133	392,786,715	815,878,848

53. TRANSFERS OF FINANCIAL ASSETS *(continued)*

(b) Securities lending arrangement

The Group entered into securities lending agreements with clients under which it lend out its financial assets measured at fair value through profit or loss that are secured by clients' securities and deposits held as collateral. As at 31 December 2019, it lent out its own equity securities and ETFs classified as financial assets measured at fair value through profit or loss of RMB204,977,805 (31 December 2018: RMB161,560). Pursuant to the securities lending agreements, the Group lent its own securities to clients. In view of this, the Group determined that it retains substantially all the risks and rewards of ownership of these securities and therefore did not derecognise these securities in the consolidated financial statements.

(c) Asset securitisation of receivable from margin clients

The transfer of financial assets in relation to receivable from margin clients used as underlying assets for the securitisation of receivable from margin clients was disclosed in Note 32 (a).

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) The largest shareholder of the Company – Huijin

As at 31 December 2019, Huijin owned 44.38% of the equity interest of the Company (31 December 2018: 55.75%) directly and indirectly.

On 6 June 2018, Huijin and Haier Group (Qingdao) Financial Holdings Ltd. ("Haier") entered into a share transfer agreement, and agreed to sell Huijin's 398,500,000 domestic shares in the Company (representing approximately 9.51% of the total share capital of the Company) (the "Share Transfer") to Haier. After obtaining the approval from the CSRC, the Share Transfer was completed on 11 March 2019, and on completion of the Share Transfer, Huijin directly holds 1,936,155,680 domestic shares in the Company.

In October 2019, the Company issued 176,000,000 new H shares. After the completion of the issuance, the registered capital and share capital of the Company increased to RMB4,368,667,868 (see Note 49(a)). Accordingly, the equity interest held directly by Huijin decreased to 44.32%.

(i) Related party transactions with Huijin and Huijin's affiliates

Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

The Group enters into transactions with Central Huijin and its related parties in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) The largest shareholder of the Company – Huijin *(continued)*

(i) Related party transactions with Huijin and Huijin's affiliates *(continued)*

	Year ended 31 December	
	2019	2018
Brokerage commission income	**6,034,143**	7,153,139
Underwriting and sponsoring fees	**73,646,600**	88,597,460
Asset management fees	**66,875,255**	54,368,753
Investment advisory fees	**462,508**	385,997
Interest income	**615,378,578**	469,991,899
Net gains from financial instruments at fair value through profit or loss	**108,331,023**	66,578,531
Net gains/(losses) from derivative financial instruments	**28,398,742**	(56,335,681)
Other income, net	**988,174**	987,188
Brokerage commission expenses	**8,831,438**	10,338,698
Underwriting and sponsoring expenses	**5,683,333**	–
Asset management expenses	**32,066,815**	21,378,082
Interest expenses	**446,616,865**	324,869,059
Other operating expenses and costs	**30,515,219**	23,183,259

(ii) The balances of transactions with Huijin and Huijin's affiliates

	As at 31 December	
	2019	2018
Accounts receivable	**94,564,564**	91,196,197
Financial assets at fair value through other comprehensive income	**760,381,815**	1,814,745,590
Financial assets at fair value through profit or loss	**3,211,657,414**	3,630,613,585
Refundable deposits	**2,618,691**	2,610,741
Derivative financial assets	**71,099,866**	62,410,098
Cash and bank balances (Note 1)	**35,688,717,007**	23,429,692,588
Financial liabilities at fair value through profit or loss	**–**	70,691,740
Derivative financial liabilities	**26,301,154**	30,283,701
Accounts payable to brokerage clients	**8,026,660**	36,381,485
Placements from financial institutions	**5,563,531,463**	1,632,518,860
Short-term debt securities issued	**–**	3,711,245,342
REPOs	**–**	8,600,310,768
Long-term debt securities issued	**2,534,768,818**	2,866,640,788
Other current liabilities	**65,755,852**	10,231,377

Note 1: The cash and bank balances deposited with Huijin and Huijin's affiliates include self-owned cash and bank balances and cash held on behalf of brokerage clients.

Note 2: As at 31 December 2019, besides of the transactions disclosed above, the interests held by Huijin and Huijin's affiliates in the segregated asset management schemes managed by the Group amounted to RMB13,232,176,702 (31 December 2018: RMB8,300,572,227).

(Expressed in RMB, unless otherwise stated)

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits in kind	**34,073,214**	32,974,490
Discretionary bonuses (Note)	**154,932,422**	215,376,076
Retirement scheme contributions	**943,999**	962,818
Total	**189,949,635**	249,313,384

Note: Total remuneration of key management personnel is included in "staff costs" (see Note 12).

(c) Related party transactions with other shareholders

(i) Related party transactions with other shareholders

	Year ended 31 December	
	2019	2018
Brokerage commission income	**57,502**	1,207,877
Underwriting and sponsoring fees	**5,127,236**	–
Asset management fees	**19,248,432**	9,826,489
Interest expenses	**213,023**	93,868

(ii) The balances of transactions with other shareholders

	As at 31 December	
	2019	2018
Accounts payable to brokerage clients	**579,180**	55,784,014

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Related party transactions with the Group's associates and joint ventures

(i) Related party transactions with associates and joint ventures and their affiliates

	Year ended 31 December	
	2019	2018
Asset management fees	**11,439,457**	11,017,159
Brokerage commission income	**9,904,144**	3,912,067
Investment advisory fees	**29,498,298**	8,692,166
Interest income	**13,217,503**	10,351,481
Asset management expenses	**82,731**	859,695
Interest expenses	**27,435**	5,492
Other operating expenses and costs	–	29,403,611
Impairment losses under expected credit loss model	–	102,000

(ii) The balances of transactions with associates and joint ventures and their affiliates

	As at 31 December	
	2019	2018
Accounts receivable	**16,226,219**	4,361,017
Other non-current assets	**310,264,313**	281,433,457
Accounts payable to brokerage clients	**892**	6,085,987
Other current liabilities	**664,792**	902,381

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Reports.

(f) Directors' and supervisors' interests in contracts and service contracts

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors has entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

55. SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and
- for which financial statements regarding financial position, results of operations and cash flows are available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations ("NEEQ") services, to domestic and overseas clients.
- the Equities segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, and product services, to institutional investors, including financial institutions, corporations and governmental entities, and other investors.
- the FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.

55. SEGMENT REPORTING *(continued)*

- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.

- the Wealth Management segment provides a wide range of wealth management products and services, consisting of brokerage services, advisory services, transactional services, capital-based intermediary services and product services, to retail clients, high-net-worth individuals, family offices and corporate clients.

- the Others segment mainly comprises of other business departments and back offices.

The Company acquired 100% equity interests in CICC Wealth Management in March 2017. As at 31 December 2018, the restructuring and integration work was still in progress. Thus, CICC Wealth Management was managed and presented as a separate segment in the annual report for the year ended 31 December 2018. As at 31 December 2019, with greater progress achieved in the integration, existing business lines of CICC Wealth Management were divided and presented in relevant operating segments according to the nature of the business activities for the purpose of segment reporting. The comparative data is also restated.

(Expressed in RMB, unless otherwise stated)

55. SEGMENT REPORTING *(continued)*

(a) Segment results

	Year ended 31 December 2019						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
– Fee and commission income	3,359,717,441	1,668,903,374	948,341,187	1,785,897,483	2,934,500,779	35,692,000	10,733,052,264
– Interest income	34,876,803	341,779,304	1,285,722,809	10,009,017	2,685,329,019	442,471,101	4,800,188,053
– Investment income	461,357,069	2,025,898,545	3,349,179,348	216,970,545	(68,630,207)	973,867,500	6,958,642,800
– Other income, net	9,221,157	64,473,711	80,059,019	55,020,169	21,620,814	60,232,566	290,627,436
Segment revenue and other income	3,865,172,470	4,101,054,934	5,663,302,363	2,067,897,214	5,572,820,405	1,512,263,167	22,782,510,553
Segment expenses	(2,536,868,971)	(1,786,658,142)	(3,804,917,409)	(1,310,409,178)	(4,506,764,356)	(3,595,663,896)	(17,541,281,952)
Segment operating profit/(loss)	1,328,303,499	2,314,396,792	1,858,384,954	757,488,036	1,066,056,049	(2,083,400,729)	5,241,228,601
Share of profits of associates and joint ventures	–	–	–	70,833,458	(6,579,451)	(3,850,926)	60,403,081
Profit/(loss) before income tax	1,328,303,499	2,314,396,792	1,858,384,954	828,321,494	1,059,476,598	(2,087,251,655)	5,301,631,682
Segment assets	7,410,811,403	103,219,733,870	111,968,447,320	9,194,996,817	76,667,496,771	35,419,811,002	343,881,297,183
Deferred tax assets							1,089,945,732
Group's total assets							344,971,242,915
Segment liabilities	8,482,236,380	101,754,005,043	88,719,663,470	3,248,125,075	65,375,736,530	28,498,551,805	296,078,318,303
Deferred tax liabilities							361,389,177
Group's total liabilities							296,439,707,480
Other segment information (Amounts included in the measure of segment profit or loss):							
Interest expenses (Note)	(146,593,348)	(622,726,889)	(3,044,975,052)	(114,931,133)	(1,656,099,267)	(310,187,730)	(5,895,513,419)
Depreciation and amortisation expenses	(90,011,343)	(55,197,953)	(45,234,758)	(96,085,163)	(327,437,262)	(299,268,933)	(913,235,412)
(Provision for)/reversal of impairment losses under expected credit loss model	(71,170,593)	(24,419,090)	4,181,171	(40,759,310)	(9,604,909)	(17,825,100)	(159,597,831)

55. SEGMENT REPORTING *(continued)*

(a) Segment results *(continued)*

	Year ended 31 December 2018 (Restated)						
	Investment banking	Equities	FICC	Investment management	Wealth management	Others	Total
Segment revenue							
– Fee and commission income	2,669,366,307	1,599,731,738	491,019,082	1,655,157,627	2,353,847,983	51,281,479	8,820,404,216
– Interest income	11,994,262	257,265,107	1,061,561,894	24,926,545	2,767,264,566	463,912,938	4,586,925,312
– Investment income	284,821,153	671,915,446	2,731,082,281	151,727,275	238,125,408	463,394,873	4,541,066,436
– Other income, net	24,211,442	209,194,550	107,972,909	46,912,313	50,172,173	152,794,509	591,257,896
Segment revenue and other income	2,990,393,164	2,738,106,841	4,391,636,166	1,878,723,760	5,409,410,130	1,131,383,799	18,539,653,860
Segment expenses	(2,005,632,132)	(1,510,311,728)	(3,085,978,119)	(1,119,193,156)	(4,303,916,503)	(2,245,838,553)	(14,270,870,191)
Segment operating profit/(loss)	984,761,032	1,227,795,113	1,305,658,047	759,530,604	1,105,493,627	(1,114,454,754)	4,268,783,669
Share of profits of associates and joint ventures	–	–	–	44,146,439	98,816,965	(24,398,720)	118,564,684
Profit/(loss) before income tax	984,761,032	1,227,795,113	1,305,658,047	803,677,043	1,204,310,592	(1,138,853,474)	4,387,348,353
Segment assets	3,237,034,621	57,293,345,470	106,628,634,182	6,676,208,319	63,802,308,815	36,626,011,218	274,263,542,625
Deferred tax assets							1,156,997,727
Group's total assets							275,420,540,352
Segment liabilities	3,289,677,188	56,379,625,859	89,096,364,236	2,727,584,784	49,358,177,091	31,921,508,523	232,772,937,681
Deferred tax liabilities							270,866,094
Group's total liabilities							233,043,803,775
Other segment information (Amounts included in the measure of segment profit or loss):							
Interest expenses (Note)	(115,189,408)	(511,363,164)	(2,508,550,160)	(83,803,758)	(1,754,985,632)	103,007,108	(4,870,885,014)
Depreciation and amortisation expenses	(12,069,097)	(14,860,425)	(9,620,939)	(17,805,660)	(121,538,815)	(126,007,662)	(301,902,598)
Impairment losses under expected credit loss model	(31,102)	(9,243,240)	(7,520,995)	(9,959,131)	(45,841,659)	(1,580,041)	(74,176,168)

Note: The Group allocates interest expenses across the reportable segments according to the capital used during the reporting periods for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

(Expressed in RMB, unless otherwise stated)

55. SEGMENT REPORTING *(continued)*

(b) Geographical information

The following table sets out the Group's revenue and other income from external clients and the Group's non-current assets (excluding financial assets at fair value through profit or loss, deferred tax assets and reverse REPOs, same as below) in terms of geographical locations. The geographical locations of the revenue and other income from external clients are identified based on the locations of the clients to whom the services are rendered or the products are purchased. The geographical locations of the non-current assets are identified based on the locations where the property and equipment are located in or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers Year ended 31 December	
	2019	2018
Mainland China	**17,540,324,418**	14,987,255,047
Outside Mainland China	**5,242,186,135**	3,552,398,813
Total	**22,782,510,553**	18,539,653,860

	Non-current assets As at 31 December	
	2019	2018
Mainland China	**10,431,470,733**	7,783,209,546
Outside Mainland China	**3,755,494,473**	1,239,100,760
Total	**14,186,965,206**	9,022,310,306

Reconciliation of segment non-current assets:

	Non-current assets As at 31 December	
	2019	2018
Total non-current assets for segments	**34,625,309,318**	28,561,549,980
Elimination of inter-segment non-current assets	**(20,438,344,112)**	(19,539,239,674)
Total	**14,186,965,206**	9,022,310,306

(c) Major clients

The Group's customer base was diversified and no customer had transactions which exceeded 10% of the Group's revenue for the years of 2019 and 2018.

56. FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients and reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, the carrying amounts approximate their fair values.

(ii) Financial instruments at fair value through profit or loss or through other comprehensive income and derivatives are stated at fair value unless the fair values cannot be reliably measured. For financial instruments traded in active markets, the Group uses Stock exchanges prices as the best estimate for their fair values. For financial instruments without any market price, the Group determines their fair values using discounted cash flows or other valuation techniques.

(iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 45. The carrying amounts of short-term debt securities issued approximate their fair values.

(iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate their fair values.

(a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level II valuations: Fair value measured using Level II inputs, i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments measured at Level II, the valuation techniques applied include discounted cash flow analysis and option pricing models. The significant observable inputs used in valuation techniques include future cash flows estimated based on contractual terms, risk-free and benchmark interest rates, credit spreads and foreign exchange rates etc. For the fair value of financial instruments measured at Level III, the main valuation techniques and significant unobservable inputs are disclosed in Note 56(a)(ii).

(Expressed in RMB, unless otherwise stated)

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

The table below analyses financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at 31 December 2019			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	64,404,093,954	757,142,771	4,528,289,761	69,689,526,486
– Debt securities	2,579,599,611	73,222,018,204	329,221,497	76,130,839,312
– Funds and other investments	2,467,332,952	19,904,195,371	–	22,371,528,323
Derivative financial assets	86,093,900	4,416,110,358	–	4,502,204,258
Financial assets at fair value through other comprehensive income				
– Debt securities	–	28,985,823,339	–	28,985,823,339
Total	69,537,120,417	127,285,290,043	4,857,511,258	201,679,921,718
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity securities	(3,067,219,649)	–	–	(3,067,219,649)
– Debt securities	–	(833,356,562)	–	(833,356,562)
– Funds and others	(33,307,915)	–	–	(33,307,915)
Financial liabilities designated as at fair value through profit or loss				
– Equity securities	–	(20,673,051,510)	–	(20,673,051,510)
– Debt securities	–	(1,963,383,218)	–	(1,963,383,218)
Derivatives financial liabilities	(43,120,510)	(6,319,071,491)	–	(6,362,192,001)
Total	(3,143,648,074)	(29,788,862,781)	–	(32,932,510,855)

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	As at 31 December 2018			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	24,143,024,726	255,859,816	2,794,023,378	27,192,907,920
– Debt investments	2,012,856,578	65,830,951,432	39,271,308	67,883,079,318
– Funds and other investments	5,264,173,874	14,444,742,017	–	19,708,915,891
Derivative financial assets	47,838,598	5,481,697,550	–	5,529,536,148
Financial assets at fair value through other comprehensive income				
– Debt securities	99,554,989	35,600,110,888	–	35,699,665,877
Total	31,567,448,765	121,613,361,703	2,833,294,686	156,014,105,154
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(3,324,980,886)	(253)	–	(3,324,981,139)
– Debt investments	–	(918,861,787)	–	(918,861,787)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	–	(8,773,289,241)	–	(8,773,289,241)
– Debt investments	–	(2,077,116,104)	–	(2,077,116,104)
Derivative financial liabilities	(48,208,043)	(3,333,001,826)	–	(3,381,209,869)
Total	(3,373,188,929)	(15,102,269,211)	–	(18,475,458,140)

(Expressed in RMB, unless otherwise stated)

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) Transfer between levels

The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss	**11,254,310**	7,027,045

As of 31 December 2019, the Group's equity securities of RMB249 million (31 December 2018: RMB226 million) were transferred from Level I or II to Level III, as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to events such as delisting.

As of 31 December 2019, the Group's debt securities of RMB121 million (31 December 2018: RMB36 million) were transferred from Level II to Level III, as the fair values of these investments were determined with the use of valuation techniques instead of quoted prices, due to the credit risk in existence.

As of 31 December 2019, the Group's equity securities of RMB208 million (31 December 2018: nil) were transferred out of Level III to Level I or II, as the fair values of these investments were determined with quoted prices instead of the use of valuation techniques, due to events such as listing or re-listing.

Apart from the transfer above, for the years ended 31 December 2019 and 2018, there was no other significant transfer among Level I, Level II and Level III of the fair value hierarchy for the Group's assets and liabilities measured at fair value. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

There is no significant change for the Group's applied fair value valuation techniques in 2019.

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements

As at 31 December 2019 and 2018, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss
As at 1 January 2019	2,833,294,686
Gains for the year	24,059,784
Purchases	2,247,281,576
Sales and settlements	(408,734,066)
Transfer into Level III	369,770,128
Transfer out of Level III	(208,160,850)
As at 31 December 2019	4,857,511,258
Total gains for the year included in profit or loss for assets held at the end of the year	21,235,787

(Expressed in RMB, unless otherwise stated)

56. FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements *(continued)*

	Financial assets at fair value through profit or loss	Available-for-sale financial assets
As at 31 December 2017	1,017,927,637	1,231,998,246
Adjustment for initial application of IFRS 9	1,231,998,246	(1,231,998,246)
As at 1 January 2018	2,249,925,883	–
Gains for the year	185,690,947	–
Purchases	1,271,664,155	–
Sales and settlements	(1,136,817,007)	–
Transfer into Level III	262,830,708	–
As at 31 December 2018	2,833,294,686	–
Total gains for the year included in profit or loss for assets held at the end of the year	85,391,025	–

For financial instruments in Level III, prices are determined using valuation methods such as discounted cash flow models and comparable company methods, etc. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Unlisted equity securities	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Debt securities	Level III	Discounted cash flow models	Discount rate	The higher the discount, the lower the fair value

56. FAIR VALUE INFORMATION *(continued)*

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group, which are classified as Level II categories and disclosed in Note 45.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group's consolidated statement of financial position approximate their fair values.

57. FINANCIAL RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk and market risk from its use of financial instruments.

(a) Credit risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Group arises mainly from: (1) Credit risk from debtors' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts; (2) Credit risk from counterparty's default on the over-the-counter ("OTC") derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives; (3) Credit risk from the defaults or deterioration in creditworthiness of bond issuers.

At the end of the reporting period, the Group's maximum credit risk exposure is the net carrying amount of financial assets without taking account of any collateral or other credit enhancements.

Measurement of expected credit losses

The Group recognises loss allowance for financial assets measured at amortised cost (including receivable from margin clients, reverse REPOs, etc.) and debt securities not measured at fair value through profit or loss via ECL model. The measurement of the ECL is based on the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Measurement of expected credit losses *(continued)*

A default is that the client or the financer or issuer of investment products fails to fulfil the contract. PD is an estimate of the likelihood of default over a given time horizon. The Group estimates the PD based on its internal rating model, integrating factors such as external rating information, macroeconomic environment and changes in quantitative and qualitative indicators of the counterparties or bonds issuers. LGD is an estimate of the degree of loss made by the Group on the exposure at default. In the determination of LGD, the Group makes an estimate of the recoverable cash flow after disposal of underlying assets and collaterals by taking their liquidity and relevant historical market data into full consideration, and makes the estimation of LGD based on the difference between the recoverable and the contracted cash flows. EAD is the amount that shall be repaid to the Group when a default occurs within a given period of time. When measuring the ECL, the Group classifies the assets into different stages based on whether the credit risk of each asset has increased significantly since the initial recognition. Accordingly, the Group measures loss allowance on either a 12-month or the lifetime basis for the investments in different risk stages.

Provision method of ECL

The Group recognises impairment provision of debt securities investment and margin financing business based on ECL. For the financial instruments for which the ECL measurement is used, the Group classifies these financial instruments into different stages based on whether the credit risk of each instrument has increased significantly since the initial recognition. The financial instruments with lower credit risk on the balance sheet date or of which the credit risk has not increased significantly since the initial recognition will be included in “Stage 1”; the financial instruments of which the credit risk has increased significantly since the initial recognition will be included in “Stage 2”; and the financial instruments that are credit-impaired will be transferred into “Stage 3”. The Group measures ECL based on the parameters such as PD, LGD and EAD.

The criteria of significant increase in credit risk (“SICR”)

The Group considers a financial instrument experiencing SICR when one or more of the following quantitative and qualitative criteria have been met: (1) for debt securities investment business: the latest external or internal ratings of a bond issuers or the debt securities per se decline substantially compared with their ratings on the initial recognition, or there are adverse changes in business, financial or external conditions, which are expected to cause a significant decrease in the debtor ‘s ability to meet its obligations; or (2) for margin financing business: the performance guarantee ratio is lower than the agreed prior-warning line, collaterals are suspended continuously or have adverse changes in its conditions, assets held by the debtors have significant deterioration in the qualities, or a debt is approaching its maturity with risk of default.

Definition criteria of credit-impaired assets

The Group considers that a financial instrument has been credit-impaired when (1) for debt securities: the bond issuer is unable to perform the payment obligations as agreed, has other default bonds or is in a circumstance that can be determined as in default, e.g. having significant financial difficulties; (2) for margin financing business: the margin financing client violates the business agreement, e.g. the client fails to remargin in a timely manner when the margin ratio is below the agreed level, the client fails to fully repay the debt when a margin call is triggered, the margin is unable to be closed out due to the suspension of trading of the collaterals, the client fails to fully repay the debt when the contract expires, or the shares used as pledge/guarantee shares are frozen by judicial system.

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Measurement of expected credit losses *(continued)*

Forward-looking information

The Group uses reasonable and supportable forward-looking macro information that is available without undue cost or effort in its assessment of SICR as well as in its measurement of ECL. The information includes a base-case scenario of future forecast of relevant economic variables, along with a series of other representative possible forecast scenarios.

Debt securities (including debt securities measured at FVTPL and at FVTOCI)

The Group focuses on decentralising investments for the credit-type fixed income securities investment which are mainly high-credit rating products. The Group controls the exposure of the market risk and credit risk by setting investment position limit, classifying the sub-investment varieties, sub-credit rating limits and concentration limits. Moreover, the Group continuously tracks the bond issuer's business conditions and credit rating changes through monitoring, pre-warning, risk detecting, etc.

The carrying amounts of the Group's debt securities are as follows:

	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss	**76,130,839,312**	67,883,079,318
Financial assets at fair value through other comprehensive income	**28,985,823,339**	35,699,665,877
Total	**105,116,662,651**	103,582,745,195

(i) The exposure to credit risk for debt securities at FVTPL and FVTOCI by geographic region was as follows.

	As at 31 December	
	2019	2018
Mainland China	**104,620,412,929**	102,767,059,464
Outside Mainland China	**496,249,722**	815,685,731
Total	**105,116,662,651**	103,582,745,195

(Expressed in RMB, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and at FVTOCI) *(continued)*

(ii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI.

	As at 31 December			
	2019		2018	
		FVTOCI		FVTOCI
Credit rating	FVTPL	12-month ECL	FVTPL	12-month ECL
Outside Mainland China				
(by international rating agencies)				
– AAA	13,636	–	36,965,504	–
– From AA- to AA+	–	–	99,934,168	–
– From A- to A+	1,351,421,066	1,707,571,481	2,901,571,388	1,868,305,913
– Below A-	12,495,297,861	3,048,454,944	4,731,334,513	2,233,360,115
Subtotal	13,846,732,563	4,756,026,425	7,769,805,573	4,101,666,028
Mainland China				
(by domestic rating agencies)				
– AAA	35,190,458,884	23,966,979,878	37,516,910,604	31,052,165,066
– From AA- to AA+	6,177,409,481	61,144,700	8,239,641,768	197,537,883
– From A- to A+	1,016,894,182	–	609,758,021	–
– Below A-	281,753,183	–	47,229,851	–
Subtotal	42,666,515,730	24,028,124,578	46,413,540,244	31,249,702,949
Non-rated I (Note 1)	1,304,072,061	201,672,336	2,250,168,313	348,296,900
Non-rated II (Note 2)	18,313,518,958	–	11,449,565,188	–
Total	76,130,839,312	28,985,823,339	67,883,079,318	35,699,665,877
Allowance for impairment losses		(17,043,688)		(20,151,854)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Debt securities (including debt securities measured at FVTPL and at FVTOCI) *(continued)*

(ii) The following table presents an analysis of the credit quality of debt securities at FVTPL and FVTOCI *(continued)*

Note 1: These non-rated financial assets mainly include government bonds, policy financial bonds and Special Drawing Rights ("SDR") denominated bonds.

Note 2: These non-rated financial assets are mainly other debt securities and trading securities which are not rated by independent rating agencies.

The Group did not have any debt securities that were past due but not impaired at 31 December 2019 and 2018.

(iii) Movement of allowance for impairment losses

The movement in the allowance for impairment losses in respect of debt investments at FVTOCI during the year was as follows.

	12-month ECL	
	2019	2018
As at 1 January 2019	**20,151,854**	13,317,597
Changes due to financial instruments recognised as at 1 January 2019:		
Impairment losses recognised	**323,121**	212,219
Impairment losses reversed	**(1,710,316)**	(609,550)
New financial assets originated or purchased	**10,215,082**	15,955,215
Financial assets derecognised (including written-offs)	**(12,197,036)**	(8,827,305)
Others	**260,983**	103,678
As at 31 December 2019	**17,043,688**	20,151,854

As at 31 December 2019 and 2018, there was no lifetime ECL on debt investments held by the Group.

Other non-derivative financial investments (other than debt securities)

The Group has adopted the following measures to manage credit risk in capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses: approving counterparties, and assigning credit ratings and lending limits to counterparties; managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios; and establishing and implementing margin call and mandatory liquidation policy.

(Expressed in RMB, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt investments) *(continued)*

(i) The exposure to credit risk for other financial instruments (other than debt securities) at amortised cost at the reporting date by geographic region was as follows.

	As at 31 December	
	2019	2018
Mainland China	**112,313,223,169**	95,518,489,940
Outside Mainland China	**23,169,562,246**	17,501,007,238
Total	**135,482,785,415**	113,019,497,178

(ii) Movement of allowance for impairment losses

The movement in the allowance for impairment losses of other financial instruments (other than debt investments) at amortised cost during the year was as follows.

(1) Financial assets held under resale agreements

	2019			
	12-month ECL	**Lifetime ECL- not credit impaired**	**Lifetime ECL- credit impaired**	**Total**
As at 1 January 2019	**15,263,462**	**8,670,861**	**49,860,126**	**73,794,449**
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	**(74,922)**	**–**	**74,922**	**–**
– Transfer to lifetime ECL	**(545,763)**	**10,399,527**	**(9,853,764)**	**–**
– Transfer to 12m ECL	**6,391,689**	**(6,391,689)**	**–**	**–**
– Impairment losses recognised	**255,631**	**431,557**	**5,964,234**	**6,651,422**
– Impairment losses reversed	**(9,537,456)**	**(10,063,097)**	**(16,900,270)**	**(36,500,823)**
New financial assets originated or purchased	**204,856**	**1,065**	**–**	**205,921**
Financial assets derecognised (including written-offs)	**(6,126,136)**	**(2,279,071)**	**(5,147,622)**	**(13,552,829)**
Others	**–**	**–**	**–**	**–**
As at 31 December 2019	**5,831,361**	**769,153**	**23,997,626**	**30,598,140**

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt investments) *(continued)*

(ii) Movement of allowance for impairment losses *(continued)*

(1) Financial assets held under resale agreements (continued)

	2018			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2018	37,233,368	–	–	37,233,368
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	(12,581,378)	–	12,581,378	–
– Transfer to lifetime ECL	(4,289,828)	4,289,828	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	6,751,985	2,409,260	38,968,299	48,129,544
– Impairment losses reversed	(13,660,992)	(208,895)	(1,689,551)	(15,559,438)
New financial assets originated or purchased	4,155,054	2,180,668	–	6,335,722
Financial assets derecognised (including written-offs)	(2,344,747)	–	–	(2,344,747)
Others	–	–	–	–
As at 31 December 2018	15,263,462	8,670,861	49,860,126	73,794,449

(Expressed in RMB, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt investments) *(continued)*

(ii) Movement of allowance for impairment losses *(continued)*

(2) Receivable from margin clients

	2019			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	23,692,459	–	239,351	23,931,810
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(1,412,419)	–	1,412,419	–
– Transfer to lifetime ECL	(1,002,859)	1,004,027	(1,168)	–
– Transfer to 12m ECL	7,222	–	(7,222)	–
– Impairment losses recognised	4,193,670	279,472	523,425	4,996,567
– Impairment losses reversed	(7,675,551)	(435,942)	(657,389)	(8,768,882)
New financial assets originated or purchased	7,128,369	181,547	17,781,333	25,091,249
Financial assets derecognised (including written-offs)	(2,347,955)	–	(198,856)	(2,546,811)
Others	51,898	–	196,279	248,177
As at 31 December 2019	22,634,834	1,029,104	19,288,172	42,952,110

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt investments) *(continued)*

(ii) Movement of allowance for impairment losses *(continued)*

(2) Receivable from margin clients (continued)

	2018			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2018	25,495,024	–	–	25,495,024
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	(261,028)	–	261,028	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	13,197,203	–	198,856	13,396,059
– Impairment losses reversed	(17,529,843)	–	(220,533)	(17,750,376)
New financial assets originated or purchased	8,062,177	–	–	8,062,177
Financial assets derecognised (including written-offs)	(5,285,096)	–	–	(5,285,096)
Others	14,022	–	–	14,022
As at 31 December 2018	23,692,459	–	239,351	23,931,810

(Expressed in RMB, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt investments) *(continued)*

(ii) Movement of allowance for impairment losses *(continued)*

(3) Other financial instruments at amortised cost

	2019			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2019	1,101,767	12,970,943	66,732,674	80,805,384
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	(12,296)	–	12,296	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	94,364	724,363	136,612,022	137,430,749
– Impairment losses reversed	(43,414)	(288,977)	(1,607,335)	(1,939,726)
New financial assets originated or purchased	305,128	10,219	57,119,783	57,435,130
Financial assets derecognised (including written-offs)	(853,819)	–	(13,475,491)	(14,329,310)
Others	(543)	–	1,700,979	1,700,436
As at 31 December 2019	591,187	13,416,548	247,094,928	261,102,663

57. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Other non-derivative financial investments (other than debt investments) *(continued)*

(ii) Movement of allowance for impairment losses *(continued)*

(3) Other financial instruments at amortised cost (continued)

	2018			
	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
As at 1 January 2018	1,365,605	11,280,789	39,706,408	52,352,802
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	–	–	–	–
– Transfer to lifetime ECL	–	–	–	–
– Transfer to 12m ECL	–	–	–	–
– Impairment losses recognised	49,617	1,350,447	247,384	1,647,448
– Impairment losses reversed	(29,640)	339,707	(18,595,446)	(18,285,379)
New financial assets originated or purchased	843,966	–	50,970,955	51,814,921
Financial assets derecognised (including written-offs)	(1,127,757)	–	(5,350,883)	(6,478,640)
Others	(24)	–	(245,744)	(245,768)
As at 31 December 2018	1,101,767	12,970,943	66,732,674	80,805,384

Other financial instruments at amortised cost mainly include accounts receivables, other receivables and deposits with banks.

Derivatives

Regarding the counterparty credit risk of the OTC derivatives business, the Group has established a counterparty credit rating system. Through a combination of qualitative and quantitative methods, it comprehensively evaluates counterparty qualifications and assigns corresponding credit ratings accordingly. On the basis of credit ratings, the Group sets credit risk exposure limits for counterparties, and manage counterparty credit risk by signing OTC derivatives trading master agreements and performance guarantee agreements, and requiring performance guarantees. The Group calculates the minimum amount required as OTC counterparty's performance collateral and credit risk exposure through the establishment of a dynamic scenario combined with stress test, and performs daily measurement and monitoring through the system. In view of this, the Group maintains the credit risk exposure of derivatives transactions within an acceptable range.

(Expressed in RMB, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

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

The Group implements vertical and centralised management on liquidity risks of all domestic and overseas branches and subsidiaries. The Group has adopted the following measures to manage liquidity risk: closely monitoring balance sheets of over the Group and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities; setting liquidity risk limits based on over the Group's overall situation and regulatory requirement; conducting cash flow forecast and liquidity risk stress test on liquidity risk indicators on a regular and irregular basis to analyse and assess our liquidity risk exposure; maintaining adequate high-quality liquid assets and establishing liquidity contingency plan for potential liquidity emergencies.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the year), categorised by their remaining contractual maturities at the end of the year calculated based on the earliest date the Group can be required to pay:

	As at 31 December 2019					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	48,337,872,171	–	–	–	–	48,337,872,171
Placements from financial institutions	–	24,336,819,054	–	–	–	24,336,819,054
Financial liabilities at fair value through profit or loss	–	26,362,724,129	207,594,725	–	–	26,570,318,854
Derivative financial liabilities	–	6,096,910,786	265,278,058	3,157	–	6,362,192,001
REPOs	–	24,713,038,178	–	–	–	24,713,038,178
Short-term debt securities issued	–	20,788,452,951	689,966,100	–	–	21,478,419,051
Long-term debt securities issued	–	24,639,949,705	61,089,800,034	–	–	85,729,749,739
Lease liabilities	–	542,975,636	953,370,780	90,777,171	–	1,587,123,587
Others	32,768,536,091	23,409,982,773	15,941,337	–	–	56,194,460,201
Total	81,106,408,262	150,890,853,212	63,221,951,034	90,780,328	–	295,309,992,836

57. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

	As at 31 December 2018					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	41,317,904,126	–	–	–	–	41,317,904,126
Placements from financial institutions	–	8,591,559,485	–	–	–	8,591,559,485
Financial liabilities at fair value through profit or loss	–	15,049,758,338	44,808,403	–	–	15,094,566,741
Derivative financial liabilities	–	3,062,579,714	318,630,155	–	–	3,381,209,869
REPOs	–	48,686,137,097	–	–	–	48,686,137,097
Short-term debt securities issued	–	14,165,161,144	–	–	–	14,165,161,144
Long-term debt securities issued	–	11,497,880,773	55,995,798,248	108,000,000	–	67,601,679,021
Others	17,226,832,604	13,763,796,404	2,006,604,838	1,816,097	–	32,999,049,943
Total	58,544,736,730	114,816,872,955	58,365,841,644	109,816,097	–	231,837,267,426

(c) Market risk

Market risk is the risk of loss in the Group's income and value of financial instruments held arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and etc. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. Stress testing is conducted regularly, and the risk control and operating indicators in a variety of scenarios are calculated. The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

(i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as Value-at-Risk ("VaR"), sensitivity limit, investment concentration limit, scenario analysis, stress test, and etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to the adverse market movements, such as interest rates, stock prices, foreign exchange rates and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group computes VaR by using a historical simulation method and implements relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.

(Expressed in RMB, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

– When there is severe market illiquidity for a prolonged period, the realisable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;

– The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect intraday exposures; and

– The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The following tables set forth the Group computed VaRs by risk categories as of the dates and for the years of 2019 and 2018 respectively:

	As at 31 December 2019	For the year ended 31 December 2019		
		Average	Highest	Lowest
Equity prices	30,936,433	27,295,314	63,327,778	8,266,060
Interest rates	36,577,675	53,170,545	63,897,038	35,413,961
Currency rates	33,886,625	31,963,024	43,034,370	10,516,056
Commodity prices	3,833,248	1,392,051	6,264,911	49,390
Diversification effect	(47,366,615)	(44,154,634)	(19,620,576)	(67,079,481)
Total portfolio	57,867,366	69,666,300	98,072,104	50,664,887

57. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

	As at 31 December 2018	For the year ended 31 December 2018		
		Average	Highest	Lowest
Equity prices	10,017,654	35,295,772	84,098,599	9,211,728
Interest rates	54,126,510	34,934,216	59,106,783	22,723,042
Currency rates	12,978,384	17,133,335	26,134,597	10,943,473
Commodity prices	1,739,044	994,920	2,897,438	236,359
Diversification effect	(24,900,111)	(31,004,413)	(19,232,253)	(46,570,288)
Total portfolio	53,961,481	57,353,830	94,666,167	31,926,815

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses, receivable from margin clients and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity As at 31 December	
	2019	2018
Changes in basis points		
Increase by 50 basis points	**(213,876,502)**	(204,477,998)
Decrease by 50 basis points or decrease to 0	**224,548,089**	227,671,434

57. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios *(continued)*

(1) Interest rate risk *(continued)*

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

– The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rate;

– There are no changes to the assets and liabilities portfolios;

– Other variables (including exchange rates) remain unchanged; and

– Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

(2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency and is considered not material, because the proportion of the non-trading portfolios denominated in foreign currencies is relatively low, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

58. CAPITAL MANAGEMENT

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximise returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction which may be significantly different from the regulations in other jurisdictions. The Company calculates regulatory capital in accordance with the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (CSRC Announcement [2016] No. 10) issued by the CSRC on 16 June 2016.

In accordance with CSRC Announcement [2016] No. 10, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) Risk Coverage Ratio (Net capital/Total risk capital reserves×100%) shall be no less than 100% ("Ratio i");

(ii) Capital Leverage Ratio (Core net capital/Total balance sheet & off-balance sheet assets×100%) shall be no less than 8% ("Ratio ii");

(iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days×100%) shall be no less than 100% ("Ratio iii");

(iv) Net Stable Funding Ratio (Available amount of stable funding/Required amount of stable funding×100%) shall be no less than 100% ("Ratio iv");

(v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio v");

(vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio vi");

(vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio vii");

(viii) The ratio of the value of equity securities and related derivatives held divided by net capital shall not exceed 100% ("Ratio viii");

(ix) The ratio of the value of non-equity securities and related derivatives held divided by net capital shall not exceed 500% ("Ratio ix").

(Expressed in RMB, unless otherwise stated)

58. CAPITAL MANAGEMENT *(continued)*

As at 31 December 2019 and 2018, the Company maintained the above ratios as follows:

	As at 31 December	
	2019	2018
Net Capital	**28,702,021,460**	24,577,462,190
Ratio i	**132.49%**	133.58%
Ratio ii	**10.47%**	10.55%
Ratio iii	**251.91%**	438.33%
Ratio iv	**128.85%**	156.98%
Ratio v	**70.20%**	65.95%
Ratio vi	**24.65%**	22.74%
Ratio vii	**35.11%**	34.48%
Ratio viii	**44.94%**	20.62%
Ratio ix	**290.10%**	347.50%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, and etc.

The above data is calculated based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises.

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

	Note	As at 31 December 2019	2018
Non-current assets:			
Property and equipment		**435,575,843**	372,277,200
Right-of-use assets		**612,829,845**	–
Intangible assets		**103,217,147**	87,842,509
Interests in subsidiaries	*60*	**22,643,777,514**	21,744,673,076
Interests in associates and joint ventures		**407,839,515**	389,932,716
Reverse REPOs		**65,050,590**	211,539,018
Refundable deposits		**1,699,266,387**	770,430,005
Deferred tax assets		**621,956,634**	601,636,510
Other non-current assets		**128,630,571**	121,753,069
Total non-current assets		**26,718,144,046**	24,300,084,103
Current assets:			
Accounts receivable		**9,805,193,196**	2,141,926,752
Receivable from margin clients		**2,766,714,285**	1,992,028,170
Financial assets at fair value through other comprehensive income		**20,067,334,715**	24,190,268,496
Financial assets at fair value through profit or loss		**73,487,881,746**	64,719,040,159
Derivative financial assets		**3,182,247,665**	3,000,399,524
Reverse REPOs		**10,433,010,873**	13,197,893,871
Cash held on behalf of clients		**15,121,597,005**	11,129,108,315
Cash and bank balances		**9,649,881,652**	8,745,764,629
Other current assets		**1,281,716,226**	3,139,287,616
Total current assets		**145,795,577,363**	132,255,717,532
Total assets		**172,513,721,409**	156,555,801,635

(Expressed in RMB, unless otherwise stated)

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

(a) The Company's statement of financial position *(continued)*

	Notes	As at 31 December 2019	2018
Current liabilities:			
Financial liabilities at fair value through profit or loss		**2,107,270,290**	1,480,846,217
Derivative financial liabilities		**3,754,090,061**	1,479,476,136
Accounts payable to brokerage clients		**10,716,008,886**	11,203,754,287
Placements from financial institutions		**13,305,797,714**	7,954,342,245
Short-term debt securities issued		**10,106,707,969**	8,038,574,411
REPOs		**9,155,548,103**	35,072,079,303
Employee benefits payable		**2,815,906,617**	2,005,815,539
Income tax payable		**317,223,201**	442,422,700
Long-term debt securities issued due within one year		**15,664,571,241**	6,238,654,406
Contract liabilities		**66,049,227**	–
Other current liabilities		**33,222,338,080**	13,899,349,393
Total current liabilities		**101,231,511,389**	87,815,314,637
Net current assets		**44,564,065,974**	44,440,402,895
Total assets less current liabilities		**71,282,210,020**	68,740,486,998
Non-current liabilities:			
Non-current employee benefits payable		**394,448,276**	559,786,203
Long-term debt securities issued		**29,369,262,562**	30,915,172,060
Lease liabilities		**633,150,164**	–
Total non-current liabilities		**30,396,861,002**	31,474,958,263
Net assets		**40,885,349,018**	37,265,528,735
Equity:			
Share capital	49	**4,368,667,868**	4,192,667,868
Other equity instruments	50	**1,000,000,000**	1,000,000,000
Reserves	49	**32,570,193,268**	29,824,857,277
Retained profits		**2,946,487,882**	2,248,003,590
Total equity		**40,885,349,018**	37,265,528,735

Note: The Company has applied IFRS 16 since 1 January 2019 in accordance with transitional provision stated in Note 2. Lease liabilities amounted to RMB816,089,902 were recognised on initial application of IFRS 16, relating to which RMB827,120,560 was recognised as right-of-use assets.

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

(b) Movement in the Company's reserves

			Reserves						
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserves	Investment revaluation reserve	Subtotal	Retained profits	Total equity
At 1 January 2019	4,192,667,868	1,000,000,000	27,044,602,544	532,495,676	2,184,133,715	63,625,342	29,824,857,277	2,248,003,590	37,265,528,735
Changes in equity for the year									
Profit for the year	–	–	–	–	–	–	–	2,040,628,027	2,040,628,027
Other comprehensive income for the year	–	–	–	–	–	49,415,652	49,415,652	–	49,415,652
Total comprehensive income for the year	–	–	–	–	–	49,415,652	49,415,652	2,040,628,027	2,090,043,679
Appropriation to surplus reserve	–	–	–	204,062,803	–	–	204,062,803	(204,062,803)	–
Appropriation to general reserves	–	–	–	–	410,254,073	–	410,254,073	(410,254,073)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(670,826,859)	(670,826,859)
Issuance of H shares	176,000,000	–	2,081,603,463	–	–	–	2,081,603,463	–	2,257,603,463
At 31 December 2019	4,368,667,868	1,000,000,000	29,126,206,007	736,558,479	2,594,387,788	113,040,994	32,570,193,268	2,946,487,882	40,885,349,018

(Expressed in RMB, unless otherwise stated)

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

(b) Movement in the Company's reserves *(continued)*

	Share capital	Other equity instruments	Reserves: Capital reserve	Reserves: Surplus reserve	Reserves: General reserves	Reserves: Investment revaluation reserve	Reserves: Subtotal	Retained profits	Total equity
At 31 December 2017	3,985,130,809	1,000,000,000	24,943,144,961	347,068,722	1,813,108,200	(101,380,693)	27,001,941,190	1,675,216,690	33,662,288,689
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	3,182,937	3,182,937	2,796,684	5,979,621
At 1 January 2018	3,985,130,809	1,000,000,000	24,943,144,961	347,068,722	1,813,108,200	(98,197,756)	27,005,124,127	1,678,013,374	33,668,268,310
Changes in equity for the year									
Profit for the year	–	–	–	–	–	–	–	1,854,269,544	1,854,269,544
Other comprehensive income for the year	–	–	–	–	–	161,823,098	161,823,098	–	161,823,098
Total comprehensive income for the year	–	–	–	–	–	161,823,098	161,823,098	1,854,269,544	2,016,092,642
Appropriation to surplus reserve	–	–	–	185,426,954	–	–	185,426,954	(185,426,954)	–
Appropriation to general reserves	–	–	–	–	371,025,515	–	371,025,515	(371,025,515)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(670,826,859)	(670,826,859)
Issuance of H shares	207,537,059	–	2,101,457,583	–	–	–	2,101,457,583	–	2,308,994,642
At 31 December 2018	4,192,667,868	1,000,000,000	27,044,602,544	532,495,676	2,184,133,715	63,625,342	29,824,857,277	2,248,003,590	37,265,528,735

60. INTERESTS IN SUBSIDIARIES

	As at 31 December 2019	2018
Unlisted shares, at cost or deemed cost	**22,643,777,514**	21,744,673,076

60. INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2019	2018	Principal activity	Auditor[1]
China International Capital Corporation (Hong Kong) Limited	Hong Kong	Limited liability company	HKD2,300,000,000	**100%**	100%	Overseas investment holding business	DTT
CICC Wealth Management	Shenzhen, PRC	Limited liability company	RMB16,700,695,000	**100%**	100%	Investment banking and securities brokerage business	DTT PRC
CICC Capital management Co., Ltd.	Beijing, PRC	Limited liability company	RMB922,804,807	**100%**	100%	Direct investment business	DTT PRC
CICC Pucheng Investment Corporation Limited	Shanghai, PRC	Limited liability company	RMB300,000,000	**100%**	100%	Financial products Investment business	DTT PRC
CICC Fund Management Co., Ltd.	Beijing, PRC	Limited liability company	RMB400,000,000	**100%**	100%	Management of mutual funds business	DTT PRC
CICC Futures	Xining, PRC	Limited liability company	RMB397,653,726	**100%**	100%	Futures brokerage business	DTT PRC
CISC Tianqi Futures Limited[3]	Shenzhen, PRC	Limited liability company	RMB261,250,618	**80%**	80%	Futures brokerage business	DTT PRC
CICC Genesis Fund Management Co., Ltd[3]	Wuhan, PRC	Limited liability company	RMB100,000,000	**100%**	100%	Direct investment business	DTT PRC
China International Capital Corporation Hong Kong Securities Limited[3]	Hong Kong	Limited liability company	HKD1,155,220,000	**100%**	100%	Investment banking and securities brokerage business	DTT
CICC Financial Products Ltd.[3]	British Virgin Islands	Limited liability company	USD1	**100%**	100%	Financial products investment business	DTT
CICC Hong Kong Asset Management Limited[3]	Hong Kong	Limited liability company	HKD362,540,000	**100%**	100%	Assets management business	DTT

(Expressed in RMB, unless otherwise stated)

60. INTERESTS IN SUBSIDIARIES *(continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name of company	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2019	2018	Principal activity	Auditor[1]
China International Capital Corporation (Singapore) Pte. Limited[3]	Singapore	Limited liability company	SGD52,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT Singapore
China International Capital Corporation (UK) Limited[3]	UK	Limited liability company	GBP33,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT UK
CICC US Securities, Inc.[3]	USA	Limited liability company	USD68,000,000	**100%**	100%	Investment banking and securities brokerage business	DTT US
CICC US Securities (Hong Kong) Limited[3]	Hong Kong	Limited liability company	HKD15,500,001	**100%**	100%	Investment banking and securities brokerage business	DTT US
China International Capital Corporation Hong Kong Futures Limited[3]	Hong Kong	Limited liability company	HKD72,000,000	**100%**	100%	Futures brokerage business	DTT
CICC Financial Trading Limited[3]	Hong Kong	Limited liability company	HKD1	**100%**	100%	Securities business	DTT
CICC Capital (Cayman) Limited[2][3]	Cayman Islands	Limited liability company	USD163,834,001	**100%**	100%	Direct investment business	–
CICC Deutschland GmbH.[2][3]	German	Limited liability company	EUR2,025,000	**100%**	100%	Investment banking and securities brokerage business	–

(b) Acquisition of a subsidiary

In August 2019, as the equity interest in CICC Qianhai Development Fund Management Company Limited ("CICC Qianhai") held by one of the shareholders under joint control arrangement was transferred to third parties, the Group obtained control of CICC Qianhai through the corresponding amendments to CICC Qianhai's articles of association. The Group's equity interest in CICC Qianhai remained at 55% before and after the change from joint control to control.

On consolidation, the financial position and operating results of CICC Qianhai were not material to the Group and non-controlling interests of RMB44.4 million was recognised, representing the equity interests of other shareholders in CICC Qianhai.

60. INTERESTS IN SUBSIDIARIES *(continued)*

(b) Change in ownership interest in a subsidiary *(continued)*

Notes:

(1) Statutory auditors of the respective subsidiaries of the Group are as follows:

- DTT PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, 德勤華永會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- DTT represents Deloitte Touche Tohmatsu, 德勤• 關黃陳方會計師行(香港), a firm of certified public accountants registered in Hong Kong;
- DTT Singapore represents DTT LLP in Singapore, a firm of certified public accountants registered in Singapore;
- DTT UK represents DTT LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland; and
- DTT US represents DTT LLP in the US, a firm of certified public accountants registered in the United States of America.

(2) These subsidiaries were not subject to statutory audit according to the local regulations.

(3) The equity interest of these subsidiaries was indirectly held by the Company.

61. CONTINGENCIES

As at 31 December 2019, CICC Wealth Management, a subsidiary of the Company, held one piece of land under construction for which CICC Wealth Management had obtained the corresponding land use right certificates and construction permits in accordance with PRC laws. By relevant laws and regulations, in the event of delay in commencement of construction, CICC Wealth Management may be subject to a fee on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or to forfeiture of the land use rights. However, if the delay is caused by government actions or other force majeure events, CICC Wealth Management may negotiate with relevant government authorities for postponing the commencement of construction and extending the construction period. CICC Wealth Management received an idle land verification report from the relevant government authorities on 1 February 2018. According to the report, the aforesaid land was recognised as idle land, and the idling was caused by government and corporate reasons. In May 2018, CICC Wealth Management received a Hearing Right Notice from the relevant government authorities, demanding the payment of fee on idle land of RMB112.2 million and thereupon CICC Wealth Management applied for attending hearing meeting. Thereafter in August 2018, CICC Wealth Management received a Hearing Notice and attended the hearing. Up to the date of approving the Group's financial statements, CICC Wealth Management is still in the progress of communicating with the relevant government authorities. The amount of the fee is subject to the decision of the relevant government authorities, and CICC Wealth Management is of the view that such amount cannot be reliably measured. As a result, no relevant accrued liabilities were recognised as at 31 December 2019. As of the approval date of the Group's financial reports, construction of the land has not commenced, the Group has completed the bidding for the agent construction party for this project and will actively carry forward the construction work thereof.

Except for the above, the Group had no other outstanding contingent matters which had a material impact on its consolidated financial position as at 31 December 2019.

62. SUBSEQUENT EVENTS

(a) Corporate bonds

The Group issued 20 CICC Wealth Management G1 with an aggregate principal amount of RMB2.00 billion on 16 January 2020 and 20 CICC F1 with an aggregate principal amount of RMB4.00 billion on 26 February 2020. The Group redeemed 17 CICC 01 with an aggregate principal amount of RMB4.00 billion on 20 January 2020 and 18 CICC 01 with an aggregate principal amount of RMB1.00 billion on 26 January 2020.

62. SUBSEQUENT EVENTS *(continued)*

(b) Subordinated bonds

The Group issued 20 CICC C1 with an aggregate principal amount of RMB1.50 billion on 17 February 2020 and redeemed 17 CISC 01 with an aggregate principal amount of RMB1.00 billion on 23 February 2020.

(c) MTNs

The Group issued a tranche of MTNs with an aggregate principal amount of USD1.00 billion on 18 February 2020.

(d) Proposed profit distribution after the reporting period

Taking into account of the capital demands of the current business and future development of the Company and the interests of shareholders, the Company does not recommend any distribution of final dividends for 2019 in accordance with the 2019 profit distribution plan approved by the Board of Directors on 30 March 2020. The above proposed profit distribution is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

(e) Sale of a subsidiary

In June 2019, CICC Wealth Management, Soochow Securities (Hong Kong) Financial Holdings Limited and Soochow Securities Co., Ltd entered into a share transfer agreement, and agreed to sell all issued share of China Investment Securities (Hong Kong) Financial Holdings Limited. The share transfer was filed with the CSRC without objection in September 2019 and completed in February 2020 after obtaining the approval from the Hong Kong Securities and Futures Commission. On the settlement date of the share transfer, CICC Wealth Management received the total consideration and completed the transfer of the equity interest in China Investment Securities (Hong Kong) Financial Holdings Limited. The sale of this subsidiary has immaterial impact on the Group's operating results and financial position.

(f) Impact assessment on epidemic situation of COVID-19

Since the outbreak of COVID-19 in January 2020, the Group has resolutely implemented the requirements of the "Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia" issued by the People's Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthened the financial support for epidemic prevention and control. COVID-19 will affect the global economic outlook and enterprise operation. The degree of impact will depend on the duration of the epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies. The Group's operating results and financial position may be affected in the short term. The Group will pay constant and close attention to the development of the situation, evaluate and actively respond to its potential impact on the Group.

63. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

Appendix

COMPANY BUSINESS QUALIFICATIONS

(1) In 1995, obtained license for operating foreign exchange business, the State Administration of Foreign Exchange (replaced by license of securities business in foreign currency in 2015)

(2) In 1996, qualification of member of the Shanghai Stock Exchange, the Shanghai Stock Exchange

(3) In 1997, qualification of member of the Shenzhen Stock Exchange, the Shenzhen Stock Exchange

(4) In 1999, qualification for underwriting business, proprietary trading and brokerage business for domestic and overseas government bonds, debenture and corporate bonds, the CSRC

(5) In 1999, obtained approval to enter the national interbank market, the PBOC

(6) In 2000, qualification of member of National Debt Association of China, the National Debt Association of China

(7) In 2001, qualification for RMB ordinary equities brokerage business, the CSRC

(8) In 2002, qualification for securities investment advisory business, the CSRC

(9) In 2002, qualification for entrusted investment management business, the CSRC

(10) In 2004, obtained approval to become one of the first batch of sponsor institutions, the CSRC

(11) In 2004, qualification for internet securities entrustment business, the CSRC

(12) In 2004, qualification of sales agent for open-ended securities investment funds, the CSRC

(13) In 2004, securities firm engaging in innovative activities, the SAC

(14) In 2004, qualification of SSF investment manager, the SSF

(15) In 2005, obtained approval to set up collective asset management plans for CICC's short-term bonds, the CSRC

(16) In 2005, qualification for underwriting business of short-term commercial papers, the PBOC

(17) In 2005, qualification for bond forward transactions business in the national interbank bond market, the PBOC

(18) In 2005, qualification of bilateral market maker for block transactions of bonds, the Shanghai Stock Exchange

(19) In 2005, qualification for warrant trading business, the Shanghai Stock Exchange

(20) In 2005, qualification of corporate annuity fund manager, the MOHRSS

(21) In 2005, qualification for foreign exchange asset management business, the SAC

(22) In 2006, qualification of first-class dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (i.e. ETF), the Shanghai Stock Exchange

(23) In 2006, qualification of SSF offshore investment manager, the SSF

(24) In 2006, qualification of Participant of China Securities Depository and Clearing Corporation, the CSDC

(25) In 2007, approval of proposal of third party custodian for settlement funds of client transactions, the CSRC Beijing Bureau

(26) In 2007, qualification of dealer on Integrated Electronic Platform of Fixed-income Securities of the Shanghai Stock Exchange, the Shanghai Stock Exchange

(27) In 2007, engaged in offshore securities investment management business as a QDII, the CSRC

(28) In 2007, commence the business of "SSE Fund Connect (上證基金通)", the Shanghai Stock Exchange

(29) In 2007, obtained approval to commence direct investment business (through establishing a 100%-owned direct investment company), the CSRC

(30) In 2007, consent to engage in interbank market interest rate swap business, the CSRC

(31) In 2008, became Class A Clearing Participant of China Securities Depository and Clearing Corporation, the CSDC

(32) In 2008, lead underwriting qualification for short-term commercial paper, the PBOC

(33) In 2008, obtained approval to set up collective asset management plan for gains from CICC's enhanced bonds, the CSRC

(34) In 2009, qualification of member of the Tianjin Climate Exchange, the Tianjin Climate Exchange

(35) In 2010, qualification to commence RMB ordinary equities proprietary trading, the CSRC

(36) In 2010, qualification to provide introducing brokerage business to futures companies, the CSRC

(37) In 2010, market maker in the national interbank bond market,the PBOC

(38) In 2010, qualification to commence offshore securities investment specific asset management business, the CSRC

(39) In 2010, qualification of ordinary member of the Interbank Market Clearing House Co., Ltd., the Interbank Market Clearing House Co., Ltd.

(40) In 2010, business qualification for margin financing and securities lending, the CSRC

(41) In 2011, business qualification of Nominated Advisers & Brokers on the Third Board (Agency Share Transfer System), the SAC

(42) In 2011, obtained approval to increase agency sale institutions for collective asset management plan for gains from CICC's enhanced bonds and collective asset management plans for CICC's selective funds, the Beijing Bureau of the CSRC

(43) In 2011, qualification of member of book-entry government bond underwriting syndicates from 2012-2014, the MOF, the PBOC and the CSRC

(44) In 2011,obtained approval to set up investment funds for strategic emerging industries, the National Development and Reform Commission

(45) In 2012, qualification to commence placing business for SME bonds, the SAC

(46) In 2012, qualification for bond pledged quotation and repo transaction, the CSRC

(47) In 2012, qualification of insurance funds investment manager, the CIRC

(48) In 2012, authorization for trading in securities under repurchase agreements, the Shanghai Stock Exchange

(49) In 2012, business qualification to provide refinancing for margin financing and securities lending business, the CSF

(50) In 2012, expanded the financing investment of bond pledged quotation and repo transaction, the Shanghai Stock Exchange

(51) In 2012, consent to establish a professional subsidiary for commencing real estate direct investment fund business qualification association, the CSRC

(52) In 2013, qualification for over-the-counter trading business, the SAC

(53) In 2013, authorization for stock pledged repo transaction, the Shanghai Stock Exchange and Shenzhen Stock Exchange

(54) In 2013, qualification for equities swap transaction business, the SAC

(55) In 2013, qualification for agency business of financial products, the CSRC Beijing Bureau

(56) In 2013, qualifications for sponsor, brokerage business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(57) In 2013, business qualification for witnessing account opening, the CSDC

(58) In 2013, business qualification for split conversion and merger conversion of funds, the CSDC

(59) In 2013, qualification of advisory service for military industry and confidential business (renewed in 2017 with a valid term of 3 years), the SASTIND

(60) In 2013, authorization for trading in securities under repurchase agreement, the Shenzhen Stock Exchange

(61) In 2014, business qualification for mutual funds (through the promotion and establishment of a wholly-owned fund company), the CSRC

(62) In 2014, business for special institutional customers of insurance institutions, the CIRC

(63) In 2014, business qualification for internet account opening, the CSDC

(64) In 2014, qualifications for market-making business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(65) In 2014, qualification for Southbound Trading (Shanghai-Hong Kong Stock Connect), the Shanghai Stock Exchange

(66) In 2014, business qualification for over-the-counter issuance of beneficiary certificates, China Securities Inter-organization Quotation System Co., Ltd.

(67) In 2015, stock options brokerage business and proprietary trading business qualifications, the Shanghai Stock Exchange and Shenzhen Stock Exchange

(68) In 2015, qualification of internet finance business, the CSRC

(69) In 2015, qualification of integrated custodian business for private funds, the CSIPF

(70) In 2015, qualification of security agency business for long-distance pledge and registration business, the CSDC

(71) In 2015, qualifications for spot precious metals agency business and spot gold proprietary trading business and member of the Shanghai Gold Exchange, the CSRC and the Shanghai Gold Exchange

(72) In 2015, qualification of custodian business for securities investment funds, the CSRC

(73) In 2016, business qualification of standard bond futures settlement with Shanghai Clearing House, Interbank Market Clearing House Co., Ltd.

(74) In 2016, qualification for Southbound Trading (Shenzhen-Hong Kong Stock Connect), the Shenzhen Stock Exchange

(75) In 2017, obtained the "Northbound Bond Connect" quotation bureau qualification granted by the National Interbank Funding Center, the China Foreign Exchange Trading System & National Interbank Funding Center

(76) In 2017, replaced the original permit to operate securities business with the permit to operate securities and futures business, the CSRC

(77) In 2018, qualification for conducting pilot cross-border businesses, the CSRC

(78) In 2018, qualification of first-class dealer for OTC options, the CSRC

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