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

If you have sold or transferred all your shares in **CSC Financial Co., Ltd.**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

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

(Stock Code: 6066)

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND RELATED
MATTERS
AND
(2) NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF THE 2019 FIRST H SHAREHOLDERS' CLASS MEETING**

A letter from the Board is set out on pages 1 to 15 of this circular. Please refer to pages 99 to 105 of this circular for the notices convening 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting.

Please complete and return the applicable reply as soon as possible in accordance with the instructions on the applicable return if you would like to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting, but in any event no later than Wednesday, May 1, 2019.

Please complete and return the applicable proxy form in accordance with the instructions printed thereon, if the Shareholders are to appoint a proxy to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting.

For H Shareholders, the proxy form and any authorization instruments should be returned to Computershare Hong Kong Investor Services Limited (whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong) as soon as possible, but in any event not less than 24 hours before the time appointed for holding the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting or at any adjourned meetings should you so wish.

April 4, 2019

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Note: In the event of any discrepancy between the English and Chinese versions of this circular, the Chinese version shall prevail.

DEFINITIONS

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

“A Share(s)”	the ordinary shares in the issued share capital of the Company with a nominal value of RMB1.00 each, which have been listed on the Shanghai Stock Exchange
“A Shareholders”	holders of A Shares
“A Shareholders’ Class Meeting” or “2019 First A Shareholders’ Class Meeting”	the 2019 first A Shareholders’ Class Meeting or any adjournment thereof to be convened at 10:30 a.m. on Tuesday, May 21, 2019 at Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China or immediately after the end of the 2019 Second Extraordinary General Meeting, whichever is the later
“Administrative Measures for Issuance”	the Administrative Measures for the Issuance of Securities by Listed Companies
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“Board Meeting”	the board meeting of the Company convened on Monday, January 21, 2019
“Company”	CSC Financial Co., Ltd. (中信建投証券股份有限公司), a joint stock company incorporated in the People’s Republic of China with limited liability, the H Shares of which have been listed and traded on the main board of the Hong Kong Stock Exchange (stock code: 6066) and the A Shares of which have been listed and traded on the Shanghai Stock Exchange (stock code: 601066)
“Company Law”	the Company Law of the People’s Republic of China
“connected person”	has the meaning ascribed to such term under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM” or “2019 Second Extraordinary General Meeting”	The second 2019 extraordinary general meeting or any adjournment thereof of the Company to be held at 9:30 a.m. on Tuesday, May 21, 2019 at Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary shares of RMB1.00 each in the share capital of the Company which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“H Shareholders”	holders of H Shares
“H Shareholders’ Class Meeting” or “2019 First H Shareholders’ Class Meeting”	the 2019 first H Shareholders’ class meeting or any adjournment thereof to be convened at 11:00 a.m. on Tuesday, May 21, 2019 at Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China or immediately after the end of the A Shareholders’ Class Meeting, whichever is the later
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Implementation Rules”	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies
“Independent Non-executive Director(s)” or “Independent Director(s)”	the independent non-executive Director(s) of the Company
“Independent Third Party(ies)”	persons who, to the best of the Directors’ knowledge having made all reasonable enquiries, are not connected persons of the Company

DEFINITIONS

“Non-executive Director(s)”	non-executive director(s) of the Company
“Non-public Issuance” or “Issuance”	the proposed non-public issuance of not more than 1,277,072,295 A Shares by the Company
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Regulatory Questions and Answers”	Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies (Revision)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Shares and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Meetings”	the 2019 Second Extraordinary General Meeting, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“%”	per cent



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

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

(Stock Code: 6066)

Mr. Wang Changqing (*Chairman, Executive Director*)
Mr. Yu Zhongfu (*Vice Chairman, Non-executive Director*)
Mr. Dong Shi (*Vice Chairman, Non-executive Director*)
Mr. Li Geping (*Executive Director*)
Ms. Zhang Qin (*Non-executive Director*)
Ms. Zhu Jia (*Non-executive Director*)
Mr. Wang Hao (*Non-executive Director*)
Mr. Wang Bo (*Non-executive Director*)
Mr. Xu Gang (*Non-executive Director*)
Mr. Feng Genfu (*Independent Non-executive Director*)
Ms. Zhu Shengqin (*Independent Non-executive Director*)
Mr. Dai Deming (*Independent Non-executive Director*)
Mr. Bai Jianjun (*Independent Non-executive Director*)
Mr. Liu Qiao (*Independent Non-executive Director*)

Registered office in the PRC:

Unit 4, No. 66 Anli Road
Chaoyang District
Beijing
PRC

Principal place of business in the PRC:

No. 188 Chaonei Avenue
Dongcheng District
Beijing
PRC

Principal place of business in Hong Kong:

18/F, Two Exchange Square,
Central, Hong Kong

April 4, 2019

To the Shareholders:

Dear Sir or Madam,

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND RELATED
MATTERS
AND
(2) NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated January 21, 2019 in relation to the Non-public Issuance and the convening of the Shareholders Meetings. The Board would like to invite you to attend the EGM to be held at 9:30 a.m. on Tuesday, May 21, 2019 at Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China.

LETTER FROM THE BOARD

2. BUSINESS TO BE CONSIDERED AT THE EGM AND/OR THE A SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

Resolutions will be proposed at the EGM to approve: (1) the resolution on the fulfilment of conditions for the Non-public Issuance of A Shares by the Company; (2) the resolution on the proposed Non-public Issuance of A Shares; (3) the resolution on formulating the Plan for the Non-public Issuance of A Shares; (4) the resolution on the Report on the Use of Proceeds Previously Raised by the Company; (5) the resolution on the Feasibility Report on the Use of Proceeds from the Non-public Issuance of the A Shares of the Company; (6) the resolution on the dilution of current returns by the Non-public Issuance of A Shares and remedial measures; and (7) the resolution for authorization to the Board to deal with relevant matters in relation to the Non-public Issuance with full discretion to be submitted at the general meeting.

Resolutions (1), (2), (3), (5) and (7) above are subject to the approval by the Shareholders at the 2019 Second Extraordinary General Meeting by way of special resolutions, and resolutions (4) and (6) above are subject to the approval by the Shareholders at the 2019 Second Extraordinary General Meeting by way of ordinary resolutions.

The above resolutions (2), (3) and (7) are also respectively subject to approval by the A Shareholders at the A Shareholders' Class Meeting by way of special resolutions, and by the H Shareholders at the H Shareholders' Class Meeting by way of special resolutions.

The purpose of this circular is to provide you with the information on resolutions (1) to (7) above to enable you to vote for or against the proposed resolutions at the 2019 Second Extraordinary General Meeting, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting under fully informed condition.

(1) Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company

Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulation Questions and Answers and other relevant laws, regulations and normative documents, after conducting self-examination item by item, the Company has complied with various requirements of the Non-public Issuance of A Shares.

LETTER FROM THE BOARD

(2) **Proposed Non-public Issuance of A Shares**

To strengthen capital capability of the Company and enhance overall competitiveness and ability to withstand risks, the Board has resolved to approve the proposed Non-public Issuance of the A Shares of the Company on January 21, 2019. Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulation Questions and Answers and other relevant laws, regulations and normative documents, the detailed plan of the Non-public Issuance of A Shares is as follows:

A. *Class and nominal value of shares to be issued*

RMB ordinary Shares (A Shares) with a nominal value of RMB1.00 per Share.

B. *Issue method and time*

Issuance is conducted by way of non-public issuance of Shares to specific subscribers. The Company will issue Shares at an appropriate time within the validity period upon obtaining the approval documents of the CSRC.

C. *Target subscribers and subscription method*

The target subscribers for the Non-public Issuance will be no more than ten target subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers is no more than ten target subscribers, which are securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company subscribing for the shares with two or more of the funds under its management shall be deemed as one single target subscriber. Trust investment companies shall only subscribe for the A Shares with their own capital.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority. All target subscribers shall subscribe the Shares under the Non-public Issuance by cash. Where there are other provisions in relation to the shareholder qualifications and respective review procedures for the target subscribers by the regulatory authorities, those provisions shall be complied with.

LETTER FROM THE BOARD

The Company has not determined the final target subscribers. In the event that any of the final target subscribers is a connected person of the Company, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

D. Issue price and pricing principles

The price determination date of the Non-public Issuance shall be the first day of the issue period of the Non-public Issuance of the Company. The issue price of the Issuance shall be no less than 90% of the average trading price (rounded up to the nearest two decimal places) of the A Shares of the Company for the 20 trading days preceding the price determination date (excluding the price determination date; same for below) or the last audited net asset per Share attributable to the ordinary shareholders of the parent company of the Company, whichever is higher.

For reference only, the audited net asset value per Share attributable to ordinary shareholders of the Company (excluding the impact of the perpetual bonds of RMB5 billion issued by the Company) as of December 31, 2018 was RMB5.57.

The average trading price of the A Shares of the Company for the 20 trading days preceding the price determination date shall be the total trading amount of A Shares of the Company for the 20 trading days preceding the price determination date divided by the total trading volume of A Shares of the Company for the 20 trading days preceding the price determination date. In the event that there are ex-right or ex-dividend activities causing adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the price adjusted by the ex-right or ex-dividend activities.

In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial reports to the Issuance date, adjustments shall be made to the abovementioned net assets per Share accordingly.

Upon obtaining the written approval of the CSRC, the final issue price under the Non-public Issuance shall be determined by the Board of the Company or its authorized person(s), under the authorization granted at the Shareholders' Meetings, with the lead underwriter according to the prices offered by the target subscribers and in accordance with the requirements of the CSRC and the principle of price priority.

LETTER FROM THE BOARD

E. Issue size

Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 1,277,072,295 Shares (inclusive). In the event that the Company grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the announcement date of the Board resolution in relation to the Non-public Issuance to the Issuance Date, the size of the Issuance will be adjusted accordingly.

The final issue size under the Non-public Issuance of A Shares shall be determined by the Board of the Company or its authorized person(s), under the authorization granted at the Shareholders' Meetings, with the lead underwriter according to the cap and the issue price approved by the CSRC.

F. Amount and the use of proceeds

The total amount of proceeds from the Non-public Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the Issuance expenses in order to expand the Company's business scale and improve competitiveness and ability to withstand risks. The proceeds are mainly used in the following areas:

No.	Investment projects for the proceeds	Proposed investment amount
1	Development of brokerage business	Not exceeding RMB5.5 billion
2	Development of investment trading business	Not exceeding RMB4.5 billion
3	Information system infrastructure	Not exceeding RMB1 billion
4	Capital contribution to subsidiaries	Not exceeding RMB1.5 billion
5	Other arrangements of working capital	Not exceeding RMB500 million
		<hr/>
Total		Not exceeding RMB13 billion
		<hr/> <hr/>

LETTER FROM THE BOARD

G. Lock-up period

According to the relevant requirements under the Administrative Measures for Issuance, the Implementation Rules and the Guidelines on Administrative Approval for Securities Companies No. 10 – Increase and Change in Equity Interest of Securities Companies 《(證券公司行政許可審核工作指引第10號－證券公司增資擴股和股權變更)》), following the completion of the Issuance, the specific target subscribers holding 5% or more (inclusive) of the Shares of the Company shall not transfer their shares for 48 months from the date of completion of Issuance. Specific target subscribers holding less than 5% of the Shares of the Company shall not transfer their shares for 12 months from the date of completion of the Issuance. Where there are provisions of other laws and regulations on the lock-up period, those provisions shall be complied with.

H. Listing venue

The shares to be issued under the Non-public Issuance will be listed on the Shanghai Stock Exchange.

I. Arrangement of accumulated undistributed profits prior to the completion of the Issuance

Both new Shareholders and existing Shareholders after the Issuance are entitled to the accumulated undistributed profits of the Company prior to the completion of the Issuance.

J. Validity period

Validity period of the resolution for the Non-public Issuance is 12 months from the date when the resolutions relating to the Issuance are considered and approved at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting.

The Non-public Issuance of the A Shares is subject to review and individual approval by the Shareholders' Meetings, A Shareholders' Class Meeting and H Shareholders' Class Meeting of the Company, and is submitted to the CSRC for approval. The plan approved by the CSRC shall be final. The detailed terms on the Issuance (including the issue price and issue size) will be announced separately by the Company upon final determination.

The above resolution has been individually approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM.

LETTER FROM THE BOARD

(3) Formulating the Plan for the Non-public Issuance of A Shares

Pursuant to Administrative Measures for Issuance, the Implementation Rules, the No. 25 of Standard of Content and Format on Information Disclosure for Publicly Listed Companies- Listed Company Non-public Issuance of Shares Proposal and Issuance Report (《公開發行證券的公司信息披露內容與格式準則第25號—上市公司非公開發行股票預案和發行情況報告書》) and other relevant laws and regulations and in light of the actual conditions of the Company, the Company has formulated the Plan for the Non-public Issuance of A Shares of CSC Financial Co., Ltd, which is appended hereto as Appendix I.

The Plan has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

(4) Report on the Use of Proceeds Previously Raised

Pursuant to the provisions under the Administrative Measures for Issuance and the Regulations on the Report on the Use of the Proceeds Raised in the Previous Issuance of Shares, and in light of the actual situation of the Company, the Company had prepared the Report on the Use of Proceeds Previously Raised of CSC Financial Co., Ltd (as of December 31, 2018), which is appended hereto as Appendix II.

The Report has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM.

(5) Feasibility Report on the Use of the Proceeds from the Non-public Issuance of A Shares

According to the requirements of the Administrative Measures for Issuance and in light of the actual situation of the Company, the Company has prepared the Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares, which is appended hereto as Appendix III.

The Feasibility Report has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM.

LETTER FROM THE BOARD

(6) Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial Measures

Pursuant to the requirements of the Opinions of the General Office of the State Council on Further Enhancing the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Dilution of Current Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) issued by CSRC and other relevant provisions, in order to protect the interests of minority investors, the Company had conducted analysis on the impact of the Non-public Issuance of A Shares on dilution of current returns, and had formulated remedial measures for dilution of current returns. Specific details are appended hereto as Appendix IV.

The above resolution has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM.

(7) Authorization to the Board to deal with the matters in relation to the Non-public Issuance with full discretion

In order to complete the Non-public Issuance in an efficient and orderly manner, in accordance with the relevant provisions under the Company Law, Securities Law, Administrative Measures for Issuance and other relevant laws, regulations and the Articles of Association, this resolution will be submitted to the Shareholders for approval by way of a special resolution at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, to authorize the Board for the Board to in turn authorize the management of the Company to deal with the matters in relation to the Non-public Issuance of A Shares within the scope of authorization. The contents of authorization include but not limited to:

- (i) formulate, adjust and implement a detailed plan for the Non-public Issuance in accordance with the PRC laws and regulations, relevant provisions and opinions of regulatory authorities and taking into account the market environment and the Company's actual conditions, including but not limited to the determination or adjustment of issuance date, amount of proceeds, issue price, issue size, target subscribers and any other matters relating to the issuance plan;

LETTER FROM THE BOARD

- (ii) process the filing for the Issuance, including but not limited to the preparation, modification, signing, submitting, supplementing, executing and publishing the materials in relation to the Issuance and listing in accordance with the requirements of relevant government authorities, regulatory institutions, stock exchanges and securities depository and clearing institutions; reply to the comments from the relevant regulatory authorities; and deal with information disclosure matters relating to the Issuance according to the regulatory requirements;
- (iii) determine and engage intermediaries such as the sponsor, lead underwriter, law firm, accountant firm, independent financial adviser and to deal with other related matters;
- (iv) sign, revise, supplement, complete, submit, execute all agreements, contracts and documents in relation to the Issuance (including but not limited to sponsor and underwriting agreements, engagement letters of intermediaries, agreements relating to proceeds, subscription agreements and supplemental agreements entered into with investors, circulars, announcements and other disclosure documents, etc.);
- (v) subject to the then applicable PRC laws, if there are changes in policies and requirements or market conditions in respect of the Non-public Issuance of A Shares, except for those matters that must be resolved at a general meeting and which cannot be authorized pursuant to relevant laws, regulations and the Articles of Association, adjust the plan of the proposed Non-public Issuance and use of proceeds in accordance with relevant rules and requirements of regulatory authorities (including any comments upon review of the application for the Non-public Issuance), the market situation and actual operations of the Company, and to continue to deal with the matters relating to the Non-public Issuance;
- (vi) open a special account for proceeds to be raised from the Non-public Issuance, and deal with matters in relation to the use of proceeds raised from the Issuance.
- (vii) upon completion of the Issuance, confirm the change in registered capital and amend the relevant provisions in the Articles of Association in accordance with the results of the Issuance, and report to the relevant governmental departments and regulatory authorities for approval or filing, and complete the change of industry and commerce registration with the industry and commerce administrative authorities and filing of the Articles of Association as a result of the change in registered capital, and complete the registration, custody and restricted sales of new shares and other relevant matters with the relevant authorities;

LETTER FROM THE BOARD

- (viii) review and screen the qualifications of investors who intend to subscribe for the Shares to be issued under the Issuance according to the CSRC's qualification requirements for shareholders of securities companies;
- (ix) in the event that the relevant laws and regulations and regulatory authorities impose new provisions and requirements regarding compensating current returns by refinancing, further analyze, study and demonstrate the effect of the Non-public Issuance on the current financial ratios and current return for Shareholders of the Company, formulate and modify relevant remedial measures and policies, and deal with all other relevant matters with absolute discretion; and
- (x) deal with other matters relating to the Non-public Issuance.

The validity period of the above authorization is 12 months from the date when this resolution is considered and approved by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

3. IMPACT OF THE A SHARE OFFERING ON THE COMPANY'S SHAREHOLDING STRUCTURE

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 1,277,072,295 A Shares are issued under the Issuance (which represents approximately 16.70% of the total issued share capital of the Company as at the date of this circular and approximately 14.31% of the total issued share capital of the Company as enlarged by the issuance of the A Shares under the Issuance), the shareholding structure of the Company immediately before and after completion of the Issuance is set out as follows:

LETTER FROM THE BOARD

	Immediately before completion of the Issuance		Immediately after completion of the Issuance	
	Number of Shares	Approximate percentage of the Company's total issued share capital	Number of Shares	Approximate percentage of the Company's total issued share capital
A Shares				
Beijing State-owned Capital Operation and Management Center ⁽¹⁾	2,684,309,017	35.11%	2,684,309,017	30.08%
Central Huijin Investment Ltd. ⁽¹⁾	2,386,052,459	31.21%	2,386,052,459	26.74%
Other A Shareholders	1,315,000,000	17.20%	1,315,000,000	14.74%
New A Shares to be issued under the Issuance	—	—	1,277,072,295	14.31%
Sub-total of A Shares:	<u>6,385,361,476</u>	<u>83.51%</u>	<u>7,662,433,771</u>	<u>85.87%</u>
H Shares	<u>1,261,023,762</u>	<u>16.49%</u>	<u>1,261,023,762</u>	<u>14.13%</u>
Total:	<u><u>7,646,385,238</u></u>	<u><u>100.00%⁽²⁾</u></u>	<u><u>8,923,457,533</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) Beijing State-owned Capital Operation and Management Center and Central Huijin Investment Ltd. are substantial Shareholders of the Company, and therefore their shareholding shall not count towards public float of the Company.
- (2) The sum of the percentage of the separate figures is not 100% due to rounding.

LETTER FROM THE BOARD

At the time of the listing of the H Shares on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange has granted the Company, a waiver that the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of: (1) 15% of the total issued share capital of the Company; (2) such percentage of H Shares of the total issued share capital of the Company to be held by the public immediately after completion of the Global Offering (assuming the over-allotment Option is not exercised); or (3) such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public after the exercise of the Over-allotment Option. Immediately after the issue and allotment of the over-allotment Shares, the number of H Shares in public hands represents not less than 17.40% of the total issued Share. Pursuant to the public information available to the Company and to the best knowledge of the Directors as at the date of this circular, 33.69% of the total issued share capital of the Company (including H Shares and A Shares) is held by the public.

As a result of the proposed Non-public Issuance and assuming a maximum of 1,277,072,295 A Shares are all issued to Independent Third Parties and counted as public float, the Company's public float (including H Shares and A Shares) will be approximately 43.18% and the Company's public float (including H Shares only) will be approximately 14.13%. The Company would still be able to meet the minimum requirement on public float percentage as imposed by the Hong Kong Stock Exchange at the time of the Company's listing of H Shares. The Company will closely monitor its public float percentage to make sure its compliance, at all time, with relevant requirements on public float as stipulated under the Hong Kong Listing Rules and will promptly notify the Hong Kong Stock Exchange of any changes in the Company's public float.

4. REASONS FOR AND BENEFITS OF THE PROPOSED A SHARE OFFERING

As the economy of the PRC is transformed and upgraded, and as many guiding policies, such as developing multi-level capital markets, are published, which laid a policy foundation for securities companies engaging in innovative capital investment and capital-based intermediary business, the business model of securities companies will undergo transition from the previous commission-based business model to the integrated business model focusing on fee-based intermediary business, capital-based intermediary business, and self-funded investment business, and will gradually become a new niche for profit growth. Under the regulatory system centered on net capital, capital capability will become one of the key factors for securities companies to develop capital-based intermediaries and other innovative business, and enhance competitive advantages. Sufficient capital is the foundation and safeguards for securities companies to realize continuing healthy development and enhance competitive strength.

LETTER FROM THE BOARD

To actively seize the development opportunities in the industry and enhance the Company's competitiveness, the Company intends to expand its capital scale and reinforce the capital strength by way of Non-public Issuance of A Shares. On the basis of consolidating the advantageous business, the Company strengthens the capital-driven business and promotes the development of innovative business, in order to further optimize the income structure, improve resilience capability of risks, and help the Company maintain and steadily strengthen the advantage of innovative capability, thereby creating larger returns to the Shareholders by seizing the strategic opportunities for the Company among the increasingly fierce competition in the industry.

The Directors consider that the additional issuance of A Share is in the interests of the Company and the Shareholders as a whole. The above resolutions are required for the Issuance. In the event that any resolution is not approved by the Shareholders at the Extraordinary General Meeting, the A Shareholders' Class Meeting or the H Shareholders' Class Meeting, the Company will not proceed with the Issuance and will consider revising the terms of Issuance and have them re-submitted for Shareholders' approval.

5. CAPITAL RAISING ACTIVITIES

The Company completed initial public offering of A Shares on June 20, 2018, with net proceeds amounting to RMB2,068.6972 million, which were fully utilized for replenishment of the working capital of the Company.

As at the date of this circular, the Company has not conducted any fund-raising activities in relation to the issue of the equity securities in the 12 months immediately preceding the date of this circular, except for the initial public offering of A Shares by the Company.

For the upcoming 12 months starting from the date of this circular, based on its working capital need and market conditions, the Company will flexibly raise capital through issuing corporate bonds, short-term corporate bonds, income receipts, and subordinated bonds etc., in order to satisfy the working capital need in relation to the Company's business development.

6. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that, as far as they are aware and are satisfied that the information contained in this circular is accurate and complete in all material respects, there is no misleading or fraudulent material and no omission of any of the information contained in this circular or other matters which are misleading.

LETTER FROM THE BOARD

7. 2019 SECOND EXTRAORDINARY GENERAL MEETING, THE A SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

The 2019 Second Extraordinary General Meeting, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting will be held on Tuesday, May 21, 2019 at Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China. The notices of 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting are set out on pages 99 to 105 of this circular.

Forms of proxy to be used at the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting (if applicable) are enclosed. If you intend to appoint a proxy to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting, please complete and return the enclosed proxy forms in accordance with the instructions printed thereon. For H Shareholders, the proxy form or any other authorization documents should be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited. Completion and return of the proxy forms will not preclude you from attending and voting at the EGM, the H Shareholders Class Meeting or or at any adjourned meetings if you so wish.

If you intend to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting in person or by proxy, you are required to return the completed and signed reply slips to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), on or before Wednesday, May 1, 2019 in person, by mail or by fax.

Computershare Hong Kong Investor Services Limited, the Company's H Share registrar, is located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555).

In order to determine the list of Shareholders who are entitled to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting, the Company will close the register of members of H Shares during the period from Friday, April 19, 2019 to Tuesday, May 21, 2019 (both days inclusive), during which no registration of Shares will be made. Shareholders who wish to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting are required to send all the transfer documents together with the relevant Shares to Computershare Hong Kong Investor Services Limited which is at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) to register before 4:30 p.m. of Thursday, April 18, 2019. At the end of the above business hours, H Shareholders registered in Computershare Hong Kong Investor Services Limited or the office of the Board of the Company (if applicable) are entitled to attend the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

8. VOTING BY POLL

In accordance with rule 13.39 (4) of the Hong Kong Listing Rules, any vote made by the Shareholders at a Shareholders' general meeting shall be conducted by way of poll unless the chairman of the meeting so requests in good faith to allow a vote by hand to vote solely on resolutions relating to procedural or administrative matters. Accordingly, the resolutions proposed at the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting will be voted by way of poll.

To the best knowledge of the Directors based on the information currently available, no shareholder will be required to abstain from voting at the Shareholders' Meetings.

9. RECOMMENDATION

The Directors consider that all resolutions proposed above are in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be submitted at the 2019 Second Extraordinary General Meeting and the H Shareholders' Class Meeting.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 4, 2019

Stock Short Name: CSC (A Share)

Stock Code: 601066 (A Share)

Stock Short Name: CSC Securities (H Share)

Stock Code: 6066 (H Share)



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

(股份代號：6066)

China Securities Co., Ltd.
Proposal for Non-public Issuance of A Shares

January 2019

STATEMENT OF THE ISSUER

1. The Company and all members of its Board warrant that the Information of the Proposal is true, accurate and complete and does not contain any false information, misleading statement or material omission.
2. The Company assumes the liability for any changes in operation and revenue of the Company after the Non-Public Issuance of Shares. Any investment risks arising from the Non-Public Issuance of Shares shall be borne by the investors.
3. The Proposal is the statement of the Board of the Company on the Non-Public Issuance of Shares, and any contradictory statement constitutes misinterpretation.
4. Investors shall consult their stock brokers, lawyers, professional accountants or other professional advisers for any questions and doubts.
5. Matters mentioned in the Proposal do not represent any substantive judgment, confirmation, authorisation or approval from the approving authorities regarding the Non-Public Issuance of Shares. Effectiveness and completion of the matters relating to the Non-Public Issuance of Shares mentioned in the Proposal shall be subject to approval or authorisation by competent authorities.

SPECIAL REMINDERS

Terms or abbreviations referred to in this section shall have the same meanings as those defined in “Definitions” section in this Proposal.

1. Relevant matters in relation to the Non-public Issuance have been considered and approved at the 10th meeting of the second session of the Board of the Company. In accordance with the relevant laws and regulations, the Issuance is subject to the approvals at the general meeting and of the China Securities Regulatory Commission.
2. The target subscribers for the Non-public Issuance of Shares will be no more than ten target subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers is no more than ten target subscribers, which are securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company subscribing for the shares with two or more of the funds under its management shall be deemed as one single target subscriber. Trust investment companies shall only subscribe for the A Shares with their own capital.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority.

All target subscribers shall subscribe the Shares under the Non-public Issuance by cash.

Where there are other provisions in relation to the shareholder qualifications and respective review procedures for the target subscribers by the regulatory authorities, those provisions shall be complied with.

3. The Price Determination Date of the Non-public Issuance shall be the first day of the issue period of the Non-public Issuance of the Company. The issue price of the Issuance shall be no less than 90% of the average trading price (rounded up to the nearest two decimal places) of the A Shares of the Company for the 20 trading days preceding the Price Determination Date (excluding the Price Determination Date; same for below) or the last audited net asset per Share attributable to the ordinary shareholders of the parent company of the Company, whichever is higher.

The average trading price of the A Shares of the Company for the 20 trading days preceding the Price Determination Date shall be the total trading amount of A Shares of the Company for the 20 trading days preceding the Price Determination Date divided by the total trading volume of A Shares of the Company for the 20 trading days preceding the Price Determination Date. In the event that there are ex-right or ex-dividend activities causing adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the price adjusted by the ex-right or ex-dividend activities.

In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial reports to the Issuance date, adjustments shall be made to the abovementioned net assets per Share accordingly.

Upon obtaining the written approval of the CSRC, the final issue price under the Non-public Issuance shall be determined by the Board of the Company or its authorized person(s), under the authorization granted at the general meeting, with the lead underwriter according to the prices offered by the target subscribers and in accordance with the requirements of the CSRC and the principle of price priority.

4. Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 1,277,072,295 Shares (inclusive). In the event that the Company grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the announcement date of the Board resolution in relation to the Non-public Issuance to the Issuance Date, the size of the Issuance will be adjusted accordingly.

The final issue size under the Non-public Issuance of A Shares shall be determined by the Board of the Company or its authorized person(s), under the authorization granted at the general meeting, with the lead underwriter according to the cap and the issue price approved by the CSRC.

5. The total amount of proceeds from the Non-public Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the Issuance expenses in order to expand the Company's business scale and improve competitiveness and ability to withstand risks. The proceeds are mainly used in the following areas:

No.	Investment projects for the proceeds	Proposed investment amount
1	Development of brokerage business	Not more than RMB5.5 billion
2	Development of investment trading business	Not more than RMB4.5 billion
3	Information system infrastructure	Not more than RMB1 billion
4	Capital contribution to subsidiaries	Not more than RMB1.5 billion
5	Other arrangements of working capital	Not more than RMB500 million
	Total	Not more than RMB13 billion

6. According to the relevant requirements under the Administrative Measures for Issuance, the Implementation Rules and the Guidelines on Administrative Approval for Securities Companies No.10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號－證券公司增資擴股和股權變更》), following the completion of the Issuance, the specific target subscribers holding 5% or more (inclusive) of the Shares of the Company shall not transfer their shares for 48 months from the date of completion of Issuance. Specific target subscribers holding less than 5% of the Shares of the Company shall not transfer their shares for 12 months from the date of completion of the Issuance. Where there are provisions of other laws and regulations on the lock-up period, those provisions shall be complied with.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

7. Both new Shareholders and existing Shareholders after the Issuance are entitled to the accumulated undistributed profits of the Company.
8. For details in relation to the profit distribution and cash dividend policies of the Company and their implementation for the past three years, please refer to “Section IV Profit Distribution Policy and Implementation of the Company” in this Proposal.
9. Upon completion of the Non-public Issuance of Shares, earnings per share and other indicators of the Company are at risk of decline in the short term, and current returns of the existing Shareholders of the Company are exposed to dilution risks. Investors are advised to pay attention to the risks that the Non-public Issuance of Shares may result in the dilution of current returns of shareholders. Although the Company has formulated remedial measures in response to the dilution risks on current returns, such measures shall not be deemed as guarantee of the future profits of the Company. Investors shall not make investment decisions based on the above. The Company will not be liable for the losses suffered by investors due to the investment decisions made based on the above. Investors are advised to exercise caution.

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DEFINITIONS

In this Proposal, unless otherwise indicated in the context, the following expressions or abbreviations have the meanings set out below:

“Issuer” or “the Company”	China Securities Co., Ltd.
“A Share(s)”	the RMB-denominated ordinary shares listed on the Shanghai Stock Exchange with a nominal value of RMB1.00 each, which are traded in RMB
“H Share(s)”	the foreign invested ordinary shares listed on the Hong Kong Stock Exchange with a nominal value of RMB1.00 each, which are traded in HK dollars
“Non-public Issuance” or “Issuance”	the proposed issuance of not more than 1,277,072,295 (inclusive) A Shares with the total amount of proceeds not more than RMB13 billion (inclusive) by way of non-public issuance by CSC Securities
“Proposal”	the Proposal for Non-public Issuance of A Shares of China Securities Co., Ltd.
“Price Determination Date”	the first day of the issue period of the Non-public Issuance
“FICC”	fixed income securities, currencies and commodities
“China Securities Futures”	China Futures Co., Ltd.
“China Securities Capital”	China Capital Management Co., Ltd.
“China Securities International”	China (International) Finance Holding Co., Ltd.
“China Securities Funds”	China Fund Management Co., Ltd.
“China Securities Investment”	China Securities Investment Company Limited
“CSRC”	China Securities Regulatory Commission
“Shanghai Stock Exchange”	Shanghai Stock Exchange

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Board”	the board of directors of China Securities Co., Ltd.
“Listing Rules”	Shanghai Stock Exchange Listing Rules
“Articles of Association”	the Articles of Association of China Securities Co., Ltd.
“Administrative Measures for Issuance”	the Administrative Measures for the Issuance of Securities by Listed Companies
“Implementation Rules”	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (2017 Revision)
“RMB”, “RMB0’000”, “RMB00’000’000”	RMB, RMB0’000, RMB00’000’000

Section I Summary of the Proposal for Non-public Issuance of A Shares**I. ISSUER**

Name in Chinese:	中信建投证券股份有限公司
Name in English:	China Securities Co., Ltd. and CSC Financial Co., Ltd. (carrying on business in Hong Kong with this registered English name)
Date of establishment:	2 November 2005
Listing venues:	Shanghai Stock Exchange and Hong Kong Stock Exchange
Stock Short Name:	CSC (A Share); CSC Securities (H Share)
Stock Code:	601066 (A Share); 6066 (H Share)
Legal representative:	Wang Changqing
Registered address:	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal code:	100101
Registered capital:	RMB7,646,385,238 ¹
Telephone No.:	010-65608107
Fax No.:	010-65186399
Website:	http://www.csc108.com

¹ the Company was listed on the Shanghai Stock Exchange in June 2018 and made the initial public offering of 400 million A Shares, which will result in a change of registered capital to RMB7,646,385,238. As at the date of the Proposal, the registration for change of registered capital of the Company with the competent authority of industry and commerce is still in progress.

Scope of business: securities brokerage; securities investment consulting; financial advisory business relating to securities trading and securities investment activities; securities underwriting and sponsorship; proprietary securities trading; securities asset management; agency sale of securities investment funds; provision of intermediary business to futures companies; margin financing and securities lending business; agency sale of financial products; sideline insurance agency business; stock options market making; custodian for securities investment fund; sale of precious metal products. (Enterprises shall independently select operating items and carry out business activities according to laws; the business items subject to approval under the laws shall be carried out after the approval by relevant authorities; it is not allowed to engage in the business activities which are prohibited or restricted by the city's industrial policies.)

II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE

With the entry of China's economy into the new normal and deepening of reform of the capital market, there coexist both opportunities and challenges in the securities industry. The Report of the 19th National Congress of the Communist Party of China clearly states that it is necessary to deepen the reform of financial system to strengthen the capability of financial industry to serve the real economy, increase the proportion of direct financing, and promote the healthy development of multi-level capital market; the 13th Five-Year Plan proposes to proactively foster an open and transparent capital market with healthy development, increase the proportion of direct financing, reduce leverage ratio and develop multi-level equity financing market, which indicates that the securities industry will usher in important development opportunities.

Meanwhile, as the opening up of the securities industry is advancing in an orderly manner, foreign capital is allowed to hold as to 51% equity interest in domestic securities companies, making it possible for foreign capital to control securities companies, which means domestic securities companies will encounter with more competition from foreign-invested financial institutions. At this stage, certain powerful securities companies have begun to expand their existing business scale or branch into new business domains through horizontal mergers and acquisitions, showing a sign of differentiation in the securities industry.

As the economy of our country is transformed and upgraded, and as many guiding policies, such as developing multi-level capital markets, are published, which laid a policy foundation for securities companies engaging in innovative capital investment and capital-based intermediary business, the business model of securities companies will undergo transition from the previous commission-based business model to the integrated business model focusing on fee-based intermediary business, capital-based intermediary business, and self-funded investment business, and will gradually become a new niche for profit growth. Under the regulatory system centered on net capital, capital capability will become one of the key factors for securities companies to develop capital-based intermediaries and other innovative business, and enhance competitive advantages. Sufficient capital is the foundation and safeguards for securities companies to realize continuing healthy development and enhance competitive strength.

The Company has always been adhering to the core value of “recognition for achievement, ability and status”, and the concepts of “risk management as priority” and “healthy development” to strive for better service for existing customers and realize mutual growth with the enterprise. In the meantime, the Company cultivated its domestic business while expanding into international market to explore potential quality customers. The Company aimed to leverage its competitive edge in the investment banking business to steadily develop innovative business, became a large best-in-class full-service investment bank based in the PRC with global vision and benefit from the development trends in the PRC and global capital market.

To actively seize the development opportunities in the industry and enhance the Company’s competitiveness, the Company intends to expand its capital scale and reinforce the capital strength by way of Non-public Issuance of A Shares. On the basis of consolidating the advantageous business, the Company strengthens the capital-driven business and promotes the development of innovative business, in order to further optimize the income structure, improve risk resistance capability, and help the Company maintain and steadily strengthen the advantage of innovative capability, thereby creating larger returns to the Shareholders by seizing the strategic opportunities for the Company among the increasingly fierce competition in the industry.

III. TARGET SUBSCRIBERS AND THEIR RELATIONSHIPS WITH THE COMPANY

The target subscribers for the Non-public Issuance will be no more than ten target subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers is no more than ten target subscribers, which are securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company subscribing for the shares with two or more of the funds under its management shall be deemed as one single target subscriber. Trust investment companies shall only subscribe for the A Shares with their own capital.

The Company has not yet determined the specific target subscribers, and therefore it is impossible to determine the relationships between target subscribers and the Company.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority.

All target subscribers shall subscribe the shares under the Non-public Issuance by cash.

Where there are other provisions in relation to the shareholder qualifications and respective review procedures for the target subscribers by the regulatory authorities, those provisions shall be complied with.

IV. SUMMARY OF THE ISSUANCE PLAN

(I) Class and nominal value of shares to be issued

The class of shares under the Non-public Issuance are domestically listed RMB-denominated ordinary shares (A Shares) with a nominal value of RMB1.00 each.

(II) Method and time of Issuance

Issuance is conducted by way of non-public issuance of shares to specific subscribers. The Company will issue shares at an appropriate time within the validity period upon obtaining the approval documents of the CSRC.

(III) Target subscribers and subscription method

The target subscribers for the Non-public Issuance will be no more than ten target subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers is no more than ten target subscribers, which are securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company subscribing for the shares with two or more of the funds under its management shall be deemed as one single target subscriber. Trust investment companies shall only subscribe for the A Shares with their own capital.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority.

All target subscribers shall subscribe the shares under the Non-public Issuance by cash.

Where there are other provisions in relation to the shareholder qualifications and respective review procedures for the target subscribers by the regulatory authorities, those provisions shall be complied with.

(IV) Issue price and pricing principles

The price determination date of the Non-public Issuance shall be the first day of the issue period of the Non-public Issuance of the Company. The issue price of the Issuance shall be no less than 90% of the average trading price (rounded up to the nearest two decimal places) of the A Shares of the Company for the 20 trading days preceding the price determination date (excluding the price determination date; same for below) or the last audited net asset per share attributable to the ordinary shareholders of the parent company of the Company, whichever is higher.

The average trading price of the A Shares of the Company for the 20 trading days preceding the price determination date shall be the total trading amount of A Shares of the Company for the 20 trading days preceding the price determination date divided by the total trading volume of A Shares of the Company for the 20 trading days preceding the price determination date. In the event that there are ex-right or ex-dividend activities causing adjustment to the share prices during the 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the price adjusted by the ex-right or ex-dividend activities.

In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial reports to the Issuance date, adjustments shall be made to the abovementioned net assets per share accordingly.

Upon obtaining the written approval of the CSRC, the final issue price under the Non-public Issuance shall be determined by the Board of the Company or its authorized person(s), under the authorization granted at the general meeting, with the lead underwriter according to the prices offered by the target subscribers and in accordance with the requirements of the CSRC and the principle of price priority.

(V) Issue Size

Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 1,277,072,295 Shares (inclusive). In the event that the Company grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the announcement date of the Board resolution in relation to the Non-public Issuance to the Issuance Date, the size of the Issuance will be adjusted accordingly.

The final issue size under the Non-public Issuance of A Shares shall be determined by the Board of the Company or its authorized person(s), under the authorization granted at the general meeting, with the lead underwriter according to the cap and the issue price approved by the CSRC.

(VI) Amount and the use of proceeds

The total amount of proceeds from the Non-public Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the Issuance expenses in order to expand the Company's business scale and improve competitiveness and ability to withstand risks. The proceeds are mainly used in the following areas:

No.	Investment project for the proceeds	Proposed investment amount
1	Development of brokerage business	Not more than RMB5.5 billion
2	Development of investment trading business	Not more than RMB4.5 billion
3	Information system infrastructure	Not more than RMB1 billion
4	Capital contribution to subsidiaries	Not more than RMB1.5 billion
5	Other arrangements of working capital	Not more than RMB500 million
	Total	Not more than RMB13 billion

(VII) Lock-up period of the Issuance

According to the relevant requirements under the Administrative Measures for Issuance, the Implementation Rules and the Guidelines on Administrative Approval for Securities Companies No. 10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號－證券公司增資擴股和股權變更》), following the completion of the Issuance, the specific target subscribers holding 5% or more (inclusive) of the shares of the Company shall not transfer their shares for 48 months from the date of completion of Issuance. Specific target subscribers holding less than 5% of the shares of the Company shall not transfer their shares for 12 months from the date of completion of the Issuance. Where there are provisions of other laws and regulations on the lock-up period, those provisions shall be complied with.

(VIII) Listing venue

The shares under the Non-public Issuance will be listed on the Shanghai Stock Exchange.

(IX) Arrangement of accumulated undistributed profits prior to completion of the Issuance

Both new Shareholders and existing Shareholders after the Issuance are entitled to the accumulated undistributed profits of the Company.

(X) Validity period

Validity period of the resolution for the Non-public Issuance is 12 months from the date when the resolutions relating to the Issuance are considered and approved at the general meeting, the A shareholders' class meeting and the H shareholders' class meeting.

V. WHETHER THE ISSUANCE CONSTITUTES A RELATED PARTY TRANSACTION

The Non-public Issuance does not constitute a related party transaction.

VI. WHETHER THE ISSUANCE LEADS TO A CHANGE IN THE CONTROL OF THE COMPANY

There are no controlling shareholders and actual controllers in the Company prior to the Issuance. There will be no controlling shareholders and actual controllers upon completion of the Issuance. As such, the Non-public Issuance does not involve any change in the control of the Company.

VII. WHETHER THE ISSUANCE PLAN HAS OBTAINED APPROVALS FROM RELEVANT COMPETENT AUTHORITIES AND THE PROCEDURES PENDING TO BE SUBMITTED FOR APPROVAL

The Proposal for Non-public Issuance has been considered and approved at the 10th meeting of the second session of the Board of the Company, and is subject to the consideration and approval at the general meeting of the Company. Upon consideration and approval at the general meeting, in accordance with the provisions of the Company Law, the Securities Law, the Administrative Measures, the Implementation Rules and other relevant laws, regulations and regulatory document, the Issuance is subject to the approval of the CSRC. Upon obtaining approval of CSRC, the Company will apply to the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the issuance and listing of shares to complete all approval procedures for the Non-public Issuance of Shares.

Section II Feasibility Analysis by the Board on the Use of Proceeds**I. PLANS FOR USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE**

Subject to regulatory requirements of the places where the Shares of the Company are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 1,277,072,295 Shares (inclusive), with the total proceeds not exceeding RMB13 billion. All proceeds, after deducting issuance expenses, will be used for capital increase and working capital replenishment. Proceeds from the Issuance would help the Company to optimize its capital structure and business portfolio, and further improve its ability to better serve the real economy. The proceeds will be mainly used in the following aspects:

No.	Investment project for the proceeds	Proposed investment amount
1	Development of brokerage business	Not more than RMB5.5 billion
2	Development of investment trading business	Not more than RMB4.5 billion
3	Information system infrastructure	Not more than RMB1 billion
4	Capital contribution to subsidiaries	Not more than RMB1.5 billion
5	Other arrangements of working capital	Not more than RMB500 million
	Total	Not more than RMB13 billion

(i) Developing the brokerage business to improve the ability to better serve the real economy

No more than RMB5.5 billion of the proceeds from the Issuance is intended for expanding the scale of brokerage business, which includes expansion of the scale of margin trading and securities lending, stock pledge and other credit transactions.

It will be the overall trend that the financial sector serves the real economy. From the perspective of securities industry, funds provided through stock pledge mainly flow to the real economy, helping some companies out of financing difficulties. Funds or securities offered through margin trading and securities lending can better realize the value discovery function of capital market. Since 2012, the brokerage business that features margin trading and securities lending and stock pledged repo transactions has become an important part of assets and liabilities operations for securities companies. As at the end of September 2018, values of margin trading and securities lending on both the Shenzhen and Shanghai markets amounted to RMB822.720 billion.

The Company obtained from CSRC the qualification for margin trading and securities lending in 2010, and then in 2012 the qualification for refinancing pilot program. The Company was listed among the first batch of companies for the pilot program of agreed repurchase type securities trading after the release of Shanghai Stock Exchange new regulations, and obtained the qualification for pilot program of stock pledged repo transactions and the qualification of the Shenzhen Stock Exchange for equity incentive exercise financing business. While ensuring that risks are measurable, controllable and tolerable, the Company promoted its securities financing business with both endeavor and prudence, offering a range of solutions to its clients. As at September 30, 2018, the balance of margin trading and securities lending amounted to RMB30.045 billion, recording a market share of 3.65%; the balance of stock pledged repo transactions reached RMB37.36 billion; funds offered through agreed repurchase type securities trading were RMB75 million.

Under the backdrop of declining commission rate, the Company seeks to improve its profitability and market competitiveness by developing the brokerage business and satisfying client demands for comprehensive financial services. Therefore, the Company has further capital requirements for moderately expanding the scale of brokerage business. Furthermore, by increasing investments into the brokerage business with proceeds from the Issuance, the Company can better meet requirements related to risk control indicators and guarantee a reasonable growth of brokerage business.

(ii) Developing the investment trading business to enhance market competitiveness

No more than RMB4.5 billion of the proceeds from the Issuance is intended for developing the investment trading business.

The investment and trading businesses of securities companies have become a significant force in the market in recent years. Investments of securities companies are breaking away from directivity and shifting to diversification, and securities companies are having more mature investment strategies and stronger market competitiveness. According to operating data of securities companies for 2017 released by the Securities Association of China, revenue from proprietary businesses exceeded that generated from securities brokerage businesses for the first time, becoming the first major source of income.

With respect to fixed income proprietary business, the Company maintains a robust proprietary investment style. Riding on market trends, the proprietary bond business realizes synergy between sound allocation and active directional trading and records satisfactory performance. On July 3, 2018, the Company was qualified as a quotation institution of the “Bond Connect”. The experience of foreign investment banks is that revenue from FICC products (including fixed income financial products, foreign exchanges and bulk commodities) and their derivatives takes up a larger proportion in the overall revenue from trading and investment businesses. It is also a development trend for China’s securities companies, and, in turn, sets higher standards on the scale of securities portfolio, investment ability, product innovation and business layout of securities companies. The Company is actively exploring investment opportunities related to gold, crude oil, foreign exchanges and their derivatives and effectively align them with traditional fixed income products, aiming to realize synergy of FICC related businesses.

With respect to equity proprietary business, the Company pays close attention to the macro economy and micro economic data, and develops a strong ability to ward off systemic business risks. In July 2014, the Company became qualified to conduct NEEQ market-making business, providing market-making services by fundamental selection and valuation to pursue a balance between value and growth. With respect to derivatives trading business, the Company actively explores new business models and enriches its internal capital investment strategies to meets clients’ different service demands while promoting stable development of existing businesses,.

In the future, the Company will enhance market research and analysis and seize opportunities to offer better investment and sales services related to fixed income products, improve FICC portfolio, strengthen investment research ability and product design ability in respect of different product segments, and improve market-making services. In the meantime, it will pay close attention to economic trends and policy changes, leverage the fundamental-based pricing, uphold the concept of value investing and seize structured opportunities in the market, so as to achieve stable income that matches with market environment. To optimize the business portfolio and expand the scale of investment trading business, the Company intends to invest some of the proceeds into developing the investment trading business.

(iii) Increasing investment in information system building to improve the overall informationization

No more than RMB1 billion of proceeds from the Issuance is intended for increasing investment in information system building.

New technologies, including big data, Internet Plus, cloud computing, artificial intelligence and blockchain, are changing the social economy and the whole financial sector. The information system is an important vehicle for the operation of securities market, and is of great significance to sound development of the securities market, protection of investors' interest and enhancement of market competitiveness. Fintech, the fruit of deep integration of technology and finance, introduces new technologies, applications, process and products into the securities industry, and creates new service model and business pattern, which in turn promotes development of the whole securities industry. As clients highly value the ability of offering intelligent, integrated and efficient services, information system infrastructure, serving as the basis of front businesses, affects the comprehensive service abilities of securities companies to a large extent.

In addition, regulatory requirements tend to be more demanding and much stricter. A number of special IT regulations about the securities industry have been announced, indicating a higher standard on the requirement and ability of IT infrastructure and of securities companies. In the Provisions on Classified Supervision and Administration of Securities Companies amended by CSRC in 2017, information system building investment is regarded as an important indicator. The Regulation on Comprehensive Risk Management of Securities Companies amended by the Securities Association of China in 2016 also provides that securities companies shall establish risk management information systems that are in line with their business complexity and risk indicator systems.

Faced with new trends and new environment emerging from external competition and internal business transformation, the Company has to ensure that its information technology system adapt to corporate management and business development. In this regard, the Company intends to increase investments into information system building with proceeds from the Issuance, so as to improve the overall informationization and the ability of Fintech to support business development.

(iv) Making capital contribution to subsidiaries to facilitate all-round development

No more than RMB1.5 billion of proceeds from the Issuance is intended for capital contribution to subsidiaries to facilitate all-round development.

In its history of more than ten years, the Company seizes opportunities brought about by innovative development of China's securities industry and rapidly grows into a large and integrated investment bank that secures a leading position in the industry. At present, the Company wholly owns China Securities Futures, China Securities Capital, China Securities International and China Securities Investment, and has control over China Securities Funds. Among them, China Securities Futures is principally engaged in futures brokerage, investment advisory, asset management and other relevant services. China Securities Capital is principally engaged in private equity investment management services. China Securities Funds is principally engaged in funds management and relevant services. China Securities Investment is principally engaged in financial product investment, equity investment and other investment businesses in compliance with laws and regulations. China Securities International is principally engaged in corporate financing, asset management, securities brokerage, investment research and other international investment and financing services.

In response to regulatory requirements and with an aim to promote the large-scale and group-wide development of securities businesses, the Company intends to contribute capital to China Securities Investment with some of the proceeds, thereby reinforcing the capital strength of China Securities Investment, realizing synergy between the parent and subsidiaries and among subsidiaries and providing clients with diversified, professional and integrated financial products and services, which will help diversify income of the Company and boost all-round development.

(v) Other arrangements of working capital

No more than RMB500 million of proceeds from the Issuance is intended for other working capital arrangements.

As the capital market continues to develop and the industry accelerates its pace of innovation, the securities industry will embrace a great development potential in the future. The Company will keep a close watch to regulatory policy changes and industry development opportunities; basing on its strategic development objective and actual operation, it will allocate proceeds from the Issuance reasonably and satisfy its reasonable requirements for working capital during business development in a timely manner to ensure that all businesses are in orderly progress.

II. NECESSITY OF THE ISSUANCE**(i) The Issuance is a necessary measure for the realization of the Company's strategic development objective**

The Company devotes itself to building a China-based, large and integrated securities company with international horizons and comprehensive advantages. It adheres to the business mode that values coordinated development of light and heavy capital businesses, continuously stimulates the synergies among each business line and optimizes the incentive mechanism. During the “13th-Five Year Plan” period, the Company proposes the business mode of “valuing both light and heavy capital businesses and achieving coordinated development”. Heavy asset businesses requires substantial investments and become the major force for revenue growth. From the other perspective, such businesses are able to support light asset businesses and preserve the competitiveness of the Company. To realize its strategic development objective, the Company will continuously invest in investment banking, wealth management, trading and institutional client services, investment management, international development and set-up of middle offices and back offices. The Issuance will provide a strong financial support to the Company's future development strategy; therefore, it is a necessary measure for the realization of strategic development objective.

(ii) Reinforcing capital strength and consolidating industry position

As China deepens reform in the capital market, the securities industry is facing intensified competition. On the one hand, the securities industry has a low rate of market concentration and universally homogeneous competition. Some competitive securities companies had started to expand business scale or get into new business fields via horizontal mergers and acquisitions with an aim to promote synergic business development and improve comprehensive competitiveness and risk resistance capacity, which results in a differentiation trend in the securities industry. On the other hand, the opening-up of securities industry is being promoted gradually, allowing foreign investors to have shareholding up to 51% in domestic securities companies. As the securities industry is further opened to the world, China's securities companies will face greater competition from foreign-funded financial institutions. Given the intensified competition, the Company is in need of reinforcing capital strength and comprehensively improving its competitiveness on basis of consolidating existing advantages.

As at September 30, 2018, total asset on consolidated basis reached RMB200.305 billion. The Company realized RMB7.811 billion of revenue and RMB2.198 billion of net profit from January to September 2018; all financial indicators and business performance ranked top in the industry. Nevertheless, the Company still needs to reinforce its capital strength when compared with leading securities companies of larger scale. Some peers have recently realized net capital improvement via equity refinancing activities, and the Company is facing greater challenge in maintaining capital strength and industry position. Amid the fierce market competition, the Issuance will help the Company to consolidate its industry position and improve its comprehensive competitiveness, lay a solid foundation for business development and help the Company to gain an advantage in market competition.

(iii) Following the industry trend of transforming profit model and optimizing business portfolio

The traditional sources of profit of China's securities companies are three major traditional businesses, namely securities brokerage, securities proprietary trading, and underwriting and sponsorship, which is regarded as a relatively single profit model. A number of guiding policies for economic transformation and upgrading and development of multi-level capital market have been rolled out in recent years, which provides a policy foundation for securities companies to engage in innovative capital investments and brokerage businesses, including margin trading and securities lending, stock pledged repo transactions, agreed repurchase type securities trading, asset management, asset-backed securitization, proxy sale of financial products and direct investment. The business model of securities companies will shift from the traditional model dominated by channel commission based business to the integrated model valuing fee-based business, brokerage business and internal capital investment, which will become a new force for profit growth. In the macro environment of prudent regulation, securities companies are actively exploring innovative businesses, which, in turn, sets a higher requirement on the capital strength of securities companies.

In such context, it is imperative for the Company to replenish its capital, enhance capital-driven businesses and promote development of innovative businesses while consolidating its current strengths, so as to optimize income structure, diversify risks, maintain and steadily improve the advantage in respect of innovation ability and lower the impact of market uncertainties.

(iv) Reducing the liquidity risk and improving risk resistance capacity

Risk management is prerequisite for securities companies to realize sustainable development, and the ability to maintain risks in a measurable, controllable and tolerable range and prevent risk event is related to the profitability of securities companies and even a key to the survival and development of securities companies. The Guidelines for the Management of Liquidity Risks of Securities Companies effective from March 1, 2014 and the amended Measures for the Administration of Risk Control Indicators of Securities Companies and its supporting rules effective from October 1, 2016 set higher standards on the capital strength and risk management of securities companies. From January 2017, seven securities companies including the Company (later expanded to eleven securities companies) have been involved in the preparation work for consolidated supervision pilot program with the guidance of CSRC, gradually establishing and improving a comprehensive risk control system that covers both the parent and subsidiaries to improve the group-wide risk management ability, and consolidating both domestic and overseas subsidiaries into the supervision report. All measures above send a signal that regulatory authorities are setting higher standards on the risk management ability of securities companies.

The securities industry is capital intensive, and the capital scale directly determines the business scale, and even directly relates to the risk resistance capacity. As the business scale of the Company continues to grow, it is possible that the liquidity risk would be led by unmatched assets and liabilities structures. To effectively prevent the liquidity risk, the Company optimizes its liquidity risk management policy, improves the liquidity risk stress test mechanism and the liquidity risk indicator forecast mechanism, and amends the liquidity risk contingency plan. Nevertheless, reasonable capital replenishment is still an important means to resist risks. Proceeds from the Issuance are conducive to capital structure optimization, liquidity risk reduction and risk resistance capacity improvement.

III. FEASIBILITY OF THE ISSUANCE

(i) The Non-public Issuance satisfies the conditions prescribed by relevant laws, regulations and regulatory documents

The Company has a sound corporate governance structure, has established a comprehensive risk management and internal control system, and possesses high-quality assets and sound financial position, and its profitability is strong and sustainable. The Company satisfies the conditions for non-public issuance of domestic RMB-denominated ordinary shares (A Shares) that are prescribed by the Administrative Measures for Issuance, the Implementation Rules, Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) and other relevant laws, regulations and regulatory documents.

(ii) The Non-public Issuance is in line with national industry policy orientations

In May 2014, the State Council issued the Several Opinions on Further Promoting the Sound Development of Capital Markets, which proposed to promote the differentiated, professional and characteristic development of securities institutions and to facilitate the establishment of several modern investment banks with international competitiveness and strong brand influence and of systemic importance.

In May 2014, CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Institutions. From three aspects, constructing modern investment banks, supporting business and product innovation and promoting supervision transformation, the document specified major tasks and specific measures to advance innovative development of securities institutions, and explicitly encouraged securities institutions to expand financing channels and conduct equity and debt financing activities.

In June 2016, CSRC amended the Measures for the Administration of Risk Control Indicators of Securities Companies and the supporting rules. The document aims to improve the effectiveness of risk control indicators and promote the long-term, sound and steady development by referring to the latest industry development trend, improving the calculation basis for net capital and risk capital reserve, incorporating leverage ratio and liquidity supervision into the scope of indicators, and clarifying the counter-cyclical regulation mechanism.

As the business scale grows rapidly and industry regulatory policies are gradually adjusted, the current net capital cannot meet business development requirements of the Company. The Issuance is an act to respond to the proposal of CSRC to encourage securities companies to replenish their capital, and is in line with national industry policy orientations.

Section III Discussion and Analysis by the Board on Impact of the Issuance on the Company**I. CHANGES IN BUSINESSES, THE ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, SENIOR MANAGEMENT AND REVENUE STRUCTURE AFTER THE ISSUANCE**

Current business scope of the Company is: securities brokerage; securities investment consultation; financial advisory business relating to securities trading and securities investment; securities underwriting and sponsorship; securities proprietary trading; securities asset management; proxy sale of securities investment fund; provision of futures intermediary services for futures companies; margin financing and securities lending; proxy sale of financial products; insurance agency service; stock options market making; securities investment fund custodian; sale of precious metals. (Business activities shall be carried out with the Company's free choice according to law; business activities which are subject to relevant approval in accordance with applicable laws shall be carried out only after obtaining of such approvals granted by competent regulatory authorities; no business activities in the prohibited or restricted categories of the municipal industry policies shall be carried out.)

The impact of the Issuance on businesses, the Articles of Association, shareholding structure, senior management and revenue structure of the Company is the following:

- (i) Upon completion of the Non-public Issuance, businesses, senior management and revenue structure of the Company will not change significantly due to the Issuance.
- (ii) Upon completion of the Non-public Issuance, total share capital of the Company will be enlarged, and original shareholding will be diluted; but the shareholding structure of the Company will not change significantly. Total A share capital of the Company will be more than RMB400 million, and the public float will maintain at a level of above 10% of the total shares of the Company, which is in compliance with relevant regulations of the Listing Rules with respect to the conditions for issuance of A Shares.
- (iii) Upon completion of the Non-public Issuance, the registered capital and total A Shares of the Company will be changed, and the Company will amend relevant articles in the Articles of Association according to the results of the Non-public Issuance.

II. CHANGES IN THE FINANCIAL POSITION, PROFITABILITY AND CASH FLOWS AFTER THE ISSUANCE**(i) Impact on financial position**

Upon completion of the Non-public Issuance, the scale of total asset, net asset and net capital of the Company will be increased accordingly, and the gearing ratio will be lower, which will help optimize the Company's capital structure and effectively reduce financial risks. The Issuance will enable the Company to build a more sound financial structure, and provide the Company with greater business development potential while effectively improving the Company's risk resistance capacity. The Company will benefit from this and realize sustained and steady development.

(ii) Impact on profitability

Under the regulation system in which net capital is the core indicator, the business scale and risk resistance capacity of securities companies are closely related to their net capital. Through the Issuance, the Company will rapidly increase its net capital, accelerate business development and improve its overall profitability and risk resistance capacity.

(iii) Impact on cash flows

Upon completion of the Non-public Issuance, subscribers will subscribe for shares in cash; therefore, the Non-public Issuance will affect cash flows from financing activities for the period when proceeds are transferred to the Company. Such proceeds will support the Company's business expansion, and will have positive impact on future cash flows from operating activities.

III. CHANGES IN BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP, CONNECTED TRANSACTIONS AND HORIZONTAL COMPETITION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES

The Company has no controlling shareholder before the Non-public Issuance, and the Issuance will not result in any controlling shareholder. Therefore, upon completion of the Non-public Issuance, there will be no changes of business relationship, management relationship, horizontal competition and connected transactions between the Company and the controlling shareholder and its related parties.

IV. FUNDS AND ASSETS OCCUPIED BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES, OR GUARANTEES OFFERED BY THE COMPANY FOR THE BENEFIT OF THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES UPON COMPLETION OF THE ISSUANCE

The Company has no controlling shareholder before the Non-public Issuance, and the Issuance will not result in any controlling shareholder. Therefore, upon completion of the Issuance, the Company has no funds or assets occupied by the controlling shareholder and its related parties, or guarantees offered by the Company for the benefit of the controlling shareholder and its related parties.

V. SIGNIFICANT INCREASE IN LIABILITIES (INCLUDING CONTINGENT LIABILITIES) RESULTED FROM THE ISSUANCE, AND WHETHER ANY UNREASONABLE FINANCE COST IS INCURRED

As at September 30, 2018, consolidated gearing ratio of the Company was 70.08% (accounts payable to brokerage clients have been excluded from assets and liabilities; the same below). Calculated by the upper limit of proceeds from the Issuance, being RMB13 billion, consolidated gearing ratio of the Company following the completion of the Issuance is estimated to be 64.90% (not taking account other changes in assets and liabilities). The Company has a more sound financial position and a more reasonable capital structure; there is no significant increase in liabilities (including contingent liabilities) resulted from the Issuance, and there is no ultra-low debt ratio or unreasonable finance cost incurred.

Section IV Profit Distribution Policy and Implementation of the Company**I. PROFIT DISTRIBUTION POLICY OF THE COMPANY**

According to the current effective Articles of Association of the Company, the policies of the profit distribution of the Company are as follows:

Article 252 The basic principles of the profit distribution policy of the Company shall be as follows:

- (1) the Company attaches much importance to providing reasonable returns to investors and maintaining the continuity and stability of the Company's dividend distribution policy, while taking into account the company's long-term interests, the overall interests of all shareholders and the company's sustainable development;
- (2) the profit distributed by the Company shall not exceed its accumulated distributable profit, and the Company shall ensure that, upon the implementation of the profit distribution policy, all risk control indicators shall conform to the requirements for the early warning standards set forth in the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》);
- (3) the Company shall give priority to the distribution of dividends in cash;

Article 253 The policy of profit distribution of the Company is as follows:

- (1) forms of profit distribution: The Company may distribute its profits in cash, shares or a combination of both or in any other forms as permitted by the laws;
- (2) conditions and proportions of dividends in cash: Provided that the Company does not have material investment plans, major cash expenses, etc. and that the capital needs for normal operation of the Company are met, the profits distributed by the Company in cash shall not be less than 10% of the distributable profits of the same year, and within any consecutive three years, the accumulated profit distribution in cash shall not be less than 30% of the average annual distributable profit for those three years;
- (3) intervals of profit distributions: The Company generally distributes its profit on a yearly basis. The Board may propose interim distribution of profits (including interim distribution of cash dividends) according to the Company's profitability and capital needs and other conditions;

- (4) conditions of distributing dividends: Provided that the Company's operation is in good condition and that the Board considers the distribution of share dividends is beneficial to the overall interest of all shareholders of the Company due to a mismatch between the Company's stock price and its scale of share capital, the Company may distribute dividends in the form of shares if the above cash dividend conditions are met;
- (5) differential cash dividend policy: The Board may propose a differential dividend policy in accordance with the requirements of applicable laws, regulations and listing rules and the procedures prescribed in these Articles of Association.

Article 254 Decision-making procedures and mechanisms of profit distribution plans are as follows:

- (1) the profit distribution plan of the Company shall be formulated by the Board. The Board shall fully discuss the rationality of the profit distribution plan and formulate the special proposal to be implemented upon consideration and approval at the general meeting. Independent Directors shall give clear opinions. Before the specific plan of profit distribution is considered at the general meeting, the Company shall actively communicate with the shareholders, especially the minority shareholders, via multiple channels, fully listen to the views, complaints and requests of the minority shareholders, and timely respond to the concerns of the minority shareholders. When the profit distribution plan is considered at the general meeting, the shareholders shall be provided with access to online voting.
- (2) if the Company cannot determine the profit distribution plan for the current year in accordance with the established cash dividend policy or the minimum cash dividend ratio under exceptional circumstances, the Company shall disclose the specific reasons and the clear opinions of the Independent Directors in the annual report. The profit distribution plan of the Company shall be adopted by 2/3 or more of the voting rights held by the shareholders attending the general meeting.
- (3) in the event of any war, natural disasters and other force majeure, or changes in the external business environment of the Company having a significant impact on the Company's production and operation, or if the Company's own business or financial position has changed greatly or the relevant laws, regulations or regulatory requirements have been changed or adjusted, or if the Board deems necessary, the Company may adjust the profit distribution policy.

Should the Company adjust the profit distribution policy, the Board shall have a detailed discussion about the feasibility of the adjustment and form a special proposal to be submitted to the general meeting subject to approval by 2/3 or more of the voting rights held by the shareholders attending the general meeting. Independent Directors shall give clear opinions. Before the specific plan of adjusted profit distribution policy is considered at the general meeting, the Company shall actively communicate with the shareholders, especially the minority shareholders, via multiple channels, fully listen to the views, complaints and requests of the minority shareholders, and timely respond to the concerns of the minority shareholders. When the adjustment of profit distribution policy is considered at the general meeting, the shareholders shall be provided with access to online voting.

II. CASH DIVIDEND AND USE OF UNDISTRIBUTED PROFITS OF THE COMPANY IN RECENT THREE YEARS

(i) Profit distribution plan in recent three years

The Company was listed on the Shanghai Stock Exchange in June 2018. Under integrated consideration on the development of the Company and interests of shareholders prior to the listing and other factors, the Company did not implement profit distribution to the shareholders for the year 2015. The profit distribution plans for the year 2016 and for the year 2017 are as follows:

1. Profit distribution plan for the year 2016

The profit distribution regarded the total share capital of the Company amounting to 7,246,385,238 shares as of the record date of bonus and profit distribution as the basic number. The Company distributed cash dividend of RMB1.80 (tax inclusive) per 10 shares, and distributing cash dividend of RMB1,304,349,342.84 in total.

2. Profit distribution plan for the year 2017

The profit distribution regarded the total share capital of the Company amounting to 7,646,385,238 shares as of the record date of bonus and profit distribution as the basic number. The Company distributed cash dividend of RMB1.80 (tax inclusive) per 10 shares, and cash dividend of RMB1,376,349,342.84 in total.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

(ii) Cash dividend for recent three years

Cash dividend for the years 2015, 2016 and 2017 are as follows:

Year of distribution	Dividend payout for every 10 shares (yuan) (tax inclusive)	Amount of cash dividend (yuan) (tax inclusive)	Net profit attributable to ordinary shareholders of the parent in the consolidated statements for the year of dividend distribution (yuan)	Percentage of net profit attributable to ordinary shareholders of the parent in the consolidated statements
2017	1.80	1,376,349,342.84	3,721,427,677.06	36.98%
2016	1.80	1,304,349,342.84	4,965,251,675.20	26.27%
2015	-	-	8,344,825,423.47	-
Accumulated amount of cash dividend in the recent three years (yuan)				2,680,698,685.68
Average net profit attributable to ordinary shareholders of the parent in the consolidated statements in the recent three years (yuan)				5,677,168,258.58
Accumulated amount of cash dividend in the recent three years/ Average net profit attributable to ordinary shareholders of the parent in the consolidated statements in the recent three years				47.22%

The Company was listed on the Shanghai Stock Exchange in June 2018, and the cash dividend distribution plan for the recent three years conforms to the relevant provisions set out in the Articles of Association currently in force.

(iii) Use of undistributed profit in the recent three years

In the recent three years, the Company utilized the undistributed profit in satisfying its net capital requirements, particularly in the normal business development for the principal businesses of the Company.

III. SHAREHOLDER’S RETURN PLAN OF THE COMPANY FOR THE NEXT THREE YEARS

The Company was listed on the Shanghai Stock Exchange on June 20, 2018. On June 8, 2017, the Company convened the 2016 annual general meeting, the 2017 first domestic shareholders’ class meeting and the 2017 first H shareholders’ class meeting, at which the “Plan Regarding Shareholders’ Return for the Three Years after the Initial Public Offering and the Listing of A Shares” was reviewed and approved, and the main contents are set out as follows:

- (i) The Company may distribute profits by way of cash, stocks, or combination of both, or other methods as permitted by laws and regulations. The Company shall adopt a cash dividend distribution policy which allows shareholders to share the achievements in the growth and development of the Company, with reasonable investment return, by taking into consideration all relevant factors, such as development stage and capital requirements.
- (ii) The Company adopts cash dividend as its main profit distribution method, i.e. the Company shall distribute cash dividend where a profit is realized in such year with positive accumulated undistributed profit and there is distributable profit after loss compensation, and the withdrawal of various provident funds and reserves in compliance with the laws, the Company should distribute cash dividend; The scale of profit distribution by the Company shall not exceed the amount of accumulated distributable profit. If there are no material investment plans or material cash expenditure or other events, and under the circumstance that the capital requirement of the Company is satisfied for normal operation, the profit distributed by the Company by way of cash on annual basis shall not be lower than 10% of the distributable profit realized in such year; meanwhile, in any three consecutive years, the accumulated profit distributed by the Company by way of cash shall not be lower than 30% of the annual average distributable profits realized in such three years.
- (iii) The Company shall distribute its profit on an annual basis. The Board of the Company may recommend the distribution of interim cash dividend according to the operating conditions of the Company, which is subject to the principle of profit distribution and the satisfaction of the conditions to cash dividend distribution.
- (iv) The Company may propose the implementation of the distribution plan on stocks and dividends under a sound operation and when the Board is of the view that the stock price of the Company does not match the scale of the share capital of the Company and the distribution of stocks and dividends is conducive to the interests of all shareholders as a whole while satisfying the above-mentioned cash dividend distribution, taking into full consideration the potential growth, the dilution of net assets per share of the Company and other factors.

- (v) The Board of the Company shall propose a differentiated cash dividend policy by taking into full consideration the characteristics of the industry where it operates, its own development stage, operation model and profitability level, and whether there is material arrangement on capital expenditure and other factors, and distinguishing the following circumstances, subject to the procedures as stipulated in the Articles of Association:
1. Where the Company is at a mature stage of development with no material arrangement on capital expenditure, and when the profit distribution is made, the cash dividend shall account for at least 80% to the profit distribution.
 2. Where the Company is at a mature stage of development with material arrangement on capital expenditure, and when the profit distribution is made, the cash dividend shall account for at least 40% to the profit distribution.
 3. Where the Company is at a growing stage of development with material arrangement on capital expenditure, and when the profit distribution is made, the cash dividend shall account for at least 20% to the profit distribution.

In case of difficulty in distinguishing the development stage of the Company and there is material arrangement on capital expenditure, profit distribution shall be made in accordance with the provisions of the preceding paragraph.

Based on the current actual operation of the Company, the above-mentioned material arrangement on capital expenditure of the Company refers to the proposed foreign investment, acquisition of assets, purchase of assets, or other capital expenditures due to business expansion by the Company within the next 12 months, or where the accumulated expenditure on investment is estimated to reach or exceed 15% of the latest audited net assets of the Company, and such other circumstances as determined by CSRC or the Stock Exchange.

The Company is currently at the growing stage. Where there is any material arrangement on capital expenditure within the next 12 months, and when the profit distribution is made, the cash dividends shall account for at least 20% to the profit distribution; where there is no material arrangement on capital expenditure within the next 12 months, the cash dividends shall account for at least 40% to the profit distribution.

(vi) In the event of any of the following circumstances, the Company may adjust the proportion of such cash dividends, subject to the requirements of relevant laws and regulations as well as approval at the annual general meeting of the Company by way of a special resolution:

1. When there is a change in or adjustment to relevant laws and regulations;
2. When there is an early warning on the risk control indicator for net capital. With the current regulatory background of the securities industry with net capital as the core, in formulating the profit distribution plan, the Company shall conduct a comprehensive assessment and sensitivity analysis on the impact of the profit distribution plan on the risk control indicators and the business operations of the Company to ensure that, after the implementation of the profit distribution plan, the risk control indicators of the Company, such as net capital, will not be lower than the standards for early warning as required in the “Administrative Measures for Risk Control Indicators of Securities Companies”. Where the scale of dividend distribution of the Company leads to an early warning on risk control indicators, in turn affects the scale and development potential of each of the Company’s businesses, the proportion of dividend distribution shall be adjusted accordingly.

**Section V Risk Alert in relation to the Dilution of Current Returns
by the Non-public Issuance of A Shares**

In order to protect the interests of medium and small investors, the Company analyzed the impact of the Issuance on the dilution of current returns and developed specific remedial measures to diluted current returns in accordance with the requirements of the Opinions of the General Office of the State Council on Further Enhancing the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Dilution of Current Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) issued by CSRC and other provisions. Specific details are set out below:

I. CHANGES IN EARNINGS PER SHARE OF THE COMPANY UPON COMPLETION OF THE ISSUANCE

The total share capital of the Company prior to the Issuance was 7,646,385,238 Shares. Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of shares to be issued shall be no more than 1,277,072,295 Shares (inclusive). The total amount of proceeds from the Issuance, after deducting relevant issuance expenses, will be used for replenishment of capital and working capital of the Company in order to expand the Company's business scale and improve its market competitiveness and risk resistance capacity. When the proceeds from the Issuance are in place, the total share capital and net asset size of the Company will be significantly increased. Due to the time needed for the proceeds from the Issuance to generate benefits, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

(i) Main assumptions and premises

1. It is assumed that there will be no material adverse changes in the macroeconomic environment, the development trend of the industry and the operating conditions of the Company in 2019.
2. It is assumed that the Issuance will be completed prior to September 30, 2019. The completion time, which will be used only for the purpose of calculating the impact of the dilution of current returns under the Issuance on main financial indicators, shall be subject to the time when the Issuance is actually completed as approved by CSRC.

3. It is assumed that 1,277,072,295 Shares are to be issued under the Issuance and the total amount of proceeds is RMB13 billion, without taking into consideration the impact of issuance expenses. The actual amount of proceeds received from the Issuance shall be finalized subject to the approval of the regulatory authority, status of issuance and subscription, issuance expenses, etc.
4. No consideration is given to the impact on the production, operation, financial condition, etc. of the Company (such as operating revenue, financial expenses and investment income) upon receipt of the proceeds from the Issuance.
5. Estimate of the total share capital of the Company is based on the total share capital of 7,646,385,238 shares of the Company as at December 31, 2018, not considering the changes in share capital caused by factors other than the impact of the Non-public Issuance of A Shares.
6. It is assumed that there is a change in net profit attributable to shareholders of the parent and net profit attributable to shareholders of the parent after deducting non-recurring profit and loss in 2018 based on the changing trend and proportion in the first three quarters in 2018 as compared with the same periods in the previous year, i.e., it is assumed that net profit attributable to shareholders of the parent in 2018 is RMB2,893 million and net profit attributable to shareholders of the parent after deducting non-recurring profit and loss in 2018 is RMB2,885 million.

Perpetual bond interest payable by the Company in 2018 is RMB294 million. Therefore, it is assumed that net profit attributable to ordinary shareholders of the parent in 2018 is RMB2,599 million and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2018 is RMB2,591 million.

It is assumed that net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 increased by 10%, remained stable and decreased by 10%, respectively, as compared with 2018.

The above assumptions do not constitute the profit forecast of the Company and investors should not rely on such assumptions in making investment decisions and the Company shall not be liable to any losses caused thereon.

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(ii) Impact on main financial indicators of the Company upon the Issuance

Set out below are the analysis on earnings per share prior to and upon the completion of the Issuance based on above assumptions:

Item	2018/ December 31, 2018	2019/December 31, 2019 Prior to the Issuance	Upon the Issuance
Total share capital <i>(100 million shares)</i>	76.46	76.46	89.23
Weighted average total ordinary share capital <i>(100 million shares)</i>	74.46	76.46	79.66
Assumption I:	net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 both increased by 10% as compared with 2018		
Net profit attributable to ordinary shareholders of the parent <i>(RMB100 million)</i>	25.99	28.59	28.59
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss <i>(RMB100 million)</i>	25.91	28.50	28.50
Basic earnings per share <i>(RMB yuan/share)</i>	0.35	0.37	0.36
Diluted earnings per share <i>(RMB yuan/share)</i>	0.35	0.37	0.36
Basic earnings per share after deducting non-recurring profit and loss <i>(RMB yuan/share)</i>	0.35	0.37	0.36
Diluted earnings per share after deducting non-recurring profit and loss <i>(RMB yuan/share)</i>	0.35	0.37	0.36

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

Item	2018/ December 31, 2018	2019/December 31, 2019 Prior to the Issuance	Upon the Issuance
Assumption II: net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 remained stable as compared with 2018			
Net profit attributable to ordinary shareholders of the parent <i>(RMB100 million)</i>	25.99	25.99	25.99
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss <i>(RMB100 million)</i>	25.91	25.91	25.91
Basic earnings per share <i>(RMB yuan/share)</i>	0.35	0.34	0.33
Diluted earnings per share <i>(RMB yuan/share)</i>	0.35	0.34	0.33
Basic earnings per share after deducting non-recurring profit and loss <i>(RMB yuan/share)</i>	0.35	0.34	0.33
Diluted earnings per share after deducting non-recurring profit and loss <i>(RMB yuan/share)</i>	0.35	0.34	0.33

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

Item	2018/ December 31, 2018	2019/December 31, 2019 Prior to the Issuance	Upon the Issuance
Assumption III: net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 both decreased by 10% as compared with 2018			
Net profit attributable to ordinary shareholders of the parent <i>(RMB100 million)</i>	25.99	23.39	23.39
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss <i>(RMB100 million)</i>	25.91	23.32	23.32
Basic earnings per share <i>(RMB yuan/share)</i>	0.35	0.31	0.29
Diluted earnings per share <i>(RMB yuan/share)</i>	0.35	0.31	0.29
Basic earnings per share after deducting non-recurring profit and loss <i>(RMB yuan/share)</i>	0.35	0.30	0.29
Diluted earnings per share after deducting non-recurring profit and loss <i>(RMB yuan/share)</i>	0.35	0.30	0.29

Note: Basic earnings per share and diluted earnings per share are prepared pursuant to Calculation and Disclosure of Return on Net Assets and Earnings per Share, No. 9 of the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public.

As estimated based on the above assumptions, there will be certain dilution effects on earnings per share of the Company in 2019 caused by the Issuance.

(iii) Description about the estimate

The above assumption analysis of the Company in relation to the estimate does not constitute the profit estimate of the Company. Investors should not rely on such analysis in making investment decisions and the Company shall not be liable to any losses caused thereon.

The number of shares, total amount of proceeds and the completion time of the Issuance in relation to the estimate are just estimated values, and shall be finalized subject to the approval of regulatory authority, status of issuance and subscription.

II. RISK ALERT IN RELATION TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

The total share capital and net asset size of the Company will be significantly increased upon completion of the Issuance. Due to the time needed for the proceeds from the Issuance to generate benefits, the realization of profits and shareholder's returns by the Company will still mainly rely on the existing businesses of the Company. On the premise of increase in the total share capital of the Company, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

III. NECESSITY AND RATIONALITY OF THE ISSUANCE

For the necessity and rationality of the Issuance, please refer to "II. Necessity of the Issuance" and "III. Feasibility of the Issuance" in "Section II Feasibility Analysis of the Board on the Use of Proceeds" in the Proposal.

IV. RELATIONSHIP BETWEEN INVESTMENT PROJECTS FOR THE PROCEEDS AND EXISTING BUSINESSES OF THE COMPANY

(i) Operation status and development trend of existing business segments of the Company

With a full-service platform, the Company provides customers, including enterprises, financial institutions, governmental agencies and individuals, with integrated full range of products and services at home and abroad. Its main businesses are classified into four segments: investment banking, wealth management, trading and institutional customer services and investment management.

For 2015, 2016, 2017 and for January to September in 2018, operating revenues of the Company were RMB19,011 million, RMB13,259 million, RMB11,303 million and RMB7,811 million, respectively, and net profits of the Company were RMB8,652 million, RMB5,313 million, RMB4,062 million and RMB2,198 million, respectively.

(ii) Risk exposure and improvement measures

Risks faced by the Company include political and legal risk, business and operational risk, financial risk and information technology risk. The Company always pays great attention to the development of risk management system, and has established an all-round risk management and internal control system. The Company established the risk management concept of “Risk Control Priority & Full Participation in Risk Control”, required risk management work to be carried out on the premise of achieving the strategic objective of the overall business of the Company with risks controlled within an acceptable range, ensured risks to be measurable and controllable, as well as a reasonable risk – return ratio, so as to guarantee that the Company operates on a going-concern basis in compliance with regulatory requirements. The Company continuously improves risk management system according to its business development needs, changes in market environment and regulatory requirements. The all-round risk management mechanism has been continuously improved and is operating in an effective manner.

(iii) Relationship between investment projects for the proceeds and existing businesses of the Company

The total amount of proceeds from the Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the issuance expenses in order to expand the Company’s business scale.

Upon completion of the Issuance, the main businesses of the Company will remain unchanged, and the capital strength of the Company will be further improved, which will help the Company expand its business scale and enhance its market competitiveness and risk resistance capacity.

V. PERSONNEL, TECHNOLOGY, MARKET RESERVE AND OTHER RESERVES FOR INVESTMENT PROJECTS FOR THE PROCEEDS OF THE COMPANY

In terms of personnel reserve, the Company always attaches great importance to encouraging and cultivating the entrepreneurship of employees, and motivating employees to work diligently and faithfully. A majority of the operating management of the Company joined the Company since its establishment in 2005 and have an average of more than 19 years of experience in securities industry. Department leaders of the Company have an average of more than 18 years of work experience in the securities industry and a majority of them joined the Company since the foundation of the Company. As the basis for the continuous growth of the Company, a stable team has guaranteed the sustainability of the business strategy of the Company and allowed employees to pay more attention to the long-term interests of the Company. With great importance attached to career development of employees, the Company invested more resources in improving the professional competence and comprehensive quality of employees. The above personnel reserve has laid a solid foundation for business expansion upon completion of fund raising.

In terms of technology reserve, the powerful information technology infrastructure played a key role in business expansion and risk management. The Company has taken a series of measures to improve the stability and reliability of information technology system, in order to control the risks closely related to information technology in business operations, and further guarantee the business continuity and information security. Each year, the Company continuously invests significant resources to improve information technology system and support the continuous growth of business through providing safe and stable technical services. In the future, the Company will continuously strengthen information technology support in software and hardware by taking measures including the establishment of a quick-response, full-coverage, one-stop and highly specialized business support technology architecture through the application of new technologies, including big data and Internet Finance.

In terms of market reserve, by fully capitalizing on the innovation-driven development of the securities industry in China, the Company has rapidly developed into an industry-leading large-scale comprehensive investment bank within a short business history of more than 10 years. The Company has established a business network headquartered in Beijing, spreading across China. As of June 30, 2018, the Company had a total of 302 securities business departments and 23 futures business departments located in 30 provinces, autonomous regions and municipalities in China; the Company had a total of 7.967 million of customer funds accounts; market value of securities entrusted by customers reached RMB1.91 trillion, accounting for a 5.23% market share and ranking fourth in the industry. On the ranking of securities companies for 2017 (in terms of operating results) released by the Securities Association of China, the Company ranked eighth by operating revenue, and ninth by net profit.

VI. MAIN MEASURES TO BE TAKEN BY THE COMPANY IN RESPONSE TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

The Issuance may result in a decrease in the current returns to investors to a certain extent. In order to guarantee the rational use of the proceeds and effectively prevent the dilution risk on current returns, the Company proposes to take the following measures to guarantee shareholder's returns and fully protect the interests of minority shareholders.

(i) Continuously promoting the all-round development of business and developing diversified profit-making channels

In addition to driving the stable growth of existing businesses, the Company will also develop opportunities for business innovation, constantly pay close attention to the development trend of financial industry, drive the all-round development of business by providing customers with all-round financial services, keep expanding business domains, explore new profit growth points, and strive to be the first mover amid the increasingly competitive market.

(ii) Regulating the management and use of the proceeds

In order to regulate the management and use of the proceeds and protect the interests of investors, the Company has formulated the Administrative Measures for the Proceeds of China Securities Co., Ltd., which sets out the specific provisions for the deposit, use, changes of investment, and supervision over the use of the proceeds, in accordance with the requirements of the Securities Law, the Administrative Measures for Issuance, the Administrative Regulations for Proceeds of Companies Listed on the Shanghai Stock Exchange and other laws, regulations and other relevant regulatory documents as well as the Articles of Association. The Company will implement stricter policies on the management of the proceeds, use the proceeds in a rational and effective manner, and prevent the risks on the use of the proceeds.

(iii) Strengthening operation and management as well as internal control while improving operational efficiency and profitability

In the future, the Company will further improve its operation and management level and increase the overall profitability of the Company. The Company will strive to improve the utilization efficiency of capital, optimize and strengthen decision-making process on investment, increase the utilization efficiency of capital and reduce financial expenses of the Company. The Company will also strengthen its internal control and effectively utilize the effect of corporate management. The Company will promote comprehensive budget management, optimize budget management process, strengthen cost management and reinforce supervision over budget execution, thereby fully and effectively controlling the risks on the operation and management of the Company.

(iv) Reinforcing risk management measures

The Company will keep enhancing the development of the all-round risk management system, keep improving its risk management ability in credit risk, market risk, operational risk, liquidity risk and other relevant risks, strengthen risk prevention and control in key areas, continuously carry out risk identification, measurement, monitoring and control, disposal and reporting in key areas properly and improve the risk management ability of the Company in an all-round way.

(v) Maintaining stable policies on shareholder's returns

The Company has formulated provisions on profit distribution in the Articles of Association in accordance with the Notice on Matters in relation to Further Implementing Cash Dividend of Listed Companies, the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies and other relevant requirements issued by CSRC. The Articles of Association of the Company expressly stipulated the policies on cash dividend, proportion of cash dividend and other matters, and provided the minimum proportion of profit distribution by the Company in cash under normal circumstances, to allow investors to enjoy stable expected returns. The Company attaches great importance to the protection of shareholders' interests and will keep maintaining the consistency and stability of policies on profit distribution with an aim to create long-term values for shareholders.

(vi) Continuously improving corporate governance and providing institutional safeguards for the development of the Company

The Company will, in strict accordance with the requirements of the Company Law, the Securities Law and the Code of Corporate Governance for Listed Companies and other laws, regulations and other regulatory documents, keep streamlining the corporate governance structure, ensure the full exercise of rights by shareholders, and exercise of functions and powers by the Board in making scientific, rapid and prudent decisions in accordance with the provisions of laws and regulations and the Articles of the Association, and diligent performance of duties by independent directors, and protect the interests of the Company as a whole, in particular the legitimate rights and interests of minority shareholders, so as to provide institutional safeguards for the development of the Company.

VII. UNDERTAKINGS MADE BY DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY ON REMEDIAL MEASURES TO THE DILUTION OF CURRENT RETURNS BY THE ISSUANCE OF SHARES

The directors and senior management of the Company have undertaken to perform their duties faithfully and diligently and protect the legitimate rights and interests of the Company and all shareholders as a whole, and have made the following undertakings on the proper implementation of the remedial measures to the dilution of current returns to be taken by the Company in accordance with relevant requirements of CSRC:

1. not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company.
2. to control relevant duty-related expenses related to the Company, and guarantee that any such duty-related consumption expenses are necessary expenditure in performing my duties, and to strictly abide by the supervision and management of the Company.
3. not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to my duties.
4. to conscientiously procure the remuneration system formulated by the Board or the Remuneration and Nomination Committee to be related to the execution of the remedial measures to current returns of the Company, and to strictly comply with relevant systems.
5. to conscientiously procure the exercise conditions, if any, under the equity incentive of the Company proposed to be announced by the Company to be related to the execution of the remedial measures to current returns of the Company.
6. (Where there is a failure in fulfilling the above undertakings) to provide specific reasons for the failure in fulfilling the above undertakings at the general meeting and on the newspapers designated by CSRC to make an apology to shareholders and public investors, and to assume the legal liability for any losses suffered by the Company or shareholders as a result of violation of the above undertakings made by me.

I undertake to make additional undertakings in accordance with relevant regulations in due course where the regulatory authority develops other detailed provisions on remedial measures and relevant undertakings and such undertakings fail to satisfy the detailed provisions of the regulatory authority subsequent to the date of the above undertakings.

Section VI Related Risks of the Non-public Issuance of Shares

The investors shall consider each of the following risks prudently in assessing the Non-public Issuance by the Company, in addition to the information otherwise provided in the Proposal:

I. RISKS ON THE INSTABILITY OF OPERATING RESULTS CAUSED BY THE FLUCTUATION IN MACRO ECONOMY AND CAPITAL MARKETS

The capital markets in the PRC are operating under a particular cycle under various factors, such as the overall economic development, macro-economic policies, international economic environment, industrial regulatory policies and investment psychology. Recently, businesses of local securities companies mainly include securities brokerage business, investment banking business, proprietary business, margin trading and short selling business and asset management business, etc., which shows a relatively significant dependence and relevance to the long-term development and the short-term trend in capital markets, thus resulting in a relatively substantial fluctuation in operating results. The Company has been continuously increasing the profitability level of each business by optimizing business structure and strengthening internal management. However, owing to the fact that the operation of each of its businesses is closely related to the cyclic changes in capital markets, the operating results and the profitability of the Company may be adversely affected if the macro-economy or capital market experiences sluggishness for a longer period or there is severe and unfavorable fluctuation in capital markets in the short run.

II. RISKS ON INDUSTRIAL COMPETITION

Currently, local securities companies are in face of homogeneous operation, with profit mainly derived from traditional businesses, namely securities brokerage, investment banking, asset management and proprietary securities business, hence resulting in the increasingly fierce competition in the industry. In recent years, various securities companies expand their capital scales rapidly by way of capital increase, issuance and listing, non-public offering, etc., with increased points of sales and expansion of innovative businesses, thus leading to a more intensified competition. In addition, financial institutions engaging in banking, trust, insurance and relevant businesses are also tapping into various businesses in capital markets such as securities underwriting, financial consultation and asset management by capitalizing on its advantage in channels and customer resources, which has caused the partial diversification of the customers of securities companies. The gradual penetration of Internet finance has put an end to the regional and channel advantages of securities companies in the past, while driving the brokerage business, asset management business, investment banking business, research business and other cross-cutting services as well as product integration. As such, securities companies are facing competition with non-conventional financial institutions such as internet providers in terms of business operation.

Along with the further implementation of opening-up policies on local capital markets, China has opened the door of domestic securities market to foreign securities companies, which has attracted a number of renowned securities companies to join the market competition in the local securities industry through the establishment of joint ventures with local securities companies. Meanwhile, in April 2018, CSRC issued the “Administrative Measures for Foreign-invested Securities Companies”, which allows the holding of securities joint ventures through foreign investments while the business scope of such securities joint ventures are broadened. The further accelerated progress on open up in the securities industry will bring about more intensified competitions in the industry in the future.

III. POLICY AND LEGAL RISKS

Recently, the local securities industry has adopted a management system that mainly relies on the centralized supervision and management on national securities markets by CSRC in accordance with laws, supported by a self-disciplined management mechanism executed by Securities Industry Association, stock exchange and other self-disciplined organizations over their members. The securities industry has formed a regulatory mechanism with a set of laws and regulations, including the Securities Law, the Regulation on the Supervision and Administration of Securities Companies, and the Administrative Measures for the Risk Control Indicators for Securities Companies. Under such mechanism, the securities business of the Company is subject to the supervision by securities regulatory departments and the laws and regulations in terms of business license, risk control, network settings and daily management, etc. If, in the future, the Company violates the regulations in daily operation, and regulatory measures or punishments are imposed by the regulatory department, there will be adverse impacts on the Company’s reputation, in turn may affect the results and development of Company in the future.

In addition, where there is a change in laws, regulations and policies in relation to economic issues (such as financial and monetary policies, interest rate policies, business license policies and the standard for service charged), it may trigger a fluctuation in securities markets and a change in the development environment of the securities industry, hence imposing negative impacts on the commencement of each business of the Company.

IV. RISKS ON BUSINESS OPERATION

(i) Risks on investment banking business

The investment banking business of the Company mainly includes equity financing business, debt financing business and financial consultation business and is primarily exposed to sponsorship risk and underwriting risk. Along with the transformation of regulatory policies, the risks and responsibilities to be assumed by the Company for its investment banking business will be more significant.

In engaging in investment banking business, the Company may be exposed to the following risks: punishments by securities regulatory authorities as a result of failure in fulfilling its full responsibility and conducting sufficient works on due diligence and deficiencies in the information disclosure in the public offering documents in terms of truthfulness, accuracy and completeness; loss of reputation as a result of unsuccessful issuance caused by an unreasonable proposal on listing by way of conversion and the improper judgement on the development prospect of the Company; underwriting risk as a result of unreasonable pricing of securities issuance, issuance of bonds with terms that fail to satisfy the needs of investors, or inappropriate timing for issuance caused by inaccurate judgment on the market; and risks on non-compliance or breach of contract as a result of improper undertakings made in the course of business contracting.

(ii) Risks on wealth management business

The wealth management business of the Company mainly includes brokerage and wealth management business, the margin trading and short selling business and re-purchase business.

In terms of brokerage and wealth management businesses, the Company provides individual and corporate customers with stocks, bonds, funds, derivatives and other tradable securities brokerage services. The trading volume of the securities brokerage business is subject to the overall economic condition, macroeconomic and monetary policies, market condition, fluctuation in interest rate, investor's behavior, and other factors. Where there is any unfavorable change in the relevant factors, the trading volume in the market will be exposed to the risk on downward movement, which may cause a decline in commission generated from the brokerage business. In addition, the rapid development of Internet Finance, gradual promotion of off-site account opening business and the further marketization of commission rates have made the market competition of brokerage business intensified. If there is a significant decrease in the trading volume of stocks under market conditions, a decline in the commission rate for securities trading due to intensified competition and a narrow coverage of customers via its channels, the business volume of the brokerage and wealth management businesses of the Company would be decreased and there would be negative impact on the operating results of the Company.

In engaging the margin trading and short-selling business, repurchase business and other financing businesses, the Company encounters the risk on loss caused by, among others, default by its customers or counterparties. Moreover, if the Company is unable to maintain and increase its market share amid market competition and broaden the pool of quality customers, or fails to maintain sufficient capital reserves, there may be a deterioration in financing businesses with a decline in revenue.

(iii) Risks on trading and institutional customer service business

The trading and institutional customer service business of the Company mainly includes stock trading and trading business, fixed income sale and trading business, investment and research business, lead brokerage business, QFII and RQFII businesses and other investment businesses. The operation of the trading and institutional customer service business of the Company is highly influenced by market trend. If the securities business experiences a slackened market in the future, the operating results of the trading and institutional customer service business of the Company may be adversely impacted, thus affecting the profitability of the Company as a whole. Meanwhile, as the local market is currently at the growing stage, restrictions on investment choices and hedging strategies may suppress the capability of the Company in creating stable returns for its customers, in turn causing the loss of customers. In addition, factors such as inadequate research, imprecise decision-making, improper investment timing, and improper procedure executed by the staff of the Company in selecting investment varieties and specific investment targets may adversely affect related investment and trading businesses, overall operating results and financial condition of the Company.

(iv) Risks on investment management business

The investment management business of the Company mainly includes asset management business, fund management business and private equity investment business. Income from the investment management business is mainly comprised of management fees, performance-based remuneration and service charges, of which management fee income shall be subject to the asset scale, rate of management fee and existence period of products whereas performance-based remuneration and service charges are closely related to the scale of purchase and redemption and the yield of open-end products.

The continuous dampened market condition in the securities industry may affect the level of interest and intention of investors to subscribe for and hold wealth management products, which leads to a downsized scale of investment management products, hence reducing the management fee income from the investment management business of the Company. The continuous downturn of market condition will also cause the decrease in product yield, and so the performance-based remuneration and service charges from the investment management business of the Company, thus imposing adverse impacts on the income from the investment management business of the Company. In addition, due to the continuous introduction of financial and wealth management products by domestic insurance companies, commercial banks, trust companies and fund companies, the competition in the investment management business field is increasingly fierce. If the investment management products of the Company are unable to attract more investors in order to expand the scale of management, the income growth of the investment management business of the Company will be affected.

V. FINANCIAL RISKS

Given to the capital-intensive nature of the securities industry, it is necessary for the Company to maintain sufficient liquidity and adopt diversified financing channels to prevent potential liquidity risks. In the course of operation, the Company is highly influenced by macroeconomic policies, market changes, operating conditions, customer credit and other factors. If the capital markets experience any significant change in the future, or the Company records a substantial amount of underwriting from the investment banking business or an excessive scale of investment in proprietary business, the Company will be exposed to liquidity risks to a certain extent, resulting in the difficulty in making a turnover in the capital of the Company while having an adverse impact on the financial condition and operation of the Company.

VI. RISK ON INFORMATION TECHNOLOGY

The operation and back-end management of each of the businesses of the Company highly rely on computer networks and information management systems. Information technology plays a key role in driving the businesses of the Company, however, at the same time, brings about certain risks. If there is any interruption of the information technology system of the Company as a result of, among others, poor quality of electronic equipment and system software, the level of operation and maintenance for the Company's systems, excessive business volume in application software, level of industry service providers; virus and hacker attacks, data loss and leakage, abnormal access to right of administration, power supply, communication supply and disasters, the reputation and service quality of the Company may be affected, in turn bringing along economic losses and legal disputes.

VII. RISK ON APPROVAL ON THE NON-PUBLIC ISSUANCE OF SHARES

The Non-public Issuance of Shares shall be subject to the consideration and approval at the general meeting of the Company and the review by CSRC. There is uncertainty as to whether the relevant approval or review will be obtained and, if so, the time for the final approval and review.

VIII. DILUTION RISK ON CURRENT RETURNS

The proceeds from the Non-public Issuance of Shares are utilized as capital replenishment, so as to improve the overall competitiveness of the Company. However, it takes a long process and period of time to put in place the investment projects for the proceeds in a moderate manner and generate benefits therefrom. Prior to generation of benefits from the investment projects for the proceeds, the realization of profit and shareholder's returns by the Company continues to mainly rely on the existing businesses. In the case that the Company records an increase in total share capital and net assets, the financial indicators for current returns such as earnings per share and weighted average return on net assets will be exposed to the dilution risk in the short run.

Section VII Other Discloseable Matters

As of the signing date of this Proposal, there are no other matters in relation to the Non-public Issuance that need to be disclosed.

By order of the Board
CSC Financial Co., Ltd.
January 21, 2019

I. REPORT ON THE PROCEEDS PREVIOUSLY RAISED

The proceeds previously raised referred to in this report include the proceeds raised through overseas listed foreign shares (H shares) in December 2016 and the over-allotment of overseas listed foreign shares (H shares) in January 2017 (hereinafter referred to collectively as “proceeds raised through overseas listed foreign shares”) and also proceeds raised through domestic listed RMB ordinary shares (A shares) in June 2018 (hereinafter referred to as “proceeds raised through domestic listed RMB ordinary shares”).

(I) Proceeds raised through overseas listed foreign shares

Pursuant to the Reply on the Issue of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) issued by the CSRC on November 4, 2016, CSC Financial Co., Ltd. (hereinafter referred to as the “**Company**”) was authorized to issue to the public 1,076,470,000 overseas listed foreign shares (H shares) at an offer price of HK\$6.81 per share (equivalent to RMB6.06). The proceeds were paid up in Hong Kong dollars, amounting to HK\$7,330,760,700 (equivalent to RMB6,518,732,337.26). Upon deduction of the issuance expense equivalent to RMB200,903,380.25, the proceeds raised amounted to the equivalent of RMB6,317,828,957.01. The above mentioned proceeds were paid up on December 9, 2016. As at January 5, 2017, the Company exercised partial over-allotment options to issue 69,915,238 overseas listed foreign shares (H shares) at the offer price of HK\$6.81 per share (equivalent to RMB6.09). The proceeds were paid up in Hong Kong dollars, amounting to HK\$476,122,770.78 (equivalent to RMB425,534,726.38). Upon deduction of the issuance expense equivalent to RMB10,671,134.34, the proceeds raised were equivalent to RMB414,863,592.04, which were paid up on January 5, 2017. The above mentioned proceeds raised amounted to an equivalent of RMB6,732,692,549.05, and such proceeds were verified by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch, which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Beijing Yan Zi [2017] No. 037.

As of December 31, 2018, the balance of such proceeds raised in the designated bank account of H share proceeds was equivalent to RMB282,407,987.04, including unused proceeds and bank deposit interest. In addition, as of December 31, 2018, the balance transferred from the designated bank account of H share proceeds to the Company’s own RMB account to be used on product seed fund was RMB13,225,432.19. The Company will apply this portion of the proceeds pursuant to the plan and approval for payment.

(II) Proceeds raised through domestic listed RMB ordinary shares

Pursuant to the Reply on the Initial Public Offering and the Listing of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2018] No. 828) issued by the CSRC on May 25, 2018, the Company was authorized to issue to 400,000,000 domestic listed RMB ordinary shares (A shares) at an offer price of RMB5.42 per share. The proceeds were paid up in RMB, amounting to RMB2,168,000,000.00. Upon the deduction of issuance expense equivalent to 99,302,819.71, proceeds raised were RMB2,068,697,180.29, which were paid up on June 13, 2018. The above mentioned proceeds raised through domestic listed RMB ordinary shares were verified by PricewaterhouseCoopers Zhong Tian LLP, which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Yan Zi [2018] No. 0388.

As of December 31, 2018, the balance of such proceeds raised in the designated bank account of A share proceeds was RMB959,705.73, being the bank deposit interest of the designated bank account of A share proceeds.

II. ACTUAL USE OF THE PROCEEDS PREVIOUSLY RAISED**(I) Proceeds raised through overseas listed foreign shares**

According to the prospectus for overseas listed foreign shares (H shares) issued by the Company in 2016, the Company planned to use an amount equivalent to RMB6,310.8920 million in total for five specific projects. The balance of additional proceeds from the exercise of any over-allotment option will be allocated to the above mentioned projects on a pro rata basis. The proceeds raised through the exercise of over-allotment options by the Company was equivalent to RMB414.8636 million, amounting to an equivalent of RMB6,725.7556 million when taken together with the proceeds raised as disclosed in the above mentioned H share prospectus. As of December 31, 2018, the actual amount invested in the projects involving the use of the proceeds previously raised amounted to the equivalent of RMB6,492.8382 million in total.

The use of proceeds raised through overseas listed foreign shares of the Company as of December 31, 2018 is as follows:

Unit: RMB ten thousands

Total proceeds raised:		673,269.25		The accumulated amount of raised and used proceeds:		649,283.82				
Total amount of proceeds raised with purpose changed:		Nil		Total amount of proceeds used in each year:		649,283.82				
Proportion of proceeds raised with purpose changed:		Nil		2016:		204,106.16				
				2017:		320,177.66				
				2018:		125,000.00				
Investment project	Total investment out of proceeds raised		Total investment out of proceeds raised as of December 31, 2018		The date on which the project is ready for use (or the completion progress of the project as of the cut-off date)		Difference between actual investment and proposed investment after fundraising (Note 1)			
	Proposed investment project	Actual investment project	Proposed investment before fundraising (Note 3)	Proposed investment after fundraising (Note 3)	Actual investment	Proposed investment before fundraising		Proposed investment after fundraising		
Number	Proposed investment project	Actual investment project	Proposed investment before fundraising (Note 3)	Proposed investment after fundraising (Note 3)	Actual investment	Proposed investment before fundraising	Proposed investment after fundraising	Actual investment (Note 2)	Difference between actual investment and proposed investment after fundraising (Note 1)	
1	Meeting investment and financing needs of customers	Meeting investment and financing needs of customers	35%, an amount equivalent to 235,401.45	35%, an amount equivalent to 235,644.24	235,644.24	235,401.45	235,644.24	235,644.24	-	N/A
2	Enhancing investment and market-making capacity	Enhancing investment and market-making capacity	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	127,572.66	134,515.11	134,653.85	127,572.66	(7,081.19)	N/A
3	Product seed fund	Product seed fund	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	130,000.00	134,515.11	134,653.85	130,000.00	(4,653.85)*	N/A
4	Enhancing cross-border business capacity and international competitiveness, increasing proportions of overseas assets and revenue	Enhancing cross-border business capacity and international competitiveness, increasing proportions of overseas assets and revenue	15%, an amount equivalent to 100,886.33	15%, an amount equivalent to 100,990.39	88,740.00	100,886.33	100,990.39	88,740.00	(12,250.39)	N/A
5	Working capital and other general corporate use	Working capital and other general corporate use	10%, an amount equivalent to 67,257.56	10%, an amount equivalent to 67,326.92	67,326.92	67,257.56	67,326.92	67,326.92	-	N/A
Total			672,575.56	673,269.25	649,283.82	672,575.56	673,269.25	649,283.82	(23,985.43)	N/A

* Including RMB13,225,432.19 of outstanding balance transferred from the designated bank account of H share proceeds to the Company's own RMB account.

Note 1: The difference between the actual investment amount and the proposed investment amount was the unused proceeds as at December 31, 2018. The Company has compared, item by item, the proposed investment projects stated in the H share prospectus with the specific usage as disclosed. As of December 31, 2018, H share proceeds proposed to be used but not used by the Company amounted to RMB239.8543 million.

The Company will use the remaining H share proceeds according to the actual development needs. Among these, H share proceeds (equivalent to RMB70.8119 million) used for enhancing investment and market-making capacity and intended to be invested in trading and institutional client services will be specifically used to expand the scale of investment in FICC, stocks and derivatives, and enhancing market-making capabilities of various types of products; H share proceeds (equivalent to RMB46.5385 million) used on product seed fund and intended to be invested in the investment management business will be specifically used for posterior investment when issuing the asset management products of the securities company, the capital increase of China Securities Funds and China Securities Capital, and the offering of alternative investment services, after which the proceeds raised will be used according to actual needs; the H share proceeds intended to be used for enhancing cross-border business capacity and international competitiveness (equivalent to RMB122.5039 million) will be maintained at the overseas capital raising account temporarily and remitted to the overseas subsidiaries for further use according to the actual business needs of the overseas subsidiaries after obtaining the approval of the relevant regulatory authorities.

Note 2: The actual investment of proceeds raised through overseas listed foreign shares is translated into RMB equivalent based on the actual exchange rate. Amount in the designated bank account for proceeds raised will be transferred to the Company's own general account upon the approval given by the Company for the purposes of the actual investment projects. Proceeds raised would not be separated from other proceeds within the self-owned general account. The Company recognised the actual use of the proceeds raised by further review and approval on the use and payment of the proceeds within the general account pursuant to the purposes of the actual investment projects.

Note 3: The difference between proposed investment before and after fundraising was mainly the difference arising from foreign exchange translation.

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of overseas listed foreign shares. A portion of proceeds raised through overseas listed foreign shares has already been used on the work proposed in the prospectus upon being paid up; correspondingly, net assets and net capital of the Company were both increased. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and proceeds raised, it is not possible to separately calculate the benefits realized with the proceeds raised as of December 31, 2018.

(II) Proceeds raised through domestic listed RMB ordinary shares

Pursuant to the prospectus for domestic listed RMB ordinary shares of the Company in 2018, the proceeds raised is planned to be fully used on replenishing the working capital of the Company. As of December 31, 2018, the actual amount invested in the projects involving the use of the proceeds amounted to RMB2,068.6972 million.

The use of proceeds raised through domestic listed RMB ordinary shares of the Company as of December 31, 2018 is as follows:

Unit: RMB ten thousands

Total proceeds raised:		206,869.72		The accumulated amount of proceeds raised that has been used:		206,869.72				
Total amount of proceeds raised with purpose changed:		Nil		Total amount of raised proceeds used in each year:		206,869.72				
Proportion of raised proceeds with purpose changed:		Nil		2018:		206,869.72				
Investment project		Total investment of proceeds raised				Total investment out of raised proceeds as of December 31, 2018		The date on which the project is ready for use (or the completion progress of the project as of the closing date)		
Number	Proposed investment project	Actual investment project	Proposed investment before fundraising	Proposed investment after fundraising	Actual investment	Proposed investment before fundraising	Proposed investment after fundraising	Actual investment	Difference between actual investment and proposed investment after fundraising	
1	Replenishing working capital of the Company	Replenishing working capital of the Company	206,869.72	206,869.72	206,869.72	206,869.72	206,869.72	206,869.72	-	N/A
Total			206,869.72	206,869.72	206,869.72	206,869.72	206,869.72	206,869.72	-	N/A

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of domestic listed RMB ordinary shares. Proceeds raised through domestic listed RMB ordinary shares has been fully used on the work proposed in the prospectus upon being paid up; correspondingly, net assets and net capital of the Company were both increased. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and raised proceeds, it is not possible to separately calculate the benefits realized with the raised proceeds as of December 31, 2018.

The Company has compared, item by item, the actual use of the abovementioned proceeds raised with the relevant disclosure in the 2016 and 2017 annual reports, interim reports and relevant disclosures in other information disclosure documents, as well as the disclosed interim report for the year 2018 and relevant disclosures in other information disclosure documents, and confirms that the actual utilization of proceeds is consistent with relevant disclosures.

CSC Financial Co., Ltd. (Sealed)

Legal Representative: Wang Changqing

Chief Financial Officer: Li Geping

Head of the Finance Department: Zhao Ming

January 21, 2019

CSC FINANCIAL CO., LTD.**FEASIBILITY REPORT FOR THE USE OF PROCEEDS FROM THE NON-
PUBLIC ISSUANCE OF A SHARES**

With the entry of China's economy into the new normal and deepening of reform of the capital market, there coexist both opportunities and challenges in the securities industry. The Report of the 19th National Congress of the Communist Party of China clearly states that it is necessary to deepen the reform of financial system to strengthen the capability of financial industry to serve the real economy, increase the proportion of direct financing, and promote the healthy development of multi-level capital market; the 13th Five-Year Plan proposes to proactively foster an open and transparent capital market with healthy development, increase the proportion of direct financing, reduce leverage ratio and develop multi-level equity financing market, which indicates that the securities industry will usher in important development opportunities.

Meanwhile, as the opening up of the securities industry is advancing in an orderly manner, foreign capital is allowed to hold as to 51% equity interest in domestic securities companies, making it possible for foreign capital to control securities companies, which means domestic securities companies will encounter with more competition from foreign-invested financial institutions. At this stage, certain powerful securities companies have begun to expand their existing business scale or branch into new business domains through horizontal mergers and acquisitions, showing a sign of differentiation in the securities industry.

As the economy of our country is transformed and upgraded, and as many guiding policies, such as developing multi-level capital markets, are published, which laid a policy foundation for securities companies engaging in innovative capital investment and capital-based intermediary business, the business model of securities companies will undergo transition from the previous commission-based business model to the integrated business model focusing on fee-based intermediary business, capital-based intermediary business, and self-funded investment business, and will gradually become a new niche for profit growth. Under the regulatory system centered on net capital, capital capability will become one of the key factors for securities companies to develop capital-based intermediaries and other innovative business, and enhance competitive advantages. Sufficient capital is the foundation and safeguards for securities companies to realize continuing healthy development and enhance competitive strength.

The Company has always been adhering to the core value of "recognition for achievement, ability and status", and the concepts of "risk management as priority" and "healthy development" to strive for better service for existing customers and realize mutual growth with the enterprise. In the meantime, the Company cultivated its domestic business while expanding into international market to explore potential quality customers. The Company aimed to leverage its competitive edge in the investment banking business to steadily develop innovative business and became a large best-in-class full-service investment bank based in the PRC with global vision by closely responding to the development trends in the PRC and global capital market.

To actively seize the development opportunities in the industry and enhance the Company's competitiveness, the Company intends to expand its capital scale and reinforce the capital strength by way of Non-public Issuance of A Shares. On the basis of consolidating the advantageous business, the Company strengthens the capital-driven business and promotes the development of innovative business, in order to further optimize the income structure, improve risk resistance capacity, and help the Company maintain and steadily strengthen the advantage of innovative capability, thereby creating larger returns to the Shareholders by seizing the strategic opportunities for the Company among the increasingly fierce competition in the industry.

I. BASIC INFORMATION ON THE NON-PUBLIC ISSUANCE

Subject to regulatory requirements of the places where the Shares of the Company are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 1,277,072,295 Shares (inclusive), with the total proceeds not exceeding RMB13 billion. All proceeds, after deducting issuance expenses, will be used for capital increase and working capital replenishment. Proceeds from the Issuance would help the Company to optimize its capital structure and business portfolio, and further improve its ability to better serve the real economy. The proceeds will mainly be used in the following aspects:

No.	Investment project for the proceeds	Proposed investment amount
1	Development of brokerage business	Not more than RMB5.5 billion
2	Development of investment trading business	Not more than RMB4.5 billion
3	Information system infrastructure	Not more than RMB1 billion
4	Capital contribution to subsidiaries	Not more than RMB1.5 billion
5	Other arrangements of working capital	Not more than RMB500 million
	Total	Not more than RMB13 billion

II. NECESSITY OF THE NON-PUBLIC ISSUANCE**(i) The Issuance is a necessary measure for the realization of the Company's strategic development objective**

The Company devotes itself to building a China-based, large and integrated securities company with international horizons and comprehensive advantages. It adheres to the business mode that values coordinated development of light and heavy capital businesses, continuously stimulates the synergies among each business line and optimizes the incentive mechanism. During the "13th-Five Year Plan" period, the Company proposes the business mode of "valuing both light and heavy capital businesses and achieving coordinated development". Heavy asset businesses requires substantial investments and become the major force for revenue growth. From the other perspective, such businesses are able to support light asset businesses and preserve the competitiveness of the Company. To realize its strategic development objective, the Company will continuously invest in investment banking, wealth management, trading and institutional client services, investment management, international development and construction of middle offices and back offices. The Issuance will provide a strong financial support to the Company's future development strategy; therefore, it is a necessary measure for the realization of strategic development objective.

(ii) Reinforcing capital strength and consolidating industry position

As China deepens reform in the capital market, the securities industry is facing intensified competition. On the one hand, the securities industry has a low rate of market concentration and universally homogeneous competition. Some competitive securities companies had started to expand business scale or get into new business fields via horizontal mergers and acquisitions with an aim to promote synergic business development and improve comprehensive competitiveness and risk resistance capacity, which results in a differentiation trend in the securities industry. On the other hand, the opening-up of securities industry is being promoted gradually, allowing foreign investors to have shareholding up to 51% in domestic securities companies. As the securities industry is further opened to the world, China's securities companies will face greater competition from foreign-funded financial institutions. Given the intensified competition, the Company is in need of reinforcing capital strength and comprehensively improving its competitiveness on basis of consolidating existing advantages.

As at September 30, 2018, total asset on consolidated basis reached RMB200.305 billion. The Company realized RMB7.811 billion of revenue and RMB2.198 billion of net profit from January to September 2018; all financial indicators and business performance ranked top in the industry. Nevertheless, the Company still needs to reinforce its capital strength when compared with leading securities companies of larger scale. Some peers have recently realized net capital improvement via equity refinancing activities, and the Company is facing greater challenge in maintaining capital strength and industry position. Amid the fierce market competition, the Issuance will help the Company to consolidate its industry position and improve its comprehensive competitiveness, lay a solid foundation for business development and help the Company to gain an advantage in market competition.

(iii) Following the industry trend of transforming profit model and optimizing business portfolio

The traditional sources of profit of China's securities companies are three major traditional businesses, namely securities brokerage, securities proprietary trading, and underwriting and sponsorship, which is regarded as a relatively single profit model. A number of guiding policies for economic transformation and upgrading and development of multi-level capital market have been rolled out in recent years, which provides a policy foundation for securities companies to engage in innovative capital investments and brokerage businesses, including margin trading and securities lending, stock pledged repo transactions, agreed repurchase type securities trading, asset management, asset-backed securitization, proxy sale of financial products and direct investment. The business model of securities companies will shift from the traditional model dominated by channel commission-based business to the integrated model valuing fee-based business, brokerage business and internal capital investment, which will become a new force for profit growth. In the macro environment of prudent regulation, securities companies are actively exploring innovative businesses, which, in turn, sets a higher requirement on the capital strength of securities companies.

In such context, it is imperative for the Company to replenish its capital, enhance capital-driven businesses and promote development of innovative businesses while consolidating its current strengths, so as to optimize income structure, diversify risks, maintain and steadily improve the advantage in respect of innovation ability and lower the impact of market uncertainties.

(iv) Reducing the liquidity risk and improving risk resistance capacity

Risk management is the prerequisite for securities companies to realize sustainable development, and the ability to maintain risks in a measurable, controllable and tolerable range and prevent risk event is related to the profitability of securities companies and even a key to the survival and development of securities companies. The Guidelines for the Management of Liquidity Risks of Securities Companies effective from March 1, 2014 and the amended Measures for the Administration of Risk Control Indicators of Securities Companies and its supporting rules effective from October 1, 2016 set higher standards on the capital strength and risk management of securities companies. From January 2017, seven securities companies including the Company (later expanded to eleven securities companies) have been involved in the preparation work for consolidated supervision pilot program with the guidance of CSRC, gradually establishing and improving a comprehensive risk control system that covers both the parent and subsidiaries to improve the group-wide risk management ability, and consolidating both domestic and overseas subsidiaries into the supervision report. All measures above send a signal that regulatory authorities are setting higher standards on the risk management ability of securities companies.

The securities industry is capital intensive, and the capital scale directly determines the business scale, and even directly relates to the risk resistance capacity. As the business scale of the Company continues to grow, it is possible that the liquidity risk would be led by unmatched assets and liabilities structures. To effectively prevent the liquidity risk, the Company optimizes its liquidity risk management policy, improves the liquidity risk stress test mechanism and the liquidity risk indicator forecast mechanism, and amends the liquidity risk contingency plan. Nevertheless, reasonable capital replenishment is still an important means to resist risks. Proceeds from the Issuance are conducive to capital structure optimization, liquidity risk reduction and risk resistance capacity improvement.

III. FEASIBILITY OF THE NON-PUBLIC ISSUANCE**(i) The Non-public Issuance satisfies the conditions prescribed by relevant laws, regulations and regulatory documents**

The Company has a sound corporate governance structure, has established a comprehensive risk management and internal control system, and possesses high-quality assets and sound financial position, and its profitability is strong and sustainable. The Company satisfies the conditions for non-public issuance of domestic RMB-denominated ordinary shares (A Shares) that are prescribed by the Administrative Measures for Issuance, the Implementation Rules, Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) and other relevant laws, regulations and regulatory documents.

(ii) The Non-public Issuance is in line with national industry policy orientations

In May 2014, the State Council issued the Several Opinions on Further Promoting the Sound Development of Capital Markets, which proposed to promote the differentiated, professional and characteristic development of securities institutions and to facilitate the establishment of several modern investment banks with international competitiveness and strong brand influence and of systemic importance.

In May 2014, CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Institutions. From three aspects, constructing modern investment banks, supporting business and product innovation and promoting supervision transformation, the document specified major tasks and specific measures to advance innovative development of securities institutions, and explicitly encouraged securities institutions to expand financing channels and conduct equity and debt financing activities.

In June 2016, CSRC amended the Measures for the Administration of Risk Control Indicators of Securities Companies and the supporting rules. The document aims to improve the effectiveness of risk control indicators and promote the long-term, sound and steady development by referring to the latest industry development trend, improving the calculation basis for net capital and risk capital reserve, incorporating leverage ratio and liquidity supervision into the scope of indicators, and clarifying the counter-cyclical regulation mechanism.

As the business scale grows rapidly and industry regulatory policies are gradually adjusted, the current net capital cannot meet business development requirements of the Company. The Issuance is an act to respond to the proposal of CSRC to encourage securities companies to replenish their capital, and is in line with national industry policy orientations.

IV. THE INTENDED USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE**(i) Developing the brokerage business to improve the ability to better serve the real economy**

No more than RMB5.5 billion of the proceeds from the Issuance is intended for expanding the scale of brokerage business, which includes expansion of the scale of margin trading and securities lending, stock pledge and other credit transactions.

It will be the overall trend that the financial sector serves the real economy. From the perspective of securities industry, funds provided through stock pledge mainly flow to the real economy, helping some companies out of financing difficulties. Funds or securities offered through margin trading and securities lending can better realize the value discovery function of capital market. Since 2012, the brokerage business that features margin trading and securities lending and stock pledged repo transactions has become an important part of assets and liabilities operations for securities companies. As at the end of September 2018, values of margin trading and securities lending on both the Shenzhen and Shanghai markets amounted to RMB822.720 billion.

The Company obtained from CSRC the qualification for margin trading and securities lending in 2010, and then in 2012 the qualification for refinancing pilot program. The Company was listed among the first batch of companies for the pilot program of agreed repurchase type securities trading after the release of Shanghai Stock Exchange new regulations, and obtained the qualification for pilot program of stock pledged repo transactions and the qualification of the Shenzhen Stock Exchange for equity incentive exercise financing business. While ensuring that risks are measurable, controllable and tolerable, the Company promoted its securities financing business with both endeavor and prudence, offering a range of solutions to its clients. As at September 30, 2018, the balance of margin trading and securities lending amounted to RMB30.045 billion, recording a market share of 3.65%; the balance of stock pledged repo transactions reached RMB37.36 billion; funds offered through agreed repurchase type securities trading were RMB75 million.

Under the backdrop of declining commission rate, the Company seeks to improve its profitability and market competitiveness by developing the brokerage business and satisfying client demands for comprehensive financial services. Therefore, the Company has further capital requirements for moderately expanding the scale of brokerage business. Furthermore, by increasing investments into the brokerage business with proceeds from the Issuance, the Company can better meet requirements related to risk control indicators and guarantee a reasonable growth of brokerage business.

(ii) Developing the investment trading business to enhance market competitiveness

No more than RMB4.5 billion of the proceeds from the Issuance is intended for developing the investment trading business.

The investment and trading businesses of securities companies have become a significant force in the market in recent years. Investments of securities companies are breaking away from directivity and shifting to diversification, and securities companies are having more mature investment strategies and stronger market competitiveness. According to operating data of securities companies for 2017 released by the Securities Association of China, revenue from proprietary businesses exceeded that generated from securities brokerage businesses for the first time, becoming the first major source of income.

With respect to fixed income proprietary business, the Company maintains a robust proprietary investment style. Riding on market trends, the proprietary bond business realizes synergy between sound allocation and active directional trading and records satisfactory performance. On July 3, 2018, the Company was qualified as a quotation institution of the “Bond Connect”. The experience of foreign investment banks is that revenue from FICC products (including fixed income financial products, foreign exchanges and bulk commodities) and their derivatives takes up a larger proportion in the overall revenue from trading and investment businesses. It is also a development trend for China’s securities companies, and, in turn, sets higher standards on the scale of securities portfolio, investment ability, product innovation and business layout of securities companies. The Company is actively exploring investment opportunities related to gold, crude oil, foreign exchanges and their derivatives and effectively align them with traditional fixed income products, aiming to realize synergy of FICC related businesses.

With respect to equity proprietary business, the Company pays close attention to the macro economy and micro economic data, and develops a strong ability to ward off systemic business risks. In July 2014, the Company became qualified to conduct NEEQ market-making business, providing market-making services by fundamental selection and valuation to pursue a balance between value and growth. With respect to derivatives trading business, the Company actively explores new business models and enriches its internal capital investment strategies to meets clients’ different service demands while promoting stable development of existing businesses,.

In the future, the Company will enhance market research and analysis and seize opportunities to offer better investment and sales services related to fixed income products, improve FICC portfolio, strengthen investment research ability and product design ability in respect of different product segments, and improve market-making services. In the meantime, it will pay close attention to economic trends and policy changes, leverage the fundamental-based pricing, uphold the concept of value investing and seize structured opportunities in the market, so as to achieve stable income that matches with market environment. To optimize the business portfolio and expand the scale of investment trading business, the Company intends to invest some of the proceeds into developing the investment trading business.

(iii) Increasing investment in information system building to improve the overall informationization

No more than RMB1 billion of proceeds from the Issuance is intended for increasing investment in information system building.

New technologies, including big data, Internet Plus, cloud computing, artificial intelligence and blockchain, are changing the social economy and the whole financial sector. The information system is an important vehicle for the operation of securities market, and is of great significance to sound development of the securities market, protection of investors' interest and enhancement of market competitiveness. Fintech, the fruit of deep integration of technology and finance, introduces new technologies, applications, process and products into the securities industry, and creates new service model and business pattern, which in turn promotes development of the whole securities industry. As clients highly value the ability of offering intelligent, integrated and efficient services, information system infrastructure, serving as the basis of front businesses, affects the comprehensive service abilities of securities companies to a large extent.

In addition, regulatory requirements tend to be more demanding and much stricter. A number of special IT regulations about the securities industry have been announced, indicating a higher standard on the requirement and ability of IT infrastructure and of securities companies. In the Provisions on Classified Supervision and Administration of Securities Companies amended by CSRC in 2017, information system building investment is regarded as an important indicator. The Regulation on Comprehensive Risk Management of Securities Companies amended by the Securities Association of China in 2016 also provides that securities companies shall establish risk management information systems that are in line with their business complexity and risk indicator systems.

Faced with new trends and new environment emerging from external competition and internal business transformation, the Company has to ensure that its information technology system adapt to corporate management and business development. In view of this, the Company intends to increase investments into information system building with proceeds from the Issuance, so as to improve the overall informationization and the ability of Fintech to support business development.

(iv) Making capital contribution to subsidiaries to facilitate all-round development

No more than RMB1.5 billion of proceeds from the Issuance is intended for capital contribution to subsidiaries to facilitate the all-round development of the Company.

In its history of more than ten years, the Company seizes opportunities brought about by innovative development of China's securities industry and rapidly grows into a large and integrated investment bank that secures a leading position in the industry. At present, the Company wholly owns China Securities Futures, China Securities Capital, China Securities International and China Securities Investment, and has control over China Securities Funds. Among them, China Securities Futures is principally engaged in futures brokerage, investment advisory, asset management and other relevant services. China Securities Capital is principally engaged in private equity investment management services. China Securities Funds is principally engaged in funds management and relevant services. China Securities Investment is principally engaged in financial product investment, equity investment and other investment businesses in compliance with laws and regulations. China Securities International is principally engaged in corporate financing, asset management, securities brokerage, investment research and other international investment and financing services.

In response to regulatory requirements and with an aim to promote the large-scale and group-wide development of securities businesses, the Company intends to contribute capital to China Securities Investment with some of the proceeds, thereby reinforcing the capital strength of China Securities Investment, realizing synergy between the parent and subsidiaries and among subsidiaries and providing clients with diversified, professional and integrated financial products and services, which will help diversify income of the Company and boost all-round development.

(v) Other arrangements of working capital

No more than RMB500 million of proceeds from the Issuance is intended for other working capital arrangements.

As the capital market continues to develop and the industry accelerates its pace of innovation, the securities industry will embrace a great development potential in the future. The Company will keep a close watch to regulatory policy changes and industry development opportunities; basing on its strategic development objective and actual operation, it will allocate proceeds from the Issuance reasonably and satisfy its reasonable requirements for working capital during business development in a timely manner to ensure that all businesses are in orderly progress.

V. CONCLUSION

In conclusion, the use of proceeds from the Issuance will provide strong financial support for the business development of Company, which is beneficial to the Company in enhancing its capital strength and industry competitiveness, improving its risk-resistance capability, and laying a solid foundation for the strategic development objectives of the Company. Meanwhile, the Issuance complies with the conditions stipulated by relevant laws, regulations and regulatory documents, and is in line with the national policies and guidance on the industry. As such, the Non-Public Offering is extremely necessary and feasible. The successful implementation of the Issuance will facilitate the Company in optimizing its business structure, enhancing profitability, and maximizing returns for shareholders.

The Board of CSC Financial Co., Ltd.

January 21, 2019

China Securities Co., Ltd.**Announcement on the Dilution of Current Returns by the Non-public Issuance of
A Shares and Remedial Measures**

China Securities Co., Ltd. (hereinafter referred to as “Company” or “the Company”) proposes the non-public issuance of A Shares to raise funds (hereinafter referred to as “the Issuance”). In order to protect the interests of medium and small investors, the Company analyzed the impact of the Issuance on the dilution of current returns and developed specific remedial measures to diluted current returns in accordance with the requirements of the Opinions of the General Office of the State Council on Further Enhancing the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Dilution of Current Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) issued by CSRC and other provisions. Specific details are set out below:

I. CHANGES IN EARNINGS PER SHARE OF THE COMPANY UPON COMPLETION OF THE ISSUANCE

The total share capital of the Company prior to the Issuance was 7,646,385,238 shares. Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of shares to be issued shall be no more than 1,277,072,295 Shares (inclusive). The total amount of proceeds from the Issuance, after deducting relevant issuance expenses, will be used for replenishment of capital and working capital of the Company in order to expand the Company’s business scale and improve its market competitiveness and risk resistance capacity. When the proceeds from the Issuance are in place, the total share capital and net asset size of the Company will be significantly increased. Due to the time needed for the proceeds from the Issuance to generate benefits, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

(i) Main assumptions and premises

1. It is assumed that there will be no material adverse changes in the macroeconomic environment, the development trend of the industry and the operating conditions of the Company in 2019.

2. It is assumed that the Issuance will be completed prior to September 30, 2019. The completion time, which will be used only for the purpose of calculating the impact of the dilution of current returns under the Issuance on main financial indicators, shall be subject to the time when the Issuance is actually completed as approved by CSRC.
3. It is assumed that 1,277,072,295 Shares are to be issued under the Issuance and the total amount of proceeds is RMB13 billion, without taking into consideration the impact of issuance expenses. The actual amount of proceeds received from the Issuance shall be finalized subject to the approval of the regulatory authority, status of issuance and subscription, issuance expenses, etc.
4. No consideration is given to the impact on the production, operation, financial condition, etc. of the Company (such as operating revenue, financial expenses and investment income) upon receipt of the proceeds from the Issuance.
5. Estimate of the total share capital of the Company is based on the total share capital of 7,646,385,238 Shares of the Company as at December 31, 2018, not considering the changes in share capital caused by factors other than the impact of the Non-public Issuance of A Shares.
6. It is assumed that there is a change in net profit attributable to shareholders of the parent and net profit attributable to shareholders of the parent after deducting non-recurring profit and loss in 2018 based on the changing trend and proportion in the first three quarters in 2018 as compared with the same periods in the previous year, i.e., it is assumed that net profit attributable to shareholders of the parent in 2018 is RMB2,893 million and net profit attributable to shareholders of the parent after deducting non-recurring profit and loss in 2018 is RMB2,885 million.

Perpetual bond interest payable by the Company in 2018 is RMB294 million. Therefore, it is assumed that net profit attributable to ordinary shareholders of the parent in 2018 is RMB2,599 million and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2018 is RMB2,591 million.

It is assumed that net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 increased by 10%, remained stable and decreased by 10%, respectively, as compared with 2018.

The above assumptions do not constitute the profit forecast of the Company and investors should not rely on such assumptions in making investment decisions and the Company shall not be liable to any losses caused thereon.

(ii) Impact on main financial indicators of the Company upon the Issuance

Set out below are the analysis on earnings per share prior to and upon the completion of the Issuance based on above assumptions:

Item	2018/December 31, 2018	2019/December 31, 2019	
		Prior to the Issuance	Upon the Issuance
Total share capital (100 million shares)	76.46	76.46	89.23
Weighted average total ordinary share capital (100 million shares)	74.46	76.46	79.66
Assumption I: net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 both increased by 10% as compared with 2018			
Net profit attributable to ordinary shareholders of the parent (RMB100 million)	25.99	28.59	28.59
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss (RMB100 million)	25.91	28.50	28.50
Basic earnings per share (RMB yuan/share)	0.35	0.37	0.36
Diluted earnings per share (RMB yuan/share)	0.35	0.37	0.36
Basic earnings per share after deducting non- recurring profit and loss (RMB yuan/share)	0.35	0.37	0.36
Diluted earnings per share after deducting non- recurring profit and loss (RMB yuan/share)	0.35	0.37	0.36
Assumption II: net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 remained stable as compared with 2018			
Net profit attributable to ordinary shareholders of the parent (RMB100 million)	25.99	25.99	25.99
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss (RMB100 million)	25.91	25.91	25.91
Basic earnings per share (RMB yuan/share)	0.35	0.34	0.33
Diluted earnings per share (RMB yuan/share)	0.35	0.34	0.33

Item	2018/December 31, 2018	2019/December 31, 2019	
		Prior to the Issuance	Upon the Issuance
Basic earnings per share after deducting non-recurring profit and loss (<i>RMB yuan/share</i>)	0.35	0.34	0.33
Diluted earnings per share after deducting non-recurring profit and loss (<i>RMB yuan/share</i>)	0.35	0.34	0.33
Assumption III: net profit attributable to ordinary shareholders of the parent and net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss in 2019 both decreased by 10% as compared with 2018			
Net profit attributable to ordinary shareholders of the parent (<i>RMB100 million</i>)	25.99	23.39	23.39
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit and loss (<i>RMB100 million</i>)	25.91	23.32	23.32
Basic earnings per share (<i>RMB yuan/share</i>)	0.35	0.31	0.29
Diluted earnings per share (<i>RMB yuan/share</i>)	0.35	0.31	0.29
Basic earnings per share after deducting non-recurring profit and loss (<i>RMB yuan/share</i>)	0.35	0.30	0.29
Diluted earnings per share after deducting non-recurring profit and loss (<i>RMB yuan/share</i>)	0.35	0.30	0.29

Note: Basic earnings per share and diluted earnings per share are prepared pursuant to Calculation and Disclosure of Return on Net Assets and Earnings per Share, No. 9 of the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public.

As estimated based on the above assumptions, there will be certain dilution effects on earnings per share of the Company in 2019 caused by the Issuance.

(iii) Description about the estimate

The above assumption analysis of the Company in relation to the estimate does not constitute the profit estimate of the Company. Investors should not rely on such analysis in making investment decisions and the Company shall not be liable to any losses caused thereon.

The number of shares, total amount of proceeds and the completion time of the Issuance in relation to the estimate are just estimated values, and shall be finalized subject to the approval of regulatory authority, status of issuance and subscription.

II. RISK ALERT IN RELATION TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

The total share capital and net asset size of the Company will be significantly increased upon completion of the Issuance. Due to the time needed for the proceeds from the Issuance to generate benefits, the realization of profits and shareholder's returns by the Company will still mainly rely on the existing businesses of the Company. On the premise of increase in the total share capital of the Company, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

III. NECESSITY AND RATIONALITY OF THE ISSUANCE**(I) Necessity of the Issuance****1. *The Issuance is a necessary measure for the realization of the Company's strategic development objective***

The Company devotes itself to building a China-based, large and integrated securities company with international horizons and comprehensive advantages. It adheres to the business mode that values coordinated development of light and heavy capital businesses, continuously stimulates the synergies among each business line and optimizes the incentive mechanism. During the "13th-Five Year Plan" period, the Company proposes the business mode of "valuing both light and heavy capital businesses and achieving coordinated development". Heavy asset businesses requires substantial investments and become the major force for revenue growth. From the other perspective, such businesses are able to support light asset businesses and preserve the competitiveness of the Company. To realize its strategic development objective, the Company will continuously invest in investment banking, wealth management, trading and institutional client services, investment management, international development and set-up of middle offices and back offices. The Issuance will provide a strong financial support to the Company's future development strategy; therefore, it is a necessary measure for the realization of strategic development objective.

2. *Reinforcing capital strength and consolidating industry position*

As China deepens reform in the capital market, the securities industry is facing intensified competition. On the one hand, the securities industry has a low rate of market concentration and universally homogeneous competition. Some competitive securities companies had started expansion in business scale or get into new business

fields via horizontal mergers and acquisitions with an aim to promote synergic business development and improve comprehensive competitiveness and risk resistance capacity, which results in a differentiation trend in the securities industry. On the other hand, the opening-up of securities industry is being promoted gradually, allowing foreign investors to have shareholding up to 51% in domestic securities companies. As the securities industry is further opened to the world, China's securities companies will face greater competition from foreign-funded financial institutions. Given the intensified competition, the Company is in need of reinforcing capital strength and comprehensively improving its competitiveness on basis of consolidating existing advantages.

As at September 30, 2018, total asset on consolidated basis reached RMB200.305 billion. The Company realized RMB7.811 billion of revenue and RMB2.198 billion of net profit from January to September 2018; all financial indicators and business performance ranked top in the industry. Nevertheless, the Company still needs to reinforce its capital strength when compared with leading securities companies of larger scale. Some peers have recently realized net capital improvement via equity refinancing activities, and the Company is facing greater challenge in maintaining capital strength and industry position. Amid the fierce market competition, the Issuance will help the Company to consolidate its industry position and improve its comprehensive competitiveness, lay a solid foundation for business development and help the Company to gain an advantage in market competition.

3. *Following the industry trend of transforming profit model and optimizing business portfolio*

The traditional sources of profit of China's securities companies are three major traditional businesses, namely securities brokerage, securities proprietary trading, and underwriting and sponsorship, which is regarded as a relatively single profit model. A number of guiding policies for economic transformation and upgrading and development of multi-level capital market have been rolled out in recent years, which provides a policy foundation for securities companies to engage in innovative capital investments and brokerage businesses, including margin trading and securities lending, stock pledged repo transactions, agreed repurchase type securities trading, asset management, asset-backed securitization, proxy sale of financial products and direct investment. The business model of securities companies will shift from the traditional model dominated by channel commission based business to the integrated model valuing fee-based business, brokerage business and internal capital investment, which will become a new force for profit growth. In the macro environment of prudent regulation, securities companies are actively exploring innovative businesses, which, in turn, sets a higher requirement on the capital strength of securities companies.

In such context, it is imperative for the Company to replenish its capital, enhance capital-driven businesses and promote development of innovative businesses while consolidating its current strengths, so as to optimize income structure, diversify risks, maintain and steadily improve the advantage in respect of innovation ability and lower the impact of market uncertainties.

4. *Reducing the liquidity risk and improving risk resistance capacity*

Risk management is a prerequisite for securities companies to realize sustainable development, and the ability to maintain risks in a measurable, controllable and tolerable range and prevent risk event is related to the profitability of securities companies and even a key to the survival and development of securities companies. The Guidelines for the Management of Liquidity Risks of Securities Companies effective from March 1, 2014 and the amended Measures for the Administration of Risk Control Indicators of Securities Companies and its supporting rules effective from October 1, 2016 set higher standards on the capital strength and risk management of securities companies. From January 2017, seven (later increased to 11) Chinese securities companies have been placed under the pilot of consolidated supervision. An evaluation and monitoring system that covers the risks of both the parent and subsidiaries at home and abroad is required to be established and improved, and both domestic and overseas subsidiaries should be consolidated into the scope of submission. All measures above send a signal that regulatory authorities are setting higher standards on the risk management ability of securities companies. All measures above send a signal that regulatory authorities are setting higher standards on the risk management ability of securities companies.

The securities industry is capital intensive, and the capital scale directly determines the business scale, and even directly relates to the risk resistance capacity. As the business scale of the Company continues to grow, it is possible that the liquidity risk would be led by unmatched assets and liabilities structures. To effectively prevent the liquidity risk, the Company optimizes its liquidity risk management policy, improves the liquidity risk stress test mechanism and the liquidity risk indicator forecast mechanism, and amends the liquidity risk contingency plan. Nevertheless, reasonable capital replenishment is still an important means to resist risks. Proceeds from the Issuance are conducive to capital structure optimization, liquidity risk reduction and risk resistance capacity improvement.

(II) Feasibility of the Issuance**1. *The Non-public Issuance satisfies the conditions prescribed by relevant laws, regulations and regulatory documents***

The Company has a sound corporate governance structure, has established a comprehensive risk management and internal control system, and possesses high-quality assets and sound financial position, and its profitability is strong and sustainable. The Company satisfies the conditions for non-public issuance of domestic RMB-denominated ordinary shares (A Shares) that are prescribed by the Administrative Measures for Issuance, the Implementation Rules, Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) and other relevant laws, regulations and regulatory documents.

2. *The Non-public Issuance is in line with national industry policy orientations*

In May 2014, the State Council issued the Several Opinions on Further Promoting the Sound Development of Capital Markets, which proposed to promote the differentiated, professional and characteristic development of securities institutions and to facilitate the establishment of several modern investment banks with international competitiveness and strong brand influence and of systemic importance.

In May 2014, CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Institutions. From three aspects, constructing modern investment banks, supporting business and product innovation and promoting supervision transformation, the document specified major tasks and specific measures to advance innovative development of securities institutions, and explicitly encouraged securities institutions to expand financing channels and conduct equity and debt financing activities.

In June 2016, CSRC amended the Measures for the Administration of Risk Control Indicators of Securities Companies and the supporting rules. The document aims to improve the effectiveness of risk control indicators and promote the long-term, sound and steady development by referring to the latest industry development trend, improving the calculation basis for net capital and risk capital reserve, incorporating leverage ratio and liquidity supervision into the scope of indicators, and clarifying the counter-cyclical regulation mechanism.

As the business scale grows rapidly and industry regulatory policies are gradually adjusted, the current net capital cannot meet business development requirements of the Company. The Issuance is an act to respond to the proposal of CSRC to encourage securities companies to replenish their capital, and is in line with national industry policy orientations.

IV. RELATIONSHIP BETWEEN INVESTMENT PROJECTS FOR THE PROCEEDS AND EXISTING BUSINESSES OF THE COMPANY

(i) Operation status and development trend of existing business segments of the Company

With a full-service platform, the Company provides customers, including enterprises, financial institutions, governmental agencies and individuals, with integrated full range of products and services at home and abroad. Its main businesses are classified into four segments: investment banking, wealth management, trading and institutional customer services and investment management.

For 2015, 2016, 2017 and for January to September in 2018, operating revenues of the Company were RMB19,011 million, RMB13,259 million, RMB11,303 million and RMB7,811 million, respectively, and net profits of the Company were RMB8,652 million, RMB5,313 million, RMB4,062 million and RMB2,198 million, respectively.

(ii) Risk exposure and improvement measures

Risks faced by the Company include political and legal risk, business and operational risk, financial risk and information technology risk. The Company always pays great attention to the development of risk management system, and has established an all-round risk management and internal control system. The Company established the risk management concept of “Risk Control Priority & Full Participation in Risk Control”, required risk management work to be carried out on the premise of achieving the strategic objective of the overall business of the Company with risks controlled within an acceptable range, ensured risks to be measurable and controllable, as well as a reasonable risk – return ratio, so as to guarantee that the Company operates on a going-concern basis in compliance with regulatory requirements. The Company continuously improves risk management system according to its business development needs, changes in market environment and regulatory requirements. The all-round risk management mechanism has been continuously improved and is operating in an effective manner.

(iii) Relationship between investment projects for the proceeds and existing businesses of the Company

The total amount of proceeds from the Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the issuance expenses in order to expand the Company's business scale.

Upon completion of the Issuance, the main businesses of the Company will remain unchanged, and the capital strength of the Company will be further improved, which will help the Company expand its business scale and enhance its market competitiveness and risk resistance capacity.

V. Personnel, technology, market reserve and other reserves for investment projects for the proceeds of the Company

In terms of personnel reserve, the Company always attaches great importance to encouraging and cultivating the entrepreneurship of employees, and motivating employees to work diligently and faithfully. A majority of the operating management of the Company joined the Company since its establishment in 2005 and have an average of more than 19 years of experience in securities industry. Department leaders of the Company have an average of more than 18 years of work experience in the securities industry and a majority of them joined the Company since the establishment of the Company. As the basis for the continuous growth of the Company, a stable team has guaranteed the sustainability of the business strategy of the Company and allowed employees to pay more attention to the long-term interests of the Company. With great importance attached to career development of employees, the Company invested more resources in improving the professional competence and comprehensive quality of employees. The above personnel reserve has laid a solid foundation for business expansion upon completion of fund raising.

In terms of technology reserve, the powerful information technology infrastructure played a key role in business expansion and risk management. The Company has taken a series of measures to improve the stability and reliability of information technology system, in order to control the risks closely related to information technology in business operations, and further guarantee the business continuity and information security. Each year, the Company continuously invests significant resources to improve information technology system and support the continuous growth of business through providing safe and stable technical services. In the future, the Company will continuously strengthen information technology support in software and hardware by taking measures including the establishment of a quick-response, full-coverage, one-stop and highly specialized business support technology architecture through the application of new technologies, including big data and Internet finance.

In terms of market reserve, by fully capitalizing on the innovation-driven development of the securities industry in China, the Company has rapidly developed into an industry-leading large-scale comprehensive investment bank within a short business history of more than 10 years. The Company has established a business network headquartered in Beijing, spreading across China. As of June 30, 2018, the Company had a total of 302 securities business departments and 23 futures business departments located in 30 provinces, autonomous regions and municipalities in China; the Company had a total of 7.967 million of customer funds accounts; market value of securities entrusted by customers reached RMB1.91 trillion, accounting for a 5.23% market share and ranking at fourth in the industry. On the ranking of securities companies for 2017 (in terms of operating results) released by the Securities Association of China, the Company ranked eighth by operating revenue, and ninth by net profit.

VI. MAIN MEASURES TO BE TAKEN BY THE COMPANY IN RESPONSE TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

The Issuance may result in a decrease in the current returns to investors to a certain extent. In order to guarantee the rational use of the proceeds and effectively prevent the dilution risk on current returns, the Company proposes to take the following measures to guarantee shareholder's returns and fully protect the interests of minority shareholders.

(i) Continuously promoting the all-round development of business and developing diversified profit-making channels

In addition to driving the stable growth of existing businesses, the Company will also develop opportunities for business innovation, constantly pay close attention to the development trend of financial industry, drive the all-round development of business by providing customers with all-round financial services, keep expanding business domains, explore new profit growth points, and strive to be the first mover in the increasingly competitive market.

(ii) Regulating the management and use of the proceeds

In order to regulate the management and use of the proceeds and protect the interests of investors, the Company has formulated the Administrative Measures for the Proceeds of China Securities Co., Ltd., which sets out the specific provisions for the deposit, use, changes of investment, and supervision over the use of the proceeds, in accordance with the requirements of the Securities Law, the Administrative Measures for Issuance, the Administrative Regulations for Proceeds of Companies Listed on the Shanghai Stock Exchange and other laws, regulations and other relevant regulatory documents as well as the Articles of Association. The Company will implement stricter policies on the management of the proceeds, use the proceeds in a rational and effective manner, and prevent the risks on the use of the proceeds.

(iii) Strengthening operation and management as well as internal control while improving operational efficiency and profitability

In the future, the Company will further improve its operation and management level and increase the overall profitability of the Company. The Company will strive to improve the utilization efficiency of capital, optimize and strengthen decision-making process on investment, increase the utilization efficiency of capital and reduce financial expenses of the Company. The Company will also strengthen its internal control and effectively utilize the effect of corporate management. The Company will promote comprehensive budget management, optimize budget management process, strengthen cost management and reinforce supervision over budget execution, thereby fully and effectively controlling the risks on the operation and management of the Company.

(iv) Reinforcing risk management measures

The Company will keep enhancing in the development of the all-round risk management system, keep improving its risk management ability in credit risk, market risk, operational risk, liquidity risk and other relevant risks, strengthen risk prevention and control in key areas, continuously carry out risk identification, measurement, monitoring and control, disposal and reporting in key areas properly and improve the risk management ability of the Company in an all-round way.

(v) Maintaining stable policies on shareholder's returns

The Company has formulated provisions on profit distribution in the Articles of Association in accordance with the Notice on Matters in relation to Further Implementing Cash Dividend of Listed Companies, the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies and other relevant requirements issued by CSRC. The Articles of Association of the Company expressly stipulated the policies on cash dividend, proportion of cash dividend and other matters, and provided the minimum proportion of profit distribution by the Company in cash under normal circumstances, to allow investors to enjoy stable expected returns. The Company attaches great importance to the protection of shareholders' interests and will keep maintaining the consistency and stability of policies on profit distribution with an aim to create long-term values for shareholders.

(vi) Continuously improving corporate governance and providing institutional safeguards for the development of the Company

The Company will, in strict accordance with the requirements of the Company Law, the Securities Law and the Code of Corporate Governance for Listed Companies and other laws, regulations and other regulatory documents, keep streamlining the corporate governance

structure, ensure the full exercise of rights by shareholders, and exercise of functions and powers by the Board in making scientific, rapid and prudent decisions in accordance with the provisions of laws and regulations and the Articles of the Association, and diligent performance of duties by independent directors, and protect the interests of the Company as a whole, in particular the legitimate rights and interests of minority shareholders, so as to provide institutional safeguards for the development of the Company.

VII. Undertakings made by directors and senior management of the Company on remedial measures to the dilution of current returns by the Issuance of Shares

The directors and senior management of the Company have undertaken to perform their duties faithfully and diligently and protect the legitimate rights and interests of the Company and all shareholders as a whole, and have made the following undertakings on the proper implementation of the remedial measures to the dilution of current returns to be taken by the Company in accordance with relevant requirements of CSRC:

1. not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company.
2. to control relevant duty-related expenses related to the Company, and guarantee that any such duty-related consumption expenses are necessary expenditure in performing my duties, and to strictly abide by the supervision and management of the Company.
3. not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to my duties.
4. to conscientiously procure the remuneration system formulated by the Board or the Remuneration and Nomination Committee to be related to the execution of the remedial measures to current returns of the Company, and to strictly comply with relevant systems.
5. to conscientiously procure the exercise conditions, if any, under the equity incentive of the Company proposed to be announced by the Company to be related to the execution of the remedial measures to current returns of the Company.
6. (Where there is a failure in fulfilling the above undertakings) to provide specific reasons for the failure in fulfilling the above undertakings at the general meeting and on the newspapers designated by CSRC to make an apology to shareholders and public investors, and to assume the legal liability for any losses suffered by the Company or shareholders as a result of violation of the above undertakings made.

I undertake to make additional undertakings in accordance with relevant regulations in due course where the regulatory authority develops other detailed provisions on remedial measures and relevant undertakings and such undertakings fail to satisfy the detailed provisions of the regulatory authority subsequent to the date of the above undertakings

The Board of China Securities Co., Ltd.

January 21, 2019



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

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

(Stock Code: 6066)

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND RELATED
MATTERS
AND
(2) NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF THE 2019 FIRST H SHAREHOLDERS' CLASS MEETING**

NOTICE IS HEREBY GIVEN that the 2019 second extraordinary general meeting (the “EGM”) of CSC Financial Co., Ltd. (the “**Company**”) will be held at 9:30 a.m. on Tuesday, May 21, 2019 at the Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China, to consider and, if thought fit, approve the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated April 4, 2019.

SPECIAL RESOLUTIONS

To consider and approve:

- (1) the resolution on the fulfilment of conditions for the Non-public Issuance of A Shares by the Company;
- (2) the resolution on the Non-public Issuance of A Shares of the Company;
 - (a) class and nominal value of shares to be issued;
 - (b) issue method and time;
 - (c) target subscribers and subscription method;
 - (d) issue price and pricing principles;
 - (e) issue size;

NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING

- (f) amount and the use of proceeds;
 - (g) lock-up period;
 - (h) listing venue;
 - (i) arrangement of accumulated profit distribution prior to the completion of the Issuance; and
 - (j) the validity period;
- (3) the resolution on formulating the Plan for the Non-public Issuance of A Shares;
 - (4) the resolution on the Feasibility Report on the Use of Proceeds from the Non-public Issuance of the A Shares of the Company; and
 - (5) the resolution for authorization to the Board to deal with relevant matters in relation to the Non-public Issuance with full discretion.

ORDINARY RESOLUTIONS

To consider and approve:

- (6) the resolution on the Report on the Use of Proceeds Previously Raised by the Company; and
- (7) the resolution on the dilution of current returns by the Non-public Issuance of A Shares and remedial measures.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 4, 2019

NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. Eligibility for Attending the EGM and Closure of Register of Members

The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the EGM from Friday, April 19, 2019 to Tuesday, May 21, 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) no later than 4:30 p.m. on Thursday, April 18, 2019 to complete registration. Holders of H Shares and A Shares who are registered with Computershare Hong Kong Investor Services Limited at the close of business on the aforementioned date are entitled to attend the EGM.

Where there are joint holders of any shares, the one whose name stands first on the register of members shall be entitled to attend and vote at the EGM in respect of such shares.

2. Proxy

- (1) Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a Director or a duly authorized attorney.

To be valid, the proxy form together with the notarized power of attorney or other documents of authorization, if any, must be completed and delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), no later than 24 hours before the time fixed for the EGM (i.e. 9:30 a.m. on Monday, May 20, 2019) or 24 hours before the time of any adjournment thereof. The proxy form for the EGM is enclosed herewith.

Completion and return of the proxy form will not preclude the Shareholders from attending and voting at the EGM or at any adjourned meeting if they so wish.

3. Registration Procedures for Attending the EGM

- (1) Shareholder or his/her proxy shall produce proof of identity when attending the EGM
 - (a) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives of the legal person shareholders according to laws.
 - (b) Individual Shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual Shareholders shall produce effective proof of identity and form of proxy.

NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING

- (2) Shareholders intending to attend the EGM in person or by their proxies should return the completed and signed reply slip for attending the EGM in person, by post or by fax to Computershare Hong Kong Investor Services Limited (for H Shareholders) on or before Wednesday, May 1, 2019.

4. Voting by Poll

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be proposed at the EGM will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.csc108.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the EGM.

5. Miscellaneous

- (1) The duration of the EGM is expected not to exceed half a day. Shareholders who attend the EGM shall arrange for their own transportation and accommodation at their own expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).
- (3) The location of the Company's Board office is at 8/F, Office Building of CSC Financial Co., Ltd., No. 188 Chaonei Avenue, Dongcheng District, Beijing, PRC (Telephone: (86) 10 8513 0716, Fax: (86) 10 6518 6399).

For the matters relating to the attendance of the EGM by A Shareholders, please refer to the notice of meeting and other relevant documents published by the Company on website of the Shanghai Stock Exchange (www.sse.com.cn).



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

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

(Stock Code: 6066)

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND RELATED
MATTERS
AND
(2) NOTICE OF THE 2019 SECOND EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF THE 2019 FIRST H SHAREHOLDERS' CLASS MEETING**

NOTICE IS HEREBY GIVEN that the 2019 first H Shareholders' class meeting of CSC Financial Co., Ltd. (the "**Company**") will be held at 11:00 a.m. on Tuesday, May 21, 2019 (or immediately after the first A Shareholders' Class Meeting in 2019, whichever is the later) at the Shanghai Hall, Xinhai Jinjiang Hotel, 61 Jinbao Street, Dongcheng District, Beijing, China, to consider and, if thought fit, approve the following resolution. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated April 4, 2019.

SPECIAL RESOLUTIONS

To consider and approve:

- (1) the resolution on the Non-public Issuance of A Shares of the Company;
 - (a) class and nominal value of shares to be issued;
 - (b) issue method and time;
 - (c) target subscribers and subscription method;
 - (d) issue price and pricing principles;
 - (e) issue size;
 - (f) amount and the use of proceeds;
 - (g) lock-up period;

NOTICE OF THE 2019 FIRST H SHAREHOLDERS' CLASS MEETING

- (h) listing venue;
 - (i) arrangement of accumulated profit distribution prior to the completion of the Issuance; and
 - (j) the validity period;
- (2) the resolution on formulating the Plan for the Non-public Issuance of A Shares; and
- (3) the resolution for authorization to the Board to deal with relevant matters in relation to the Non-public Issuance with full discretion.

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC
April 4, 2019

Notes:

1. Eligibility for Attending the H shareholders' class meeting and Closure of Register of Members

The register of members of the Company will be closed for the purpose of determining Shareholders' entitlement to attend the H shareholders' class meeting from Friday, April 19, 2019 to Tuesday, May 21, 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to attend the H shareholders' class meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, April 18, 2019 to complete registration. Holders of H Shares who are registered with Computershare Hong Kong Investor Services Limited or the Company's Board Office (where appropriate) at the close of business on the aforementioned date are entitled to attend the H shareholders' class meeting.

Where there are joint holders of any shares, the one whose name stands first on the register of members shall be entitled to attend and vote at the H shareholders' class meeting in respect of such shares.

2. Proxy

- (1) Any Shareholder entitled to attend and vote at the H shareholders' class meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy need not be a Shareholder.
- (2) The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a Director or a duly authorized attorney.

NOTICE OF THE 2019 FIRST H SHAREHOLDERS' CLASS MEETING

To be valid, the proxy form together with the notarized power of attorney or other documents of authorization, if any, must be completed and delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time fixed for the H shareholders' class meeting (i.e. 11:00 a.m. on Monday, May 20, 2019) or 24 hours before the time of any adjournment thereof. The proxy form for the H shareholders' class meeting is enclosed herewith.

Completion and return of the proxy form will not preclude the Shareholders from attending and voting at the H shareholders' class meeting or at any adjourned meeting if they so wish.

3. Registration Procedures for Attending the H shareholders' class meeting

- (1) Shareholder or his/her proxy shall produce proof of identity when attending the H shareholders' class meeting:
 - (a) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives of the legal person shareholders according to laws.
 - (b) Individual Shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual Shareholders shall produce effective proof of identity and form of proxy.
- (2) Shareholders intending to attend the H shareholders' class meeting in person or by their proxies should return the completed and signed reply slip for attending the H shareholders' class meeting in person, by post or by fax to Computershare Hong Kong Investor Services Limited on or before Wednesday, May 1, 2019.

4. Voting by Poll

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the H shareholders' class meeting will be voted by poll. Results of the poll voting will be posted on the website of the Company at www.csc108.com and on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk upon the conclusion of the H shareholders' class meeting.

5. Miscellaneous

- (1) The duration of the H shareholders' class meeting is expected not to exceed half a day. Shareholders who attend the H shareholders' class meeting shall arrange for their own transportation and accommodation at their own expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Telephone: (852) 2862 8555, Fax: (852) 2865 0990).