



中州证券

Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)
Stock Code: 01375

2016 Annual Report

INVESTMENT





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IMPORTANT

The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company undertake that this annual report is true, accurate, complete and without any false record, misrepresentation or material omission and are severally and jointly liable therefor.

This report has been deliberated and approved at the 31st meeting of the fifth Board and the 12th meeting of the fifth Supervisory Committee where all directors and supervisors were present respectively. No Directors, Supervisors or senior management declared that they could not guarantee nor had any objection to the truthfulness, accuracy and completeness of this report.

The annual financial report for 2016 prepared by the Company in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises has been audited by PricewaterhouseCoopers and ShineWing Certified Public Accountants (Special General Partnership) respectively with respective standard unqualified auditing reports produced for the Company. All amounts set out in this report are stated in RMB unless otherwise stated.

The person in charge of the Company Mr. Jian Mingjun, the chief financial officer Mr. Zhou Xiaoquan, Chief Accountant Ms. Zhu Junhong and Officer-in-charge of the accounting institution (the head of financial division) Mr. Guo Liangyong declare that they undertake the financial reports in this report are true, accurate and complete.

The Company's profit distribution plan approved by the Board for 2016 shall be a cash dividend of RMB1.21 for every 10 shares (tax inclusive) which is subject to approval of the general meeting of the Company.

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors and related persons should understand the difference between plans, forecasts and commitments and be aware of the investment risks.

There is no appropriation of fund by the controlling shareholder and its related (connected) parties for non-operating purpose during the Reporting Period.

There is no provision of external guarantee in violation of the stipulated decision making procedure during the Reporting Period.

This report has been prepared by the Company in both Chinese and English languages. When there are any discrepancies in interpretation between the Chinese version and English version of this report, the Chinese version shall prevail.



MATERIAL RISK ALERT

The Company's business is largely dependent on the Chinese economy and market condition as most assets of the Company are located in China and the income is mainly derived from domestic security market. The operating results of the Company and the performance of the security market are strongly correlated. The security market is relatively cyclical and volatile as it may be affected by a number of factors, including macroeconomic performance and policies, the level of market development, fluctuations in financial market and investors' actions.

In the face of intense competition in China's securities industry, the Company's business may be materially and adversely affected if it fails to compete effectively. The challenges from internet finance in recent years have already led to a declining commission rate of the Company's brokerage business. The commission rates of securities brokerage business may continue to go downward, the trading volume in and the activity of the market can hardly remain at a high level continuously, and the spreads of capital-based intermediary business may further narrow down, all of which may adversely affect the Company's profit growth. As the capital market reform continues to develop, the Company's investment banking business will be challenging in terms of customer base expansion, pricing and ability in distribution, which may cause adverse impact on the income of the Company's investment banking business. Besides, along with the intensified mixed business competition in the asset management industry and deleveraging of the financial sector, the asset under management of the Company may be reduced, which may result in a negative impact on the asset management fees or performance rewards charged by the Company. Since the performance of the Company's investment and trading business and that of domestic security market are closely related, it may be difficult for the Company to effectively defend itself from market risks in the event of extreme security market condition and inadequate hedging strategies. Against the backdrop of continuous industry innovation, the Company has been committed to providing its customers with new products and services in order to strengthen its competitive position in the industry. However, business innovation also leads to increasing risks following the Company's entrance into new markets with new product offerings driven by business innovation, resulting in new risk exposures to the Company. Moreover, the Company's operation relies on the management and professionals. Due to keen market competition for this kind of talents, failure in attracting or retaining these talents may have adverse impact on the Company's business.

The Company has received a Class A regulatory rating from CSRC for two consecutive years. However, the Company does not rule out the possibility of the risks of downward adjustment of regulatory rating in the future, which would result in the limitations of the Company's ability to commence pilot programs and new businesses. The Company manages risks according to internal risk management framework and procedures, but certain risk management measures are based on historical market data or past experience which may fail to predict future risks accurately, especially those on extreme market events lacking effectiveness. The Company has further exposure to various risks, such as failure of information technologies, which would result in adverse impact on business operation. Any force majeure may have material adverse impact on the Company's business, financial conditions and operating results.

For the risks in the Company's operation, investors are advised to carefully read the relevant parts in Section 4 III. "(IV) Potential risks and policies" in this report.



SECTION 1 DEFINITIONS

1. DEFINITIONS

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

DEFINITIONS OF COMMON TERMS

The Company, Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
The Group or Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	supervisor(s) of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
This report	this annual report
Prospectus	the prospectus in connection with the initial public offering of shares (A Shares) of the Company
SSE Composite Index	composite stock price index of the SSE

SECTION 1 DEFINITIONS

Domestic shares	ordinary shares in issue of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司)
A shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the SSE
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
Reporting period	1 January 2016 to 31 December 2016
End of the Reporting period	31 December 2016
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan)
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
Henan Branch of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)



SECTION 1 DEFINITIONS

Bohai Fund	Bohai Industrial Investment Fund (渤海產業投資基金)
Bohai Fund Management	Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司), which holds on behalf of Bohai Industrial Investment Fund (渤海產業投資基金) the equity interest in the Company
Anyang Iron & Steel Group	Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司)
Pingmei Shenma Energy	China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司)
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司)
Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)
Xuchang Superlift	Xuchang Superlift Energy-saving & Technology Co., Ltd. (許昌施普雷特節能科技有限公司)
Guangzhou Liby Investment	Guangzhou Liby Investment Co., Ltd. (廣州立白投資有限公司)
Shenhuo Group	Henan Shenhuo Group Co., Ltd. (河南神火集團有限公司)
Henan Jinlong	Henan Jinlong Industrial Co., Ltd. (河南省金龍實業有限公司)
Shandong Huanqiu	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. (山東環球漁具股份有限公司)
Jiaozuo Economic and Technology Development	Jiaozuo Economic and Technology Development Co., Ltd. (焦作市經濟技術開發有限公司)
Jiangsu Huiyo	Jiangsu Huiyou Woollen Sweater Co., Ltd. (江蘇惠友毛衫有限公司)
Freetrade Science & Technology	Zhangjiagang Freetrade Science & Technology Co., Ltd. (張家港保稅科技股份有限公司)
Shenzhen Rising	Shenzhen Rising Investment Development Co., Ltd. (深圳市廣晟投資發展有限公司)
Hebi Construction and Investment	Hebi Construction & Investment Group Co., Ltd. (鶴壁市經濟建設投資集團有限公司)

SECTION 1 DEFINITIONS

Xuji Group	Xuji Group Co., Ltd. (許繼集團有限公司)
Henan Securities	Henan Securities Co., Ltd. (河南證券有限責任公司)
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
Ashmore-CCSC Fund Management/ Taiping Fund	Ashmore-CCSC Fund Management Company Limited (中原英石基金管理有限公司), presently known as Taiping Fund Management Co., Ltd. (太平基金管理有限公司)
China Bond Insurance	China Bond Insurance Co., Ltd. (中債信用增進投資股份有限公司)
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司)
Central China Flying	Central China Flying Information Technology Services (Shenzhen) Co., Ltd. (中州匯聯信息技術服務(深圳)有限公司)
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司)
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)
Articles of Association	the prevailing valid Articles of Association of the Company
Company Law	the Company Law of the PRC (中華人民共和國公司法)
Securities Law	the Securities Law of the PRC (中華人民共和國證券法)
RMB	the lawful currency of China – Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
FICC	abbreviation for Fixed Income Currencies & Commodities (i.e. fixed income securities, currencies and commodities)
Convertible bonds	bonds that can be converted into corporate shares under certain conditions



SECTION 1 DEFINITIONS

Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Securities repurchase	a transaction in which eligible clients sell underlying securities to the securities firms that manage their securities at an agreed price and agree to repurchase such securities from the securities firms at another agreed price on a future date, and the securities firms will return to the clients relevant yields arising from the underlying securities during the agreed repurchase period according to the agreement signed with the clients
Stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and release the pledge some day in the future
Margin financing	an operating activity in which securities financial companies provide their own or legally raised funds and securities to securities firms to handle margin financing and securities lending. Margin financing includes capital refinancing and securities refinancing
Private equity	a business in which the subsidiary for private equity business set up by the securities firm leverages its own professional advantage to search for and find quality investment projects or companies and make equity or debt investment with their own or raised funds so as to obtain income from equity interest or debts
Asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
IPO	Initial Public Offering
New Third Board	abbreviation for "National Equities Exchange and Quotations System" (全國中小企業股份轉讓系統), a national securities trading venue established upon approval by the State Council, subject to operation and management of National Equities Exchange and Quotations Co., Ltd.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION ABOUT THE COMPANY

Chinese name of the Company	中原证券股份有限公司
Chinese abbreviation of the Company	中原证券
English name of the Company	CENTRAL CHINA SECURITIES CO., LTD.
English abbreviation of the Company	CCSC
Legal representative of the Company	Jian Mingjun
President of the Company	Zhou Xiaoquan

Registered Capital and Net Capital of the Company

Unit: RMB

	At the End of the Reporting period	At the End of Last Year
Registered capital	3,223,734,700	3,223,734,700
Net capital	10,217,177,777.68	7,814,063,990.84

- Note: 1. Net capital at the end of last year and its relevant proportion were restated based on the Administrative Measures for Risk Control Indicators of Securities Companies (Revised 2016).
2. In December 2016, subject to the approval of the CSRC, the Company initially issued 700 million A shares to the public and was listed on the SSE on 3 January 2017. On 16 February 2017, the registered capital of the Company was changed to RMB3,923,734,700.



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Qualifications for Each Individual Business of the Company

1. Securities brokerage
2. Securities investment consulting
3. Financial advisory services relating to securities trading and securities investment activities
4. Proprietary trading of securities
5. Financial advisory services for merger, acquisition and restructuring of listed companies
6. Securities asset management
7. Entrusted investment management business
8. Stock underwriting business as a lead underwriter
9. Entrusted internet securities business
10. Sponsorship of offering and listing of securities
11. Proxy sale of open-end securities investment funds
12. "SSE 50ETF" participant of securities dealer business
13. Buyout repurchase of T-bonds on SSE
14. IPO enquiry and placing
15. Sponsorship of equity division reform
16. Warrant trading
17. Clearing participants of China Securities Depository and Clearing Corporation Limited
18. Foreign exchange business
19. National inter-bank funding business
20. Trading on Integrated Electronic Platform of Fixed-income Securities of SSE as a primary dealer
21. Investment through block trading system as a qualified investor
22. Trading of inter-bank bonds
23. Intermediary introduction business for futures companies
24. Agency system host securities dealer business

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

25. Host securities dealer business of New Third Board business
26. Passed the globally recognised standard ISO/IEC 20000 for IT service management field
27. Direct investment business
28. Margin financing and securities lending business
29. Proxy sale of financial products
30. Underwriting of private placement bonds for small and medium-sized enterprises
31. Exchange-quoted bond repurchase business
32. Agreed repurchase type securities trading business
33. Fund business
34. Capital refinancing business
35. Agency service for registration of pledge of securities
36. Securities-backed lending
37. Securities refinancing and lending business
38. Shanghai-Hong Kong Stock Connect business
39. Market-making business on the NEEQ
40. Piloting of issuing short-term corporate bonds
41. Piloting of OTC market business
42. Piloting of internet securities business
43. Option brokerage business on SSE
44. Market-making business on quotation system of inter-institutional private products
45. Shenzhen-Hong Kong Stock Connect business



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. CONTACT PERSONS AND CONTACT METHODS

	Secretary of the Board	Representative of securities affairs
Name	Xu Haijun	Wang Ke
Address	19F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)	19F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)
Tel	0371-69177590	0371-69177590
Fax	0371-69177590	0371-69177590
Email address	xuhj@ccnew.com	wangke@ccnew.com

3. BASIC PROFILE

Registered address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City
Postcode of the registered address of the Company	450018
Office address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Postcode of the office address of the Company	450018
Website of the Company	http://www.ccnew.com
Email address	investor@ccnew.com
Principal place of business in Hong Kong	18F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

4. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Designated media for disclosure of the Company's information	China Securities Journal and Shanghai Securities News
Website designated by CSRC for publishing annual report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing annual report	http://www.hkexnews.hk
Place for inspection of the Company's annual report	19F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

5. SHARES OF THE COMPANY

Type of Shares	Place of listing	Stock abbreviation	Stock code
A Shares	SSE	中原证券	601375
H Shares	Hong Kong Stock Exchange	中州证券	01375



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

6. OTHER INFORMATION OF THE COMPANY

(I) Development history of the Company, primarily includes reorganisation, capital increase, share expansion etc. in previous years

On 25 October 2002, according to CSRC's Reply Concerning Approval of Opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi [2002] No. 326) (《關於同意中原證券股份有限公司開業的批覆》(證監機構字[2002]326號)), Henan Finance Securities Company Limited and the Securities branch of Anyang Trust & Investment Company Limited merged and reorganized into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry & Commerce on 8 November 2002 with a registered capital of RMB1,033,790,000. After incorporation, the Company, according to the said CSRC's reply, acquired the securities branch and securities services department (which were originally under Henan Securities Co., Ltd.) and other securities-related assets.

On 26 June 2006, subject to the Reply Concerning Alteration of Name of Hebi Development Construction & Investment Company (He Bian Ban [2005] No. 3) (《關於鶴壁市經濟發展建設投資公司更名的批覆》(鶴編辦[2005]3號)) and approval by the fourth general meeting of the Company, the Company's shareholder "Hebi Development Construction & Investment Company" changed its name into "Hebi Construction & Investment Co., Ltd."

On 12 October 2006, according to Notice Concerning Entrusting Anyang Economic Technology Development Co., Ltd. with External Control of the Securities branch Originally under Anyang Trust & Investment Company Limited As the Owner published by People's Government of Anyang City (《關於委託安陽市經濟技術開發公司以所有人身份對外管理原安陽市信託投資公司證券營業部的通知》) and the resolution of the Company's first extraordinary general meeting in 2006, the 1.018% equity held by the Company's former shareholder Anyang Trust & Investment Company Limited was merged into Anyang Economic Technology Development Co., Ltd., after which Anyang Economic Technology Development Co., Ltd. holds 2.661% equity in the Company.

On 15 January 2008, according to the CSRC's Reply Concerning Approval of Change of Registered Capital of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2008] No. 94) (《關於核准中原證券股份有限公司變更註冊資本的批覆》(證監許可[2008]94號)), the Company was approved to increase its registered capital from RMB1,033,790,000 to RMB2,033,515,700 with equity structure remaining unchanged. The Company also proportionately increased share capital and cash capital of its shareholders.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 10 June 2008, according to CSRC's Reply Concerning Approval of Equity Change of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2008] No. 781) (《關於核准中原證券股份有限公司股權變更的批覆》(證監許可[2008]781號)), Henan Investment Group Co., Ltd. was approved to receive 196,704,200 shares of the Company (accounting for 9.673% of the registered capital) held by Henan Construction Investment Corporation and 715,253,600 shares of the Company (accounting for 35.173% of the registered capital) held by Henan Economic and Technology Development Co., Ltd., after which Henan Investment Group Co., Ltd. holds 911,957,800 shares of the Company in aggregate (accounting for 44.846% of the Company's registered capital).

On 23 December 2010, according to the Letter Concerning Alteration of Name of Anyang Economic Technology Development Co., Ltd. of the shareholder (《關於安陽市經濟技術開發公司變更名稱的函》), Anyang Economic Technology Development Co., Ltd., and the resolution of the Company's fifth extraordinary general meeting in 2010, "Anyang Economic Technology Development Co., Ltd." changed its name into "Anyang Economic Development Group Co., Ltd."

On 1 June 2011, according to the No-Objection Letter Concerning Approval of Change of Shareholders Holding Less Than 5% of Equity of Central China Securities Co., Ltd. (Yu Zheng Jian Han [2011] No. 111) (《關於同意中原證券股份有限公司變更持有5%以下股權股東的無異議函》(豫證監函[2011]111號)) issued by the Henan Branch of the CSRC, Jiangsu Silk Group Co., Ltd., Guangzhou Liby Investment Co., Ltd., Jiangsu Huiyou Woollen Sweater Co., Ltd., Shenzhen Rising Investment Development Co., Ltd., Zhangjiagang Freetrade Science & Technology Co., Ltd., China Pingmei Shenma Energy & Chemical Group Co., Ltd., Henan Jinlong Industrial Co., Ltd. and Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. respectively received from Xuji Group Co., Ltd. 30,000,000 shares, 20,000,000 shares, 10,000,000 shares, 10,000,000 shares, 10,000,000 shares, 83,159,600 shares, 16,000,000 shares and 15,000,000 shares of the Company (accounting for 1.475%, 0.983%, 0.492%, 0.492%, 0.492%, 4.089%, 0.787% and 0.738% of the Company's registered capital, respectively).

On 30 May 2011, upon approval by State-owned Assets Supervision and Administration Commission of People's Government of Jiangsu Province and Administration for Industry and Commerce of Jiangsu Province, Jiangsu Silk Group Co., Ltd. changed its name into Jiangsu SOHO Holdings Group Co., Ltd.

On 22 September 2011, according to CSRC's Reply Concerning Approval of Change of Shareholders Holding More Than 5% of Equity of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1534) (《關於核准中原證券股份有限公司變更持有5%以上股權的股東的批覆》(證監許可[2011]1534號)), Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) was qualified to hold more than 5% of equity of Central China Securities Co., Ltd. as a shareholder and was approved to receive 608,000,000 shares (accounting for 29.899% of the Company's registered capital) of Central China Securities Co., Ltd. held by Xuji Group Co., Ltd.



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 6 April 2012, according to the No-Objection Letter Concerning Change of Shareholders Holding Less Than 5% of Equity of Central China Securities Co., Ltd. (Yu Zheng Jian Han [2012] No. 41) (《關於中原證券股份有限公司變更持有5%以下股權股東的無異議函》(豫證監函[2012]41號)) issued by the Henan Branch of the CSRC, Xuchang Superlift Construction Materials Science & Technology Co., Ltd. was approved to receive 24,000,000 shares (accounting for 1.18% of the Company's registered capital) of the Company held by Xuji Group Co., Ltd.

On 1 May 2012, according to the Letter Concerning Change of Company Name of Hebi Construction & Investment Co., Ltd. of the shareholder Hebi Construction & Investment Co., Ltd. (《關於鶴壁市經濟建設投資總公司變更公司名稱的函》) and the resolution of the Company's second extraordinary general meeting in 2012, the shareholder "Hebi Construction & Investment Co., Ltd." changed its name into "Hebi Construction & Investment Group Co., Ltd."

On 22 April 2014, CSRC issued Reply on Approving Central China Securities Co., Ltd. Offering Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2014] No. 438) (《關於核准中原證券股份有限公司發行境外上市外資股的批覆》(證監許可[2014]438號)) to approve Central China Securities offering no more than 598,100,000 overseas listed foreign shares, which are all ordinary shares, with a par value of RMB1 each. On 25 June 2014, shares issued overseas by the Company were listed on the main board of Hong Kong Stock Exchange (stock abbreviation: 中州證券; stock code: 01375). According to the Reply Concerning Management and Transfer of State-owned Equities of Central China Securities Co., Ltd. (Guo Zi Chan Quan [2013] No. 1070) (《關於中原證券股份有限公司國有股權管理及國有股轉持有關問題的批覆》(國資產權[2013]1070號)) by State-owned Assets Supervision and Administration Commission of the State Council, after the Company completed this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma Energy, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 40,994,778 shares, 8,842,345 shares, 3,738,231 shares, 2,432,074 shares, 1,348,575 shares, 884,166 shares, 678,113 shares, 449,525 shares and 442,193 shares (59,810,000 shares in total) to National Council for Social Security Fund. On 28 October 2014, the Company completed the change of the registered capital with the Henan Administration for Industry & Commerce, with the registered capital rising to RMB2,631,615,700.

On 15 June 2015, according to the resolution of the Company's second extraordinary general meeting in 2015, first domestic share class meeting and first H Share class meeting and upon approval by the CSRC's Reply Concerning Approval of Additional Issue of Overseas Listed Foreign Shares of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1728) (《關於核准中原證券股份有限公司增發境外上市外資股的批覆》(證監許可[2015]1728號)) and by the Hong Kong Stock Exchange, the non-public issuance of 592,119,000 H Shares was completed by the Company in August 2015 with a face-value of RMB1 each at an issue price of HK\$4.28 per H Share. On 14 August 2015, the Company completed the change of the registered capital with the Henan Administration for Industry & Commerce, with the registered capital increased to RMB3,223,734,700.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 18 November 2016, according to the resolution of the Company's third extraordinary general meeting in 2016, second domestic share class meeting and second H Share class meeting and the Reply Concerning Approval of Initial Public Offering of Shares of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2868) (《關於核准中原證券股份有限公司首次公開發行股票的批覆》(證監許可[2016]2868號)) issued by the CSRC to the Company on 25 November 2016, Central China Securities was approved to issue no more than 700,000,000 RMB ordinary shares, with a par value of RMB1 each. According to the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund (Cai Qi [2009] No. 94) (《境內證券市場轉持部份國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Reply Concerning Proposal for Management of State-owned Equities and Transfer of State-owned Shares in Relation to the Issuance of A Shares by Central China Securities Co., Ltd. (Yu Guo Zi Chan Quan [2015] No. 26) (《關於中原證券股份有限公司發行A股國有股權管理方案及國有股轉持的批覆》(豫國資產權[2015]26號)) by State-owned Assets Supervision and Administration Commission of Henan Province, based on the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma Energy, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total) to National Council for Social Security Fund.

On 3 January 2017, A Shares of the Company were listed on SSE.

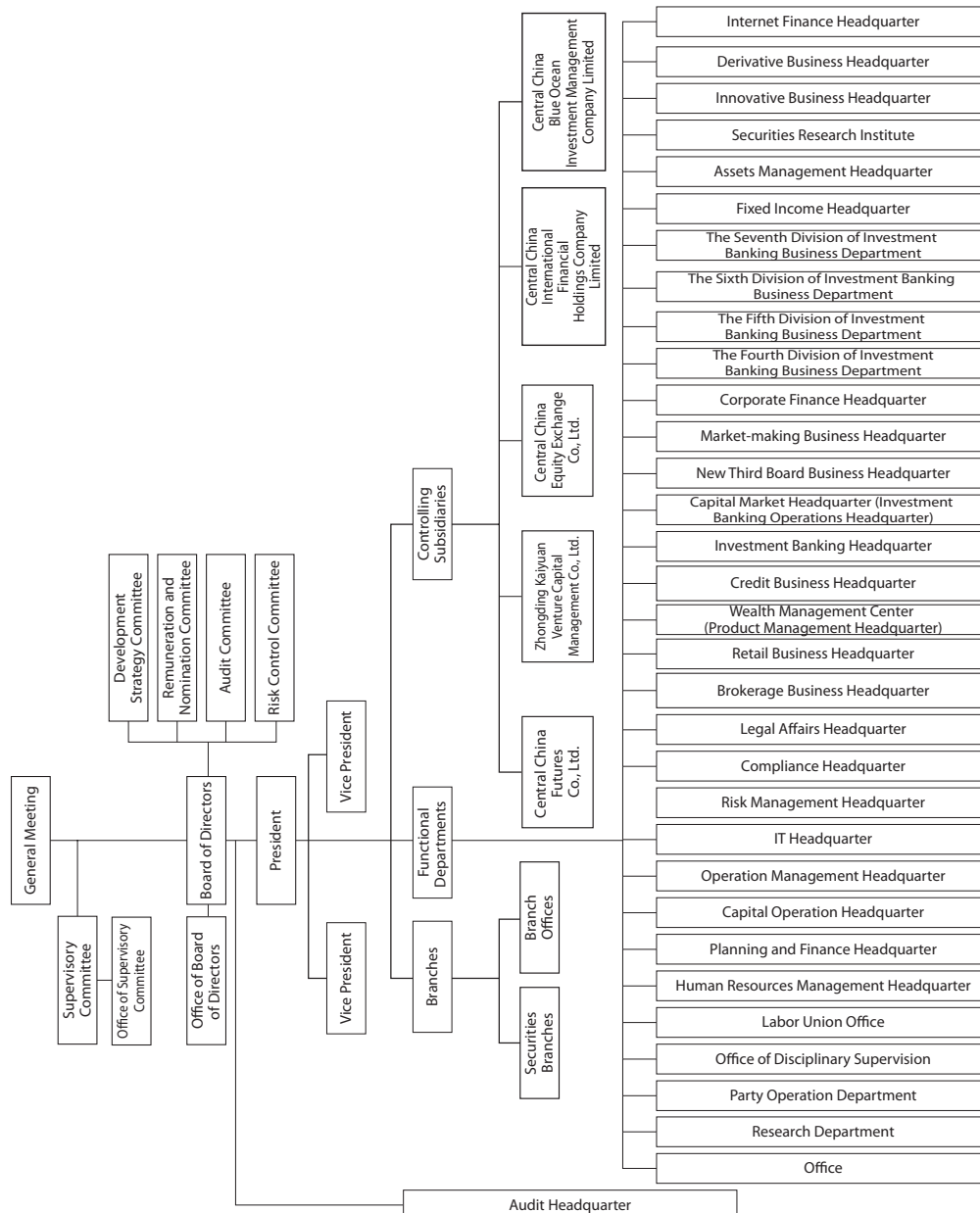


SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Status of the Company's organizational structure

The Company operates in accordance with the relevant laws and regulations including the Company Law, the Securities Law and Guidelines for the Internal Control of Securities Companies (《證券公司內部控制指引》) and the requirements of the Articles of Association, thus scientific and effective corporate governance has been established. The Company has also established a corporate governance structure that balances the power between the general meeting, the board of directors and the supervisory committee, in which the general meeting is the corporate authoritative body, the board of directors is the decision-making authority and the supervisory committee is the supervision authority.

1. Organizational structure diagram of the Company



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. Subsidiaries controlled by the Company

As of the end of the Reporting period, the Company had 4 domestic subsidiaries and 1 overseas subsidiary, as detailed below:

(1) Central China Futures Co., Ltd.

Office address: 4F, Zhongyuan Guangfa Finance Building, No. 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou, Henan Province

Country of incorporation/registered address: China/4F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Country of principal business: China

Date of incorporation: 18 April 1993

Registered capital: RMB330 million

Shareholding ratio: 51.357%

Legal representative: Yang Zhongxian

Contact No.: 0371-68599199

Main businesses: commodity futures brokerage; financial futures brokerage; futures investment consulting; asset management

Type of legal person: joint stock company limited

(2) Zhongding Kaiyuan Venture Capital Management Co., Ltd.

Office address: 20F, Hailian Building, No. 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Country of incorporation/registered address: China/Room 501-11, Building 1, No. 18 Courtyard, Lize Road, Fengtai District, Beijing

Country of principal business: China

Date of incorporation: 8 February 2012

Registered capital: RMB1,380 million

Shareholding ratio: 64.86%

Legal representative: Li Hongwei

Contact No.: 0371-69177108

Main businesses: use equity fund or establish direct investment fund to invest equity or creditor's rights in enterprises or other investment funds related to equity or creditor's rights; provide customers with investment advisory service related to equity or creditor's rights; and other businesses as approved by CSRC

Type of legal person: limited company



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(3) Central China International Financial Holdings Company Limited

Office address: Suites 1505 and 1508, Two Exchange Square, 8 Connaught Place, Central, HK

Country of incorporation/registered address: Hong Kong, China/Suites 1505 and 1508, Two Exchange Square, 8 Connaught Place, Central, HK

Country of principal business: China

Date of incorporation: 29 October 2014

Issued share capital: HK\$500 million

Shareholding ratio: 100%

Contact No.: 00852-25001375

Main businesses: an investment holding company acting as the platform for overseas businesses of the Company, carrying out operational businesses through its underlying subsidiaries

(4) Central China Blue Ocean Investment Management Company Limited

Office address: Room 915, 9F, Zhongke Building, No. 23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Country of incorporation/registered address: China/Room 915, 9F, Zhongke Building, No. 23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Country of principal business: China

Date of incorporation: 25 March 2015

Registered capital: RMB500 million

Shareholding ratio: 100%

Legal representative: Lai Bulian

Contact No.: 0371-86503971

Main businesses: financial product investment, security investment, investment management and investment advisory service with its own capital. (for projects requiring approvals from relevant authorities, approvals have to be obtained before the commencement of such projects)

Type of legal person: limited company

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(5) Central China Equity Exchange Co., Ltd.

Office address: 6F, Zhongke Building, No. 23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Country of incorporation/registered address: China/No. 23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City

Date of incorporation: 29 June 2015

Registered capital: RMB350 million

Shareholding ratio: 35%

Legal representative: Zhao Jizeng

Contact No.: 0371-61775086

Main businesses: registration, custody, listing, transfer and financing services in equity, creditor's rights and other equity asset for enterprises, investment and asset management; financial advisory, enterprise promotion, enterprise demonstration and training and consultancy services. (for projects requiring approvals from relevant authorities, approvals have to be obtained before the commencement of such projects)

Type of legal person: joint stock company limited

3. Branch offices

As of the end of the Reporting period, the Company had 21 branch offices, as detailed below:

S/N	Branch office	Address	Date of incorporation	Person in charge	Contact No.
1	Central China Securities Co., Ltd. Nanyang Branch Office	No. 170 Renmin Road, Nanyang City, Henan Province	20/05/2003	Yang Qing	0377-63205303
2	Central China Securities Co., Ltd. Zhumadian Branch Office	No. 196 Jiefang Road, Zhumadian City, Henan Province	23/04/2003	Jia Yingkui	0396-2989099
3	Central China Securities Co., Ltd. Xinxiang Branch Office	No. 250, Renmin Road, Xinxiang City, Henan Province	29/04/2003	Deng Feng	0373-2068736
4	Central China Securities Co., Ltd. Anyang Branch Office	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	08/05/2003	Chen Mingwei	0372-2095699
5	Central China Securities Co., Ltd. Jiaozuo Branch Office	No.1838 Middle Jiefang Road, Jiaozuo City, Henan Province	02/06/2003	Ding Qingming	0391-3288118



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

S/N	Branch office	Address	Date of incorporation	Person in charge	Contact No.
6	Central China Securities Co., Ltd. Luohe Branch Office	No. 337-8 Huanghe Road, Yancheng District, Luohe City, Henan Province	09/06/2003	Luo Donghai	0395-3183866
7	Central China Securities Co., Ltd. Shanghai 1st Branch Office	No. 261 West Dalian Road, Shanghai	29/08/2003	Shen Ruowei	021-65080598
8	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, Intersection of Qibin Road and Xinghe Street, Qibin District, Hebi City, Henan Province	26/05/2004	Zhou Zhen	0392-3299909
9	Central China Securities Co., Ltd. Zhoukou Branch Office	3F (facing the street), Office Building of Henan Netcom Zhoukou Branch, No. 81, Middle Section of Qiyi Road, Zhoukou City, Henan Province	26/04/2006	Li Hui	0394-8288680
10	Central China Securities Co., Ltd. Xinyang Branch Office	5F, Hongyunxinin Square Office Building, No. 136 Zhongshan Road, Shihe District, Xinyang City, Henan Province	26/07/2006	Chen Lei	0376-6210378
11	Central China Securities Co., Ltd. Kaifeng Branch Office	Yindi Business Plaza, Intersection of Daliang Road and Xihuan Road, Kaifeng City, Henan Province	11/08/2006	Guo Zhijun	0371-23899816
12	Central China Securities Co., Ltd. Shanghai Branch Office	Room 01-17, 18F, No. 1600 Century Avenue, China (Shanghai) Pilot Free Trade Zone	02/07/2009	Yuan Xuya	021-50588666
13	Central China Securities Co., Ltd. Zhengzhou Branch Office	Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	10/03/2011	Li Huafeng	0371-60155208

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

S/N	Branch office	Address	Date of incorporation	Person in charge	Contact No.
14	Central China Securities Co., Ltd. Beijing Branch Office	Room 1-907, 8-9F, No. 1 Langqin International Building, 168 Guang'anmen Outer Street, Xicheng District, Beijing	16/09/2011	Zhou Weidong	010-83065722
15	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	Securities Tower, Middle Liufeng Road, Sanmenxia, Henan Province	20/11/2013	Du Hongtao	0398-2830400
16	Central China Securities Co., Ltd. Luoyang Branch Office	No. 30, West Kaixuan Road, Xigong District, Luoyang City, Henan Province	28/11/2013	Chen Mingwei	0379-63915178
17	Central China Securities Co., Ltd. Puyang Branch Office	No. 203, Middle Jianshe Road, Puyang City, Henan Province	21/04/2014	Yu Chunyan	0393-8151517
18	Central China Securities Co., Ltd. Shangqiu Branch Office	No. 96, Shenhua Avenue, Shangqiu City, Henan Province	24/04/2014	Li Yun	0370-2580966
19	Central China Securities Co., Ltd. Xuchang Branch Office	No. 669, Yingchang Avenue, Weidu District, Xuchang City, Henan Province	12/06/2014	Liu Zhigang	0374-2612899
20	Central China Securities Co., Ltd. Shenzhen Branch Office	Room 201, Block A, No.1, Qianwan Road 1, Qianhaishen Port Cooperative District, Shenzhen City, Guangdong Province	14/05/2015	Jia Zhonghe	0755-83839961
21	Central China Securities Co., Ltd. Pingdingshan Branch Office	No.2, West Zhongxingnan Road, Pingdingshan City, Henan Province	30/06/2015	Yue Youliang	0375-4801728



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(III) NUMBER AND DISTRIBUTION OF SECURITIES BRANCHES OF THE COMPANY

As of the end of the Reporting period, the Company had 82 securities branches in 12 provinces, autonomous regions and municipalities, including 2 in Beijing, 3 in Shanghai, 1 in Zhejiang, 2 in Guangdong, 1 in Hubei, 2 in Hunan, 1 in Jiangsu, 1 in Shaanxi, 2 in Shandong, 1 in Hebei, 1 in Tianjin and 65 in Henan. See the following table for details:

No.	Securities branch	Address	Person in charge
1	Central China Securities Co., Ltd. Zhengzhou Wei Wu Road Securities Branch	2-3F, Wing Building, West of Main Tower of Integrated Office Building, No. 37 Wei Wu Road, Jinshui District, Zhengzhou City, Henan Province	Zhao Zhenxu
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities Branch	No. 43 Tongbai Road, Zhengzhou City, Henan Province	Xin Zhihong
3	Central China Securities Co., Ltd. Zhengzhou Business Outer Ring Road Securities Branch	Room 303-306, 3F, No. 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province	Li Huafeng
4	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	20F, Post Office Tower, No. 61 Zijingshan Road, Guancheng Hui District, Zhengzhou City, Henan Province	Dong Fang
5	Central China Securities Co., Ltd. Zhengzhou Jingsan Road Securities Branch	No. 25 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	Xiao Zhongchun
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	3F, Business Building, Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	Li Weijie
7	Central China Securities Co., Ltd. Zhengzhou Guoji Road Securities Branch	Room Shang-15, 1-2F, Building 32, Sennavis II Area of Provence, No. 168 Guoji Road, Jinshui District, Zhengzhou City, Henan Province	Zuo Kexin
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities Branch	No. 4-5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng City, Henan Province	Feng Yongjun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
9	Central China Securities Co., Ltd. Xinmi East Avenue Securities Branch	No. 17, East Avenue, Xinmi City, Zhengzhou City, Henan Province	Zhang Yonghong
10	Central China Securities Co., Ltd. Gongyi Songshan Road Securities Branch	No. 119-8 Songshan Road, Gongyi City, Zhengzhou City, Henan Province	Li Kaihui
11	Central China Securities Co., Ltd. Zhong Mou Guang Hui Street Securities Branch	Southeast of the intersection of Guang Hui Street and Wansheng Road, Zhong Mou County, Henan Province	Li Shuaijun
12	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	No. 38 Shaolin Avenue, Dengfeng City, Henan Province	Wang Tianpeng
13	Central China Securities Co., Ltd. Dengzhou North Wenhua Road Securities Branch	No. 91 North Wenhua Road, Dengzhou City, Henan Province	Ma Xue
14	Central China Securities Co., Ltd. Nanyang East Fanli Road Securities Branch	Building 2, Rulin Yuzhu Garden, East Fanli Road, Nanyang City, Henan Province	Zhao Xiaoyu
15	Central China Securities Co., Ltd. Nanyang Wuyi Road Securities Branch	East Wuyi Road, Guanzhuang Working Area, Nanyang City, Henan Province	Wang Qingfeng
16	Central China Securities Co., Ltd. Xixia Century Avenue Securities Branch	Intersection of Baiyu Road and Century Avenue, Xixia County, Nanyang City, Henan Province	Zhang Wandong
17	Central China Securities Co., Ltd. Neixiang Yongshun Road Securities Branch	Yongshun Road, Tuandong Town, Neixiang County, Henan Province	Zhang Hui
18	Central China Securities Co., Ltd. Pingdingshan Zhongxing Nan Road Securities Branch	No. 2, West Zhongxing Nan Road, Pingdingshan City, Henan Province	Yue Youliang
19	Central China Securities Co., Ltd. Pingdingshan Xinhua Road Securities Branch	Guangsha Huishang Plaza, Middle Xinhua Road, Pingdingshan City, Henan Province	Wen Yiyao



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
20	Central China Securities Co., Ltd. Ruzhou Fengxue Road Securities Branch	2F, Business Department of Industrial and Commercial Bank of China, No. 3 Fengxue Road, Ruzhou City, Henan Province	Zheng Wenchao
21	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No. 29 Changjiang Road, Yuanhui District, Luohe City, Henan Province	Wu Jun
22	Central China Securities Co., Ltd. Linying Yinghe Road Securities Branch	Shops A6-8, Longting Shoufu Community, Middle Yinghe Road, Linying County, Henan Province	Zhao Jun
23	Central China Securities Co., Ltd. Puyang Kaizhou Road Securities Branch	1F, China Unicom Building, southwest of the intersection of Zhongyuan Road and Kaizhou Road, Puyang City, Henan Province	Wu Zhigao
24	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No. 18 Zhongyuan Road, Puyang City, Henan Province	Zhang Yunpeng
25	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	No. 240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Wang Xiangxin
26	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East to the Middle Yumin Road, Puyang County, Henan Province	Chang Shaoyong
27	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities Branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Tian Liqi
28	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	West Wenfeng Avenue, Yindu District, Anyang City, Henan Province	Li Zhimin
29	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities Branch	Northwest Angle, Intersection of Zhenlin Road and Xinglin Street, Kaiyuan District, Linzhou City, Henan Province	Fu Hongbin
30	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No. 2, Building B28, Huatong Century City, Wenming Road, Hua County, Henan Province	Chen Limin

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
31	Central China Securities Co., Ltd. Neihuang Zaoxiang Avenue Securities Branch	Room 8, Shumuqinghua Shop, Zaoxiang Avenue, Neihuang County, Henan Province	Zhang Yabing
32	Central China Securities Co., Ltd. Tangyin Renmin Road Securities Branch	Area A of Shangri-La, Southwest Angle, Intersection of Renmin Road and Zhonghua Road, Tangyin County, Anyang City, Henan Province	Wu Xinsheng
33	Central China Securities Co., Ltd. Xinxiang Xiangyang Road Securities Branch	No. 107 Store, No.1 Xinshang International Building, Intersection of Xiangyang Road and Zhenzhong Road, Xinxiang City, Henan Province	Yang Tao
34	Central China Securities Co., Ltd. Changyuan Renmin Road Securities Branch	No. 3 Store, Yilong Ginza Apartment, Renmin Road, Changyuan County, Henan Province	Qiu Fei
35	Central China Securities Co., Ltd. Huixian Sumen Avenue Securities Branch	South to the Middle Sumen Avenue, Huixian City, Henan Province	Zhang Xiaodong
36	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No. 152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
37	Central China Securities Co., Ltd. Yuanyang Huanghe Avenue Securities Branch	East to Shengshi Elegant Garden (盛世佳苑) 2-2-1, South to Huanghe Avenue, Yuanyang County, Henan Province	Zhang Lefei
38	Central China Securities Co., Ltd. Xun County Huanghe Road Securities Branch	200m East to the North of the Intersection of Huanghe Road and Liyang Road, Xun County, Henan Province	Lu Bin
39	Central China Securities Co., Ltd. Qi County Chaoge Road Securities Branch	West to County Section Middle, 107 National Road, Qi County, Henan Province	Jie Jiwu
40	Central China Securities Co., Ltd. Xuchang Liancheng Avenue Securities Branch	No. 114, Liancheng Avenue, Weidu District, Xuchang City, Henan Province	Xiong Peili
41	Central China Securities Co., Ltd. Changge Baqi Road Securities Branch	Middle Baqi Road, Changge City, Henan Province	Wang Jun



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
42	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities Branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan
43	Central China Securities Co., Ltd. Yanling Cuiliu Road Securities Branch	1F, Linjie Building, West to 4F County Government, Cuiliu Road, Development Zone, Yanling County, Henan Province	Zhang Weilin
44	Central China Securities Co., Ltd. Xiangcheng Zhongxin Road Securities Branch	East Zhongxin Road, Xiangcheng County (opposite to Bureau of Finance), Henan Province	Ji Guangjun
45	Central China Securities Co., Ltd. Gushi Hongsu Road Securities Branch	3F, Century Mansion, Chen Yuanguang Plaza, Intersection of North Chengliao Road and Hongsu Road, Gushi County, Xinyang City, Henan Province	Li Xiaohong
46	Central China Securities Co., Ltd. Guangshan Xinglong Road Securities Branch	No. 60 Xinglong Road, Xian Shan Office, Guangshan County, Henan Province	Li Mingbao
47	Central China Securities Co., Ltd. Mengzhou West Hanyu Street Securities Branch	No. 292, West Hanyu Street, Mengzhou City, Henan Province	Zhen Rongxing
48	Central China Securities Co., Ltd. Qinyang Jianshe Road North Securities Branch	Jianshe Road North, Qinyang City, Jiaozuo City, Henan Province	Zhai Jun
49	Central China Securities Co., Ltd. Wuzhi Xinghua Road Securities Branch	3F, Northwest Angle, Intersection of Heping Road and Xinghua Road, Wuzhi County, Henan Province	Wei Siyun
50	Central China Securities Co., Ltd. Jiyuan Jishui Street Securities Branch	3F, Block C, Times Plaza, Jishui Street, Jiyuan City, Henan Province	Wang Yupeng
51	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities Branch	East to North Yulu Avenue, Lankao County, Henan Province	Zhang Xu
52	Central China Securities Co., Ltd. Lingbao Wulong Road Securities Branch	Intersection of Wulong Road and Yinxi Road, Lingbao City, Henan Province	Li Jinfeng

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
53	Central China Securities Co., Ltd. Mianchi Huimeng Road Securities Branch	(1F of People's Bank of China) Middle Huimeng Road, Mianchi County, Henan Province	Zhang Xueyun
54	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities Branch	3F, Block A, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City, Henan Province	Zhang Zhongmin
55	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Yongcheng City, Shangqiu City, Henan Province	Zhong Yahui
56	Central China Securities Co., Ltd. Minquan Boai Road Securities Branch	Shop 6, Building 11, Middot, at the intersection of Qiushui Road and Boai Road, Minquan County, Henan Province	Su Wen Feng
57	Central China Securities Co., Ltd. Xiayi Kongzu Avenue Securities Branch	Shop of No. 595 Kongzu Avenue, Xiayi County, Henan Province	Chen Haibin
58	Central China Securities Co., Ltd. Luyi Ziqi Avenue Securities Branch	200m North to the West intersection of Ziqi Avenue and Zhenyuan Avenue, Luyi County, Henan Province	Chun Qiyang
59	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle Fengmu Road, Xihua County, Henan Province	Zhang Yang
60	Central China Securities Co., Ltd. Shenqiu Jixiang Road Securities Branch	South of East Jixiang Road, Huaidian Town, Shenqiu County, Henan Province	Ma Guang
61	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No. 260 Kaiyuan Avenue, Luoyang City, Henan Province	Zhang Ruiping
62	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	No. 26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Shi Guofeng
63	Central China Securities Co., Ltd. Yichuan Yugang Avenue Securities Branch	No. 170 Yugang Avenue, Chengguan Town, Yichuan County, Luoyang City, Henan Province	Gao Jingxian



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
64	Central China Securities Co., Ltd. Xin'an Cihe Road Securities Branch	North Jianhe Road, Xincheng West District, Xin'an County, Henan Province	Wang Haiyun
65	Central China Securities Co., Ltd. Xiping Xiping Avenue Securities Branch	No. 158 Xiping Avenue, Xiping County, Henan Province	Li Guangxi
66	Central China Securities Co., Ltd. Shanghai Chongming Chenjia Town Securities Branch	Room 107, No. 2 Lane 4999 Yingchen Highway, Chenjia Town, Chongming County, Shanghai City	Shao Min
67	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	No. 2589 Hunan Road, Pudong New Area, Shanghai City	Zhang Zhenming
68	Central China Securities Co., Ltd. Shenzhen Mintian Road Securities Branch	Rooms 1903, 1905, 1906 and 1908, Xinhua Insurance Mansion, the southwest of crossroad between Shennan Avenue and Mintian Road, Futian District, Shenzhen City, Guangdong Province	Jia Zhonghe
69	Central China Securities Co., Ltd. Guangzhou Tianhe Road Securities Branch	Room 2809, No. 1 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province	Jiang Wang
70	Central China Securities Co., Ltd. Qingdao Xianxialing Road Securities Branch	B Area of Jin Ling Sunzone, No. 16 Xianxialing Road, Qingdao City, Shandong Province	Zhou Jianjun
71	Central China Securities Co., Ltd. Jinan Jiefang Road Securities Branch	Rooms 301-305, Building 5, No. 159 Jiefang Road, Lixia District, Jinan City, Shandong Province	Chen Yongli
72	Central China Securities Co., Ltd. Jinan Gongyenan Road Securities Branch	Room 103, Building 1, Wealth Center of China Railway, No. 59 Gongyenan Road, Hi-tech Zone, Jinan City, Shandong Province	Kong Qingli
73	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	A158, 1F, No. 51 Building, No. 14 Jiuxianqiao Road, Chaoyang District, Beijing City	Xia Qun
74	Central China Securities Co., Ltd. Beijing Guang'anmen Outer Street Securities Branch	8F, Building 1, No. 168, Guang'anmen Outer Street, Xicheng District, Beijing City	Zhou Weidong

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
75	Central China Securities Co., Ltd. Hangzhou Xintang Road Securities Branch	3F, Building 2, Xincheng Shidai Plaza, No. 111 Xintang Road, Jianggan District, Hangzhou City, Zhejiang Province	Cao Jianbo
76	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, No. 2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin City	Chen Litao
77	Central China Securities Co., Ltd. Shijiazhuang Zhongshan West Road Securities Branch	Shop 2A003, 2F ZhongDian Information Plaza, No. 356 Zhongshan West Road, Qiaoxi District, Shijiazhuang City, Hebei Province	Wei jinxi
78	Central China Securities Co., Ltd. Xi'an Weiyang Road Securities Branch	23F, Block A, Zhongdeng Building, No.138 Economic and Technological Development Zone, Weiyang Road, Xi'an City, Shaanxi Province	Wang Lin
79	Central China Securities Co., Ltd. Changsha North Chezhan Road Securities Branch	Building 5 of Panorama, No. 70 North Chezhan Road, Furong District, Changsha City, Hunan Province	Jiang Zhiang
80	Central China Securities Co., Ltd. Jishou Shiji Avenue Securities Branch	Room 106, Building 62, Ganzhou Shijishanshui, Jishou City, Hunan Province	Xiang Qingfeng
81	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No. 7 Jiannong Road, Building 10 of Gang Cheng Hua Fu, Yangshe Town, Zhangjiagang City, Jiangsu Province	Chen Xiaogang
82	Central China Securities Co., Ltd. Wuhan Zhongbei Road Securities Branch	Room 9, 8F, Building 1 of Hai Shan Jin Gu, No. 101 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	Cheng Xiwen



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

7. OTHER RELEVANT INFORMATION

Domestic accountant engaged by the Company	Name	ShineWing Certified Public Accountants (Special General Partnership)
	Office address	8F, Fu Hua Mansion, No.8 ChaoYang Men Beidajie, Dongcheng District, Beijing City
	Names of signing accountants	Wang Gongyong and Chao Xiaoyan
Overseas accountant engaged by the Company	Name	PricewaterhouseCoopers
	Office address	22/F, Prince's Building, Central, Hong Kong
	Names of signing accountants	Yip Siu Fun (葉少寬)
Sponsor performing the duty of continuous supervision during the Reporting period	Name	Zhongtai Securities Co., Ltd.
	Office address	No. 86 Jingqi Road, Jinan City, Shandong Province
	Names of signing sponsors	Ge Wenbing and Jierui
	Term of continuous supervision	3 January 2017 – 31 December 2019
Legal advisors as to PRC Law	Beijing Junzhi Law Offices	
Legal advisors as to Hong Kong Law	Li & Partners	
A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H Share Registrar	Computershare Hong Kong Investor Services Limited	
Unified social credit code	91410000744078476K	

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

8. AWARDS IN 2016

In 2016, the Company was selected as one of the “Top 100 Tax Paying Enterprises for 2015 (納稅百強企業)” by the tax authority of Henan Province.

On 8 January 2016, the Company was awarded as the “Outstanding Short-term Financing Issuer (Securities Companies) in the Bond Market for 2015 (優秀證券公司短融發行人)” by China Central Depository & Clearing Co., Ltd. and the “Securities Company with the Greatest Brand Influence in Henan for 2015 (2015年度河南最具品牌影響力證券公司)” by dahe.cn.

On 21 January 2016, the Company was awarded “2015 Efficiency and Quality Award (2015年度效益質量獎)” by Henan Investment Group.

On 26 April 2016, the Company was enlisted as “Top 100 H-share Company” in 2015, and was awarded “High Growth Enterprise Award (高成長型企業獎)”.

On 15 May 2016, the Company was awarded “Outstanding Wealth Management Services Award (優秀財富管理服務獎)” at the China (Qingdao) Wealth Management Innovation and Start-up Entrepreneurs Competition (中國(青島)財富管理創新創客大賽).

On 31 August 2016, the Company was awarded the title of “Charity Model (慈善楷模)” by Xinyang Charity Association (信陽市慈善總會).

On 23 November 2016, the Company was awarded the “The Best Listed Company (最佳上市公司)” and “13th Five-Year Plan – Most Valuable Listed Company (十三五最具投資價值上市公司)” by the Sixth China Securities Golden Bauhinia Awards, which is elected by press media in Hong Kong including Ta Kung Pao.



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

9. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(I) Principal accounting data and financial indexes for the recent three years

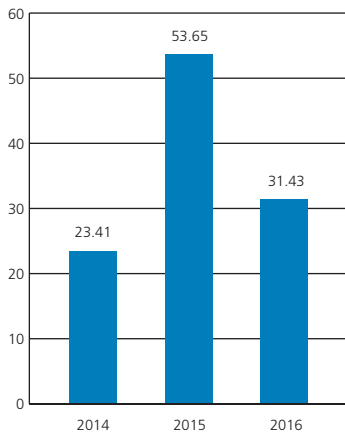
Item	2016	2015	Growth of this period from last period	2014
Operating results (RMB'000)				
Revenue and other income	3,143,028	5,365,260	-41.4%	2,341,061
Profit before income tax	974,567	1,890,969	-48.5%	754,771
Profit for the year attributable to shareholders of the Company	718,646	1,405,501	-48.9%	562,290
Net cash inflow/outflow from operating activities	1,772,788	-6,372,772	N/A	-2,179,300
Earnings per share (RMB/share)				
Basic earnings per share	0.22	0.49	-55.1%	0.24
Diluted earnings per share	0.22	0.49	-55.1%	0.24
Profitability index				
Weighted average return on net assets (%)	8.89	20.54	Down by 11.65 percentage points	11.41

Item	31 December 2016	31 December 2015	Growth of the end of this period from the end of last period	31 December 2014
Scale merit (RMB'000)				
Total assets	40,384,574	41,651,249	-3.0%	28,269,242
Total liabilities	28,837,804	32,774,795	-12.0%	22,412,446
Accounts payable to brokerage clients	10,368,090	14,867,251	-30.3%	9,659,833
Equity attributable to shareholders of the Company	10,582,117	8,161,581	29.7%	5,786,707
Total share capital ('000 shares)	3,923,735	3,223,735	21.7%	2,631,616
Net asset value per share attributable to the Company's shareholders (RMB/share)				
	2.70	2.53	6.7%	2.20
Gearing ratio (%)¹	61.5	66.9	Down by 5.4 Percentage points	68.5

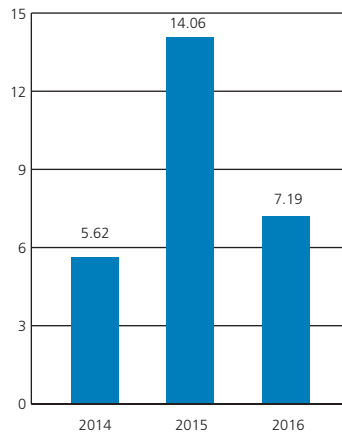
¹ Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

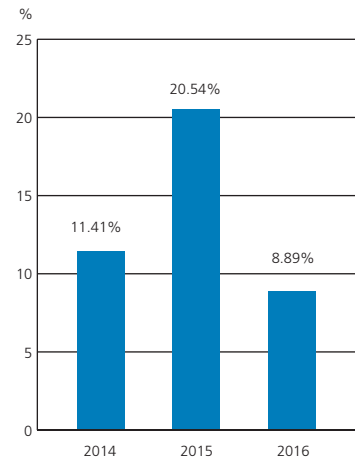
**Total revenue and other income
(RMB100 million)**



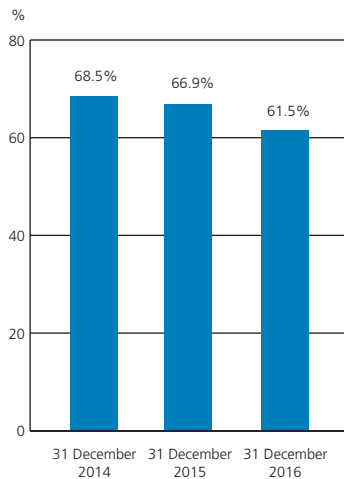
**Profit for the year attributable to shareholders of the Company
(RMB100 million)**



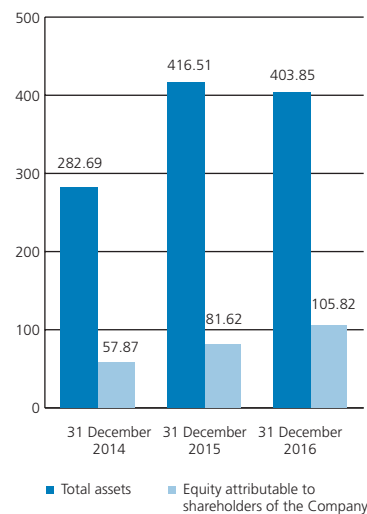
Weighted average return on net assets



Gearing ratio



**Scale merit
(RMB100 million)**





SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal accounting data and financial indexes for the recent five years

Earnings (RMB'000)

Item	2016	2015	2014	2013	2012
Revenue and other income	3,143,028	5,365,260	2,341,061	1,434,599	1,218,450
Total expenses	2,150,498	3,439,869	1,554,704	1,096,364	961,346
Profit before income tax	974,567	1,890,969	754,771	338,235	257,104
Profit for the year attributable to shareholders of the Company	718,646	1,405,501	562,290	252,937	182,783

Assets (RMB'000)

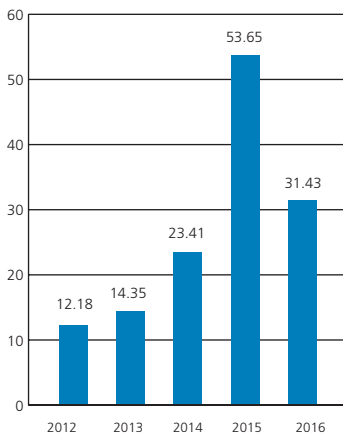
Item	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Total assets	40,384,574	41,651,249	28,269,242	13,649,605	11,203,484
Total liabilities	28,837,804	32,774,795	22,412,446	9,474,323	7,364,827
Accounts payable to brokerage clients	10,368,090	14,867,251	9,659,833	4,994,071	5,208,568
Equity attributable to shareholders of the Company	10,582,117	8,161,581	5,786,707	4,091,342	3,825,500
Total share capital ('000 shares)	3,923,735	3,223,735	2,631,616	2,033,516	2,033,516

Key financial indexes

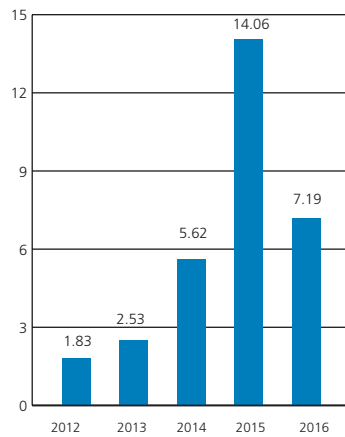
Item	2016	2015	2014	2013	2012
Basic earnings per share (RMB/share)	0.22	0.49	0.24	0.12	0.09
Diluted earnings per share (RMB/share)	0.22	0.49	0.24	0.12	0.09
Weighted average return on net assets (%)	8.89	20.54	11.41	6.40	4.90
Item	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Gearing ratio (%)	61.5	66.9	68.5	51.8	36.0
Net asset value per share attributable to the Company's shareholders (RMB/share)	2.70	2.53	2.20	2.01	1.88

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

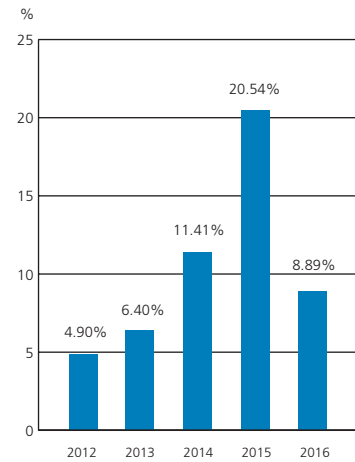
**Revenue and other income
(RMB100 million)**



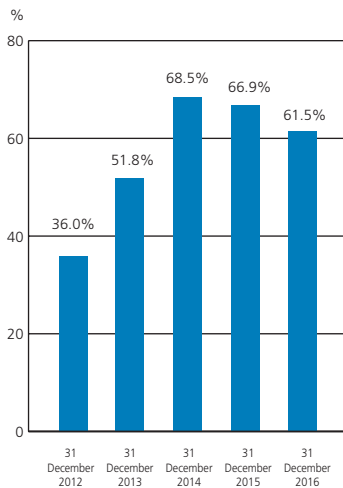
**Profit for the year attributable to shareholders of the Company
(RMB100 million)**



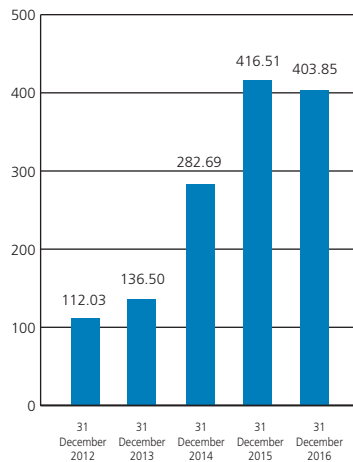
Weighted average return on net assets



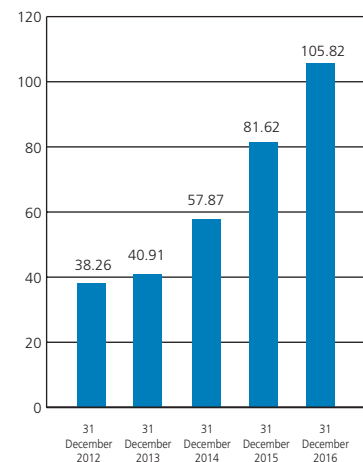
Gearing ratio



**Total assets
(RMB100 million)**



**Equity attributable to shareholders of the Company
(RMB100 million)**





SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(III) THE COMPANY'S NET CAPITAL AND RELATED RISK CONTROL INDEX

During the reporting period, the Company's analytical control indexes, such as net capital, are in compliance with the regulatory requirements. The net capital and the relevant ratios as at the end of last year has been amended pursuant to the Decisions on Amendments to the Measures on Management of the Risk Control Indexes of Securities Companies (Zheng Jian Fa No. 125) (《關於修改<證券公司風險控制指標管理辦法>的決定》(證監會第125號令)).

Unit: RMB'000

Item	31 December 2016	31 December 2015	Regulatory standard
Net capital	10,217,178	7,814,064	–
Net assets	10,431,615	8,202,048	–
Risk coverage ratio (%)	444.34	347.11	≥100%
Capital leverage ratio (%)	29.26	24.73	≥8%
Liquidity coverage ratio (%)	2,053.26	538.25	≥100%
Net stable funding ratio (%)	158.58	138.49	≥100%
Net capital/net assets (%)	97.94	95.27	≥20%
Net capital/liabilities (%)	63.20	47.32	≥8%
Net assets/liabilities (%)	64.52	49.67	≥10%
Proprietary equity securities and securities derivatives/net capital (%)	22.34	28.78	≤100%
Proprietary non-equity securities and its derivatives/net capital (%)	55.29	47.54	≤500%

10. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

The consolidated financial statement prepared by the Company in accordance with International Financial Reporting Standard and the consolidated financial statement prepared in accordance with China's Accounting Standards for Business Enterprises show no difference in the profit for the year in 2016 and 2015 and the total equity as at 31 December 2016 and 31 December 2015.

SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

I. PARTICULARS OF THE PRINCIPAL BUSINESS ENGAGED BY THE COMPANY, OPERATING MODELS AND INDUSTRIAL STATUS DURING THE REPORTING PERIOD

1. Principal businesses engaged by the Company and operating models during the reporting period

The Company is principally engaged in the brokerage business, investment banking business, investment management business, proprietary trading business and offshore business.

The brokerage business of the Company refers to the Company's business of trading of stocks, funds, bonds and futures on behalf of the customers based on their engagement in return for customers' commission. In recent years, the Company proactively grasped opportunities and continued to promote the transformation from provision of channeling services to value-added wealth management services. The Company actively adjusted the structure of its securities brokerage business, accelerated the transformation of its brokerage branches towards becoming an integrated security and finance platform and continued to enhance its comprehensive ability in serving customers.

The investment banking business of the Company mainly includes of the securities underwriting and sponsorship business, the bond underwriting business, the financial consultancy business, and host brokerage business for the New Third Board. In recent years, the Company continuously improved its investment banking business system. By virtue of the advantage of the resource of the Henan Province, the Company has focused on serving the Henan capital market and kept on improving the nationwide business layout in order to create with full strength the "Central China Investment Banking" brand. Through these efforts, the Company has achieved positive progress and outstanding results in areas such as IPO, refinancing, merger, acquisition and reconstruction, New Third Board recommendation business and group underwriting. In 2016, the Company completed 7 non-public projects, 9 lead underwriting projects of corporate bonds and 74 New Third Board projects. It also provided financial advisory services to a number of enterprises, thereby establishing a leading position in the securities underwriting market in Henan Province.



SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

The Company's investment management business is mainly comprised of asset management business and direct investment business. The Company fully leveraged its existing resources advantages to diversify the product lines of its asset management business and successfully increased the business scale to RMB12 billion. For direct investment business, the Company controlled risks strictly, strengthened management and deepened its cooperation with local governments with a view to promote the establishment of industry funds, expedite the operation of ZYKC Venture Capital and support the corporate development of "Entrepreneurship and Innovation".

The scope of investment of the proprietary trading business of the Company includes publicly offered stocks, bonds, funds, derivatives and other financial products approved by the CSRC. During the development process, the securities proprietary business of the Company has adhered to the principles of value investing and "flexible allocation and stable operation (靈活配置·穩健操作)", resulting in the effective control of investment risks. In 2016, the proprietary business actively responded to the abnormal fluctuations of the stock and bond market and launched its entrusted investment and option business by seizing the opportunities arising from the market rebound. In respect of bond investment, the Company controlled the liquidity risks via active management and adopted effective measures to better response to the market impact.

As for overseas business, Central China International targeted at laying out the full-license internationalized business platform. In addition to its existing licence for Type 1 (dealing in securities) activities granted by the SFC, the Company was also granted the licences for Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) activities, as well as the money lender's licence issued by the Court of Hong Kong. The diversified business platform of the Company has taken shape as a part of a relatively comprehensive "international business chain" at the initial stage. The scope of business includes securities brokerage, margin financing, investment banking, asset management, securities research, stock-secured financing and proprietary investment, etc. During the reporting period, the Company has overcome various adverse factors, such as the continuous depression and inactive trading of Hong Kong capital market in 2016, and promoted the rapid growth of its business from the very beginning and achieved some hard-won profit.

SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

2. Development stage and cyclical characteristic of the Company's industry and its industry position during the reporting period

The securities industry is a typical cyclical industry that the industry performance is closely related to the overall environment of the capital market and the macro-economy. Since the beginning of 1990s in the 20th century, the Chinese securities market has gone through over 20 years of development and gradually developed from an immature and unregulated market into a mature and soundly regulated market. The industry also expanded from its original scale and has now become a major industry of China's national economy with great contribution to the promotion of national economic growth. Following the regulated development of the securities market in China, the securities industry also recorded steady growth.

According to the statistics of the Securities Association of China, as of 31 December 2016, the total assets, net assets and net capital of the Chinese securities industry amounted to RMB5.79 trillion, RMB1.64 trillion and RMB1.47 trillion, respectively. Since its establishment, the Company has maintained high comprehensive competitiveness and remained highly competitive in the industry in terms of scale of capital, profitability, business strengths and risk management capability. The Company was classified into category "A" under type "A" in the 2016 classification and evaluation of securities companies.



SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

II. SIGNIFICANT CHANGES OF THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

As at the end of 2016, total assets of the Group amounted to RMB40.385 billion, representing a decrease of 3.04% as compared to the end of last year. Significant changes include (1) financial assets at fair value through profit or loss, financial assets designated as at fair value through profit or loss and financial assets held for sale amounting to RMB10.620 billion, representing an increase of RMB3.115 billion as compared to the beginning of this year; (2) margin loans amounting to RMB6.119 billion, representing a decrease of RMB2.040 billion as compared to the beginning of this year; (3) cash and bank deposits, clearing settlement funds and refundable deposits amounting to RMB15.677 billion, representing a decrease of RMB1.909 billion as compared to the beginning of this year; (4) financial assets held under resale agreements amounting to RMB5.912 billion, representing a decrease of RMB915 million as compared to the beginning of this year; (5) long-term equity interests amounting RMB370 million, representing an increase of RMB279 million as compared to the beginning of this year. Of which, overseas assets amounted to RMB1.246 billion, accounting for 3.08% of the Company's total assets as at the end of the Reporting Period.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Leading geographical advantages

Located in Henan, the largest provincial economy in Central and Western China, the Company is the only securities company that was registered by legal persons in Henan Province. The total GDP of Henan province from 2004 to 2016 ranked fifth across China for thirteen consecutive years. Henan Province is currently in the stage of comprehensive implementation of four national strategies such as the Central Plains Economic Zone, Zhengzhou Airport Integrated Experimental Zone, the National Core Producing Area of Grains and the construction and planning of a national central city. In August 2016, the State Council decided to establish a new free trading pilot zone in Henan Province, with good development momentum for the real economy. On the other hand, the development of the financial industry in Henan Province is lagging behind, at the end of 2016, securitization ratio of Henan Province is only 22.5%, far below the national average level of 68.2%. After over 10 years of efforts, the Company has developed a thorough understanding of the securities market in Henan and established good working relationship with local governmental authorities and enterprises, and thus enjoyed distinctive advantages in the region. Accordingly, given the enormous economic scale, demographic dividends and low securitization ratio in Henan, there will be huge potential for the Company's development in the future.

2. Professional, stable, practical and aggressive management team

The core management of the Company possesses extensive working experience in the financial industry. Both Jian Mingjun, the chairman, and Zhou Xiaoquan, the president, held key positions in general economy and management authorities in the PRC including the Ministry of Finance and CSRC respectively, know the development and directions of the Company by heart after being chief officers of the Company over the years and organizing and implementing a series of major operation activities. Other members of the management team have over 20 years of extensive management experience in the securities industry. The professional and stable management team of the Company is a guarantee for the stable long-term development of the Company.

SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

3. Significant enhancement of financing ability with shares listed in both A-share and H-share markets

On 3 January 2017, the Company was listed on the SSE, officially became the eighth securities dealer with shares listed in both A-share and H-share markets, i.e. listed both in the PRC and Hong Kong, realizing three leaps of listing in Hong Kong, offering in Hong Kong and return of A shares at the same time. Significant enhancement of capital operation capability: the Company's stocks, being the focus of the Company's investment in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, will leverage the synergy effect from the "Stock Connect" that links capital markets between the PRC and Hong Kong to vigorously expand the channels for replenishing net capital and operating capital.

4. Push forward the "six-in-one" whole industry chain in full force with a view to build up core competitive advantages

Leveraging on the advantages of OTC capital market and direct investment, the Company took the lead in the industry to advocate a development model of direct-investment-led "six-in-one" whole industry chain. After the commencement of operation of Equity Exchange Co. Ltd., a company of which the Company has controlling shareholding, in the second half of 2015, the Company established the direct-investment-led "six-in-one" whole industry chain in which Equity Exchange Co., Ltd. acts as the first part of the chain. The industry chain covered aspects such as listing on the Fourth-board Market, financing, direct investment, listing on the New Third Board, market-making, the change of board and the refinancing and securities-backed financing thereafter, providing integrated financial services for medium, small and micro-sized companies during their whole life cycle. The "six-in-one" whole industry chain was a sign that the Company actively responded to policies of the Central Government for establishment of multi-layered capital market and implementation of support to real economy by financial market. Such policies are concrete measures to support economic development in Henan and business development for enterprises and cultivate growth momentum of innovative economy. They also represent the Company's strenuous efforts in developing corporate clients and building up its core competitive advantages to counter the industry cyclical fluctuations and ensure sustainable stable development.

5. Sound risk control system

The Company has set up a practically effective risk management system that is able to identify, evaluate and manage market, credit and operational risks in its business with a view to optimize its asset allocation and formulate measures to mitigate risks. The Company has established a four-level risk management system. In addition, the Company has also established a dynamic risk control indicator based on net capital, which enables the monitoring, early-warning and reporting of various risks. The Company has standardized sensitivity analysis and stress testing procedures for various risks across all business lines and conducted stress testing on regular and ad hoc basis to help optimize its asset allocation and mitigate risks. In respect of risk control of equity securities investment, the Company not only has a stringent decision-making mechanism and risk limit management in place, it has also set up a stringent operational procedure to execute forced liquidation to stop-profit and stop-loss as necessary, so as to ensure all risks in relation to its business are predictable, controllable and acceptable.



SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

6. Highly market-oriented employment and incentive mechanism

The Company adopted a market-oriented and performance-based employee compensation structure, and implemented a multi-layered and comprehensive evaluation system against the core criteria of results and management goals. In light of the new landscape faced by the Company upon its listing in Hong Kong, the Company has introduced two incentive and constraint systems to further strengthen the management over management personnel and employees and achieve a mechanism where management personnel can flexibly work in various positions and the number of employees and their remuneration can be adjusted accordingly, which has effectively stimulated vitality for the Company's development. The Company insisted on the link of the incentive system to the business department and frontier employees of such department to achieve the maximum motivation to such department and employees. The Company greatly rewards those employees with outstanding contribution and those who have obtained qualifications for Chartered Financial Analyst (CFA) or Certified International Investment Analyst (CIIA).

7. Unique corporate culture and performance of social care

Through its long operation and development history, the Company has established its corporate culture founded on "integrity and kindness, faithfulness and generosity, stringency and perseverance, pragmatism and effectiveness". The Company gives sincere care to frontline staff, establishes "education allowance" system for newly recruited staff and provides aid to staff with difficulties via various channels. This unique corporate culture not only ensured the implementation of the Company's development strategies, but also effectively enhanced the Company's core competitiveness.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS ON OPERATING CONDITIONS

(I) GENERAL OPERATING CONDITIONS

In 2016, the Company achieved great leap-forward development. During the year, amid the unfavourable macroeconomic environment and conditions of the securities market, the Company closely adhered to the working principles established at the beginning of the year and successfully completed a series of work, including the issuance of A shares, submission of application materials for the establishment (proposed establishment) of Central China Life Insurance Co., Ltd. (中原人壽保險股份有限公司) to the China Insurance Regulatory Commission and obtained approval thereof, and Central China Equity Exchange Co., Ltd., its subsidiary, recorded posting of over 1,000 companies. All of which has turned a new page of the Company's development.

In the complex environment of declining commission rate and intensifying market competition, the Company's brokerage accelerated the transformation in two areas, namely transforming brokerage business towards wealth management and transforming branches towards "one-stop" integrated financial service platform. As for investment banking business, by expanding its talent team and further enhancing its comprehensive strengths, the Company has completed six secondary offerings, including CPEP, Senyuan Electric, Qingshuiyuan, Lingrui Pharmaceutical, Kedi Dairy and Ancai Hi-Tech, the proceeds of which accounted for 23% of the amount of secondary offering in Henan and 30% of the total number of companies conducting secondary offering during the year, therefore continued to maintain a leading position in Henan market [Source: Wind Info]. The development of proprietary trading, asset management business and other innovative business also achieved considerable progress. The Company further refined the development of its risk management and compliance system, conducted comprehensive inspection on compliance and risk control, practically enhancing the Company's risk management ability. The Company successfully issued subordinated bonds of RMB4 billion and achieved financing breakthrough on group level through overseas loans under domestic bank guarantee, which has reduced the Company's financing cost significantly. The Company was once again classified into category "A" of securities companies by CSRC.

In 2017, Central China Securities will fully capture the benefits brought by its A share listing to expand its branch network and expedite the development of various businesses including brokerage, investment banking and asset management. More emphasis will be placed on the attraction of high-caliber talent in a bid to complete the proposed establishment of Central China Life Insurance, broaden its international network, bring better returns to its investors and contribute to the community.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(II) ANALYSIS OF PRINCIPAL OPERATIONS

1. Brokerage business

During the reporting period, the revenue and other income generated from brokerage business amounted to RMB1,646 million, representing a decrease of 56.42% as compared with 2015.

(1) Securities brokerage

In 2016, the trading amount of shares and funds in Shanghai and Shenzhen stock market reached RMB138.91 trillion, representing a drop of 48.72% over last year. [Source: Statistics of Shanghai and Shenzhen Stock Exchange] During the reporting period, the Company actively seized the opportunities to establish a management committee for brokerage business transformation and development with a view to continuously promote business transformation, vigorously develop corporate brokerage business and gradually adjust its business structure. At the end of the reporting period, the market value of entrusted securities (including the market value of restricted shares) of the Company was RMB175.8 billion; the trading volume of A shares and funds amounted to RMB1,629.11 billion, with market share of 0.59%; the balance for margin financing and securities lending amounted to RMB5.893 billion; credit transaction volume amounted to RMB129.354 billion; and the number of accumulated credit accounts opened was 40,028, representing an increase of 3.82% as compared to the end of 2015.

During the reporting period, by optimizing branch network, the Company ensured the smooth implementation of various bearer services and gradually expanded the covered areas. As at the end of the reporting period, the total number of customers of the Company was 1,652,000, representing an increase of 4.8% as compared to the end of 2015.

In 2016, through enriching service contents and servicing means and strengthening the training for building up investment advisers' professional capabilities, the Company continued to maintain its leading position and competitive advantages in securities brokerage business within the province, as well as enhanced its competitiveness in other regions. The Company cumulatively had 242,556 signed customers of the "Central China Bible" and "Central China Housekeeper" investment advisory services with revenue and other income amounting to RMB117.24 million, representing a decrease of 42.95% and 56.28% as compared to 2015 respectively. The was mainly attributable to the decrease in asset scale of customers and significant decrease of commission rate of signed customers due to the fluctuations in the securities market.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Items	2016/ 31 December 2016	2015/ 31 December 2015
A Share fund transaction volume (in RMB100 million)	16,291	33,665.2
Number of securities brokerage clients ('0,000)	165.2	157.6
Balance for margin financing and securities lending (in RMB100 million)	58.93	81.18
Credit transaction volume (in RMB100 million)	1,293.54	4,487.93
Credit account	40,028	38,556

(2) Futures brokerage

During the reporting period, Central China Futures recorded profit for the period of RMB19.15 million, representing a year-on-year increase of 86%, which is significantly higher than the average growth rate of the industry. The amount of agency trading of the Company recorded a year-on-year increase of 24%, which is 8 percentage points higher than that of the industry, while the number of completed transactions decreased by 37%, which is 28 percentage points lower than that of the industry. The size of client margin deposit exceeded RMB1 billion, representing a year-on-year increase of 35%, which is 20 percentage points higher than the growth rate of the industry.

(3) Distribution of financial products

The Company made dedicated efforts in establishing a one-stop integrated financial service platform, continuously enriched its financial product lines and promoted its wealth management services with a focus on financial product allocation. The wealth management centre will engage professional staff to offer personalized product allocation for different style of customers, with a view to increasing customer viscosity.

During the reporting period, the Company continued to optimise its product portfolio based on the changes of market environment and customer demand. Among which, the total agency sale of private fund product amounted to approximately RMB43.1 million, representing a zero breakthrough. The total agency sale of bank wealth management product amounted to approximately RMB760 million, representing an increase of 52.9% as compared to 2015. The sale of asset management products managed by the Company was RMB4.573 billion, representing an increase of 11.35% as compared to 2015. The total agency sale of public funds products of the Company amounted to approximately RMB584 million. Sales of beneficiary certification products issued by the Company was RMB10.27 million in aggregate.



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2. Investment banking business

During the reporting period, the revenue and other income generated from investment banking business amounted to RMB294 million, representing an increase of 30.14% over 2015.

(1) Equity financing

In 2016, there were 227 companies in total that completed the initial offering in Shanghai and Shenzhen Stock Exchange, with financing amount of RMB149.608 billion; 777 listed companies completed the refinancing offering, with financing amount of RMB1,708.278 billion, representing a year-on-year increase of 91%. There were 4,976 new listed companies in the New Third Board market, with financing amount of RMB132.387 billion, representing a year-on-year increase of 39% and 8% respectively. [Source: Wind Info, Website of CSRC]

During the reporting period, the Company completed refinancing projects of non-public offering of shares for 6 listed companies. Among which, the Company completed 6 projects as the lead underwriter, involving an underwriting amount of RMB3.649 billion; and 22 financial advisory projects were completed. Riding on the first-mover advantages in the New Third Board market, the Company grasped the opportunities during the rapid growth of New Third Board market, and actively recommended listing in the New Third Board and private offer business. 45 new companies were listed in the New Third Board, 31 targeted financing in the New Third Board were completed, involving financing amount of RMB721 million.

As at the end of the reporting period, there was 1 application of A share IPO pending for approval, 3 application of equity refinancing pending for approval, and 1 application of reorganization of material assets (purchases of assets and related financing by issuing shares) pending for approval.

Items	2016	2015	Year-on-year increase/ decrease
Lead underwriting amount (in RMB100 million)	36.49	36.16	0.94%
Number of lead underwriting companies	6	7	-14.29%
Number of financial advisory projects	22	169	-86.98%
Number of New Third Board listing projects	45	34	32.35%
New Third Board targeted financing (times)	31	50	-38.00%

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(2) Debt financing

During the reporting period, riding on the advantageous opportunities of huge development of the bond financing market, the Company actively expanded related businesses. In 2016, the Company completed 11 corporate bond projects. The amount of the fixed income projects underwritten by the Company was RMB10.55 billion, representing an increase of 152.39% as compared to the corresponding period last year.

Items	2016	Number of offerings	2015	Number of offerings
	Amount of lead underwriting project (in RMB100 million)		Amount of lead underwriting project (in RMB100 million)	
Corporate bond	77.2	9	19.1	4
Enterprise bond	28.3	2	10	1
Asset securitization	–	–	6.3	1
Local government bond	–	–	6.4	3
Total	105.5	11	41.8	9

3. Investment management business

During the reporting period, the revenue and other income generated from investment management business amounted to RMB192 million, representing a decrease of 13.16% over 2015.

(1) Asset Management

As at the end of 2016, the statistics from the Asset Management Association of China showed that asset under management business of securities firms amounted to RMB17.31 trillion, representing an increase of 45.58% year-on-year.

As at the end of the reporting period, 32 asset products in the total amount of RMB12 billion were managed of the Company. Of which, 18 asset products in the amount of RMB4,627 million were under collective asset management schemes, representing a year-on-year increase of 28%, 12 asset products in the amount of RMB6,296 million were under targeted asset management scheme, representing a year-on-year increase of approximately 18 times, and 2 new asset products in the amount of RMB1,078 million were under specific asset management scheme.



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(2) Direct investment

With the implementation of policies such as supply-front reform, mass entrepreneurship and innovation and "Internet+", as well as positive drivers such as the future launch of registration system of IPO, division of transaction in the New Third Board market and the launch of Strategic Emerging Board, the equity investment market was provided a positive environment.

ZDKY Venture Capital controlled risks strictly, strengthened management and deepened its cooperation with local governments with a view to support the development of emerging industries and corporations, promote the establishment of industry funds and expedite the operation of ZYKC Venture Capital. During the reporting period, the Company completed 5 equity investment projects with an investment amount of RMB214 million; 18 debt investment projects were completed.

(3) Alternative investment

During the reporting period, Central China Blue Ocean completed the transfer of its operation centre and business focus to Zhengzhou and Henan province, and adjusted and improved its investment structure and asset allocation. As such, it has formed a distinctive investment business that provides securities-backed financing for the equity of companies listed on the New Third Board, sparing no effects in enhancing operating results and investment returns.

4. Proprietary trading

During the reporting period, the revenue and other income generated from proprietary trading business amounted to RMB364 million, representing a decrease of 31.11% over 2015.

In 2016, the A share market experienced huge fluctuations. As at the end of the reporting period, SSE Composite Index, Shenzhen Stock Exchange Component Index, Shenzhen Stock Exchange Small and Medium Enterprise Index and Shenzhen Stock Exchange Growth Enterprise Index closed at 3,103.64, 10,177.14, 6,472.23 and 1,962.06, representing decreases of 12.31%, 19.64%, 22.89% and 27.71%, respectively. [Source: Wind Info]

Equity investment placed the utmost priority on stringent risk control. Since there was a lack of effective hedging measures in the market, the Company actively conducted range trading leveraging the market rebound to recover losses to a certain extent, hence achieving result that outperformed the market and comparable companies.

Affected by the conditions of the bond market at the end of 2016, the unrealized gain in the first 10 months showed a relatively significant decline over a short period of time. Under such market impact, the Company adopted various measures to recover revenue in its best endeavors, including change of positions on rolling basis, lock in financing amount in advance, reducing positions in the time of market rebound, etc.

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5. Overseas business

During the reporting period, the revenue and other income generated from overseas business amounted to RMB98 million, representing an increase of 569.16% as compared with 2015.

In 2016, despite the decline of both the average daily trading volume and the total amount of funds raised in the Hong Kong securities market, Central China International recorded rapid business growth and acquired Pan Asia Corporate Finance Limited (subsequently renamed as Central China International Capital Limited) on 16 February 2016. As at the end of the reporting period, it has obtained Type 1/4/6/9 licenses from the SFC and the money lending licence issued by the Eastern Magistrate's court of Hong Kong, and has thus satisfy all the conditions for conducting its various businesses in full force. Central China International has gradually adapted to the competitive environment in Hong Kong securities market, and explored to expand the business marketing system and establish a business model and profit model conforming to its development features by leveraging its wide customer bases and other advantages so as to achieve an even more rapid growth.

During the reporting period, the number of accounts and business size of Central China International's securities brokerage business obtained rapid growth. As at the end of the reporting period, the number of brokerage business accounts reached 4,242 and the assets of clients amounted to HK\$3,391 million, increasing by 27.5 times over the corresponding period last year. On the basis that all risks are under control and predictable, Central China International actively satisfied its customers' demand for financing by leveraging the growth of accounts of the brokerage business. As at the end of the reporting period, the balance of margin financing amounted to HK\$282 million, representing an increase of 273.93% as compared to the end of last year. Central China International invested HK\$490 million in convertible bonds in the Hong Kong market and completed the establishment of its first asset management product with funds under management amounted to HK\$121 million.

6. Headquarters and others

(1) Securities-backed lending and securities repurchase

During the reporting period, the Company's securities-backed lending recorded substantial growth in both revenue and size. The average daily transaction over the year of securities-backed lending made with its own funds logged RMB2,178 million, up by 19.47% compared with that of 2015, and interest income came to about RMB153.25 million, up by 3.50% as compare with that of 2015. As at the end of the reporting period, the balance to-be-repurchased of the Company's securities-backed lending amounted to RMB2,373 million, representing an increase of 26.49% as compared to RMB1,876 million as at the end of 2015, with an average performance guarantee percentage of to-be-completed transactions of 263.6%.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the reporting period, the Company launched flexible financing product for internet users, adjusted financing interest rate and strengthened its marketing efforts, hence, the small stock-secured financing business bucked the trend in the current market environment. During the reporting period, interest income amounted to RMB2.1 million, representing an increase of 98.73% as compared to the end of 2015. As at the end of the reporting period, the business size reached RMB77 million, representing a year-on-year growth of 289.02%, with 38,998 accounts opened for service, the accumulated initial transaction amount reaching RMB232 million and an average performance guarantee percentage of to-be-completed transactions of 231.6%.

As at the end of the reporting period, 825 new accounts were opened for securities repurchase, up by 0.86% as compared to the end of 2015, with the balance of securities to-be-repurchased amounted to RMB34 million, representing a year-on-year increase of 19.18%.

(2) Market-making business on New Third Board

In May 2016, the Company established the headquarters for market-making business to conduct its market-making business in New Third Board market and refine the business structure and system. During the reporting period, the market-making business on New Third Board faced systematic risks of index fall and sluggish trading market. Against such backdrop, the Company actively adjusted its business strategy, strengthened team building works, raised standards for project selection and strictly controlled trading risks. Through these measures, the number of market-making entities got a steady growth and the business was in steady and orderly progress.

As at the end of the reporting period, the Company has 134 market-making stocks on the New Third Board, ranked 28th in the industry in terms of number of market-making entities with an investment amount of RMB448 million in the market-making business.

(3) Innovative business

Internet finance:

During the reporting period, the Company has had 72,856 securities accounts newly opened through internet, which accounted for 93.64% of the total accounts of the Company, and its trade volume reached RMB96.314 billion. The sale of wealth management product on the internet during the year amounted to RMB953 million, representing a year-on-year increase of 40.47% as compared to 2015.

OTC market:

During the reporting period, the Company completed the construction of the self-established OTC system, which has promoted the steady development of its business in the OTC market and the operational system has been improving gradually. Based on the Company's demand for capital management, the Company has issued two series of beneficiary certificates during the year with an issue size of RMB10.27 million.

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Market-making in the OTC market:

The Company officially obtained the business qualification for market-making quotation system on 8 August 2016. In November 2016, the Company provided market-making quotation for the beneficiary certificates issued, successfully achieving the product transfer through market-making business.

(4) Equity Exchange Co.

During the reporting period, Equity Exchange Co. facilitated new financing of RMB262 million for various enterprises and assisted one enterprise to change to New Third Board. As at the end of the reporting period, Equity Exchange Co. has set up "One Market Two Boards". The enterprises on demonstration board and bulletin board reached 997 and 44, respectively, and the total number of listed enterprises increased by 347% year-on-year. There were 438 member units of various kinds, which was composed of 193 recommended institution members, 245 professional service members, 44 custodian enterprises with 778 million entrusted shares, and 2 custodian private bonds in the total amount of RMB60 million.

Equity Exchange Co. actively promoted various local government authorities, including Luohe city, Zhoukou city, Jiaozuo city, Xinxiang city and provincial immigration divisions, to introduce subsidies and compensation policies and entered into strategic cooperation agreements. As at the end of the reporting period, two-third of the cities and over 10 counties in Henan Province have introduced policies to encourage enterprises to get listed through Equity Exchange Co..

(5) Research business

During the reporting period, the Company's research institute released 539 research reports, organized 243 morning meetings and issued morning meeting products, and provided about 200 service items to support the development of the Company's major businesses, which provided important research support for the Company's decision-making.

The Company attended a number of seminars organized by Securities Association of China (SAC), finished a subject research of SAC (published a subject research titled "Current Conditions, Effects and Counter Measures of the Support for Corporate Financing in the Real Economy by the New Third Board (新三板市場支持實體企業融資的現狀、效果及對策研究)"), and completed a number of special research tasks for competent departments in charge of companies in Henan Province such as Financial Service Office of Henan Provincial People's Government and Zhengzhou Center Sub-branch of the People's Bank of China.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

II. OPERATIONS DURING THE REPORTING PERIOD

As at the end of the Reporting Period, the total assets of the Group amounted to RMB40,385 million, and equity attributable to shareholders of the Company were RMB10,582 million. In 2016, the Group realized a revenue and other income of RMB3,143 million, representing a year-on-year decrease of 41.4%. Net profit attributable to shareholders of the Company was RMB719 million, representing a year-on-year decrease of 48.9%. The weighted average return on net assets was 8.89%, representing a year-on-year decrease of 11.65 percentage points.

(1) Analysis on Principal Business

Statement of the Principal Business of the Group

Unit: RMB'000

Item	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Securities brokerage	942.5	616.8	34.6%	-62.7%	-55.0%	Down by 11.3 percentage points
Margin financing and securities lending	570.9	349.7	38.7%	-51.9%	-57.4%	Up by 7.9 percentage points
Futures brokerage	132.3	106.6	19.5%	125.4%	137.2%	Down by 4.0 percentage points
Investment banking	293.8	166.7	43.2%	30.1%	-14.1%	Up by 29.2 percentage points
Investment and asset management	192.3	76.2	60.4%	-13.2%	5.5%	Down by 7.0 percentage points
Proprietary trading	364.0	314.1	13.7%	-31.1%	-29.3%	Down by 2.1 percentage points
Overseas business	97.7	67.7	30.7%	569.2%	366.4%	Up by 30.1 percentage points
Headquarters and others	524.4	460.4	12.2%	-12.9%	-4.2%	Down by 8.0 percentage points

1. Details of principal items in the consolidated statement of profit or loss

During the reporting period, the Group recorded total revenue and other income of RMB3,143 million, representing a decrease of 41.4% as compared with 2015. Of such total, securities brokerage recorded RMB943 million, representing a decrease of 62.7% as compared with 2015; Margin financing and securities lending recorded RMB571 million, representing a decrease of 51.9% as compared with 2015; futures brokerage recorded RMB132 million, representing an increase of 125.4% as compared with 2015; investment banking recorded RMB294 million, representing an increase of 30.1% as compared with 2015; proprietary trading recorded RMB364 million, representing a decrease of 31.1% as compared with 2015; investment and asset management recorded RMB192 million, representing a decrease of 13.2% as compared with 2015; overseas business recorded RMB98 million, representing an increase of 569.2% as compared with 2015; headquarters and others recorded RMB524 million, representing a decrease of 12.9% as compared with 2015.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Total expenses decreased in line with the fall of revenue and other income. During the reporting period, the Group's total expenses was RMB2,150 million, representing a decrease of 37.5% as compared with 2015.

During the reporting period, profit attributable to shareholders of the Company amounted to RMB719 million, representing a decrease of 48.9% as compared with 2015. Earnings per share amounted to RMB0.22, representing a decrease of 55.1% as compared with 2015. Weighted average return on net assets was 8.89%, representing a decrease of 11.65 percentage points as compared with 2015.

Summary of financial results

During the reporting period, the Group's profit before income tax amounted to RMB975 million, representing a decrease of 48.5% as compared to 2015. The key financial results are as follows:

Unit: in RMB million

Item	2016	2015	Changes	YOY growth rates
Revenue				
Commission and fee income	1,502.7	3,182.0	-1,679.3	-52.8%
Interest income	1,148.4	1,497.7	-349.3	-23.3%
Net investment gains	417.2	655.1	-237.9	-36.3%
Other income and gains	74.8	30.5	44.3	145.0%
Total revenue and other income	3,143.0	5,365.3	-2,222.3	-41.4%
Total expenses	2,150.5	3,439.9	-1,289.4	-37.5%
Profit before income tax	974.6	1,891.0	-916.4	-48.5%
Income tax expense	227.8	488.6	-260.8	-53.4%
Profit for the year	746.7	1,402.4	-655.7	-46.8%
Profit attributable to shareholders of the Company	718.6	1,405.5	-686.9	-48.9%



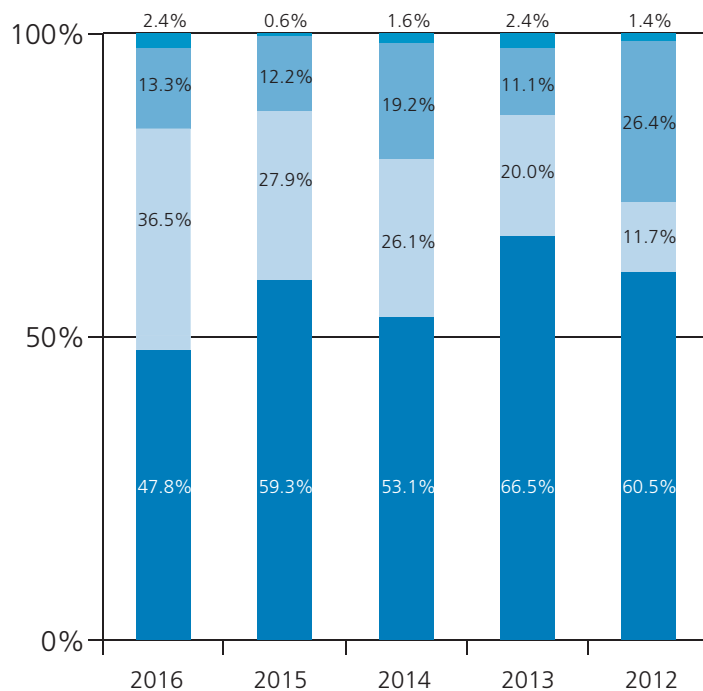
SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(1) Revenue structure

During the reporting period, total revenue and other income of the Group amounted to RMB3,143 million, representing a decrease of 41.4% as compared to 2015. Among which, the proportion of commission and fee income was 47.8%, representing a decrease of 11.5 percentage points as compared to 2015. The proportion of interest income was 36.5%, representing an increase of 8.6 percentage points as compared to 2015. The proportion of net investment gains was 13.3%, representing an increase of 1.1 percentage points as compared to 2015. The revenue structures of the Group in the past five years are as follow:

Item	2016	2015	2014	2013	2012
Commission and fee income	47.8%	59.3%	53.1%	66.5%	60.5%
Interest income	36.5%	27.9%	26.1%	20.0%	11.7%
Net investment gains	13.3%	12.2%	19.2%	11.1%	26.4%
Other income and gains	2.4%	0.6%	1.6%	2.4%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Bar chart below sets forth the comparison of structures:



■ Commission and fee income
 ■ Interest income
 ■ Net investment gains
 ■ Other income and gains

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Commission and fee income

During the reporting period, the Group's commission and fee income consists of the following:

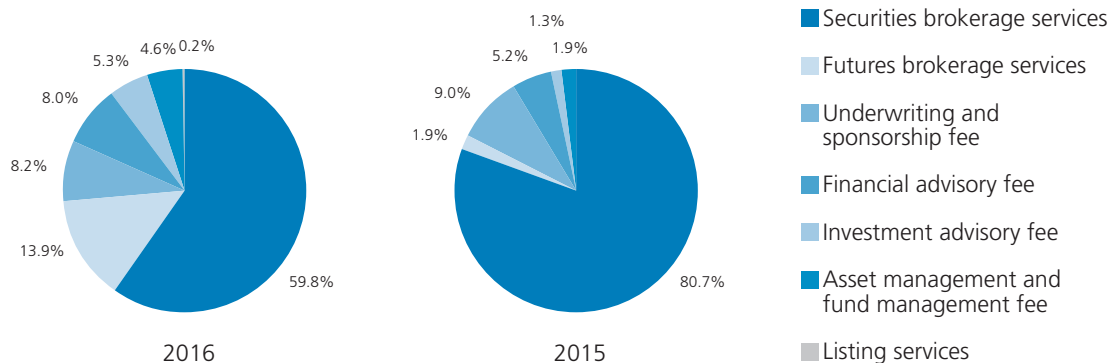
Unit: in RMB million

Item	2016	2015	Changes	YoY growth rate
Commission and fee income				
Securities brokerage business	898.2	2,568.7	-1,670.5	-65.0%
Financial advisory services	209.2	61.9	147.3	238.1%
Investment advisory	123.5	285.4	-161.9	-56.7%
Underwriting and sponsorship	120.6	166.5	-45.9	-27.5%
Futures brokerage	79.3	39.8	39.5	99.0%
Asset management and fund management	68.9	59.7	9.2	15.5%
Listing service	2.9	0.02	2.9	14,575.0%
Total commission and fee income	1,502.7	3,182.0	-1,679.3	-52.8%
Commission and fee expenses	243.0	465.6	-222.6	-47.8%
Net commission and fee income	1,259.7	2,716.4	-1,456.7	-53.6%



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The Group's commission and fee income consists of:



During the reporting period, net commission and fee income of the Group amounted to RMB1,260 million, representing a decrease of 53.6% as compared to 2015. The decrease was primarily attributable to the decrease in commission and fee generated from securities brokerage business, investment advisory fee and underwriting and sponsorship fee.

Commission and fee income generated from securities brokerage business decreased by RMB1,670 million or 65.0% year-on-year, primarily attributable to a decrease in trade volume resulting from the fluctuations in the securities market in 2016.

Financial advisory fee income generated from investment banking business increased by RMB147 million or 238.1% year-on-year, primarily attributable to the satisfactory growth in results achieved benefitting from the Company's aggressive expansion of such business as recommend listing on the New Third Board.

Underwriting and sponsorship income generated from investment banking business decreased by RMB46 million or 27.5% year-on-year, primarily because of the decrease in the income from securities underwriting business.

Commission and fee income from futures brokerage increased by RMB39 million or 99.0% year on year, mainly due to the increase in the volume of future brokerage.

Asset and fund management fee income increased by RMB9.226 million or 15.5% year on year, mainly because the Company recorded growth in its asset management business.

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Interest income

During the reporting period, net interest income of the Group amounted to RMB318 million, representing a decrease of RMB243 million as compared to 2015. The Group's net interest income for 2016 consists of the following:

Unit: in RMB million

Item	2016	2015	Changes	YoY growth rate
Interest income				
Interest income from bank deposits	314.7	382.0	-67.3	-17.6%
Interest income from financial assets held under resale agreements	295.9	223.4	72.5	32.4%
Interest income from Margin financing and securities lending	495.3	847.5	-352.2	-41.6%
Entrusted loans	42.3	43.2	-0.9	-2.0%
Others	0.3	1.7	-1.4	-83.7%
Total interest income	1,148.5	1,497.8	-349.3	-23.3%
Interest expenses	830.1	936.1	-106.0	-11.3%
Net interest income	318.4	561.7	-243.3	-43.3%

Interest income from bank deposits decreased by RMB67 million or 17.6% year-on-year, primarily attributable to the decrease in interest income from deposits of client capital.

Interest income from financial assets held under resale agreements increased by RMB73 million or 32.4% year-on-year, primarily attributable to the increase in interest income of reverse repurchase business.

Interest income from Margin financing and securities lending decreased by RMB352 million or 41.6% year-on-year, primarily attributable to the decrease of size of margin financing and securities lending business.

Interest expenses decreased by RMB106 million or 11.3% year-on-year, primarily attributable to the decrease of interest expenses in transfer of equity rights from debt income and due to other financial institutions from margin financing.



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Net investment gains

During the reporting period, net investment gains of the Group amounted to RMB417 million, representing a decrease of 36.3% as compared to 2015. The Group's net investment gains for 2016 consist of the following:

Unit: in RMB million

Item	2016	2015	Changes	YoY growth rate
Net investment gains				
Realised gains from disposal of available-for-sale financial assets	7.4	28.1	-20.7	-73.7%
Dividends and interest income from available-for-sale financial assets	58.9	74.9	-16.0	-21.4%
Realised gains from disposal of financial assets held for trading	-1.4	469.9	-471.3	-100.3%
Dividends and interest income from financial assets held for trading	373.4	291.0	82.4	28.3%
Net realised losses from derivative financial instruments	-18.5	-48.4	29.9	-61.8%
Investment income from associate	12.7	1.7	11.0	647.1%
Gain from disposal of subsidiaries	41.0	–	41.0	N/A
Net gain or loss from financial instruments designated as at fair value through profit or loss	18.0	–	18.0	N/A
Unrealised gain of financial instruments at fair value through profit or loss				
– Financial assets held for trading	-87.4	49.1	-136.5	-278.0%
– Derivative financial instruments	-0.4	6.6	-7.0	-106.1%
– Financial assets designated as at fair value through profit or loss	27.1	–	27.1	N/A
– Financial liabilities designated as at fair value through profit or loss	-13.5	-217.9	204.4	-93.8%
Total	417.2	655.1	-237.9	-36.3%

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(2) Operating expenses

During the reporting period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB1,077 million, representing a decrease of 47.1% as compared to 2015. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Item	2016	2015	Changes	YoY growth rate
Operating expenses				
Staff costs	711.3	1,395.4	-684.1	-49.0%
Depreciation and amortisation	66.3	65.7	0.6	0.9%
Other operating expenses	326.8	449.4	-122.6	-27.3%
Impairment losses	-27.0	127.6	-154.6	-121.2%
Total	1,077.3	2,038.1	-960.8	-47.1%

Staff costs decreased by RMB684 million or 49.0% year-on-year, primarily attributable to the decrease in provision for staff remuneration.

Depreciation and amortisation increased by RMB578 thousand or 0.9% year-on-year, primarily attributable to the provision for depreciation and amortisation of additions to electronic equipment and intangible assets.

Other operating expenses decreased by RMB123 million or 27.3% year-on-year, primarily attributable to the decrease in taxable income and the decrease in taxes and surcharges due to policy change of business tax to value-added tax.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Impairment losses amounted to RMB-27 million, primarily attributable to the change of provision for impairment of available-for-sale financial assets. Details are as follows:

Unit: in RMB million

Item	2016	2015	Changes	YoY growth rate
Impairment losses				
Margin accounts receivable	4.1	-0.4	4.5	N/A
Available-for-sale financial assets	-45.1	126.5	-171.6	N/A
Financial assets held under resale agreements	2.3	-1.5	3.8	N/A
Entrusted loans	10.5	-0.1	10.6	N/A
Accounts receivable	1.1	3.3	-2.2	-66.5%
Total	-27.0	127.6	-154.6	-121.2%

On 31 December 2016, the Group set aside an asset impairment allowance of RMB70.45 million (31 December 2015: RMB126.45 million) for the right to receive toll fee income and revenue under the Da Cheng Xi Yellow River Bridge specified asset management scheme based on Jing Xin Ping Bao Zi (2017) No. 007 Evaluation Report.

2. Public welfare contributions

During 2016, the Group contributed RMB5.50 million in total in public welfare areas including environmental protection projects, disaster relief donations, education subsidies and charity donations.

Unit: in RMB million

Item	Amount during the period
Expenses in relation to donation or sponsorship	5.5

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

3. Cash flows

Excluding the effect of changes in client margin deposit, the net increase in cash and cash equivalents amounted to RMB2,502 million, which was attributable to the greater cash inflows generated from operating activities and financing activities than the cash outflows arising from investment activities of the Group for the year.

Among which:

- (1) Net cash flow arising from operating activities for 2016 amounted to RMB1,773 million, up from RMB-6,373 million in the corresponding period in 2015, mainly because cash inflow from operating activities of RMB2,035 million due to the decrease in margin accounts receivables; and cash inflow of RMB1,808 million due to the decrease in financial assets held under resale agreements (such as repurchase business) and the increase in financial assets sold under repurchase agreements. Part of the above cash inflows have been offsetted by the cash outflow of RMB2,565 million due to the increase in financial assets held for trading.
- (2) Net cash used in investment activities amounted to RMB-188 million, up from RMB-1,860 million in the corresponding period in 2015, primarily attributable to the fact that the cash outflow from the purchase or disposal of available-for-sale financial assets of the Group was lower than that of the corresponding period in 2015.
- (3) Net cash arising from financing activities amounted to RMB917 million, primarily attributable to the net cash inflow of RMB2,670 million from the public issue of A Shares and the cash inflow of RMB4,013 million from the bond issuance by the Company during the period, which is partly offsetted by the cash outflow of RMB1,015 million from payment of dividends and the cash outflow of RMB5,107 million from the repayment of bonds fall due by the Group.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

4. Analysis on principal components of consolidated statement of financial position

As at the end of the reporting period, total assets of the Group amounted to RMB40,385 million, down by 3.04% as compared to RMB41,651 million as at the end of 2015. Total liabilities amounted to RMB28,838 million, down by 12.01% as compared to RMB32,775 million as at the end of 2015. Equity attributable to shareholders of the Company amounted to RMB10,582 million, up by 29.66% as compared to RMB8,162 million as at the end of 2015. Among which, net proceeds arising from public issue of A Shares by the Company had resulted in increase in equity of RMB2,670 million.

Our gearing ratio decreased. As at the end of the reporting period, the total self-owned liabilities of the Group after deducting accounts payable to brokerage clients amounted to RMB18,470 million, representing a year-on-year increase of RMB562 million or 3.14% as compared to RMB17,908 million as at the end of 2015. Calculated by assets and liabilities after deducting accounts payable to brokerage clients, the gearing ratio as at the end of the reporting period was 61.5%, down by 5.4 percentage points from 66.9% as at the end of 2015.

(1) Asset structure

The asset structure of the Group remained stable with sound asset quality and liquidity. As at the end of the reporting period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB15,677 million, representing 38.8% of our total assets. Margin assets, which primarily included margin accounts receivable and financial assets held under resale agreements, amounted to RMB12,031 million, representing 29.8% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB11,511 million, representing 28.5% of our total assets. Other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,165 million, representing 2.9% of our total assets. During the reporting period, the Group has made corresponding impairment provision for available-for-sale financial assets and accounts receivable. There is no evidence showing that other assets may be subject to significant impairment.

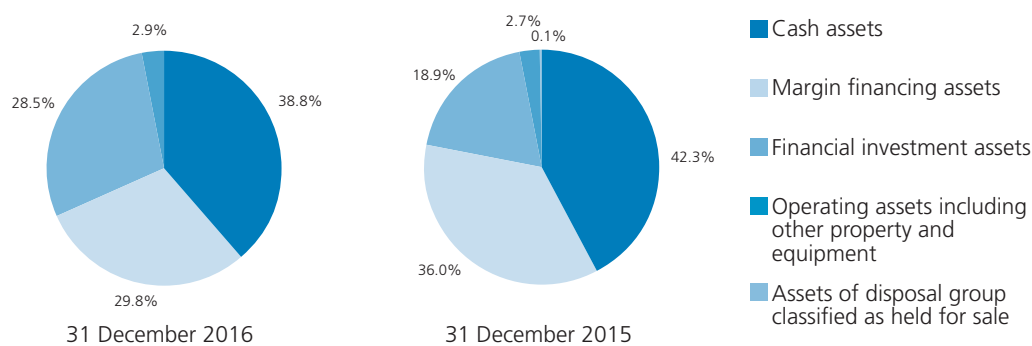
SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Total assets				
Cash assets	15,677.5	17,586.0	-1,908.5	-10.9%
Margin financing assets	12,031.0	14,985.5	-2,954.5	-19.7%
Financial investment assets	11,510.9	7,857.4	3,653.5	46.5%
Operating assets including other property and equipment	1,165.2	1,182.9	-17.7	-1.5%
Assets of disposal group classified as held for sale	–	39.4	-39.4	N/A
Total	40,384.6	41,651.2	-1,266.6	-3.0%

Total assets of the Group consist of:





SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Cash assets

As at the end of the reporting period, cash assets of the Group decreased by RMB1,909 million or 10.9% year-on-year, representing 38.8% of the Group's total assets. The following table sets forth the composition of the Group's cash assets:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	12,090.4	12,707.5	-617.1	-4.9%
Clearing settlement funds	3,097.0	4,455.6	-1,358.6	-30.5%
Refundable deposits	490.1	422.9	67.2	15.9%
Total	15,677.5	17,586.0	-1,908.5	-10.9%

Changes in cash assets were primarily reflected in clearing settlement funds. Clearing settlement funds amounted to RMB3,097 million, representing a decrease of 30.5% as compared to the end of 2015, which was primarily attributable to the decrease in transaction volume of the brokerage business and the decrease in client's capital.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Margin financing assets

As at the end of the reporting period, margin financing assets of the Group decreased by RMB2,955 million or 19.7% year-on-year, representing 29.8% of the Group's total assets. The following table sets forth the composition of the Group's margin financing assets:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Margin financing assets				
Margin accounts receivable	6,119.3	8,158.8	-2,039.5	-25.0%
Financial assets held under resale agreements	5,911.7	6,826.7	-915.0	-13.4%
Total	12,031.0	14,985.5	-2,954.5	-19.7%

Margin accounts receivable amounted to RMB6,119 million, representing a decrease of 25.0% as compared to the end of 2015, which was primarily attributable to the decrease in the Group's margin financing and securities lending business.

Financial assets held under resale agreements amounted to RMB5,912 million, representing a decrease of 13.4% as compared to the end of 2015, which was primarily attributable to the decrease in buyout repurchase of financial assets.



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Financial investment assets

As at the end of reporting period, financial investment assets of the Group increased by RMB3,654 million or 46.5% year-on-year, representing 28.5% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Financial investment assets				
Investment in associates	370.4	91.9	278.5	303.0%
Available-for-sale financial assets	2,583.3	2,459.8	123.5	5.0%
Financial assets held for trading	7,522.3	5,045.1	2,477.2	49.1%
Financial assets designated as at fair value through profit or loss	514.8	–	514.8	N/A
Entrusted loans	520.1	260.6	259.5	99.6%
Total	11,510.9	7,857.4	3,653.5	46.5%

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Available-for-sale financial assets

As at the end of the reporting period, the available-for-sale financial assets of the Group increased by RMB123 million or 5.0% year-on-year, representing 6.4% of the Group's total assets. The following table sets forth the composition of the Group's available-for-sale financial assets:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Available-for-sale financial assets				
Debt investment	60.0	–	60.0	N/A
Equity investment	252.2	141.5	110.7	78.2%
Collective asset management schemes	272.3	267.1	5.2	1.9%
Wealth management products	158.0	70.6	87.4	123.8%
Investment funds	28.0	122.4	-94.4	-77.1%
Trust schemes	–	36.2	-36.2	-100.0%
Other investment	1,812.8	1,822.0	-9.2	-0.5%
Total	2,583.3	2,459.8	123.5	5.0%

Financial assets held for trading

As at the end of the reporting period, the financial assets held for trading of the Group increased by RMB3,423 million or 83.5% year-on-year, representing 18.6% of the Group's total assets. The following table sets forth the composition of the Group's financial assets held for trading:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Financial assets held for trading				
Debt securities	5,739.8	3,838.5	1,901.3	49.5%
Equity securities	863.7	485.8	377.9	77.8%
Investment funds	822.9	720.8	102.1	14.2%
Others	95.8	–	95.8	N/A
Total	7,522.3	5,045.1	2,477.2	49.1%



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Operating assets including other property and equipment

As at the end of the Reporting period, operating assets including other property and equipment of the Group amounted to RMB1,183 million, up by RMB345 million or 41.1% year-on-year, representing 2.8% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Operating assets including other property and equipment				
Property and equipment and investment properties	265.0	257.3	7.7	3.0%
Goodwill	21.5	7.3	14.2	194.5%
Intangible assets	155.6	156.0	-0.4	-0.3%
Deferred tax assets	117.9	209.3	-91.4	-43.7%
Other current assets and other non-current assets	605.2	553.0	52.2	9.4%
Total	1,165.20	1,182.9	-17.7	-1.5%

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) Liability structure

As at the end of the Reporting period, total liabilities of the Group amounted to RMB28,838 million, representing a year-on-year decrease of RMB3,937 million or 12.0%. As at the end of the Reporting period, accounts payable to brokerage clients amounted to RMB10,368 million, representing a decrease of 30.3% as compared to the end of 2015. The decrease was primarily attributable to the decrease in capital of client from brokerage business. Financial assets sold under repurchase agreements amounted to RMB5,608 million, representing an increase of 19.0% as compared to the end of 2015. The decrease was primarily attributable to the increase in buyout repurchase of securities under financial assets sold under repurchase agreements. Bank loans, due to other financial institutions and bonds payable amounted to RMB10,421 million, representing a decrease of 0.3% as compared to the end of 2015. Major changes in the Group's total liabilities are as follows:

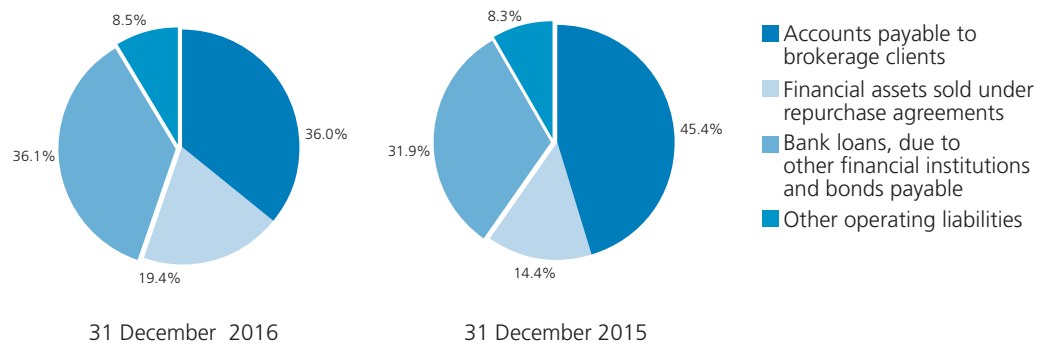
Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	% of Changes
Liabilities				
Accounts payable to brokerage clients	10,368.1	14,867.3	-4,499.2	-30.3%
Financial assets sold under repurchase agreements	5,608.0	4,713.0	895.0	19.0%
Bank loans, due to other financial institutions and bonds payable	10,420.5	10,449.8	-29.3	-0.3%
Other operating liabilities	2,441.2	2,733.0	-291.8	-10.7%
Liabilities of disposal group classified as held for sale	–	11.7	-11.7	-100.0%
Total	28,837.8	32,774.8	-3,937.0	-12.0%



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

The Group's total liabilities consist of:



The Group did not have any overdue liability during the Reporting period. For details on bonds payable, please refer to Section 10 "I. Basic Information of Corporate Bonds" of this report.

Bank loans, due to other financial institutions and bonds payable

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Bank loans, due to other financial institutions and bonds payable				
Due to banks and non-bank financial institutions	1,116.4	51.8	1,064.6	2055.2%
Bonds payable and short-term notes payable	9,304.1	10,398.0	-1,093.9	-10.5%
Total	10,420.5	10,449.8	-29.3	-0.3%

Due to banks and non-bank financial institutions increased by RMB1,065 million year-on-year. The increase was primarily attributable to the increase in due to other financial institutions from CSF by the Company.

Bonds payable and short-term notes payable decreased by RMB1,094 million year-on-year, which was attributable to the repayment of subordinated bonds fall due.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Other operating liabilities

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Other operating liabilities				
Accrued staff costs	472.1	711.0	-238.9	-33.6%
Other current liabilities	732.2	828.7	-96.5	-11.6%
Deferred income tax liabilities	28.7	49.2	-20.5	-41.7%
Financial liabilities designated as at fair value through profit or loss	1,208.2	1,144.2	64.0	5.6%
Total	2,441.2	2,733.1	-291.9	-10.7%

Accrued staff costs decreased by RMB239 million or 33.6% year-on-year, primarily attributable to the decrease in the provision for staff remuneration.

Other current liabilities decreased by RMB97 million, primarily attributable to the decrease in income tax payable.

(3) Equity structure

As at the end of the Reporting period, total equity of the Group amounted to RMB11,547 million, representing an increase of 30.1% as compared to the end of 2015. The increase was primarily attributable to the increase in equity of RMB2,670 million arising from net proceeds raised in the public issue of A Shares by the Company. The following table sets forth the composition of the Group's equity as at the dates indicated:

Unit: in RMB million

Item	31 December 2016	31 December 2015	Changes	YoY growth rate
Share capital	3,923.7	3,223.7	700.0	21.7%
Reserves	5,734.1	3,535.3	2,198.8	62.2%
Retained earnings	891.2	1,396.7	-505.5	-36.2%
Foreign currency translation reserve	33.1	5.8	27.3	470.7%
Non-controlling interests	964.7	714.9	249.8	34.9%
Total	11,546.8	8,876.5	2,670.3	30.1%



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

5. Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have six principal business lines: (i) brokerage, (ii) investment banking (iii) investment and asset management, (iv) proprietary trading, (v) overseas business and (vi) headquarters and others. We report financial results for our business lines in eight business segments. We report financial results for our brokerage business in three segments: (i) securities brokerage, (ii) margin trading and securities lending and (iii) futures brokerage. We report financial results for our other innovative business in the headquarters and others. The following discussions of our segment revenue and other income, segment expenses and segment results include our inter-segment revenue and inter-segment expenses.

The following table sets forth the Group's segment revenue and other income (including inter-segment revenue) for the years indicated:

Item	2016		2015		Changes	
	(in RMB million)	%	(in RMB million)	%	(in RMB million)	%
Securities brokerage	942.5	30.0	2,529.5	47.1	-1,587.0	-62.7
Margin financing and securities lending	570.9	18.2	1,187.9	22.1	-617.0	-51.9
Futures brokerage	132.3	4.2	58.7	1.1	73.6	125.4
Investment banking	293.8	9.3	225.7	4.2	68.1	30.2
Investment and asset management	192.3	6.1	221.4	4.1	-29.1	-13.1
Proprietary trading	364.0	11.6	528.4	9.8	-164.4	-31.1
Offshore business	97.7	3.1	14.6	0.3	83.1	569.2
Headquarters and others	524.4	16.7	602.3	11.2	-77.9	-12.9
Inter-segment eliminations	25.1	0.8	-3.3	-0.1	28.4	-860.6
Total	3,143.0	100.0	5,365.3	100.0	-2,222.3	-41.4

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

The following table sets forth the Group's segment expenses (including inter-segment expenses) for the years indicated:

Item	2016		2015		Changes	
	(in RMB million)	%	(in RMB million)	%	(in RMB million)	%
Securities brokerage	616.8	28.7	1,370.3	39.9	-753.5	-55.0
Margin financing and securities lending	349.7	16.3	821.7	23.9	-472.0	-57.4
Futures brokerage	106.6	5.0	44.9	1.3	61.7	137.4
Investment banking	166.7	7.8	194.0	5.6	-27.3	-14.1
Investment and asset management	76.2	3.5	72.2	2.1	4.0	5.5
Proprietary trading	314.1	14.6	444.6	12.9	-130.5	-29.4
Offshore business	67.7	3.1	14.5	0.4	53.2	366.9
Headquarters and others	460.4	21.4	480.6	14.0	-20.2	-4.2
Inter-segment eliminations	-7.6	-0.4	-3.0	-0.1	-4.6	153.3
Total	2,150.5	100.0	3,439.9	100.0	-1,289.4	-37.5

The following table sets forth the Group's segment results (profit/loss before income tax) for the years indicated, which is calculated as segment revenue and other income (including inter-segment revenue) minus segment expenses (including inter-segment expenses):

Item	2016		2015		Changes	
	(in RMB million)	%	(in RMB million)	%	(in RMB million)	%
Securities brokerage	325.8	33.5	1,159.2	61.3	-833.4	-71.9
Margin financing and securities lending	221.2	22.7	366.3	19.4	-145.1	-39.6
Futures brokerage	25.7	2.6	13.8	0.7	11.9	86.2
Investment banking	127.1	13.0	31.7	1.7	95.4	300.9
Investment and asset management	116.1	11.9	149.3	7.9	-33.2	-22.2
Proprietary trading	49.9	5.1	83.9	4.4	-34.0	-40.5
Offshore business	30.0	3.1	0.1	-	29.9	29,900.0
Headquarters and others	64.0	6.6	121.7	6.4	-57.7	-47.4
Inter-segment eliminations	32.7	3.4	-0.4	-	33.1	-8,275.0
Non-continuing operations	-18.0	-1.8	-34.4	-1.8	16.4	-47.7
Total	974.6	100.0	1,891.0	100.0	-916.4	-48.5



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

6. Contingent liability, capital commitment and capital pledge

Please see notes 52 to the Independent Auditor's Report of this report, and it forms part of this Report of the Board of Directors.

(II) Explanation on material changes in profit due to non-principal business

N/A

(III) Analysis on investments

1. Overall analysis on external equity investments

During the reporting period, the Group has investment from the associates of RMB370 million, representing an increase of RMB279 million or 303.2% as compared to the end of last year. For details of the disposal of equity interests in Ashmore-CCSC, please refer to II. "(IV) Disposal of material assets and equity interests" in this section in this report. For details of the investment in subsidiaries, please refer to notes 23 to the Independent Auditor's Report of this report, and these form part of this Report of the Board of Directors.

(1) Material equity investments

Please refer to notes 23 to the Independent Auditor's Report of this report, and it forms part of this Report of the Board of Directors.

(2) Material non-equity investments

During the reporting period, there was no material non-equity investment.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(IV) Disposal of material assets and equity interests

1. Disposal of equity interests in Ashmore-CCSC

On 13 May 2015, the Proposal of Central China Securities Co., Ltd. on Bidding Invitation for the Disposal of the 34% Equity Interest of Ashmore-CCSC Fund Management Company Limited was considered and approved by the 48th meeting of the fourth session of the Board of the Company. In August 2015, the Company entered into an equity transfer agreement with the transferee of the equity interests with a total transaction amount of RMB44.3 million. The transferee of the equity interests has submitted the transaction application to the regulatory department in September 2015 and was approved on 15 February 2016. On 26 February 2016, the CSRC accepted the application submitted by Ashmore-CCSC for the change of its shareholders. On 26 July 2016, the CSRC issued the Reply Concerning Approval of Changing Shareholding and Actual Controllers by Ashmore-CCSC, and approved the change of the Company's equity ratio in Ashmore-CCSC from 51% to 17%. On 22 August 2016, Ashmore-CCSC completed the registration with the administration for industry & commerce for the change of name from "Ashmore-CCSC Fund Management Company Limited" to "Taiping Fund Management Company Limited", the change of registered capital from RMB200 million to RMB227 million and change of the Company's shareholding to 14.98%.

(V) Analysis on major holding companies

Central China Blue Ocean: Central China Blue Ocean has a registered capital of RMB500 million and was held as to 100% equity interests by Central China Securities. As of 31 December 2016, the total assets and net assets of Central China Blue Ocean amounted to RMB359 million and RMB334 million respectively. In 2016, Central China Blue Ocean recorded operating income of RMB15.3362 million and net profit of RMB4.5766 million.

ZDKY Venture Capital: ZDKY Venture Capital has a registered capital of RMB1,380 million and was held as to 64.86% equity interests by Central China Securities. As of 31 December 2016, the total assets and net assets of ZDKY Venture Capital amounted to RMB1,785 million and RMB1,518 million respectively. In 2016, ZDKY Venture Capital recorded operating income of RMB108.1440 million and net profit of RMB61.5021 million.

Equity Exchange Co.: Equity Exchange Co. has a registered capital of RMB350 million and was held as to 35% equity interests by Central China Securities. As of 31 December 2016, the total assets and net assets of Equity Exchange Co. amounted to RMB370 million and RMB321 million respectively. In 2016, Equity Exchange Co. recorded operating income of RMB25.8142 million and net profit of RMB7.1409 million.



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Central China Futures: Central China Futures has a registered capital of RMB330 million and was held as to 51.357% equity interests by Central China Securities. As of 31 December 2016, the total assets and net assets of Central China Futures amounted to RMB1,292 million and RMB406 million respectively. In 2016, Central China Futures recorded operating income of RMB99.7456 million and net profit of RMB19.1518 million.

Central China International: Central China International has a registered capital of HK\$500 million and was held as to 100% equity interests by Central China Securities. As of 31 December 2016, the total assets and net assets of Central China International amounted to HK\$1,394 million and HK\$533 million respectively. In 2016, Central China International recorded operating income of HK\$114 million and net profit of HK\$32 million.

(VI) Structured entities controlled by the Company

As of 31 December 2016, the Group consolidated 11 structured entities, which includes asset management schemes and partnerships. As for asset management schemes that the Company served as manager, and partnership that the Company served as general partner or investment manager, after taking comprehensive considerations of its investment decision-making rights and exposure of variable returns, the Company has determined that it has control over some of the asset management schemes and some of the partnership and will include these schemes and partnerships in its scope of consolidation.

(VII) Others

1. Newly establishment and disposal of operation branches, branch offices and subsidiaries of the Company and impact on results during the reporting period

During the reporting period, the Group set up 1 new branch office and 13 new securities branches in China. Among them, 1 branch office and 3 operation branches are under preparation for construction. The Group also completed the relocation of 9 securities branches within the same city, and the capital increase, disposal and change of certain subsidiaries. All of these changes will facilitate the optimization of the Group's network as well as the enhancement of the Company's customer service capability and the comprehensive strength of its subsidiaries.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(1) Establishment of and changes in operation branches

Newly established securities branches:

Details of the 10 newly established securities branches during the Reporting period are set out as follows:

No.	Name	Region
1	Central China Securities Co., Ltd., Jinan Gongyenan Road securities branch	Jinan, Shandong
2	Central China Securities Co., Ltd., Puyang County Yumin Road securities branch	Puyang, Henan
3	Central China Securities Co., Ltd., Qingfeng Chaoyang Road securities branch	Puyang, Henan
4	Central China Securities Co., Ltd., Wuzhi Xinghua Road securities branch	Jiaozuo, Henan
5	Central China Securities Co., Ltd., Neixiang Yongshun Road securities branch	Nanyang, Henan
6	Central China Securities Co., Ltd., Shenqiu Jixiang Road securities branch	Zhoukou, Henan
7	Central China Securities Co., Ltd., Guangshan Xinglong Road securities branch	Xinyang, Henan
8	Central China Securities Co., Ltd., Yuanyang Huanghe Road securities branch	Xinxiang, Henan
9	Central China Securities Co., Ltd., Dengfeng Shaolin Road securities branch	Zhengzhou, Henan
10	Central China Securities Co., Ltd., Tangyin Renmin Road securities branch	Anyang, Henan

Relocation of securities branches:

The Company is constantly adjusting and optimizing its branch network. During the reporting period, the Company relocated 9 securities branches within the same city, of which the relocation of branches such as Shijiazhuang Zhongshan West Road securities branch, Hebi branch office and Xuchang branch office was completed; and that of Pingdingshan branch office, Pingdingshan Zhongxing South Road securities branch and Wuhan Zhongbei Road securities branch are under preparation.

(2) Establishment of branch offices

During the reporting period, the Company set up 1 new branch office in Sichuan, which is currently under preparation and the Company has completed the work in relation to the change pursuant to the No Objection Letter for the Change of Nine Securities Branches into Branch Offices by Central China Securities Co., Ltd. (Yu Zheng Jian Han [2016] No. 38) (《關於對中原證券股份有限公司變更9家證券營業部為分公司的無異議函》(豫證監函[2016]38號)). For details, please see Section 2 VI. "(II) 3. Branch offices" in this report.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(3) Subsidiaries

Central China Futures:

On 16 February 2016, Central China Futures has completed its conversion to a joint stock company and was renamed as "Central China Futures Co., Ltd.". On 25 August 2016, the shareholding of Central China Futures has changed and its shareholders after the equity transfer were: Central China Securities Co., Ltd. (shareholding of 51.357%), Henan Railway Investment Company Limited (河南鐵路投資有限責任公司) (shareholding of 40.935%) and Henan Province Yuliang Grain Group Co., Ltd. (河南省豫糧糧食集團有限公司) (shareholding of 7.708%).

ZDKY Venture Capital:

On 28 October 2016, the registered capital of ZDKY Venture Capital increased from RMB1 billion to RMB1.38 billion. The equity subscription price was RMB1.08 for every RMB1 of the registered capital. The Company has subscribed for 272 million equity interests with actual contribution of RMB294 million, and the proportion of the Company's shareholding changed to 64.86%.

Central China Blue Ocean:

From 1 January 2016 to 25 August 2016, the Company made a total contribution of RMB165 million to Central China Blue Ocean. Registered capital of RMB300 million has been fully paid up. In November 2016, the registered capital of Central China Blue Ocean increased to RMB500 million. As at the end of the reporting period, the Company made a total actual contribution of RMB330 million to the registered capital of Central China Blue Ocean.

Central China International:

On 24 May 2016, the Company increased its capital contribution to Central China International in the amount of HK\$200 million in monetary form, bringing the accumulated investment to HK\$500 million in total.

Equity Exchange Co.:

On 24 October 2016 and 26 December 2016, the Company made contributions of RMB30 million and RMB31.25 million to the registered capital of Equity Exchange Co. respectively.

On 1 February 2016, ZDKY Venture Capital entered into the Partnership Interest Transfer Agreement with Equity Exchange Co., pursuant to which ZDKY Venture Capital disposed its RMB30 million capital contribution (representing 27.272% Limited Partnership Interest) in ZZKY Venture Capital Fund to Equity Exchange Co. at the consideration of RMB36,913,624.40. On 24 October 2016, ZDKY Venture Capital entered into the Equity Transfer Agreement with Equity Exchange Co., pursuant to which ZDKY Venture Capital disposed its RMB12 million equity interests (representing 60% equity interests) in ZZKY Venture Capital to Equity Exchange Co. at the consideration of RMB14,050,805.81.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Central China Flying:

On 11 November 2016, Central China Flying Internet Financial Services (Shenzhen) Co. Ltd. was renamed as Central China Flying Information Technology Services (Shenzhen) Co. Ltd.. Its scope of business was changed to information technology services, software development and technology services in the field of computer technology, integrated services for computer information system and basic software services.

Ashmore-CCSC Fund Management:

For details of the transfer of equity interests in Ashmore-CCSC Fund Management, please refer to II. “(IV) Disposal of material assets and equity interests” in this section of this report, and it forms part of this Report of the Board of Directors.

2. Standardization of accounts and specific explanation

In 2016, according to the requirements of relevant requirements of the China Securities Depository and Clearing Corporation Limited and the Company, the Company effectively implemented various measures for standardized management of accounts. During the Reporting period, various branches logged no risk disposal accounts and work like standardization of unqualified accounts and activation of dormant accounts had been progressing in an orderly way. Specifically, the Company standardized 15 unqualified cash accounts and 16 unqualified securities accounts (as of the end of the period, there were 1,200 unqualified cash accounts and 1,269 unqualified securities accounts); and activated 1,901 dormant cash accounts and 3,355 dormant securities accounts (as of the end of the period, there were 398,453 dormant cash accounts and 651,481 dormant securities accounts). Besides, as of the end of the period, the Company had 4 cash accounts and 6 securities accounts frozen by the court. See the following table for details:

Type of account		Number of	Increase	Decrease	Number of
		accounts at the			accounts at the
		end of 2015			end of 2016
		(RMB account)			(RMB account)
Dormant accounts	Cash account	400,354	0	1,901	398,453
	Securities account	654,836	0	3,355	651,481
Unqualified accounts	Cash account	1,215	0	15	1,200
	Securities account	1,285	0	16	1,269
Judicially frozen accounts	Cash account	2	2	0	4
	Securities account	4	2	0	6
Risk disposal accounts	Cash account	0	0	0	0



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

3. Business innovation

The major innovative businesses of the Company include internet finance business, OTC market business and OTC market-making business.

During the reporting period, the innovative businesses achieved satisfactory results. The internet finance business focused on four areas, namely increasing internet client referral, enhancing customer viscosity, promoting product sales and enhancing active transaction level. In particular, it has launched the mobile platform named Central China Cai Sheng Bao (中原財升寶), which has realized the zero breakthrough of the Company's internet finance platform on the mobile front. The derivative business increased the number of new accounts from referral and participation level in transactions by launching various kind of marketing and promotional activities such as the Stock Options Trading Contest (股票期權實盤大賽). The market share of new accounts and transaction volume of the stock option business during the year ranked 25th and 38th in the industry respectively. [Source: SSE Newsletter of the Stock Option Industry]. The Company also achieved the goal of establishing platform by completing the establishment of the OTC market system. Meanwhile, it has obtained the business qualification of market-making quotation system, successfully filling the Company's gap in the OTC market. Follow-up research on innovative businesses such as free trade zones also achieved satisfactory results.

In 2017, the Company will closely monitor the development of technology system for option business in the industry, accelerate the development of the corporate trading platform module and express option trading system, actively prepare for the establishment of stock option proprietary trading business and timely launch new businesses such margin deposit options for SSE portfolio. The Company will start to make plan for its FICC business layout, step up its efforts in development of bulk commodity, gold and foreign exchange and other businesses, accelerate the application for relevant business qualifications and nurture new growth drivers. The Company will also actively promote the growth of its PPP finance business to effectively match projects with capitals through instruments such as project financing, industry funds, asset securitization, etc., thereby strengthening the synergy between the real economy and capital market, expanding the relevant business chains of investment banking business, optimizing the Company's asset allocation and enhancing its comprehensive service capability.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

III. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry landscape and development trend

According to the SAC, as at the end of 2016, there were a total of 129 securities companies in the PRC (Source: The Securities Association of China). China is still in a period of rapid growth with historic opportunities. In the long term, traditional business will be facing intense homogeneous competition; with the low industry concentration, a trend of industry consolidation is expected to emerge gradually; the securities industry will continue to open up and lead to keener competition; and the competition between the securities industry and other financial sectors will also intensify.

Traditional business will be facing intense homogeneous competition. The securities companies in the PRC tend to be homogeneous in terms of business and product type. Currently, the major source of revenue of the securities companies in the PRC was the three traditional businesses, namely securities brokerage, securities proprietary trading, and underwriting and sponsor. According to Wind Info, the revenue from the three traditional businesses, namely securities brokerage, securities proprietary trading, and underwriting and sponsor, in aggregate accounted for 78.21% of the operating revenue in 2016.

With the low industry concentration, a trend of industry consolidation is expected to emerge gradually. After 2006, the securities industry in the PRC entered into a period of rapid development. Industry consolidation continued to speed up, fueling securities companies which were already enjoying a leading position with even more strengths. However, the concentration of the securities industry in China was still low. As at the end of 2016, the total assets of the top 5 companies in the Chinese securities industry accounted for approximately 30.21% of the whole industry. Since the securities industry is a capital-intensive industry, it can promote the synergic development of business by expanding business scale via horizontal merger and acquisition or entering into new business sectors, which will in turn enhance its comprehensive competitiveness and risk tolerance. Based on the experience overseas, it is expected that the concentration level of the industry will further increase along with the continuous development of the securities industry in the PRC.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

The securities industry will continue to open up and lead to keener competition. The PRC market, which is in a stage of rapid development, has attracted numerous large-scale foreign-invested securities companies. After the implementation of the Rules for the Formation of Foreign-Invested Securities Firms (外資參股證券公司設立規則), many foreign-invested securities companies obtained the business qualification for conducting securities business in the PRC and commenced their operation by way of joint ventures. Thus, there are increasing number of joint venture securities companies. Foreign financial institutions, such as Goldman Sachs, Morgan Stanley, JP Morgan, UBS, Credit Suisse, Deutsche Bank, Citibank and RBS, have already entered the PRC market by way of joint venture. Domestic securities companies has started to face direct competition from the foreign-invested securities companies with strong financial strength.

Competition between the securities industry and other financial sectors will also intensify. In recent years, with the intensified competition in the financial market and the innovative development of the securities industry, the competition between securities companies and other types of financial institutions such as commercial banks, insurance companies, fund management companies and trust companies has been intensifying leveraging their advantages in business network and customer resources. These can be seen in business areas such as asset management, sales of financial products, bond underwriting etc.. In addition, the emergence of internet finance business will also bring about keen competition with securities companies in business areas such as brokerage business and asset management. Meanwhile, some of the financial institutions, such as commercial banks, and internet companies actively seek to enter the securities industry directly through merger and acquisition, which has also intensified the competition in the industry.

(II) Development strategies of the Company

The Company will fully leverage its advantages of dual listing in both Hong Kong and the PRC and center on the fundamental requirement of the real economy for financial services. On the premise of strict compliance of regulatory requirements, the Company will strive to establish Central China Securities as a modern, international and large-scale financial holding group with securities as its principal operations and expand its businesses across four board markets, insurance business and other financial sectors in about three years, thereby bringing the Company's comprehensive strengths and economic benefits to top the list of securities companies across China, and becoming one of the benchmark listed companies in both Hong Kong and China.

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(III) Operating plan

Against the backdrop of dual listing, the Company will focus on accelerating its development to comprehensively enhance its various capabilities and continuously promote the implementation of its strategic layout, which will serve as its first step towards another round of leap-forward development.

1. Focus on accelerating its development to comprehensively enhance its various capabilities. The Company will increase the investment and step up the innovative efforts in various businesses to better demonstrate the core competitiveness of the Company's whole industry chain services for the real economy, with a view to promote business synergy and maximize the Group's economic benefits.
2. Steadily promote the implementation of its strategic layout and actively establish itself as a financial holding group. The Company will accelerate the establishment of Central China Life Insurance Co., Ltd. (中原人壽保險股份有限公司, temporary name), enhance the Company's comprehensive competitiveness and the ability to cope with the fluctuation in the securities market.
3. Strive to achieve three transformations and nurture new profit models. Firstly, the transformation towards modern operation model of "starting from investment, followed by investment banking with fundamental businesses such as brokerage as important security"; Secondly, the transformation by developing high-end businesses and shifting profit centers to first-tier cities, thereby establishing a strategic network across the country with its base in Henan; Thirdly, consolidation of various resources by strengthening cooperation with organizations such as locally and internationally-renowned fund companies, asset management companies and securities companies to explore new source of profit.
4. Strive to refine the compliance and risk management system to accelerate the development of the Company. With the vision to establish itself as a large-scale financial holding group, the Company will work intensively on establishing a full-coverage risk management system under the framework of a financial holding group and strengthen its management and control measures to prevent any risk from arising.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(IV) POTENTIAL RISKS AND POLICIES

Major risks include: credit risk, market risk, liquidity risk, compliance risk, operational risk, etc.

To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, sensitivity analysis and scenario analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc. in 2016 in order to achieve the Company's strategic development goal. Specific details are set out as follows:

1. Credit risk and polices

Credit risks refer to risks of losses arising from a borrower or counterparty's failure to perform an agreement as agreed. Since full margin settlement for brokerage can practically avoid relevant credit risks, currently the Company's credit risk mainly comes from bond investment, margin financing and securities lending, securities repurchases, securities-backed lending and bond investment, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) margin financing and securities lending customers' failure to duly repay loans or securities; and (4) receivables' becoming bad debts. With regard to credit risk management in bond investment, the Company, via credit rating, assessed the credit risks of investment products of different credit ratings in terms of investment product, issuer and counterparty; risk supervision and control include classification management of various investment products and counterparties as well as daily monitoring on credit of position investment products. As stipulated by the Company, all transactions beyond the authorized trading volume shall be reported to the Risk Management Headquarters as well as the upper authority for examination and approval. Then the Risk Management Headquarters would examine the transaction and settlement methods, credit rating of the counterparty and other aspects concerning the investment product and point out any transaction risk.

With regard to credit risk management of margin financing and securities lending and securities repurchases, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in such steps as credit investigation, credit granting, marking to market and closed position.

The securities-backed lending has established a stringent client selection and account risk assessment system. The Company compiles due diligence reports on a "case-by-case" basis and submits to the relevant credit decision committee for risk assessment, in addition to daily marking and dynamic monitoring of the ratio of performance to collateral, to ensure effective prevention against credit risk.

As for the credit risk of receivables, the Company has fully made provision for bad debts according to the debtor's business operation, cash flow and bad debt provision policies.

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2. Market risk and policies

Market risk refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc. Price risk mainly refers to the risk of losses in the company due to unfavorable changes in the price of securities like stocks brought by fluctuations in the securities market. Quantitatively, market price fluctuations of financial instruments held for trading will impact the Group's profit; and the market price fluctuations of available-for-sale financial instruments will impact shareholders' equity of the Company in the same proportion. Interest rate fluctuation risk refers to the risk of fluctuations in the Company's financial position and cash flow due to interest rate changes in the market. In particular, the interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, guarantee deposits paid, margin accounts receivable, monies for purchase of financial assets held under resale agreements, and bond investments. Exchange rate risk refers to the possibilities that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. Though fluctuations in exchange rate do bring certain risks to the Company, the Company pays close attention to the foreign exchange market, makes reasonable decision-making and appropriately controls the scale of foreign exchange, and has relatively few foreign currency assets susceptible to such fluctuations in 2016.

To prevent market risks, the Company took the following measures: (1) followed a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for stock and bond proprietary trading during the year within the authorization granted by the Board, while the risk management department is responsible for monitoring relevant indexes and warning of risks; (2) established a multi-index risk monitoring and evaluation system. A quantitative index system was established to measure and evaluate risks in proprietary businesses by such means or tools as restriction on concentrated investment, scenario analysis, stress test, sensitivity analysis, etc.; (3) controlled trading procedures in an all-round way. The Company monitored various indexes via the investment management system, controlled the bond rating and concentration ratio of proprietary bond trading in advance and responsively evaluated and reported business risks brought by market changes. In 2016, the Company prudently and strictly controlled proprietary risk and significantly enhanced its market risk management capability.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

3. Liquidity risk and policies

Liquidity risk refers to the risk which the Company is unable to obtain sufficient funds in time at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business.

In view of the liquidity risk, the Company controls investment size of its proprietary business in a rational manner by diversifying share investments, paying attention to liquidity risk management, setting small quotas against all marketable securities within the same type of investments, thereby maintains liquidity risk at a relatively low level. Bond investments are mainly in fixed income products and debentures with high rating, with diversified positions, rational distribution of maturity and thus low liquidity risk. The Company has adopted the following measures: (1) strengthens its real time monitoring and management of significant amount of fund in order to achieve fund centralised allocation and coordination of liquidity risks; (2) enters into inter-bank market and the capital market, obtains bank's credit and explores different sources of other kind of liquidity in order to timely satisfy the Company's liquidity need; (3) uses net capital and liquidity-based monitoring system for monitoring of risk control indicators, and uses stress tests to assess the impact of business activities on net capital and liquidity.

4. Compliance risk and polices

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on companies arising from violation of laws, regulations or rules due to the operation and management or practices of the Company or its personnel.

The Company has built up a comprehensive compliance risk management system and compliance risk organization. At the early stage of promoting the compliance management pilots of the securities industry, the Company set up a Compliance Management Headquarters, assigned full-time compliance management staff and conducted effective control on the compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

5. Operational risk and policies

Operational risk refers to risk of financial loss resulting from improper operation of transaction process or management system.

The Company responsively monitors operational risks of brokerage, proprietary business and asset management business and has formulated a brokerage risk management manual and other business risk control system. The Company's employees in various business risk control posts control and report the frontline risks involved in the businesses in their charge. For risk not quantifiable, through stringent operational control procedure, the Company has decreased the technological and artificial risks and improved the risk management efficiency. The Company's employees in various business risk control posts control and report the frontline risks involved in the businesses in their charge.

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IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION DUE TO NON-APPLICABLE TO THE STANDARDS OR SPECIAL REASONS AND THE RELEVANT REASON DESCRIPTION

Non-applicable

V. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PROPOSAL

For changes of the Group's reserves and distributable reserves during the Reporting period, please see the Consolidated Statement of Changes in Equity and Note 40 in the Independent Auditor's Report of this report. Please refer to Section 5 "I. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL FOR ORDINARY SHARES" in this report, and these form part of this Report of the Board of Directors.

VI. USE OF PROCEEDS

Pursuant to the resolution of the sixth extraordinary general meeting, the first Domestic Share class meeting and the first H Share class meeting in 2014, all the proceed from the issuance of A shares by the Company, after deducting the issuance costs, will be used to replenish the Company's working capital, to support its future business development and facilitate the Company to achieve its strategic development goals. The specific use and arrangement of the proceeds were as follows:

- (1) Increase the scale of capital allocation for the capital-based intermediary business
- (2) Proactively expand its offshore business
- (3) Increase and optimise the network layout, construct the off-site service platform and enhance the overall strength of the brokerage business
- (4) Properly expand the scale of proprietary trading business according to the market situation
- (5) Enhance the underwriting capacity and the business capability of the personnel
- (6) Stabilize and strengthen the asset management business and upgrade the investment research and comprehensive sales capability
- (7) Increase the capital of ZDKY Venture Capital
- (8) Increase the capital of Central China Futures
- (9) Increase the capital support to innovative business
- (10) Expedite the internet finance construction
- (11) Strengthen the information technology establishment



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As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2016] No. 2868 Document, the Company completed the issuance of A shares at an issue price of RMB4 per share on 22 December 2016. The issue size is 700 million shares with a total of RMB2.8 billion raised. As at 31 December 2016, the actual net proceeds, after deducting the underwriting fees, sponsor fee and other expenses in relation to the issuance, amounted to RMB2.67 billion.

VII. DIRECTORS

Please see Section 8, and it forms part of this Report of the Board of Directors.

VIII. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

Directors of the Company have no interest in business competing with the Company.

IX. PERMITTED INDEMNITY PROVISION

Please see Section 9 III "(1) Composition of the Board" in this report, and it forms part of this Report of the Board of Directors.

X. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31 December 2016, based on the information acquired by the Company and the knowledge of the directors, the directors, supervisors and senior management officers have the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO):

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Name	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of total number of issued shares (%)	Percentage of the Company's total issued Domestic shares/	Long positions/ short positions/
					H shares (%)	shares available for lending
Jian Mingjun	H share	Beneficial owner/	750,000	0.019	0.060	Long position
		Beneficiary of a trust	539,754	0.014	0.043	Long position
Zhou Xiaoquan	H share	Beneficial owner	762,000	0.019	0.061	Long position

Except as disclosed above, as of 31 December 2016, no directors, supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the directors, supervisors or their respective spouse or children under the age of 18 in any other body corporate.

XI. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2016, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of shareholder	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (%)	Percentage of the Company's total issued Domestic shares/	Long positions/ short positions/
					H shares (%)	shares available for lending
Henan Investment Group Co., Ltd.	Domestic share	Beneficial owner	822,983,847	20.975	30.781	Long positions
Bohai Industrial Investment Fund	Domestic share	Beneficial owner	608,000,000	15.495	22.740	Long positions
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	Domestic share	Investment manager	608,000,000	15.495	22.740	Long positions
Anyang Iron and Steel Group Co., Ltd.	Domestic share	Beneficial owner	177,514,015	4.524	6.639	Long positions
China Industrial International Trust Limited	H share	Beneficial owner	80,000,000	2.039	6.400	Long positions

Save as disclosed above, as at 31 December 2016, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executive of the Company) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

XII. PURCHASE, SALES OR REPURCHASE OF THE COMPANY'S LISTED SECURITIES

During the reporting period, the Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company.

XIII. NON-COMPETITION UNDERTAKING OF CONTROLLING SHAREHOLDERS

Please see Section 9 "VII. EXPLANATION ON ABSENCE OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY ON BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE BY THE COMPANY AND ITS CONTROLLING SHAREHOLDERS" in this report, and it forms part of this Report of the Board of Directors.

XIV. OTHER DISCLOSURES

(1) Share Capital

Please see the Consolidated Balance Sheets and Note 39 in the Independent Auditor's Report of this report, and it forms part of this Report of the Board of Directors.

(2) Pre-emptive rights arrangement

According to the PRC law and the Articles of Association, currently the Company has no pre-emptive rights arrangements.

(3) Sufficiency of Public Float

From the Company's H share listed date to the date of this report, according to the information obtained by the Company and the knowledge of the directors, the public shareholding of the Company's shares is 25% or above, which is in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

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(4) Management Contract

During the Reporting period, the Company entered into no management and administration contracts relating to all or any substantial part of the business of the Company.

(5) Director and Supervisor service contract

No directors and supervisors of the Company entered into any service contract with the Company or its subsidiaries which is not terminable within one year or is not terminable without payment of compensation (other than statutory compensation).

(6) Material interests of Directors and Supervisors in transactions, arrangements or contracts

The Company or its subsidiaries have not entered into any significant transactions, arrangements or contracts entitling substantial interests to the directors or supervisors of the Company or their related entities directly or indirectly in the Reporting period.

(7) Share option scheme

Please see Section 5 “XIII. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR EFFECTS” in this report, and it forms part of this Report of the Board of Directors.

(8) Material relationship with employees, major customers and suppliers

The Company provides services for the various institutional and individual customers engaged in a number of industries. The Company's clients include large, small and medium enterprises, high net worth clients and retail customers. Major customers are located in mainland China. With our future expansion in overseas markets, we are expected to provide services for more overseas customers. Top 5 customers accounted for less than 30% of the operating revenue in total. No customer has a material relationship with the Company.

Due to the nature of the business, the Company does not have a major supplier.

No employee has a material relationship with the Company.



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(9) Tax reduction

A Shareholders

In accordance with the Notice of Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and Notice on Issues Relating to Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) issued by the Ministry of Finance, State Administration of Taxation and CSRC, for shares of listed companies obtained by individuals from public offerings or the market, where the holding period is less than one month (inclusive) (from the date of an individual's acquisition of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares), the full amount of dividends shall be counted as taxable income at an effective tax rate of 20%; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis at an effective tax rate of 10%; and where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax. For dividends distributed by the Listed Company, where the period of individual shareholding is within one year (inclusive), the Listed Company shall not withhold the individual income tax temporarily. When an individual transfers his/her shares, the securities depository and clearing company calculates the actual taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the Listed Company shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)) by the State Administration of Taxation. QFII shareholders who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates (arrangements) according to the relevant rules and regulations after they receive the dividends.

Pursuant to the requirements of the Notices of Ministry of Finance, State Administration of Taxation and CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), the Listed Company shall withhold an income tax at the rate of 10% on dividends from the A shares of the Company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding

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periods to the China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the Company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

H Shareholders

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) issued by the Fifth Session of the Standing Committee of the National People's Congress on 10 September 1980, revised on 30 June 2011 and came into effect on 1 September 2011 and the "Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China" (《中華人民共和國個人所得稅法實施條例》) revised by the State Council on 19 July 2011 and came into effect on 1 September 2011, the dividends paid by the Chinese companies shall be subject to the withholding tax at a rate of 20.0%. Non-Chinese resident foreign individuals shall be imposed 20.0% of personal income tax on the dividends gained from Chinese companies, unless specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with applicable tax treaty.

According to the Notice on the Management of Personal Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign-invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the responsible withholding parties according to the relevant laws. For domestic non-foreign-invested enterprises making public offering in Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the taxation agreement signed between their nations and China, and the regulations on taxation arrangements between China, Hong Kong and Macau. The dividends paid by domestic non foreign-invested enterprises which have made the public offering in Hong Kong to non-Chinese citizen H share individual holders shall be imposed personal income tax at the rate of 10.0%, without having to make applications to the Chinese tax authorities. If the tax rate of 10.0% is not applicable, the enterprises should (i) for a foreign citizen who is H share individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10.0% with China, non-foreign-invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid will be refunded; (ii) for a foreign citizen who is H share individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10.0% but less than 20.0% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the agreement and no need to make an application; (iii) for a foreign citizen who is H share individual holder to receive dividend, if his country has signed no tax treaty or otherwise, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20.0%.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10.0%. The withholding tax may be relief under an applicable double taxation treaty.

According to the requirements of Notice on the Tax Policies Concerning the Pilot Program of the Shanghai, Hong Kong Stock Connect (Guo Shui Han [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the Company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors through Shanghai-Hong Kong Stock Connect, H share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular the dividends received by resident enterprises in mainland which hold H share for at least 12 consecutive months could be exempted from enterprise income tax according to the law.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

(10) Reserves

For changes of the Group's reserves and distributable reserves during the reporting period, please see the Consolidated Statement of Changes in Equity and Note 40 in the Independent Auditor's Report of this report, and it forms part of this Report of the Board of Directors.

(11) Employees

Please see Section 9 "VI. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES" of this report, and it forms part of this Report of the Board of Directors.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(12) Property, plants and equipment and investment properties

As at the end of the Reporting Period, for details of the Group's property, plants and equipment and investment properties, please see the Consolidated Statement of Financial Position and Note 18, Note 19 in the Independent Auditor's Report of this report, and it forms part of this Report of the Board of Directors.

(13) Compliance with laws and regulations which have a significant impact on the Company

The Company strictly complies with domestic and overseas laws and regulations and industry standards such as the Listing Rules, SFO, PRC Company Law, Securities Act and regulation of securities companies.

(14) Fulfill Social Responsibilities

Please see Section 5 "XVII. ACTIVELY FULFILLING SOCIAL RESPONSIBILITIES" in this report, and it forms part of this Report of the Board of Directors.

(15) Environmental policy and performance

As a responsible enterprise, the Group acknowledged that we have the responsibility to mitigate the negative impact of business operation on environment. Therefore, the Group strives to mitigate the influence on environment through careful management of energy consumption and resource utilisation.

The Group follows the principle of conserving energy and other resources when managing its own businesses, in order to reduce carbon emission. Measures taken by the Group include:

- Encouraging employees to use two-sided printing mode in printing;
- Reminding employees of reducing waste in printing and photocopying;
- Setting up boxes in the office to collect one-sided papers for recycling.

Meanwhile, the Group encourages employees to reduce energy consumption, such as saving unnecessary lighting and use of air conditioners, to reach the goal of energy conservation and emission reduction.

For the Company's performance of social responsibility, please see the "2016 Social Responsibility Report of Central China Securities Co., Ltd." disclosed by the Company on the website of SSE (<http://www.sse.com.cn>).



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(16) Subsequent material events

1. Changes of the registered capital of the Company after the reporting period

On 16 February 2017, the Company's registered capital changes to RMB3,923,734,700.

2. Changes of the Articles after the reporting period

On 18 November 2016, pursuant to the authorization of the 3rd extraordinary general meeting, the 2nd Domestic Share class meeting and the 2nd H Share class meeting in 2016, the Board of the Company may amend and improve the relevant terms of the Articles applicable after listing based on the actual situation of the A Shares listing of the Company. On 14 January 2017, the amendments to the relevant terms of the Articles applicable after listing was considered and approved by the 27th meeting of the fifth session of the Board of the Company, and obtained the Reply Concerning Approval of Amendments to Material Terms of the Articles by Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2017] No. 36) from the Henan Branch of the CSRC on 21 February 2017.

3. Subsequent major investment and financing of the Company and its subsidiaries

On 10 February 2017, the Company made a contribution of RMB113 million to the registered capital of Central China Blue Ocean.

On 3 March 2017, Central China International Financial Holdings Company Limited has completed the shareholding transfer and debt-to-equity swaps to Central China International Financial Group Limited, which was established by Central China International Holdings Limited and registered in Cayman Islands. On 7 March 2017, the registered capital of Central China International Financial Group Limited changed to HK\$1 billion, of which the Group owns 48%.

4. Other subsequent major matters substantially affecting corporate financial condition, business performance, and cash flow

None

SECTION 5 SIGNIFICANT EVENTS

I. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL FOR ORDINARY SHARES

(I) Establishment, execution or adjustment of cash dividend policy

According to the Articles of Association of Central China Securities Co., Ltd., the Company may distribute dividends in cash or in shares. The Company shall emphasize on the reasonable investment returns to investors in its profit distribution and shall keep its profit distribution policies consistent and stable. The Company shall fully consider and listen to the opinions of shareholders (especially minority shareholders) and independent Directors, and shall adhere to cash dividend as its primary method of profit distribution. In the absence of significant investment plan, significant cash outlay or any other matters that prohibit profit distribution in accordance with relevant laws, regulations and regulatory documents, the profit distributed by cash dividend each year shall be no less than 20% of the distributable profit realized for that year.

The Board shall, taking into consideration factors such as industry characteristics, the Company's development stage, business operation model, profitability level and whether there are significant capital expenditure arrangements, develop differentiated cash dividend policies to be applicable in the different situations. The cash dividend payout ratio in every profit distribution shall reach a minimum of 20%. In addition to cash dividend distribution, the Company may also distribute its profits by way of stock dividend. However, in the event that no cash dividend is made by the Company during that year, profits shall not be distributed by way of stock dividend alone.

The Board shall, in the light of specific operating data of the Company, the profit margin, the cash flow position, the development stage and the current capital requirements, take into consideration of the opinions of shareholders (especially minority shareholders) and independent Directors, while conducting careful research into and deliberation on the timing, conditions and minimum percentage of cash dividends, conditions of adjustment as well as decision-making procedures, to propose the annual or interim profit distribution plan. Independent Directors shall express specific opinions on these matters.



SECTION 5 SIGNIFICANT EVENTS

In view of long-term development and sustainable reward to investors, the Company made the following distribution plan of profits for 2016 which approved that based on the total share capital of 3,923,734,700 Shares as of 31 December 2016 as the basis, the Company may distribute cash dividends of RMB1.21 per 10 shares (tax inclusive) to all shareholders whose names appeared on the Company's register of members on the record date thereof, with total cash dividends of RMB474,774,898.70. Cash dividends are dominated and declared in Renminbi, and paid in Renminbi and HK Dollars to holders of A Shares and H Shares, respectively. The actual amount in HK Dollars will be based on the average benchmark rate between Renminbi and HK Dollar published by the People's Bank of China five working days prior to the date of the 2016 annual general meeting to be held to consider the distribution plan of profits for 2016. The distribution budget plan of profits for 2016 was considered and approved by the 31st meeting of the 5th session of the Board of the Company and the independent directors have expressed their independent opinions thereon, which is subject to the consideration and approval by the 2016 annual general meeting.

After the distribution plan of profits for 2016 being considered and approved at the extraordinary general meeting, the dividends will be paid no later than Friday, 21 July 2017.

The Company will later announce the record date and the book closure date for the distribution of H Share dividends.

The distribution budget plan of profits aforesaid is of high transparency and in compliance with regulations and the Company's Articles of Associations and approval procedures that the criteria and proportions of dividends are definite and clear, the relevant decision-making procedures and mechanisms are complete, the independent Directors have fulfilled their responsibilities and duties and expressed their independent opinions in fully protecting the legitimate rights and interests of minority shareholders.

SECTION 5 SIGNIFICANT EVENTS

(II) Profit distribution scheme or proposal and scheme or proposal on transfer of capital reserve fund into capital of ordinary shares for the recent three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of distribution	Amount of dividend for every 10 shares (RMB) (inclusive of tax)	Amount of cash dividends (inclusive of tax)	Net profit for the year attributable to owners of ordinary shares of the Company in the consolidated financial statements during the year of distribution	Percentage of amount of cash dividends in net profit for the year attributable to owners of ordinary shares of the Company in the consolidated financial statements (%)
2016	2.21	797,145,368.70	718,646,243.11	110.92%
2015	4.2	1,353,968,574.00	1,405,500,406.97	96.33%
2014	1.2	315,793,884.00	562,290,151.78	56.16%



SECTION 5 SIGNIFICANT EVENTS

II. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings by undertaking related parties including de facto controller, shareholders, related parties, acquirer and the Company during or lasting within the Reporting Period

Background	Undertaking party	Type of undertakings	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed
	Henan Investment Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	36 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
Undertaking in relation to the initial public offering		Resolving business competition	Undertaking in relation to non-competition	Regarded as long-term since entering into of the non-competition agreement with Central China Securities on 10 March 2014	Yes	Yes
	Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Anyang Iron & Steel Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes

SECTION 5 SIGNIFICANT EVENTS

Background	Undertaking party	Type of undertakings	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed
	China Pingmei Shenma Energy & Chemical Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Anyang Economic Development Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Jiangsu SOHO Holdings Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Xuchang Superlift Construction Materials Science & Technology Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Guangzhou Liby Investment Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Henan Shenhua Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Henan Jinlong Industrial Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes



SECTION 5 SIGNIFICANT EVENTS

Background	Undertaking party	Type of undertakings	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed
	Jiaozuo Economic and Technology Development Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Jiangsu Huiyou Woollen Sweater Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Zhangjiagang Freetrade Science & Technology Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Shenzhen Rising Investment Development Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Hebi Construction & Investment Group Co., Ltd.	Shares subject to lock-up	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	The Company	Resolving business competition	Undertaking in relation to non-competition	Regarded as long-term since entering into non-competition agreement with Henan Investment Group on 10 March 2014	Yes	Yes

SECTION 5 SIGNIFICANT EVENTS

Other undertaking of the relevant undertaking parties:

1. Undertaking of the controlling shareholders:

Henan Investment Group, the controlling shareholder of the Company, undertakes that if the closing prices of A Shares are below the issue price for 20 consecutive trading days within the six-month period commencing from the date listing of the A Shares issued under the initial public offering of A shares (for any dividend distribution, conversion of capital reserve and placing of shares that take place during the period, the issue price shall be calculated at ex-dividend and ex-entitlement basis, same for below), or the closing price as at the end of the six-month period after listing is below the issue price, the lock-up period for the shares of the Company held will be automatically extended for 6 months. If there is reduction of shareholding within two years upon expiry of the lock-up period of the A shares of the Company held, the selling price shall not be lower than the issue price (for any dividend distribution, conversion of capital reserve and placing of shares that take place during the period, the issue price shall be calculated at ex-dividend and ex-entitlement basis) and the reduction of shareholding each year shall not exceed 5% of the Company's total share capital. If there is reduction of shareholding after the lock-up period of the A shares of the Company held, the reduction shall be announced three trading days in advance.

2. Undertaking in relation to information disclosure in prospectus by the Company and the controlling shareholders, Directors, Supervisors and senior management

The Company undertakes that the prospectus and the relevant reporting of the Company are true, accurate and complete. In the event that there are any false contents, misleading statements or material omission in the prospectus, which would result in material or substantial impact on assessing whether the Company satisfies the issuance conditions as required by laws, within 30 days from the effective date of legal instrument confirming such facts by the competent authorities, the Company shall repurchase all new Shares under the initial public offering of A Shares in accordance with the laws. The Company shall repurchase the above Shares through the bidding system of the stock exchange and the price of share repurchase shall be the higher of the issue price plus the interests on bank demand deposits for such period or the weighted average price of the Shares within 30 trading days prior to the effective date of legal instrument confirming such facts by the competent authorities (for any dividend distribution, conversion of capital reserve and placing of shares that take place during the period, the price shall be calculated at ex-dividend and ex-entitlement basis). The Company shall compensate the losses of the investors in accordance with the laws due to any false contents, misleading statements or material omission as a result of which investors suffer from losses in the securities transactions.



SECTION 5 SIGNIFICANT EVENTS

Henan Investment Group, the controlling shareholder of the Company, undertakes that in the event that there are any false contents, misleading statements or material omission in the prospectus of the Company, which would result in material or substantial impact on assessing whether the Company satisfies the issuance conditions as required by laws, it will urge the Company to repurchase all new Shares under the initial public offering of A Shares in accordance with the laws, at the same time, it will repurchase the original restricted shares transferred (if any) and the price of repurchase shall be the higher of the issue price plus the interests on bank demand deposits for such period or the weighted average price of the Shares within 30 trading days prior to the effective date of legal instrument confirming such facts by the competent authorities (for any dividend distribution, conversion of capital reserve and placing of shares that take place during the period, the price shall be calculated at ex-dividend and ex-entitlement basis). The Company shall compensate the losses of the investors in accordance with the laws due to any false contents, misleading statements or material omission as a result of which investors suffer from losses in the securities transactions.

The Directors, Supervisors and senior management of the Company undertakes that the prospectus and the relevant reporting of the Company are true, accurate and complete. In the event that investors suffer from losses in the securities transactions due to any false contents, misleading statements or material omission in the prospectus of the Company, I will compensate the losses of the investors in accordance with the laws.

The investors qualifying for the compensation, the scope of losses of the investors and the division of responsibility between the compensation subjects and clauses for which liability shall be exempted shall be determined according to the requirements of the relevant laws and regulations, such as Securities Act, Certain Requirements of the Supreme People's Court on the Civil Compensation Cases in the Securities Market due to False Statements (Fa Shi [2003] No. 2) (《最高人民法院關於審理證券市場因虛假陳述引發的民事賠償案件的若干規定》(法釋[2003]2號)). Should there be any corresponding amendments to the relevant laws and regulations, the above matters will be determined based on laws and regulations in effect at such time.

SECTION 5 SIGNIFICANT EVENTS

3. Undertaking in relation to information disclosure in prospectus by securities service organizations

Zhongtai Securities Co., Ltd, the Sponsor, undertakes that in the event that investors suffer from losses due to any false contents, misleading statements or material omission in the documents prepared and issued by the sponsor in connection to the initial public offering of A shares by Central China Securities, it will compensate the losses of the investors.

ShineWing Certified Public Accountants (Special General Partnership), the reporting account of the Company, undertakes that in the event that investors suffer from losses due to any false contents, misleading statements or material omission in the documents prepared and issued by it in connection to the initial public offering of A shares by Central China Securities, it will compensate the losses of the investors, except for those proved no fault on its part.

Beijing Junzhi Law Firm, the Company's lawyer, undertakes that should there be any false contents, misleading statements of material events contrary to the facts or material omission during information disclosure in the documents prepared and issued by it due to lack of due diligence in its work done during this issuance, resulting in the failure of Central China Securities to satisfy the issuance conditions as required by laws and direct economic losses suffered by the investors, after recognition of such breach of laws, it will adhere to the principle of proactive negotiation and practically safeguard the rights of minority investors to, by itself and urge Central China Securities and other responsible parties, to compensate the measurable economic losses directly incurred by the investors by way of settle with the investors, mediate with the investors through third parties and establish compensation fund for investor.

III. EMBEZZLEMENT OF FUNDS AND REPAYMENT OF DEBT DURING THE REPORTING PERIOD

N/A

IV. EXPLANATIONS ON “NON-STANDARD AUDIT REPORT” OF ACCOUNTING FIRM OF THE COMPANY

N/A



SECTION 5 SIGNIFICANT EVENTS

V. ANALYSIS AND EXPLANATION OF CAUSES AND EFFECTS OF CHANGES IN TERMS OF ACCOUNTING POLICIES OR ACCOUNTING ESTIMATES AND MATERIAL ACCOUNTING CORRECTIONS OF THE COMPANY

N/A

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

	Currently engaged
Name of the domestic accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	65.0
Term of the audit services provided by domestic accounting firm	5 years
Name of the domestic accounting firm	PricewaterhouseCoopers
Remuneration of the domestic accounting firm	278.00
Term of the audit services provided by domestic accounting firm	3 years

	Name	Remuneration
Accounting firm engaged for internal control audit	ShineWing Certified Public Accountants (Special General Partnership)	10.00 ^{Note}
Sponsor	Zhongtai Securities Company Limited	10,280

Note: Remuneration of ShineWing Certified Public Accountants (Special General Partnership) related to annual report and internal control audit in 2016 was RMB0.75 million.

SECTION 5 SIGNIFICANT EVENTS

Explanation of appointment and dismissal of accounting firms

During the Reporting Period, the Company has re-appointed ShineWing Certified Public Accountants (Special General Partnership) as its domestic auditing Firm for providing domestic auditing services based on China's Accounting Standards for Business Enterprises, with a service term of 1 year. The total audit expenditure was RMB750,000, including RMB650,000 of annual audit fees and RMB100,000 of internal control audit fees. The Company has re-appointed PricewaterhouseCoopers as its external audit institution of 2016 for providing correlated audit and review services based on International Financial Reporting Standards, with a service term of 1 year. The total expenditure was RMB2.78 million. The non-audit services fee of the Company in 2016 was RMB100,000, which was the verification service fee for issuance of A shares paid by the Company.

VII. RISKS OF SUSPENSION OF LISTING

N/A

VIII. CASES AND REASONS OF TERMINATION OF LISTING

N/A

IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

N/A



SECTION 5 SIGNIFICANT EVENTS

X. MATERIAL LITIGATION AND ARBITRATIONS

✓ There is no material litigation or arbitration of the Company during the year.

XI. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRER

On 28 December 2015, Hangzhou Xinhua Road Securities branch relocated and operated without application for renewal of securities business permit, and received the Decision on Conducting Rectification Measures on Hangzhou Xinhua Road Securities branch of Central China Securities Co., Ltd. (Decision on Administrative and Supervisory Measures ([2015] No.16) from Zhejiang Securities Regulatory Bureau under CSRC. Hangzhou Xinhua Road Securities branch has obtained the securities business permit from CSRC on 30 December 2015, and submitted report on rectification to Zhejiang Securities Regulatory Bureau under CSRC. Zhejiang Securities Regulatory Bureau conducted on-site inspection and issued Inspection Notice on Rectification on Hangzhou Xinhua Road Securities branch of Central China Securities Co., Ltd. on 11 April 2016 in confirmation of rectification completed by Hangzhou Xinhua Road Securities branch.

Save for disclosed above, the Company has not been punished or public censured by CSRC, SAC, Stock Exchange, CFFEX, finance and tax department, foreign exchange department and audit department.

XII. CREDIT-WORTHINESS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

There was no failure of the Group, its controlling shareholder and de facto controller to comply with any effective court rulings or settle any material debts which have fallen due.

SECTION 5 SIGNIFICANT EVENTS

XIII. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR EFFECTS

(I) Relevant incentive events have been disclosed in the temporary announcement and there is no further development or change in subsequent implementation

Overview

On 26 May 2015, Mao Yuan Capital Limited issued a written notice to the Company to propose new resolutions at the extraordinary general meeting and the class meetings regarding the proposed adoption of a Share Option Scheme. The Share Option Scheme had been approved on 2nd extraordinary general meeting 2015, 1st Domestic Share class meeting and 1st H Share class meeting. The Share Option Scheme shall be conditional upon satisfying relevant conditions. The Company will not implement the Share Option Scheme until the conditions for implementation of the Share Option Scheme have been met.

Inquiry index

Please refer to the Company's 2015 H share annual report and the Company's prospectus issued on 23 March 2016 and 8 December 2016, respectively. For more information, please click: <http://www.hkexnews.hk> and <http://www.sse.com.cn>

XIV. CONNECTED PARTIES AND CONNECTED TRANSACTIONS

Non-exempt connected transactions conducted by the Group in accordance with the Listing Rules within the Reporting period are listed below:

On 1 February 2016, ZDKY Venture Capital, entered into partnership interest transfer agreement with Equity Exchange Co. in relation to the disposal by ZDKY Venture Capital of its RMB30 million capital contribution (representing 27.272% of the limited partnership interest) in Henan Zhong Zheng Kaiyuan Venture Capital Fund (Limited Partnership) to Equity Exchange Co. at the consideration of RMB36,913,624.40, which shall be fully paid by Equity Exchange Co. in a lump sum to ZDKY Venture Capital within two days after signing the partnership interest transfer agreement. As at 1 February 2016, Henan Investment Group holds approximately 27.017% of the Company's issued share capital and is the largest shareholder and connected person of the Company as defined under the Listing Rules. Equity Exchange Co. is a connected subsidiary of the Company. For the details of the above connected transaction, please refer to the Company's announcement dated 1 February 2016 issued on the Stock Exchange.



SECTION 5 SIGNIFICANT EVENTS

On 10 March 2016, Henan Investment Group entered into the underwriting agreement with the Company, Haitong Securities Co., Ltd. (“Haitong Securities”) and Sealand Securities Co., Ltd. (“Sealand Securities”, together with the Company and Haitong Securities, the “Lead Underwriters of the Corporate Bonds”) in respect of the offering and underwriting of the Henan Investment Group 2016 public issuance corporate bonds issued by Henan Investment Group with an aggregate principal amount not exceeding RMB1.5 billion (the “Henan Investment Group Corporate Bonds”), pursuant to which the Lead Underwriters of the Corporate Bonds have agreed to offer and underwrite the Henan Investment Group Corporate Bonds in return for the underwriting commission. The Company is expected to receive the underwriting commission of up to RMB2,700,000 from Henan Investment Group. As at 10 March 2016, Henan Investment Group holds approximately 27.017% of the Company’s issued share capital and is the largest shareholder and connected person of the Company as defined under the Listing Rules. Each of Sealand Securities and Haitong Securities and their respective ultimate beneficial owners are independent third party of the Company and its connected persons. For the details of the above connected transaction, please refer to the Company’s announcement dated 10 March 2016 issued on the Stock Exchange.

On 24 October 2016, ZDKY Venture Capital entered into the Equity Interest Transfer Agreement with Equity Exchange Co. in relation to the disposal by ZDKY Venture Capital of its 60% equity interest in ZZKY Fund Management Company to Equity Exchange Co. at the consideration of RMB14,050,805.81, which shall be fully paid by Equity Exchange Co. in a lump sum to ZDKY Venture Capital within three days from the date when the Equity Interest Transfer Agreement is signed and becoming effective. As at 24 October 2016, Henan Investment Group holds approximately 27.017% of the Company’s issued share capital and is the largest shareholder and connected person of the Company as defined under the Listing Rules. Equity Exchange Co. is a connected subsidiary of the Company. For the details of the above connected transaction, please refer to the Company’s announcement dated 24 October 2016 issued on the Stock Exchange.

On 26 December 2016, the Company entered into the Capital Contribution Agreement with Henan Investment Group and Other Founders pursuant to which the Promoters agreed to establish the Henan Life Insurance Company (“Life Insurance Company”) with a registered capital of RMB3 billion, among which, the Company will make capital contribution of RMB360 million. After completion of the transaction contemplated under the Capital Contribution Agreement, the Company will hold 12% of the equity interests in the Life Insurance Company. As at 29 December 2016, Henan Investment Group holds approximately 27.017% of the Company’s issued share capital and is the largest shareholder and connected person of the Company as defined under the Listing Rules. Other promoters and their respective ultimate beneficial owners are independent third party of the Company and its connected persons respectively. For the details of the above connected transaction, please refer to the Company’s announcement dated 12 December 2016 and 29 December 2016 issued on the Stock Exchange.

Set out in note 54 in the Independent Auditor’s Report of this report is information about other related parties and related party transactions.

XV. IMPORTANT CONTRACTS AND CONTRACT FULFILMENT

(I) Trust, contracting and leasing matters

N/A

(II) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and the listed Party company	Amount of guarantee guaranteed	Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter-guarantee exists	Related parties	Related guarantee or not	relationship	External guarantees provided by the Company (excluding the guarantees for subsidiaries)		
													Guarantee type	type	
Total amount of external guarantees incurred in the Reporting Period (excluding the guarantees provided for subsidiaries)															0
Total balance of external guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries)															0
Total amount of guarantees provided for subsidiaries during the Reporting Period															540,361,055
Total guarantee balance provided for subsidiaries at the end of the Reporting Period (B)															540,361,055
Total amount of guarantees (A+B)															540,361,055
Percentage of total guarantee over the net assets of the Group (%)															5.09
Including:															
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)															0
Portion of amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D)															0
Amount of total guarantee exceeding 50% of net assets (E)															0
Total amount of the above three types of guarantees (C+D+E)															0
Explanations on outstanding guarantee which may undertake joint and several liability for repayment															
Explanations on guarantees															

The Company assumed the anti-guarantee responsibilities for the business of overseas loans under domestic bank guarantee of Central China International
As at the end of the Reporting period, the Company provided counter-guarantee for Central China Internationals overseas loans, with the counter-guarantee amounting to RMB540,361,055 in total (of which: HK\$380.5 million and RMB2.0 million).

SECTION 5 SIGNIFICANT EVENTS



SECTION 5 SIGNIFICANT EVENTS

(III) Other material contracts

N/A

XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Qualifications for businesses obtained during the Reporting Period

Please refer to Section 2 I. "Qualifications for Each individual Business of the Company" in this Report.

(II) Offering of A shares and listing on the SSE by the Company

The Company submitted the 2016 Prospectus (Application Proof) to CSRC on 12 September 2016 for prior disclosures. On 9 November 2016, the Main Board Issuance Examination Committee of the CSRC convened the 157th meeting in 2016 to consider and approve the application made by the Company in relation to the offering of A Shares. On 25 November 2016, CSRC officially issued written notice to the Company and announced on the same date that the Company was approved to issue A shares. No more than 700,000,000 A shares were issued with a term of 12 months from date of approval. As of 31 December 2016, the Company issued 700,000,000 shares at an issue price of RMB4.00 per share.

(III) Particulars of Subsidiaries

Please refer to Section 4 II. (VII) "1. Establishment and Disposal of the Securities Branches, Branches and Subsidiaries of the Company and Impact on Results during the Reporting Period" in this report.

SECTION 5 SIGNIFICANT EVENTS

XVII. ACTIVELY FULFILLING SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the Listed Company

1. Targeted Poverty Alleviation Planning

According to the relevant requirements of Opinions on the Performance of Social Responsibility Regarding Poverty Alleviation by the Securities Industry (《關於證券行業履行脫貧攻堅社會責任的意見》) issued by Securities Association of China, leading groups and offices supporting poverty alleviation in Lankao County and Gushi County were established by the Company. Based on the real economic needs of Lankao County, Gushi County and Tongbai County in Henan Province and focusing on poverty alleviation for service industries of the capital market, the leading group has proactively supported the enterprises in the three counties to utilize capital market resources. Besides, it has also given assistance in expanding direct finance channels, improve finance efficiency and reduce finance cost, with a view to constantly strengthen the ability in self-development of counties suffering from poverty.

The Company has introduced various specific financial resources for local governments and enterprises and provided consultation on policies and professional guidance, which are beneficial for direct communication between enterprises, the capital market and the investors, with a view to improve the enterprises' efficiency in utilizing the capital market and the quality of financial services provided by local governments. Leveraging the advantage offered by the platform of Henan Foundation for Poverty Alleviation, the Company has stepped its efforts in public welfare and poverty alleviation in Lankao County, Gushi County and Tongbai County. The Company has intended to carry out targeted poverty alleviation in one or two villages, striving for poverty alleviation for certain population in such villages in 2 to 3 years.



SECTION 5 SIGNIFICANT EVENTS

2. Summary of Annual Targeted Poverty Alleviation

In 2016, the Company entered into a comprehensive strategic cooperation agreement with Lankao County and Gushi County in Henan Province. The parties agreed to establish an effective working mechanism for providing aid in mutual efforts, with a view to achieve overall cooperation in providing aid for industry development, education, financial consultation and nurturing of talents, etc.

The Company donated RMB5 million to Henan Foundation for Poverty Alleviation as its initial capital and became the president unit of the foundation. It also made a donation of RMB0.3 million to Lankao Enterprise Association for Poverty Alleviation mainly for the education of left-behind children from under-privileged families in Lankao County. For targeted poverty alleviation, the Company donated RMB0.2 million to Yiyang County for the enhancement of infrastructure construction product in Yiyang County. Besides, the Company entered into a formal cooperation agreement with both Lankao County and Gushi County for the establishment of Zhongzheng Jiaotong Fund Management Co., Ltd. (中證焦桐基金管理有限公司) with a registered capital of RMB200 million and Minquan County Innovative Industry Investment Fund (Limited Partnership) (民權縣創新產業投資基金(有限合夥)) with a registered capital of RMB50 million, respectively. For poverty alleviation through e-commerce, the Company donated an aggregate amount of RMB0.24 million to Lankao County and Gushi County for purchasing agricultural by-products from peasants. 23 village households, including under-privileged individuals Yan Chunguang, Wen Lianzhi and Li Gangqiang, received a higher income and were removed from administrative record for poverty registering, with 71 under-privileged benefitted.

As at the end of the Reporting Period, three companies seeking to be listed received counselling organized by the Company. According to the opinions of Securities Association of China and requirements of Lankao, "Central China Lankao Financial Poverty Alleviation Workshop (中原证券蘭考金融扶貧工作站)" was successfully listed in Lankao. Central China Equity Exchange Co. has 35 listed enterprises from Lankao County and 6 from Gushi County.

SECTION 5 SIGNIFICANT EVENTS

3. Statistical Table of 2016 Targeted Poverty Alleviation by the Listed Company

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	
Including: 1. Fund	25,574
2. Number of poor people helped to be removed from administrative record for poverty registering (Person)	71
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects	3
1.3 Amount invested in industrial poverty alleviation projects	25,024
1.4 Number of poor people helped to be removed from administrative record for poverty registering (Person)	71
2. Poverty alleviation by social effort	
Including: 2.1 Amount invested in targeted poverty alleviation work	50
2.2 Charity foundation for poverty alleviation	500
3. Other projects	
Including: 3.1. Number of projects	41



SECTION 5 SIGNIFICANT EVENTS

4. Follow-Up Targeted Poverty Alleviation Planning

In 2017, the Company will, on the basis of the poverty alleviation work commenced in 2016 and results achieved, adhere to the established Targeted Poverty Alleviation Planning and continue to carry out both current poverty alleviation and educational-targeted work as well as pragmatically carry out the targeted poverty alleviation work in Lankao County, Gushi County and Tongbai County, Henan Province. Centering on enterprises in poor counties such as Lankao County and Gushi County, the Company provided financial support and assistance to various quality local enterprises in an effort to contribute to the poverty alleviation and corporate development.

(II) Social responsibility

For details of the Company's social responsibility, please refer to the 2016 Social Responsibility Report of Central China Securities Co., Ltd. as disclosed on the websites of SSE (<http://www.sse.com.cn>).

XVIII. CONVERTIBLE CORPORATE BONDS

N/A

SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) TABLE OF CHANGES IN ORDINARY SHARES

1. Table of Changes in Ordinary Shares

Unit: ten thousand shares

	Before the change		New issuance	Sub-total	After the change	
	Number of shares	Percentage (%)			Number of shares	Percentage (%)
I. Shares with sale limitations	197,370.57	61.22	+1.75	+1.75	197,372.32	50.30
1. Shares held by state						
2. Shares held by state-owned legal persons	127,070.57	39.41			127,070.57	32.39
3. Shares held by other domestic investors	70,300.00	21.81	+1.75	+1.75	70,301.75	17.91
Including: Shares held by domestic non state-owned legal persons	70,300.00	21.81			70,300.00	17.91
Shares held by domestic natural persons			+1.75	+1.75	1.75	0.0004
4. Shares held by foreign investors						
Including: Shares held by foreign legal persons						
Shares held by foreign natural persons						
II. Circulating shares without sale limitations	125,002.90	38.78	+69,998.25	+69,998.25	195,001.15	49.70
1. RMB denominated ordinary shares			+69,998.25	+69,998.25	69,998.25	17.84
2. Foreign shares listed in the PRC						
3. Foreign shares listed overseas	125,002.90	38.78			125,002.90	31.86
4. Others						
III. Total number of ordinary shares	322,373.47	100	+70,000	+70,000	392,373.47	100



SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

2. Description of Changes in Ordinary Shares

As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2016] No. 2868 Document, the Company completed the issuance of A shares at an issue price of RMB4 per share on 22 December 2016. The issue size is 700 million shares with a total of RMB2.8 billion raised. After the issuance, the total share capital of the Company changed from 3,223.7347 million shares to 3,923.7347 million shares.

II. SECURITIES ISSUANCE AND LISTING

(I) Issuances of securities as at the end of the Reporting Period

Unit: ten thousand shares/ten thousand dollars Currency: RMB

Type of shares and derivative securities	Date of issuance	Issue price (or rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Ordinary shares						
A shares	22 December 2016	4	70,000	3 January 2017	70,000	
Convertible corporate bonds, warrant bonds and corporate bonds						
Subordinated bonds	21 April 2016	4.20%	250,000	12 May 2016	250,000	22 April 2019
Subordinated bonds	25 October 2016	3.30%	150,000	7 November 2016	150,000	26 October 2018

SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Particulars about issuances of securities as at the end of the Reporting Period:

On 18 November 2016, according to the resolution of the Company's 3rd extraordinary general meeting, 2nd domestic Share class meeting and 2nd H Share class meeting in 2016 and upon CSRC's Reply on Approving the Initial Public Offering of Shares by Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2868) on 25 November 2016, Central China Securities was approved to offer no more than 700,000,000 ordinary shares denominated in RMB with a par value of RMB1 each. Pursuant to the Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market (Cai Qi [2009] No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Approval on the State-owned Equity Management Program of A Shares and the Transfer of the State-owned Shares of Central China Securities Co., Ltd. (Yu Guo Zi Chan Quan [2015] No. 26) (《關於中原證券股份有限公司發行A股國有股權管理方案及國又股轉持的批覆》(豫國資產權[2015]26號)) issued by the State-owned Assets Supervision and Administration Commission of Henan Province, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma Energy, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment will transfer 47,979,175 Shares, 10,348,840 Shares, 4,375,124 Shares, 2,846,433 Shares, 1,578,336 Shares, 1,034,804 Shares, 793,645 Shares, 526,112 Shares and 517,531 Shares held by them, respectively (70,000,000 shares in total) to National Council for Social Security Fund based on the limit of the issuance, which was 700,000,000 shares.

On 17 July 2015, the Proposal on the Issuance of Onshore and Offshore Debt Financing Instruments of Central China Securities Co., Ltd. and Relevant Authorization was considered and approved at the 52nd meeting of the 4th session of the Board of the Company and was considered and approved at the 3rd extraordinary general meeting 2015 of the Company convened on 10 September 2015. It was agreed that the Company was approved for public or non-public issuance of other debt financing instruments (apart from short-term notes of securities companies) in one or more times or tranches with an aggregate amount not exceeding 300% of the Company's latest net assets. The chairman of the Board and the president were also authorized to decide on the relevant matters regarding the issuance other debt financing instruments. According to the No Objection Letter to Central China Securities Co., Ltd. on the Listing and Transfer of 2016 Subordinated Bonds (Shangzheng Han [2016] No. 712)(《關於對中原證券股份有限公司2016年次級債券掛牌轉讓無異議的函》(上證函【2016】712號)) issued by SSE on 12 April 2016, the Company was approved to issue subordinated bonds not exceeding RMB10 billion. The Company has issued subordinated bonds of RMB2.5 billion with an interest of 4.2% and subordinated bonds of RMB1.5 billion with an interest of 3.3% on 21 April 2016 and 25 October 2016, respectively.



SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

(II) Total ordinary shares of the Company and changes in shareholders structure and assets and liabilities structure of the Company

As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2016] No. 2868 Document, the Company completed the issuance of A shares at an issue price of RMB4 per share on 22 December 2016. The issue size is 700 million shares with a total of RMB2.8 billion raised. After the issuance, the total share capital of the Company changed from 3,223.7347 million shares to 3,923.7347 million shares. Among which, 2,673.7057 million shares were A shares and 1,250.029 million shares were H shares. For changes in assets and liabilities structure of the Company, please refer to Section 4 II. “(I) 4. Details of principal items in the consolidated statement of profit or loss” in this report.

III. SHAREHOLDERS AND THE DE FACTO CONTROLLERS

(I) Total number of shareholders

Total number of ordinary shareholders (accounts) as at the end of the Reporting Period	603,109 (of which 602,819 were holders of A shares and 290 were holders of H shares)
Total number of ordinary shareholders (accounts) as at the end of the previous month prior to the date of disclosure of the annual report	178,892 (of which 178,585 were holders of A shares and 307 were holders of H shares)

SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

(II) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders without sale limitations) as at the end of the Reporting Period

Unit: Share

Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Shareholdings of the top ten shareholders				
		Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held with sale limitations	Pledge or lock-up of shares held	Nature of shareholders
					Particulars of shares	Number of shares
HKSCC Nominees Limited	-163,000	1,249,745,000	31.85		None	Overseas legal person
Henan Investment Group Co., Ltd.	-47,979,175	822,983,847	20.98	822,983,847	None	State-owned legal person
Bohai Industrial Investment Fund Management Co., Ltd. (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund)		608,000,000	15.50	608,000,000	None	Others
Anyang Iron and Steel Group Co., Ltd.	-10,348,840	177,514,015	4.52	177,513,015	Pledge	93,930,000 State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	-4,375,124	75,046,245	1.91	75,046,245	None	State-owned legal person
National Council for Social Security Fund (Transfer Account No.1) (全國社會保障基金理事會轉持一戶)	+70,000,000	70,000,000	1.78	70,000,000	None	Others
Anyang Economic Development Group Co., Ltd.	-2,846,433	48,824,693	1.24	48,824,693	None	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	-1,578,336	27,073,089	0.69	27,073,089	None	State-owned legal person
Xuchang Superlift Energy-saving & Technology Co., Ltd.		24,000,000	0.61	24,000,000	None	Domestic non state-owned legal person
Guangzhou Liby Investment Co., Ltd.		20,000,000	0.51	20,000,000	None	Domestic non state-owned legal person

Note: The Company is not aware of any other connected relationship or acting in concert relationship (as defined in the Measures for the Administration of the Takeover of Listed Companies (上市公司收購管理辦法)) among the above-mentioned shareholders.

Shareholdings of the top ten shareholders without sale limitations

Name of shareholders	Number of circulating shares held without sale limitations	Type and number of shares	Number
		Type	
HKSCC Nominees Limited	1,249,745,000	Foreign shares listed overseas	1,249,745,000 ^{Note}

Note: Such number of shares includes a total of 29 million H Shares (long position) of the Company, accounting for 2.32% of the then issued H shares of the Company, acquired by Dahe Paper (Hong Kong) Co., Limited, an indirect subsidiary of Henan Investment Group, in the capacity of beneficial owners through transaction on the trading system of the Stock Exchange as at the end of the Reporting Period.



SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Shareholdings of the top ten shareholders with sale limitations and sale limitations

Unit: share

S/N	Name of shareholders with sale limitations	Number of shares held with sale limitations	Shares with sale limitations permissible for listing and trading		Sale limitations
			Date permissible for listing and trading	Number of additional shares permissible for listing and trading	
1	Henan Investment Group Co., Ltd.	822,983,847	3 January 2020	822,983,847	Not transferable within 36 months commencing from the listing date
2	Bohai Industrial Investment Fund Management Co., Ltd. (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund)	608,000,000	3 January 2018	608,000,000	Not transferable within 12 months commencing from the listing date
3	Anyang Iron and Steel Group Co., Ltd.	177,513,015	3 January 2018	177,513,015	Not transferable within 12 months commencing from the listing date
4	China Pingmei Shenma Energy & Chemical Group Co., Ltd.	75,046,245	3 January 2018	75,046,245	Not transferable within 12 months commencing from the listing date
5	National Council for Social Security Fund (Transfer Account No.1)	70,000,000	3 January 2020	47,979,175	Not transferable within 36 months commencing from the listing date
			3 January 2018	22,020,825	Not transferable within 12 months commencing from the listing date
6	Anyang Economic Development Group Co., Ltd.	48,824,693	3 January 2018	48,824,693	Not transferable within 12 months commencing from the listing date
7	Jiangsu SOHO Holdings Group Co., Ltd.	27,073,089	3 January 2018	27,073,089	Not transferable within 12 months commencing from the listing date
8	Xuchang Superlift Energy-saving & Technology Co., Ltd.	24,000,000	3 January 2018	24,000,000	Not transferable within 12 months commencing from the listing date
9	Guangzhou Liby Investment Co., Ltd.	20,000,000	3 January 2018	20,000,000	Not transferable within 12 months commencing from the listing date
10	Henan Shenhua Group Co., Ltd.	17,749,930	3 January 2018	17,749,930	Not transferable within 12 months commencing from the listing date

Note: The Company is not aware of any other connected relationship or acting in concert relationship (as defined in the Measures for the Administration of the Takeover of Listed Companies) among the above-mentioned shareholders.

SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

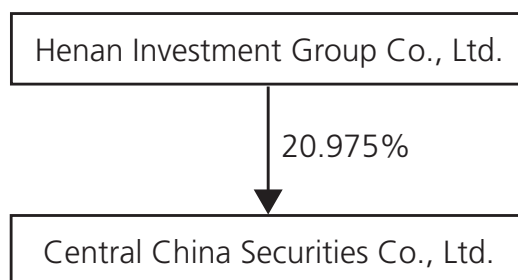
IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) CONTROLLING SHAREHOLDER

1. Legal Persons

Name	Henan Investment Group Co., Ltd.
Person in charge of the unit or legal representative	Zhu Lianchang
Date of establishment	18 December 1991
Principal business	Investment management, investment in construction projects, industrial production information and machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (For those subject to approval among the above-mentioned, the company is not allowed to operate such business before obtaining approvals.)
Details of controlling interests and investments in other domestic and foreign-listed companies during the Reporting Period	The controlling interests in listed companies are: 517,632,210 shares in YUNENG Holdings (001896) which accounts for 60.52% of its total share capital, 278,907,035 shares in Tongli Cement (000885) which accounts for 58.74% of its total share capital and 407,835,649 shares in Ancai Hi-Tech (600207) which accounts for 47.26% of its total share capital. The investments in listed companies include those in China Aviation Optical (002179).
Other description	None

2. The interests and controlling relationships between the Company and the controlling shareholder





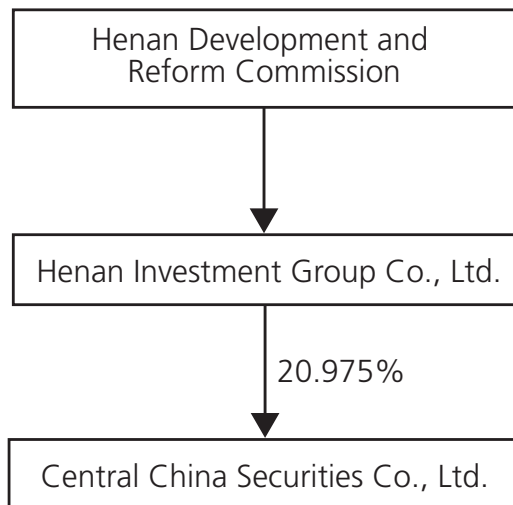
SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

(II) DE FACTO CONTROLLER

1. Legal person

Name	Henan Province Development and Reform Commission
Other description	Henan Investment Group is under the People's Government of Henan Province. Responsibilities of investor are performed by Henan Province Development and Reform Commission while regulatory responsibilities are performed by Henan SASAC authorized by the government of Henan Province. Henan Province Development and Reform Commission is the de facto controller of the Company.

2. The interests and controlling relationships between the Company and the de facto controller



(III) OTHER DESCRIPTION ON CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Henan Investment Group is under the People's Government of Henan Province. Responsibilities of investor are performed by Henan Province Development and Reform Commission while regulatory responsibilities are performed by Henan SASAC authorized by the government of Henan Province.

SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

V. OTHER LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF OVER 10%

Unit: hundred million dollars Currency: RMB

Name of legal person shareholders	Person in charge of the unit or legal representative	Date of establishment	Enterprise code	Registered capital	Principal business or management events
Bohai Industrial Investment Fund Management Co., Ltd. (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund)	Gao Yingxin	28 December 2006	911200007178678241	2	Promotion for the establishment and management of industrial investment fund; principal entrusted management of Bohai Industrial Investment Fund; provision of related investment and consultation services and engagement in other asset management business approved by relevant government authorities. (For projects subject to approval, the operating activities can only be commenced with approvals from relevant authorities.)
Description	As of 31 December 2016, there was no other shareholder directly holding more than 10% shares in the Company. The shares held by HKSCC Nominees Limited are for the non-registered holders of H shares.				

VI. DESCRIPTION OF RESTRICTIONS ON DECREASE IN SHAREHOLDING

For details of the restriction of shareholding reduction of the Company, Please see Section 5 II. "(I) Undertakings by undertaking related parties including de facto controller, shareholders, related parties, acquirer and the Company, during or lasting within the reporting period".



SECTION 7 PREFERENCE SHARES

Articles of Association and the relevant Chinese laws do not require that the Company must give preemptive rights to the existing shareholders for the placement of new shares in proportion.

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

(I) CHANGES IN THE SHAREHOLDING OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD AND REMUNERATION

Name	Positions (Note)	Gender	Age	Time of taking office	Time of leaving office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held during the year	Reason for changes	Total remuneration actually received from the Company during the Reporting period (RMB'0,000)	Whether has received remuneration from related parties of the Company
Jian Mingjun	Chairman of the Board and executive director	Male	54	10 September 2015	10 September 2018	1,289,754	1,289,754	0	N/A	48.60	No
Zhou Xiaoquan	Executive director and president	Male	44	10 September 2015	10 September 2018	762,000	762,000	0	N/A	48.85	No
Li Xingjia	Non-executive director	Male	52	12 October 2015	10 September 2018	0	0	0	N/A	1.54	Yes
Wang Lixin	Non-executive director	Male	50	10 September 2015	10 September 2018	0	0	0	N/A	3.07	Yes
Zhang Qiang	Non-executive director	Male	53	10 September 2015	10 September 2018	0	0	0	N/A	1.54	Yes
Zhang Xiaoji	Non-executive director	Male	31	10 September 2015	10 September 2018	0	0	0	N/A	3.07	No
Yu Zeyang	Non-executive director	Male	47	10 September 2015	10 September 2018	0	0	0	N/A	1.54	No
Yuan Dejun	Independent non-executive director	Male	66	10 September 2015	10 September 2018	0	0	0	N/A	21.00	No
Yuen Chi Wai	Independent non-executive director	Male	41	10 September 2015	10 September 2018	0	0	0	N/A	21.00	No
Ning Jincheng	Independent non-executive director	Male	60	10 September 2015	10 September 2018	0	0	0	N/A	7.00	No
Yu Xugang	Independent non-executive director	Male	48	7 December 2015	10 September 2018	0	0	0	N/A	21.00	No
Lu Zhili	Chairman of the Supervisory Committee	Male	50	10 September 2015	10 September 2018	0	0	0	N/A	37.43	No
Wang Jinchang	Shareholder representative supervisor	Male	43	10 September 2015	10 September 2018	0	0	0	N/A	1.06	Yes

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Positions (Note)	Gender	Age	Time of taking office	Time of leaving office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares held during the year	Reason for changes	Total remuneration actually received from the Company during the Reporting period (RMB'0,000)	Whether has received remuneration from related parties of the Company
Yan Changkuan	Shareholder representative supervisor	Male	53	10 September 2015	10 September 2018	0	0	0	N/A	1.06	Yes
Cui Yuanfeng	Shareholder representative supervisor	Male	40	10 September 2015	20 July 2016	0	0	0	N/A		No
Xie Junsheng	Shareholder representative supervisor	Male	50	October 2016	10 September 2018	0	0	0	N/A		No
Xiang Siying	Independent supervisor	Female	53	10 September 2015	10 September 2018	0	0	0	N/A	10.08	No
Lee Kit Ying	Independent supervisor	Female	68	22 September 2015	7 January 2016	0	0	0	N/A	4.20	No
Xia Xiaoning	Independent supervisor	Male	56	9 May 2016	7 January 2016	0	0	0	N/A	5.88	No
Wang Jing	Employee representative supervisor	Female	48	10 September 2015	10 September 2018	0	0	0	N/A	30.32	No
Han Junyang	Employee representative supervisor	Male	47	10 September 2015	10 September 2018	0	0	0	N/A	25.87	No
Lai Bulian	Employee representative supervisor	Male	44	10 September 2015	10 September 2018	0	0	0	N/A	194.41	No
Zhu Jianmin	Standing vice president	Male	53	15 September 2015		0	0	0	N/A	34.86	No
Zhu Junhong	Vice president, chief financial officer	Female	47	15 September 2015		0	0	0	N/A	38.39	No
Xu Haijun	Vice president	Male	46	3 September 2016		0	0	0	N/A	36.02	No
Xie Xuezhong	Vice president	Female	46	15 September 2015		0	0	0	N/A	35.38	No
Zhao Lufeng	Vice president	Male	44	15 September 2015		0	0	0	N/A	93.74	No
Zhu Qiben	Chief risk officer	Male	52	29 December 2015		0	0	0	N/A	30.43	No
Fang Jianmin	Vice president	Male	44	10 September 2015	14 January 2016	0	0	0	N/A	2.82	No
Zhao Jizeng	Vice president	Male	51	10 September 2015	14 January 2016	0	0	0	N/A	2.50	Yes
Total	/	/	/	/	/	2,051,754	2,051,754	0	/	762.66	/



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major working experience
Jian Mingjun	<p>Born in 1963, Mr. Jian Mingjun is an alternate member of the Commission of Communist Party of Henan Province and a standing committee member of Henan Provincial People's Congress. He is an expert who enjoys the special allowance of the State Council with a doctoral degree of economics. He has been an officer in Comprehensive Plan Office of Ministry of Finance of the PRC, the deputy director of General Office of Finance Department of Henan Province, the standing vice president of ASIA (group) Accounting Firm, the director of General Office of Finance Department of Henan Province and the chairman of State-owned Enterprises Supervisory Committee of the Henan Government. He served as the president of the Company from October 2008 to August 2012, and has been the chairman of the Board of the Company since August 2012 and the secretary of the party committee of the Company since November 2014. Currently, he also served as the president of the Securities and Futures Association of Henan and a member of the Investment Bank Professional Committee under SAC. He was granted the honorary title of model worker of Henan by Henan Government in April 2014 and was awarded as "People of 2013 – Henan Economic" in January 2014. He was also chosen as the "Most Influential Enterprise Leader in Central China" for four consecutive years from 2009 by mainstream media in Henan. In 2015, he was chosen as the "Most Influential Lister Company Leader" under 2015 China Securities Golden Bauhinia Awards by Ta Kung Pao and other media in Hong Kong.</p>
Zhou Xiaoquan	<p>Born in 1973, Mr. Zhou Xiaoquan holds a doctoral degree and a post-doctoral degree of economics. He is an expert who enjoys the special allowance of the State Council. He was granted the title of Excellent Expert of Henan Province and Academic and Technology Leader of Henan Province. He is also a deputy to National People's Congress of Zhengzhou City. He worked in the main branch of China Construction Bank, CPC Central Financial Work Committee (which subsequently transformed into the China Banking Regulatory Commission) and CSRC and held various positions such as deputy section chief, section chief, deputy division head and division head. He served as the chairman of Supervisory Committee and the secretary of the party committee for disciplinary inspection of the Company from March 2009 to August 2012 and has been an executive director and the president of the Company since August 2012. Currently, he is also the deputy director of Securities Companies Compliance Committee of the SAC.</p>



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major working experience
Li Xingjia	Born in 1964, Mr. Li Xingjia holds a master's degree. He serves as a director of the Company and a director and deputy general manager of Henan Investment Group. He was a non-executive director of the Company from June 2008 to September 2015. Mr. Li has worked in the Henan Planned Economy Committee, Henan Planning Commission and Henan Development and Reform Commission as officer, managing officer and deputy division head. He has served in Henan Construction and Investment Corporation as the chief economist and deputy general manager. He has also worked in Henan Investment Group as the temporary officer responsible for asset management department I and the chief technology officer, while serving as the chairman of the board of Yuneng Holdings Company Limited.
Wang Lixin	Born in 1966, Mr. Wang Lixin holds a master's degree. He is the deputy general manager of Bohai Industrial Investment Fund Management Co., Ltd. He served as the assistant manager of the overseas banking department of the head office of Bank of China, vice president of Beijing Representative Office at BOC International Holdings Limited, executive director and managing director of BOCI Securities Limited, managing director of Credit Suisse Founder Securities Limited, director of UBS Securities Co. Limited, and managing director of BOC International Holdings Limited. He has been a non-executive director of the Company since September 2014.
Zhang Qiang	Born in 1963, Mr. Zhang Qiang is a senior engineer with a bachelor's degree. He is the deputy division director of Strategy investment department of Anyang Iron & Steel Co., Ltd., which is controlled by Anyang Iron & Steel Group. He served as the deputy general manager of medium factory and the deputy general manager of the third steel mill of Anyang Iron & Steel Co., Ltd., and the deputy director of the planning department of Anyang Iron & Steel Group. He has been a non-executive director of the Company since August 2012.
Zhang Xiaoqi	Born in 1985, Mr. Zhang Xiaoqi holds a bachelor's degree in commerce. He is a director and the deputy general manager of Beijing Maoyuan Capital Investment Management Co., Ltd, and a director and general manager of Central China International Investment. He served as a staff of the index division of Shenzhen Securities Information Co., Ltd. at the Shenzhen Stock Exchange, and a project manager of Beijing Maoyuan Capital Investment Management Co., Ltd.. He has been a non-executive director of the Company since September 2015.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major working experience
Yu Zeyang	Born in 1969, Mr. Yu Zeyang holds a bachelor's degree. He is a senior accountant. He is the head of Capital Operation Department of China Pingmei Shenma Energy & Chemical Group Co., Ltd., chairman and general manager of Henan Zhongping Investment Co., Ltd., supervisor of Pingdingshan Tianan Coal Mining Co., Ltd. and director of Henan Xindaxin Materials Co., Ltd.. He served as deputy head of secretariat of the board of directors of Pingdingshan Coal (Group) Co., Ltd., deputy chief of office of the board of directors of and deputy head of secretariat of general office of Pingdingshan Coal (Group) Co., Ltd., and head of secretariat of general office of China Pingmei Shenma Energy & Chemical Group Co., Ltd.. He has been a non-executive director of the Company since November 2014.
Yuan Dejun	Born in 1950, Mr. Yuan Dejun holds a doctoral degree of economics and possesses the title of professor. He taught in Harbin Finance University (formerly known as Harbin Finance Institution) as an associate professor, and taught in Tianjin University of Finance & Economics as a professor. He used to be the senior economist of China Galaxy Securities Co., Ltd.. He has been an independent non-executive director of the Company since August 2012.
Yuen Chi Wai	Born in 1975, Mr. Yuen Chi Wai holds a bachelor's degree in commerce. He is the managing director of Venture Executive Services Limited. He has served as an auditor in Charles Mar Fan & Co., an auditor in Arthur Andersen, an auditor in PricewaterhouseCoopers (Hong Kong), a senior manager in Shenzhen branch of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the manager of internal auditing department of Nypro Inc., the chief financial officer and company secretary of Bolina Holding Co., Ltd.. He has been an independent non-executive director of the Company since June 2014.
Ning Jincheng	Born in 1956, Mr. Ning Jincheng holds a master's degree in law and possesses the title of professor. He is a professor of the law faculty and a doctoral tutor of Zhengzhou University. He is also an independent director of Zhengzhou Coal & Electric Co., Ltd., an arbitrator of China International Economic and Trade Commission, and a lawyer of Henan Zhengda Law Firm. He has been a lecturer, professor and vice chancellor of Zhengzhou University, a professor, doctoral tutor, dean and secretary of the party committee of Henan Administrative Institute of Politics and Law. He has been an independent non-executive director of the Company since March 2015.



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major working experience
Yu Xugang	Born in 1968, Mr. Yu Xugang holds a doctoral degree in law. He was a partner at Beijing Dacheng Law Offices, LLP from August 2001 to December 2003 and a senior partner at Beijing Dacheng Law Offices, LLP from January 2004 to the present. He acted as an assistant judge at Baoding City Intermediate People's Court, Hebei Province from August 1990 to July 1995 and an independent director of Inner Mongolia Baotou Steel Union Co Ltd (the shares of which are listed on the Shanghai Stock Exchange; stock code is 600010), from August 2009 to August 2015. He has been an independent non-executive director of the Company since December 2015.
Lu Zhili	Born in 1966, Mr. Lu Zhili holds a master degree in economics. He is a senior economist. He served as the manager of the securities issuance department, assistant to general manager and chairman of the research department of Henan Securities. He has been the vice president of the Company from November 2002 to March 2013 and the standing vice president of the Company from March 2013 to September 2015. He has been the chairman of the supervisory committee of our Company since September 2015. He is currently a director of Central China Futures.
Wang Jinchang	Born in 1974, Mr. Wang Jinchang holds a doctoral degree in management. He is a senior accountant. He is a supervisor of the department of disciplinary supervision of Henan Investment Group Co., Ltd.. He served as a staff member and the manager of the finance department of Zhengzhou Trust Investment Company, a staff member of Asset Management Department I of Henan Province Construction Investment Company, chief accountant of Henan Xuchang Xinlong Mining Co., Ltd., a staff member and supervisor of the developmental planning department of Henan Province Construction Investment Company and the deputy general manager and financial controller of Henan Ancai Hi-Tech Co., Ltd.. He has been a supervisor of the Company since September 2015.
Yan Changkuan	Born in 1963, Mr. Yan Changkuan holds a bachelor's degree. He is a senior accountant. He is the general accountant of Anyang Iron & Steel Group. He served as a key officer and division head of the treasury division of Anyang Iron & Steel Co., Ltd., the assistant to the director of financial department and the deputy director of financial department of Anyang Iron & Steel Group, the secretary to the board of directors and the head of the securities department of Anyang Iron & Steel Co., Ltd., a director of Anyang Iron & Steel Co., Ltd. and the head of financial department of Anyang Iron & Steel Group. He has been a supervisor of the Company since June 2006.

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Name	Major working experience
Xie Junsheng	Born in 1967, Mr. Xie Junsheng holds a bachelor's degree. He is a senior accountant. He is the deputy general manager in Anyang Economic Technology Development Co., Ltd.. He served as an officer at the inspection section of the Treasury Bureau of Anyang City, the deputy manager of Anyang City Treasury and Security Company and the deputy general manager in Anyang Economic Technology Development Co., Ltd.. He has been a supervisor of the Company since October 2016.
Xiang Siying	Born in 1963, Ms. Xiang Siying holds a master's degree in economics and a master's degree in business administration (MBA). She is an advisor of CDH Investments. She served as an officer of the general office of the rural management and administration and the foreign economic office in the Ministry of Agriculture of China, an investment analyst of the Chinese representative division of International Finance Corporation (IFC), an investment officer in the East Asia Branch and Global Manufacturing and Consumer Service Branch of International Finance Corporation(IFC), and an executive director of the investment banking division and direct investment division of China International Finance Corporation Limited (CICC). She has been a supervisor of the Company since September 2015.
Xia Xiaoning	Born in 1960, Mr. Xia Xiaoning holds a bachelor's degree. He is the senior consultant to Vision Finance Group Limited and a non-executive director of Mason Financial Holdings Limited. He served as an investment officer of Asian Development Bank, senior partner and managing director of AIF Capital Limited, and the chief executive officer of CITP Advisors (Hong Kong) Limited. He has been a supervisor of the Company since May 2016.
Wang Jing	Born in 1968, Ms. Wang Jing holds a bachelor's degree. She worked as officer in the Zhengzhou Branch of People's Bank of China (currently known as Zhengzhou Central Sub-branch of The People's Bank of China), and served as the deputy general manager and general manager of the business unit of Henan Securities. He has been the general manager of the business unit of the Company from November 2002 to March 2013, the general manager of Customer Service Headquarter of the Company from March 2013 to March 2015, the general manager of Brokerage Business Headquarter of the Company since March 2015. He has been an employee representative supervisor of the Company since September 2015.



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major working experience
Han Junyang	Born in 1970, Mr. Han Junyang holds a bachelor's degree. He worked at Henan Securities and served as the department manager of the Computer Division in Shenzhen branch, the deputy manager of the administrative region branch and the department head of Computer Centre. He has been the deputy general manager of Information Technology Headquarter of the Company from November 2002 to August 2003, worked in the Brokerage Business Headquarter from August 2003 to March 2005, served as the general manager of Hangzhou branch of the Company from March 2005 to December 2008 and the department general manager of the Information Technology Headquarter of the Company since December 2008. He has been an employee representative supervisor of the Company since September 2015.
Lai Bulian	Born in 1972, Mr. Lai Bulian holds a doctoral degree in economics. He worked as officer in Investment Banking Department of Shandong Weifang Securities Company, an officer in Investment Banking Department of Tiantong Securities Company Limited and an officer in Investment Banking Department of GF Securities Co., Ltd. He has been an officer and the deputy general manager in Investment Banking Department of the Company from October 2006 to August 2013, general manager in Corporate Development and Financing Headquarter of the Company from September 2013 to December 2014, and general manager of Capital Market Headquarter (Investment Banking Operation Headquarter) of the Company from January 2015 to April 2016. He has been the chairman of Central China Blue Ocean Investment since May 2016. He has been an employee representative supervisor of the Company since September 2015.
Zhu Jianmin	Born in 1963, Mr. Zhu Jianmin holds an Executive MBA degree. He is a senior economist. He served as the deputy manager of the issuance department, manager of the operation department of Funiu Road branch, director of Beijing office, manager of the brokerage management department, and general manager of the operation department of Shangqiu branch of Henan Securities, and the director of president's office, general manager of the brokerage department, and assistant to the president of the Company. He has been the vice president of the Company from August 2007 to September 2015 and the standing vice president of the Company since September 2015. He is currently a member of the Professional Committee of Securities Brokerage of SAC and the executive vice president of the Securities and Futures Association of Henan Province.

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Name	Major working experience
Zhu Junhong	Born in 1969, Ms. Zhu Junhong holds an Executive MBA degree. She is a senior accountant. She served as the chief accounting officer, deputy manager and manager of planning and finance department, and the general accountant of Henan Finance and Securities Company. She has been the principal officer of finance department, assistant to president and general manager of the planning and finance department of the Company from November 2002 to September 2009, and the principal officer of finance department, general accountant and general manager of the planning and finance department of the Company from September 2009 to August 2012. Since August 2012, she served as the vice president, the principal officer of finance department and chief accountant of the Company. She is currently a member of the Financial Accounting and Risk Control Committee of the SAC.
Xu Haijun	Born in 1970, Mr. Xu Haijun holds a bachelor's degree. He served as the manager of the IT department of the Shanghai branch, the deputy manager of the Huayuan Road branch, the manager and assistant to general manager of the Zijingshan branch, the manager of Shenzhen branch, the assistant to general manager of Shanghai Huierdun Investment Company, the general manager of Shangqiu branch of the Company, the general manager of Sanmenxia branch, the general manager of the IT Headquarter, the general manager of legal and compliance department (legal affairs department), the director of the office of the Board of the Directors and the chief compliance officer of the Company. He has been the chief compliance officer and the general manager of legal and compliance (legal affairs) headquarter of the Company from December 2008 to July 2014, and the secretary to the Board of the Company from July 2014 to August 2016. Since September 2016, he has been the vice president and the secretary to the Board of the Company. He is currently a director and the general manager of CCIFHC.
Xie Xuezhu	Born in 1970, Ms. Xie Xuezhu holds a master degree of economics. She served as a trader and the secretary of the general manager in Wuhan Securities Trading Center and Henan Securities Trading Center of Henan Finance and Securities Company. She has been the director of the supervision office, deputy general manager of the brokerage business headquarter, the general manager, the director of the office and the secretary to the Board of Zhengzhou Shangcheng Road branch, as well as the director of general office, director of the office of the Board, the chief risk officer and the general manager of the legal and compliance department (legal affairs department) of the Company from November 2002 to December 2015. She has been the chief compliance officer of the Company from December 2015 to August 2016. Since September 2016, she has been the vice president and chief compliance officer of the Company. She is currently a director of ZDKY Venture Capital and a supervisor of Taiping Fund.



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Name	Major working experience
Zhao Lifeng	Born in 1972, Mr. Zhao Lifeng holds a master degree of economics and a master degree of business administration. He is a sponsor representative. He served as the senior project manager of the share issuance department and the international business department of Jiangsu Securities Co., Ltd., the senior manager, assistance to general manager and project leader of the investment banking department of Citic Securities Company Limited. She has been the deputy general manager and general manager of the investment banking department, employee representative Supervisor and assistant to the President and general manager of the investment banking department of the Company from May 2004 to August 2012. He has been the vice president of the Company since August 2012.
Zhu Qiben	Born in 1964, Mr. Zhu Qiben holds a master degree of economics. He was the project manager of the investment banking department and the assistant to director of general office of Henan Securities. He has been the vice general manager, general manager of our human resources management department, assistant to the president and general manager of Human Resources Management Department, director of the supervision office and auditor-in-charge of the Company from November 2002 to December 2015. He has been the chief risk officer of the Company since December 2015.

(II) EQUITY INCENTIVE GRANTED TO DIRECTORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

N/A

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. POSITION OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD

(I) POSITIONS IN SHAREHOLDERS' INSTITUTIONS

Name	Name of shareholders' institutions	Position held in shareholders' institutions	Time of taking office	Time of leaving office
Li Xingjia	Henan Investment Group	Director and deputy general manager	June 2010	Up to now
Zhang Qiang	Anyang Iron & Steel Co., Ltd.	Deputy division director	April 2008	Up to now
Wang Lixin	Bohai Fund Management	Deputy general manager	June 2013	Up to now
Yu Zeyang	Pingmei Shenma Energy	Head	January 2011	Up to now
Wang Jinchang	Henan Investment Group	Supervisor of the department of disciplinary supervision	July 2010	Up to now
Yan Changkuan	Anyang Iron & Steel Group	Chief accountant	December 2013	Up to now
Cui Yuanfeng	Anyang Economic Development	General manager	September 2013	June 2016
Xie Junsheng	Anyang Economic Development	Deputy general manager	October 2010	Up to now
Details of positions in shareholders' institutions Nil				



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) POSITIONS IN OTHER INSTITUTIONS

Name	Name of other institutions	Position held in other institutions	Time of taking office	Time of leaving office
Jian Mingjun	Central China International	Chairman	January 2015	Up to now
Zhou Xiaoquan	Central China International	Director	January 2015	Up to now
Zhang Xiaoqi	Central China International Investment Company Limited	General manager	December 2015	Up to now
	Beijing Maoyuan Capital Investment Management Co., Ltd.	Deputy general manager	March 2014	Up to now
Yu Zeyang	Henan Zhongping Investment Co., Ltd.	General manager	June 2011	Up to now
	Henan Zhongping Investment Co., Ltd.	Chairman	September 2014	Up to now
	Pingdingshan Tianan Coal Mining Co., Ltd.	Supervisor	May 2010	Up to now
	Henan Xindaxin Materials Co., Ltd.	Director	June 2013	Up to now
Yuan Dejun	Ningxia Qinglong Pipes Industry Co., Ltd.	Independent non-executive director	January 2014	Up to now
Yuen Chi Wai	Venture Executive Services Limited	Managing director	August 2014	Up to now
Ning Jincheng	Law Faculty of Zhengzhou University	Professor, doctoral tutor and university researcher (retired)	November 2010	Up to now
	Zhengzhou Coal Industry and Electric Power Co., Ltd.	Independent director	June 2014	Up to now
Yu Xugang	Beijing Dacheng Law Offices, LLP	Senior partner	January 2004	Up to now
Lu Zhili	Central China Futures	Director	March 2008	Up to now
Xiang Siying	CDH Investments Management (Hong Kong) Limited	Executive advisor	April 2016	Up to now
Lee Kit Ying	Virtus Foundation Limited	Chairman	March 2006	Up to now
Xia Xiaoning	Vision Finance Group Limited	Senior consultant	September 2012	Up to now
Xu Haijun	Central China International	Director and general manager	March 2016	Up to now
Xie Xuezhu	ZDKY Venture Capital	Director	April 2013	Up to now
	Taiping Fund	Supervisor	August 2016	Up to now
	ZZKY Venture Capital	Chairman of the Supervisory Committee	November 2013	Up to now

Details of positions in other institutions Nil

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of Directors, Supervisors and senior management

The remuneration and evaluations of the Company's Directors shall be proposed by the Board's Remuneration and Nomination Committee and considered and determined by the general meeting; the remuneration and assessment plans of the Supervisors shall be proposed by the board of supervisors, which shall be considered and determined by the general meeting; and the remuneration and evaluations of the senior management shall be proposed by the Board's Remuneration and Nomination Committee and determined by the Board.

Basis for determining the remuneration of Directors, Supervisors and senior management

The remuneration of the internal Directors and Supervisors of the Company shall be determined according to the resolutions of the general meetings on remuneration of the Directors and Supervisors and such factors as the Company's operating results, job responsibilities, work performance and market environment. The remuneration of the external Directors and Supervisors shall be proposed by the Board's Remuneration and Nomination Committee according to the industry and market conditions, which proposal shall be implemented after approval by the general meeting. The remuneration, rewards and punishments of the senior management of the Company shall be determined according to the resolutions of the Board and the evaluation and incentive & restriction mechanism of the Company. The remuneration of senior management shall be distributed in strict compliance with relevant state provisions on deferred payment of remuneration.

Actual remuneration payment of Directors, Supervisors and senior management

For details about the remuneration payment of Directors, Supervisors and senior management, please refer to I. "(I) Changes in the Shareholding of Incumbent Directors, Supervisors and Senior Management and Those Leaving Office During the Reporting Period and Remuneration" in this section in this report.

On 1 January 2016, the Company received a statement from our independent director Mr. Ning Jincheng that he voluntarily waived the allowance of independent directors. Due to personal reasons, Mr. Ning stated that he voluntarily waived the right to claim the allowance of independent directors paid by the Company monthly while he would continue to perform his duties as an independent director since 1 January 2016. Since September 2016, Mr. Ning Jincheng has continued to claim the allowance of independent non-executive directors.



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

On 11 January 2016, the Company received a statement from our supervisor, Mr. Cui Yuanfeng that he voluntarily waived the allowance of supervisors. Due to personal reasons, Mr. Cui stated that he voluntarily waived the right to claim the allowance of supervisor paid by the Company monthly while he would continue to perform his duties as a supervisor since 1 February 2016. Meanwhile, he returned the allowance received after tax from September 2015 to January 2016 in total of RMB8,266.66 to the Company in cash. The Company received such amount on 25 January 2016.

Mr. Xie Junsheng stated that he voluntarily waived the right to claim the allowance of supervisors paid by the Company monthly while he would continue to perform his duties as a supervisor since 13 October 2016.

According to relevant state provisions and with reference to personal will, overlapping Directors, namely Mr. Li Xingjia, Mr. Zhang Qiang and Mr. Yu Zeyang, and overlapping Supervisors, namely Mr. Wang Jinchang and Mr. Yan Changkuan, waived their allowance while they would continue to perform their relevant duties since July 2016.

Total remuneration
actually received
by all Directors,
Supervisors and
senior management
at the end of the
Reporting Period

RMB7.6266 million.

Note: The accrued remuneration for 2016 of Mr. Li Xingjia, Mr. Zhang Qiang and Mr. Yu Zeyang, all being non-executive Directors, was RMB30,700, RMB30,700 and RMB30,700, respectively; however, they voluntarily waived the allowance of non-executive Directors paid by the Company on 1 July 2016. The accrued remuneration for 2016 of Mr. Ning Jincheng, an independent director, was RMB210,000. He voluntarily waived the allowance of independent directors paid by the Company for the period commencing from 1 January 2016 to 31 August 2016. He has resumed claiming the allowance of independent directors paid by the Company since 1 September 2016.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for the change
Lee Kit Ying	Independent supervisor	Resigned	Family reasons
Xia Xiaoning	Independent supervisor	Appointed	
Cui Yuanfeng	Supervisor	Resigned	Unqualified for the role of supervisor due to change of works
Xie Junsheng	Supervisor	Appointed	
Fang Jianmin	Senior Management	Resigned	Change of works
Zhao Jizeng	Senior Management	Resigned	Change of works
Xu Haijun	Senior Management	Appointed	
Xie Xuezhu	Senior Management	Appointed	

V. PUNISHMENT BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

N/A



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) EMPLOYEES

Number of in-service employees of the parent company	2,286
Number of in-service employees of the major subsidiaries	256
Total number of in-service employees	2,542
The number of retired employees whose expenses are borne by the parent company and the major subsidiaries	14

Composition of professions

Type of professions	Number of staff
Brokerage	1,564
Futures brokerage	151
Investment banking	204
Asset management	48
Investment management	20
Proprietary trading	29
New businesses and others	73
Research	19
International business	37
Legal risks, compliance and audit	45
IT	110
Financial accounting	103
Administration	139
Total	2,542

Education level

Type of education level	Number of persons
Doctorate	18
Master's	480
University graduates	1,832
College graduates and below	212
Total	2,542

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) REMUNERATION POLICIES

The remuneration of the Company's employees is composed of basic salaries, allowances, performance bonus and welfare. Basic salary is a relatively fixed part of remuneration and is the basic income of employees. As a supplement to basic salary, allowance includes allowance for special posts and allowance for professional and technical personnel. Performance bonus is withdrawn from annual profits and distributed according to the results of performance evaluation in favor of the front-line employees with outstanding performance.

The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant state provisions. Moreover, to improve the level of welfare and security of employees, it offered employees enterprise annuity plan.

The Company actively explored and worked out an employee equity incentive scheme and studied and designed a plan for employee equity incentive, and will initiate employee equity incentive at an appropriate time according to external laws, policies and environment.

(III) TRAINING PLANS

The Company made various training plans for employees at all levels in order to constantly improve their professional ability and quality.

The Company provided operation and management personnel with trainings centered on enhancing their understanding of the development of the securities industry, management theory and skills, strategic thinking ability, operation management ability, etc.; and offered trainings focused on improving business knowledge, product development and service abilities and marketing skills for employees of various business lines and departments. Moreover, it encouraged employees to study by themselves, take professional qualification certificates exams, etc. in order to educate themselves and update their professional knowledge. Especially, it rewarded employees who have obtained qualifications for sponsor representative, Chartered Financial Analyst (CFA), Certified International Investment Analyst (CIIA), etc..

(IV) LABOUR OUTSOURCING

Total working hours on labor outsourcing	Approximately 150,000 hours
Total payment for labor outsourcing	RMB2,245,300



SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VII. OTHERS

(I) INFORMATION ABOUT CUSTOMER SOLICITATION AND CUSTOMER SERVICE OF COMMISSION BROKERS

Securities brokers are natural persons other than employees of the Company and authorized by the Company to engage in brokerage-related activities such as customer solicitation and customer service as an agent within the scope of authorization of the Company. The Company has signed an agency contract with securities brokers. The Company conducted centralized and unified management on brokers and established a perfect management system for securities brokers, covering qualification management of securities brokers, agency contract management, pre-job training and follow-up vocational training, certificate management and information inquiry, code of practice, risk control, performance evaluation and remuneration payment, and achieved the centralized and unified management of securities brokers. The securities branches were responsible for the daily management of securities brokers.

In the Reporting period, while maintaining effective operation of the basic management system of securities brokers, the Company kept on reinforcing the management of securities broker business of our branches, gained insight into the developing situation of securities broker team in each branch, and optimized relevant daily management procedure of securities brokers. As at the end of the reporting period, the number of securities brokers of our Company reached 373.

SECTION 9 CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE

Being a public company listed in both Mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations and normative documents at the listing place and in the Chinese Mainland, and is committed to maintaining and improving its good social image. According to the Company Law, Securities Law and other laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the general meeting, Board, Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, so as to ensure regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate, timely and complete; management of investor relations is efficient and practical; and corporate governance is based on scientific, rigorous and normative procedures. From the listing date to the end of the Reporting period, the Company strictly complied with all articles of the Corporate Governance Code and met requirements for most recommended best practices specified in the Corporate Governance Code.

There is no significant difference between corporate governance and requirements of relevant provisions of CSRC.

II. SUMMARY OF GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of the resolution	Date of disclosure of the publication of resolution
1st Extraordinary General Meeting 2016	23 March 2016	http://www.hkexnews.hk	23 March 2016
1st Domestic Share Class Meeting 2016	23 March 2016	http://www.hkexnews.hk	23 March 2016
1st H Shares class meeting 2016	23 March 2016	http://www.hkexnews.hk	23 March 2016
Annual General Meeting 2015	9 May 2016	http://www.hkexnews.hk	9 May 2016
2nd Extraordinary General Meeting 2016	13 October 2016	http://www.hkexnews.hk	13 October 2016
3rd Extraordinary General Meeting 2016	18 November 2016	http://www.hkexnews.hk	18 November 2016
2nd Domestic Share Class Meeting 2016	18 November 2016	http://www.hkexnews.hk	18 November 2016
2nd H Shares class meeting 2016	18 November 2016	http://www.hkexnews.hk	18 November 2016



SECTION 9 CORPORATE GOVERNANCE

General meetings

During the Reporting period, the Company convened 8 general meetings in total, including 1 annual general meeting, 3 extraordinary general meetings, 2 Domestic share class meetings and 2 H share class meetings, with the information about the meetings and resolutions set out as follows:

1. Central China Securities Co., Ltd. convened the 1st extraordinary general meeting 2016 on 23 March 2016, and considered and approved Proposal on the Analytical Opinions of the Board on the Feasibility of Investment Projects Using Proceeds from the Initial Public Offering of A Shares of Central China Securities Co., Ltd.; Proposal on Implementation of the Guiding Opinions of CSRC in relation to matters relevant to Dilution of Current Returns by Initial Public Offering, Refinancing and Material Assets Reorganisation; Proposal on the Amendments to the Articles of Association of Central China Securities Co., Ltd.; Proposal on the Amendments to the "Articles of Association (Draft) of Central China Securities Co., Ltd."; Proposal on the Amendments to "Rules of Procedures for the General Meeting of Central China Securities Co., Ltd." and Proposal on the Amendments to "Rules of Procedures for the Board Meeting of Central China Securities Co., Ltd.";
2. Central China Securities Co., Ltd. convened the 1st Domestic Shares class meeting 2016 on 23 March 2016, and considered and approved Proposal on the Analytical Opinions of the Board on the Feasibility of Investment Projects Using Proceeds from the Initial Public Offering of A Shares of Central China Securities Co., Ltd.; Proposal on Implementation of the Guiding Opinions of CSRC in relation to matters relevant to Dilution of Current Returns by Initial Public Offering, Refinancing and Material Assets Reorganisation and Proposal on the Amendments to the "Articles of Association (Draft) of Central China Securities Co., Ltd.";
3. Central China Securities Co., Ltd. convened the 1st H Shares class meeting 2016 on 23 March 2016, and considered and approved Proposal on the Analytical Opinions of the Board on the Feasibility of Investment Projects Using Proceeds from the Initial Public Offering of A Shares of Central China Securities Co., Ltd.; Proposal on Implementation of the Guiding Opinions of CSRC in relation to matters relevant to Dilution of Current Returns by Initial Public Offering, Refinancing and Material Assets Reorganisation and Proposal on the Amendments to the "Articles of Association (Draft) of Central China Securities Co., Ltd.";

SECTION 9 CORPORATE GOVERNANCE

4. Central China Securities Co., Ltd. convened the annual general meeting 2015 on 9 May 2016, and considered and approved the 2015 Annual Working Report of the Board of Central China Securities Co., Ltd., 2015 Annual Working Report of the Supervisory Committee of Central China Securities Co., Ltd., Proposal on Impairment Provision for Financial Assets Available-For-Sale of Central China Securities Co., Ltd., Proposal on Considering the Annual Report 2015 of Central China Securities Co., Ltd., 2015 Final Accounts Report of Central China Securities Co., Ltd., Profit Distribution Plan of Central China Securities Co., Ltd. for the Year of 2015, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Domestic Auditing Firm for the Year of 2016, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Overseas Auditing Firm for the Year of 2016, 2015 Annual Working Report of Independent Director (the independent director Yuan Dejun) of Central China Securities Co., Ltd., 2015 Annual Working Report of Independent Director (the independent director Yuen Chi Wai) of Central China Securities Co., Ltd., 2015 Annual Working Report of Independent Director (the independent director Ning Jincheng) of Central China Securities Co., Ltd., 2015 Annual Working Report of Independent Director (the independent director Yu Xugang) of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Directors in 2015 of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Supervisors in 2015 of Central China Securities Co., Ltd., Proposal on the Amendment to "Assessment and Award Colligation Mechanism Plan of Central China Securities Co., Ltd.", Proposal on the Revocation of the "Implementation Rules for Awards Distribution of Central China Securities Co., Ltd.", Proposal on Matters relating to Remuneration of the Directors of Central China Securities Co., Ltd. and Proposal on Matters relating to Remuneration of the Supervisors of Central China Securities Co., Ltd.;
5. Central China Securities Co., Ltd. convened the 2nd extraordinary general meeting 2016 on 13 October 2016, and considered and approved the Distribution Plan for Interim Profit of Central China Securities Co., Ltd. for 2016, and the Proposal on Electing Xie Junsheng as Supervisor of the Fifth Session of the Supervisory Committee of Central China Securities Co., Ltd.;
6. Central China Securities Co., Ltd. convened the 3rd extraordinary general meeting 2016 on 18 November 2016, and considered and approved Proposal on the extension for A Share Issue proposal and the Validity Period of the authorization in relation to the Issue, Proposal on the Amendments to the Articles of Association of Central China Securities Co., Ltd., and Proposal on the Amendments to the Articles of Association (Draft) for Use after the Listing of A shares of Central China Securities Co., Ltd.;
7. Central China Securities Co., Ltd. convened the 2nd Domestic Shares class meeting 2016 on 18 November 2016, and considered and approved Proposal on the extension for A Share Issue proposal and the Validity Period of the authorization in relation to the Issue, and Proposal on the Amendments to the Articles of Association (Draft) for Use after the Listing of A shares of Central China Securities Co., Ltd.;



SECTION 9 CORPORATE GOVERNANCE

8. Central China Securities Co., Ltd. convened the 2nd H Shares class meeting 2016 on 18 November 2016, and considered and approved Proposal on the extension for A Share Issue proposal and the Validity Period of the authorization in relation to the Issue, and Proposal on the Amendments to the Articles of Association (Draft) for Use after the Listing of A shares of Central China Securities Co., Ltd.;

III. PERFORMANCE OF DUTIES OF DIRECTORS

Powers and duties of the Board and the management have been specified in the Articles of Association of the Company to ensure adequate restrictive and balance mechanism for sound corporate governance and internal control. The Board is responsible for: convening the general meeting; implementing the resolutions of the general meeting; resolving on the Company's business plans and investment plans; formulating the Company's profit distribution proposal and loss recovery proposal; formulating proposals for the increase or reduction of the Company's registered capital and for the issuance of the Company's debentures; drawing up plans for any substantial acquisition, purchase of the Company's shares or the merger, division, dissolution and transformation of the Company; deciding on the setup of Company's internal management bodies and branches; appointing or removing the Company's president, secretary to the Board, chief compliance officer and auditor-in-charge according to the nomination by the chairman and determining their remunerations; appointing or removing vice president and chief financial officer and other senior management according to the nomination by the president and determining their remunerations; drafting the basic management system of the Company. The management of the Company is responsible for exercising various resolutions of the Board, implementing the Company's annual business plans and investment plans, carrying out the Company's financial budgets, formulating the Company's specific rules, and determining the appointment and dismissal of employees.

SECTION 9 CORPORATE GOVERNANCE

(1) Composition of the Board

Currently the Company's Board comprises 11 Directors, including 2 executive Directors (Mr. Jian Mingjun (the Chairman) and Mr. Zhou Xiaoquan), 5 non-executive Directors (Mr. Li Xingjia, Mr. Wang Lixin, Mr. Zhang Qiang, Mr. Zhang Xiaoqi, and Mr. Yu Zeyang) and 4 independent non-executive Directors (Mr. Yuan Dejun, Mr. Yuen Chi Wai, Mr. Ning Jincheng, and Mr. Yu Xugang). Mr. Jian Mingjun is the Chairman and executive Director of the Company and Mr. Zhou Xiaoquan is the executive Director and President of the Company. No Directors, Supervisors and senior management have any relations among one another (including financial, business, family or other material or related relations).

Directors shall be elected at general meetings. The term of the Board shall be three years, and may seek re-election upon expiry of the said term. The Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. The Company further confirmed respective non-executive Directors' independence from the Company.

During the reporting period, to further facilitate Directors, Supervisors and senior management to fully and diligently fulfill their duties, the Company purchased liability insurance for Directors, Supervisors and senior management to control potential legal and regulatory risks that may arise in their performance of duties.

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third in number of members of the Board. Four independent non-executive Directors of the Company are fully qualified as specified in the requirements of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong Listing Rules.



SECTION 9 CORPORATE GOVERNANCE

(II) DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS

Name of Directors	Whether or not an independent director	Number of attendances at board meetings	Attendance at board meetings				Absent twice in a row (in person)	Attendance at general meetings
			Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absences		Attendance
Jian Mingjun	No	18	18	17	0	0	No	8
Zhou Xiaoquan	No	18	18	17	0	0	No	5
Li Xingjia	No	18	18	17	0	0	No	8
Wang Lixin	No	18	18	17	0	0	No	0
Zhang Qiang	No	18	18	17	0	0	No	0
Zhang Xiaoqi	No	18	18	17	0	0	No	3
Yu Zeyang	No	18	18	17	0	0	No	0
Yuan Dejun	Yes	18	18	17	0	0	No	0
Yuen Chi Wai	Yes	18	18	17	0	0	No	4
Ning Jincheng	Yes	18	18	17	0	0	No	4
Yu Xugang	Yes	18	18	17	0	0	No	4
Number of board meetings convened during the year				18				
Among all: number of meetings held on site				1				
number of meetings held through communication				17				
number of meeting held on site with communication				0				

The Board convenes meetings on a regular basis and at least four board meetings will be held each year. The agenda and enclosed documents relating to the board meeting will be sent to all Directors at least three days before the board meeting is planned to be held. Each Director shall have the right to have access to documents relating to the board meeting and other relevant documents and to listen to advice provided by the Company Secretary and receive his/her services. The Directors may also seek independent professional opinions. The minutes shall be kept by the company secretary. After conclusion of a board meeting, the initial and finalized minutes shall be sent to all the directors in due time, with the initial ones to be commented on by the Directors and the final ones to be recorded.

SECTION 9 CORPORATE GOVERNANCE

During the Reporting period, the Board convened a total of 18 meetings as follows, and the details and resolution passed are:

1. Central China Securities Co., Ltd. convened the 9th meeting of the 5th session of the Board on 19 January 2016, and considered and approved Proposal on Fang Jianmin and Zhao Jizeng's Cessation as Vice President of Central China Securities Co., Ltd. and Proposal on Recognizing Connected Transactions of Central China Securities Co., Ltd. for the Past Three Years and the Most Recent Connected Transactions;
2. Central China Securities Co., Ltd. convened the 10th meeting of the 5th session of the Board on 2 February 2016, and considered and approved Proposal on the Analytical Opinions of the Board on the Feasibility of Investment Projects Using Proceeds from the Initial Public Offering of A Shares of Central China Securities Co., Ltd.; Proposal on Implementation of the Guiding Opinions of CSRC in relation to matters relevant to Dilution of Current Returns by Initial Public Offering, Refinancing and Material Assets Reorganisation; Proposal on the Amendments to the Articles of Association of Central China Securities Co., Ltd.; Proposal on the Amendments to the "Articles of Association (Draft) of Central China Securities Co., Ltd."; Proposal on the Amendments to "Rules of Procedures for the General Meeting of Central China Securities Co., Ltd.", Proposal on the Amendments to "Rules of Procedures for the Board Meeting of Central China Securities Co., Ltd." and Proposal on Convening of the 1st Extraordinary General Meeting, 1st Domestic Shares Class Meeting and 1st H Shares Class Meeting of Central China Securities Co., Ltd. in 2016;
3. Central China Securities Co., Ltd. convened the 11th meeting of the 5th session of the Board on 9 February 2016, and considered and approved Proposal of Central China Securities Co., Ltd. on Capital Increase into Central China International Financial Holdings Company Limited and Proposal of Central China Securities Co., Ltd. on the Determination of Risk Preference and Tolerance for the Year of 2016;
4. Central China Securities Co., Ltd. convened the 12th meeting of the 5th session of the Board on 18 March 2016, and considered and approved the 2015 Annual Working Report of the Board of Central China Securities Co., Ltd., 2015 Annual Working Report of the President of Central China Securities Co., Ltd., Proposal on Impairment Provision for Financial Assets Available-For-Sale of Central China Securities Co., Ltd., Annual Results Announcement for the Year Ended 31 December 2015 of Central China Securities Co., Ltd., Proposal on Considering the Annual Report 2015 of Central China Securities Co., Ltd., 2015 Final Accounts Report of Central China Securities Co., Ltd., Profit Distribution Plan of Central China Securities Co., Ltd. for the Year of 2015, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Domestic Auditing Firm for the Year of 2016, Proposal of Central China Securities Co., Ltd. on the Re-appointment of Overseas Auditing Firm for the Year of 2016, 2015 Annual Working Report of Independent Director (Yuan Dejun) of Central China Securities Co., Ltd., 2015 Annual Working Report of Independent Director (Yuen Chi Wai) of Central China Securities Co., Ltd., 2015 Annual Working Report of Independent Director (Ning Jincheng) of Central China Securities Co., Ltd., 2015 Annual Working Report of Independent Director (Yu Xugang) of Central China Securities Co., Ltd., 2015 Annual Work Report of Employees Hired by the Board of Central China Securities Co., Ltd., 2015 Annual



SECTION 9 CORPORATE GOVERNANCE

Working Report of the Board's Development and Strategy Committee of Central China Securities Co., Ltd., 2015 Annual Working Report of the Board's Risk Control Committee of Central China Securities Co., Ltd., 2015 Annual Working Report of the Board's Audit Committee of Central China Securities Co., Ltd., 2015 Annual Working Report of the Board's Remuneration and Nomination Committee of Central China Securities Co., Ltd., 2015 Internal Control Self-assessment Report of Central China Securities Co., Ltd., Explanation of the Remuneration and Evaluation of Directors in 2015 of Central China Securities Co., Ltd., Proposal on the Amendment to "Assessment and Award Colligation Mechanism Plan of Central China Securities Co., Ltd.", Proposal on the Revocation of the "Implementation Rules for Awards Distribution of Central China Securities Co., Ltd.", Proposal on the Establishment of the "Implementation Plans for Awards Distribution of Central China Securities Co., Ltd.", Proposal on Matters relating to Remuneration of the Directors of Central China Securities Co., Ltd., Proposal on Matters relating to Remuneration of the Senior Management of Central China Securities Co., Ltd., Proposal on the Amendments to "Salary System of Central China Securities Co., Ltd." and Proposal on Convening of the 2015 Annual General Meeting of Central China Securities Co., Ltd.;

5. Central China Securities Co., Ltd. convened the 13th meeting of the 5th session of the Board on 19 March 2016, and considered and approved Proposal on Budget of Investment Plans for 2016 of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on the Change of Names and Adjustment of Roles and Responsibilities of Derivative Brokerage Business Department, Proposal of Central China Securities Co., Ltd. on the Establishment of the Fourth Business Department and the Fifth Business Department for Investment Banking Business, Resolution on Negotiating the Transfer by Agreement of the Capital Contributions of Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. Held by Zhongding Kaiyuan Venture Capital Management Co., Ltd., Proposal on Considering Financial Reports for the Past Three years of Central China Securities Co., Ltd. and Proposal on Recognizing Connected Transactions of Central China Securities Co., Ltd. for the Past Three Years;
6. Central China Securities Co., Ltd. convened the 14th meeting of the 5th session of the Board on 13 April 2016, and considered and approved Proposal on Applying for the Establishment of Nine Branches by Central China Securities Co., Ltd., the Resolution of Central China Securities Co., Ltd. on Capital Increase into Central China Blue Ocean Investment Management Company Limited, Proposal on External Donation in 2016 of Central China Securities Co., Ltd., 2015 Compliance Report of Central China Securities Co., Ltd. and Working Proposal of Central China Securities Co., Ltd. on Improving Quality and Efficiency;
7. Central China Securities Co., Ltd. convened the 15th meeting of the 5th session of the Board on 30 April 2016, and considered and approved Proposal of Central China Securities Co., Ltd. on Establishing Laboratory of the Company and Proposal of Central China Securities Co., Ltd. on Establishing Market Making Business Department of the Company;

SECTION 9 CORPORATE GOVERNANCE

8. Central China Securities Co., Ltd. convened the 16th meeting of the 5th session of the Board on 4 May 2016, and considered and approved Proposal of Central China Securities Co., Ltd. on the Capital Increase Zhongding Kaiyuan Venture Capital Management Co., Ltd.
9. Central China Securities Co., Ltd. convened the 17th meeting of the 5th session of the Board on 4 June 2016, and considered and approved Proposal on the Amendments to “Share Price Stabilization Plan for the Initial Public Offering of Ordinary Shares Denominated in RMB (A shares) of Central China Securities Co., Ltd.” and Proposal of Central China Securities Co., Ltd. on the First External Donation in 2016;
10. Central China Securities Co., Ltd. convened the 18th meeting of the 5th session of the Board on 28 June 2016, and considered and approved Proposal of Central China Securities Co., Ltd. on Donation to Henan Foundation for Poverty Alleviation and Proposal of Central China Securities Co., Ltd. on the Establishment of the Sixth Business Department and the Seventh Business Department for Investment Banking Business;
11. Central China Securities Co., Ltd. convened the 19th meeting of the 5th session of the Board on 22 August 2016, and considered and approved the Proposal of Central China Securities Co., Ltd. on Distribution of Interim Profit in 2016, Interim Results Announcement for the Six Months Ended 30 June 2016 of Central China Securities Co., Ltd., Interim Report 2016 of Central China Securities Co., Ltd., Proposal on Considering the Financial Reports for the Past Three Years and Latest Period of Central China Securities Co., Ltd., Interim Compliance Report 2016 of Central China Securities Co., Ltd., Proposal on Applying for the Establishment of Four Branches by Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on Convening of the 2nd Extraordinary General Meeting in 2016 and Proposal on Not Changing an Impairment Provision for Financial Assets Available-For-Sale of Central China Securities Co., Ltd.;
12. Central China Securities Co., Ltd. convened the 20th meeting of the 5th session of the Board on 3 September 2016, and considered and approved Proposal of Central China Securities Co., Ltd. on Central China International Financial Holdings Company Limited Taking the Lead to Establish a Hong Kong Listing Company, Proposal of Central China Blue Ocean Investment Management Company Limited on Establishing Central China Micro-lending Company Limited (中原小額貸款股份有限公司), Proposal on Recognizing Connected Transactions of Central China Securities Co., Ltd. for the Past Three Years and the Most Recent Connected Transactions, Proposal on Appointing Xu Haijun as Vice President of Central China Securities Co., Ltd., Proposal on Appointing Xie Xuezhu as Vice President of Central China Securities Co., Ltd. and Proposal of Central China Securities Co., Ltd. on Donation to Yiyang County, Luoyang City, Henan Province;



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13. Central China Securities Co., Ltd. convened the 21st meeting of the 5th session of the Board on 26 September 2016, and considered and approved Proposal of China Securities Finance Co., Ltd. on Increasing Investment in Zhongding Kaiyuan Venture Capital Management Co., Ltd. and Proposal of Central China Securities Co., Ltd. on Donation to Lankao Enterprise Association for Poverty Alleviation (蘭考扶貧企業聯合會);
14. Central China Securities Co., Ltd. convened the 22nd meeting of the 5th session of the Board on 29 September 2016, and considered and approved Proposal on the extension for A Share Issue proposal and the Validity Period of the authorization in relation to the Issue, Proposal of Central China Securities Co., Ltd. on the Amendments to the Articles of Association and the Articles of Association (Draft) for Use after the Listing of A shares and Proposal on Convening of the 3rd Extraordinary General Meeting, 2nd Domestic Shares Class Meeting and 2nd H Shares Class Meeting of Central China Securities Co., Ltd. in 2016;
15. Central China Securities Co., Ltd. convened the 23rd meeting of the 5th session of the Board on 16 November 2016, and considered and approved the Report on Review for January to September 2016 of Central China Securities Co., Ltd.;
16. Central China Securities Co., Ltd. convened the 24th meeting of the 5th session of the Board on 7 December 2016, and considered and approved the Proposal on Improving the Assessment and Award Colligation Mechanism Plan of Central China Securities Co., Ltd., Proposal of Central China Securities Co., Ltd. on Determining Designated Accounts for Proceeds Raised and Proposal of Central China Securities Co., Ltd. on Establishing Assets Custody Department;
17. Central China Securities Co., Ltd. convened the 25th meeting of the 5th session of the Board on 12 December 2016, and considered and approved Proposal on Promotion and Establishment of Henan Life Insurance Company of Central China Securities Co., Ltd.;
18. Central China Securities Co., Ltd. convened the 26th meeting of the 5th session of the Board on 17 December 2016, and considered and approved Proposal of Central China Securities Co., Ltd. on Determining Designated Accounts for Proceeds Raised.

SECTION 9 CORPORATE GOVERNANCE

(III) OBJECTIONS FROM INDEPENDENT DIRECTORS TO ISSUES OF THE COMPANY

During the Reporting Period, independent non-executive Directors of the Company had no objections to the matters considered by the Board and special committees of the Board. For details please refer to 2016 Annual Work Report of Independent Directors of Central China Securities Co., Ltd. disclosed by the Company on the website of the SSE (<http://www.sse.com.cn>).

(IV) DIRECTORS' TRAINING

The Company attaches great importance to the continuous training for Directors to ensure that Directors have adequate knowledge of the Company's operations and businesses and their duties imposed by CSRC, the SSE, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations. During the Reporting Period, trainings for Directors are specified as follows:

1. In August 2016, Mr. Jian Mingjun and Mr. Zhou Xiaoquan received subsequent online trainings for securities practitioner organized by Securities Association of China;
2. In December 2016, Mr. Jian Mingjun, Mr. Zhou Xiaoquan, Mr. Li Xingjia, Mr. Wang Lixin, Mr. Zhang Qiang, Mr. Zhang Xiaoqi, Mr. Yu Zeyang, Mr. Yuan Dejun, Mr. Yuen Chi Wai, Mr. Ning Jincheng and Mr. Yu Xugang received compliance training regarding Hong Kong-listed companies, and the training content is about the disclosure of inside information.



SECTION 9 CORPORATE GOVERNANCE

IV. CHAIRMAN AND PRESIDENT

The positions of the chairman and president of the Company are taken by different persons, so as to guarantee the independence of their duties and balance of authorization. Mr. Jian Mingjun serves as the chairman of the Board and Mr. Zhou Xiaoquan serves as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

The chairman of the Board is the legal representative of the Company. The chairman Mr. Jian Mingjun leads the Board in determining the Company's development strategy to guarantee the effective operation and duty fulfillment of the Board, and fully discuss the issues within the scope of the Board's duties, so as to ensure that the Directors can acquire true, accurate and complete information for making decisions in time, the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the best interest of the Company and its Shareholders. Mr. Zhou Xiaoquan, the president, manages the business operations of the Company, organises execution of the Board's resolutions, and reports relevant work to the Board.

V. DUTY PERFORMANCE OF SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

(I) COMPOSITION OF SPECIAL COMMITTEES UNDER THE BOARD

The Development and Strategy Committee, Risk Control Committee, Remuneration and Nomination Committee and Audit Committee have been established under the 5th session of the Board of the Company. The committees shall, within their terms of reference specified in the rules of procedure, assist the Board in work, be accountable to the Board, and report their work to the Board.

1. Development and Strategy Committee

Chairperson: Jian Mingjun

Members: Zhou Xiaoquan, Li Xingjia, Wang Lixin and Zhang Qiang

2. Risk Control Committee

Chairperson: Jian Mingjun

Members: Yu Zeyang and Ning Jincheng

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3. Remuneration and Nomination Committee

Chairperson: Yuan Dejun

Members: Zhou Xiaoquan, Zhang Xiaoqi, Yuen Chi Wai and Yu Xugang

4. Audit Committee

Chairperson: Yuen Chi Wai

Members: Yuan Dejun and Zhang Qiang

(II) DUTIES OF SPECIAL COMMITTEES UNDER THE BOARD AND THEIR MEETINGS

1. Duty Performance of the Development and Strategy Committee:

During the Reporting period, the Development and Strategy Committee conducted in-depth researches, discussions and argumentation concerning the listing of A Shares, business plans, foreign investment, profit distribution and setting of organization structure, which effectively assisted the Board in work. The main duties of the Development and Strategy Committee are: studying the Company's medium and long-term development strategy plans and proposing suggestion; studying major investment financing programs which are required to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying major capital operation and assets management projects which are required to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying other important matters affecting the Company's development and making recommendation; and performing other duties authorized by the Board. For details about duties of Development and Strategy Committee, please refer to Terms of Reference of the Board's Development and Strategy Committee of Central China Securities Co., Ltd., which have been published on the Company's website. During the Reporting Period, the Development and Strategy Committee held one meeting, in which Proposal on Promotion and Establishment of Henan Life Insurance Company of Central China Securities Co., Ltd. was considered and approved.

Attendance of committee members

Name of member	Number of meetings required to attend	Number of meetings actually attended
Jian Mingjun	1	1
Zhou Xiaoquan	1	1
Li Xingjia	1	1
Wang Lixin	1	1
Zhang Qiang	1	1



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2. Duty Performance of the Risk Control Committee:

During the Reporting period, the Risk Control Committee actively fulfilled its duties and focused on studying the Company's compliance management and risk management matters, which supported the Board in decision making. The main duties of the Risk Control Committee are: reviewing and opining on overall objectives and basic policies of compliance management and risk management; reviewing and opining on establishment of specific departments and duties of compliance management and risk management; evaluating and opining on the risk of major decisions approved by the Board and solution to eliminating such major risk; reviewing the Company's risk management and internal control system; reviewing and opining on compliance reports and risk evaluation reports approved by the Board; formulating the Company's corporate governance policies, reviewing the implementation and making suggestion to the Board; reviewing and supervising Directors and senior management's training and their continuing professional development; reviewing and supervising whether Company's policies is in compliance with laws and supervisory regulations, and the implementation; reviewing the Company's compliance with the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules and relevant disclosure in the Corporate Governance Report, including but not limited to how to perform the duties of reviewing the risk management and internal control system and the effectiveness of the Company's internal audit functions; other duties specified by the Articles of Association. The duties of the Risk Control Committee are specified in the Terms of Reference for Risk Control Committee of the Board of Central China Securities Co., Ltd., which was published on the Company's website.

Attendance of committee members

Name of member	Number of meetings required to attend	Number of meetings actually attended
Jian Mingjun	1	1
Yu Zeyang	1	1
Ning Jincheng	1	1

3. Duty Performance of the Remuneration and Nomination Committee:

During the Reporting period, the Remuneration and Nomination Committee held two meetings, focusing on studying the election of the Company's Directors and chairman, the appointment of senior management like president, vice president, chief financial officer, audit-in-charge, chief compliance officer, secretary to the Board and chief risk officer and giving suggestions to the Board. The meetings of the Remuneration and Nomination Committee were as follows:

- (1) The committee convened the 1st meeting of 2016 on 19 January 2016, and considered and approved Proposal on Fang Jianmin and Zhao Jizeng's Cessation as Vice President of Central China Securities Co., Ltd., which was submitted to the Board for consideration.
- (2) The committee convened the 2nd meeting of 2016 on 10 August 2016, and considered and approved Proposal on appointing Xu Haijun as Vice President of Central China Securities Co., Ltd. and Proposal on appointing Xie Xuezhong as Vice President of Central China Securities Co., Ltd., which were submitted to the Board for consideration.

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The major duties of the Remuneration and Nomination Committee are: evaluating the remuneration structure and policies of the directors and senior management of the Company, and making recommendation to the Board as to the establishment of proper and transparent formulation procedures of the remuneration policy; examining and making recommendation to the Board as to the remuneration policies, structure and formulation procedures of the remuneration policy of the directors, supervisors and senior management of the Company (Formulation procedures of remuneration policy shall be proper and transparent); making recommendations to the Board on the remuneration of the non-executive directors; making recommendations to the Board on the remuneration of individual executive director and senior management, or making decision on remuneration with powers delegated by the Board (the above-mentioned remuneration includes non-monetary benefit, retirement allowance and compensation); reviewing and approving compensation arrangement in relation to the dismissal or removal of the directors, supervisors and senior management, ensuring such compensation is consistent with the terms of the agreements; ensuring the compensation be fair and reasonable should such compensation fail to be consistent; reviewing and approving compensation arrangement in relation to dismissal or removal of the directors due to the misconduct, ensuring such arrangement is consistent with the terms of the agreements; ensuring the compensation be reasonable and proper should such compensation fail to be consistent; investigating and examining the appraisal and remuneration management system for the directors, supervisors, senior management, and supervising the implementation; conducting appraisal of the directors and senior management and giving suggestions; investigating and determining the selection criteria and procedures of the directors and senior management; conducting searches to select qualified candidates for the directors and senior management, and making recommendation to the Board in regards to selecting and nominating such candidates; when selecting candidates, the committee shall consider the merits of the candidates, review measurable targets, and give due consideration to the benefit of diversification of the Board and senior management; recommending candidates for independent non-executive director and principal management and operation officers; and examining the qualification of candidates for other directors and senior management and giving suggestions; examining the structure, number, composition and diversification of the Board at least annually; and giving suggestion on any proposed change of the Board to match with the Company's strategy; giving suggestion to the Board on appointment or reappointment and succession plan of the directors and senior management, thereamong, duly considering the Company's corporate strategy and personnel skills, knowledge, experience and personal diversification demand and other combined factors required in the future with the Board; reviewing the diversification policy of the Board and measurable target formulated by the Board to implement the diversification policy, and supervising the progress of reaching the standard; examining the independence of the independent non-executive directors; and other duties authorized by the Board. The duties of the Remuneration and Nomination Committee are specified in the Terms of Reference for Remuneration and Nomination Committee of the Board of Central China Securities Co., Ltd., which was published on the Company's website.

Attendance of committee members

Name of member	Number of meetings required to attend	Number of meetings actually attended
Zhou Xiaoquan	2	2
Zhang Xiaoqi	2	2
Yuan Dejun	2	2
Yuen Chi Wai	2	2
Yu Xugang	2	2



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4. Duty Performance of the Audit Committee:

During the Reporting period, the Audit Committee had convened two meetings, focusing on discussing the Company's results announcement for the year ended 31 December 2015, 2015 annual report, distribution of profits for 2015, re-appointment of domestic and overseas auditing firms, the 2015 annual working report of the Audit Committee of the Board and giving suggestions to the Board. The Audit Committee of the Board has held a meeting with the external auditing firm in the absence of the management. The meetings of the Audit Committee were as follows:

- (1) The Board's Audit Committee held the 1st meeting of 2016 on 18 March 2016, and considered and approved Proposal on Impairment Provision for Financial Assets Available-For-Sale of Central China Securities Co., Ltd.; Annual Results Announcement for the Year Ended 31 December 2015 of Central China Securities Co., Ltd.; Proposal on Considering and Approving the Annual Report for the year of 2015 of Central China Securities Co., Ltd.; Final Accounts Report for the year of 2015 of Central China Securities Co., Ltd.; Proposal on Profits Distribution Plan for 2015 of Central China Securities Co., Ltd.; Proposal on Re-appointing Domestic Auditing Firm for 2016 of Central China Securities Co., Ltd.; Proposal on Re-appointing International Auditing Firm for 2016 of Central China Securities Co., Ltd. and 2015 Annual Working Report of the Audit Committee of the Board of Central China Securities Co., Ltd., which were submitted to the Board for consideration.
- (2) The Board's Audit Committee held the 2nd meeting of 2016 on 22 August 2016, and considered and approved Proposal on Interim Profits Distribution Plan for 2016 of Central China Securities Co., Ltd.; Interim Results Announcement for the Six Months Ended 30 June 2016 of Central China Securities Co., Ltd.; 2016 Interim Report of Central China Securities Co., Ltd.; Proposal on Considering Financial Reports for the past 3 years and the Most Recent Financial Report of Central China Securities Co., Ltd.; Proposal on Default on Pledge-style Repurchase of Shares Trading Business by Henan Xingye Guarantee Credit Co., Ltd. (河南興業擔保有限公司), a customer of Zhengzhou Weier Road Securities Branch of Central China Securities Co., Ltd.; and Explanation of the status of the "Da Cheng Xi Yellow River Bridge Specified Asset Management Scheme" of Central China Securities Co., Ltd., which were submitted to the Board for consideration.

SECTION 9 CORPORATE GOVERNANCE

The major duties and authorities of the Audit Committee are: supervising and evaluating the Company's internal auditing; making recommendation to the appointment, re-appointment or replacement of the external auditing firm; examining and supervising the independence and objectiveness of the external auditing firm as well as the effectiveness of auditing process in accordance with the applicable standards; being responsible for the communication between internal and external auditing; conducting auditing of the Company's financial information and relevant disclosure; supervising the Company's financial reporting system, risk management and internal control system; reviewing the duties of the risk management and internal control system, the effectiveness of the internal audit function and reporting on the other responsibilities set out in the Corporate Governance Code, and other duties specified by the Articles of Association. The duties of the Audit Committee are specified in Terms of Reference for Audit Committee of the Board of Central China Securities Co., Ltd., which was published on the Company' website and hkexnews website.

Attendance of committee members

Name of member	Number of meetings required to attend	Number of meetings actually attended
Zhang Qiang	2	2
Yuan Dejun	2	2
Yuen Chi Wai	2	2

VI. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTY

The Supervisory Committee shall be accountable to the general meetings. Its main duties and authorities are to examine the Company's regular reports prepared by the Board and produce written opinions thereon; to examine financial operations of the Company; to supervise the Board's establishment and implementation of internal control; to supervise the work performance of the Directors and senior management, and propose dismissal of directors and senior management who have violated laws and regulations, the Articles of Association or the resolutions of general meetings; to initiate legal proceedings against directors and senior management in accordance with the laws; to formulate remuneration plan and distribution plan for Supervisors and submit specific reports on performance evaluation and remuneration of supervisors to the general meeting; and to exercise other functions and powers specified in the Articles of Association or authorized by the general meeting.

The Supervisory Committee of the Company has no objection to matters under supervision during the Reporting Period.



SECTION 9 CORPORATE GOVERNANCE

(I) SUPERVISORS' ATTENDANCE AT MEETINGS OF THE SUPERVISORY COMMITTEE AND GENERAL MEETINGS

Name of Supervisors	Whether or not an independent Supervisor	Attendance at meetings of the Supervisory Committee						Absent twice in a row (in person)	Attendance at general meetings
		Number of attendances at meetings of the Supervisory Committee	Number of attendances in person	Number of attendances through communication	Number of attendances by proxy	Number of absences			
Lu Zhili	No	8	8	7	0	0	No	4	
Wang Jinchang	No	8	8	7	0	0	No	1	
Yan Changkuan	No	8	6	5	0	2	No	0	
Cui Yuanfeng	No	5	5	4	1	0	No	0	
Xiang Siying	Yes	8	8	7	1	0	No	0	
Lee Kit Ying	Yes	4	3	2	1	1	No	0	
Xia Xiaoning	Yes	4	4	4	0	0	No	0	
Wang Jing	No	8	8	7	0	0	No	8	
Han Junyang	No	8	8	7	0	0	No	5	
Lai Bulian	No	8	8	7	0	0	No	1	
Xie Junsheng	No	1	1	1	0	0	No	0	
Number of meetings of the Supervisory Committee convened during the year				8					
Among all: number of meetings held on site				1					
number of meetings held through communication				7					
number of meeting held on site with communication				0					

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(II) OTHERS

The Supervisory Committee performs its duties according to relevant laws and regulations and the Articles of Association. The Supervisory Committee convened 8 meetings during the Reporting period, namely:

1. On 19 January 2016, the Company convened the 4th meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on Connected Transactions for the past 3 years and the Most Recent Connected Transactions of Central China Securities Co., Ltd..
2. On 17 March 2016, the Company convened the 5th meeting of the 5th session of the Supervisory Committee and considered and approved 2015 Annual Working Report of the Supervisory Committee of Central China Securities Co., Ltd.; Final Accounts Report for the year of 2015 of Central China Securities Co., Ltd.; Proposal on Profits Distribution Plan for 2015 of Central China Securities Co., Ltd.; Proposal on Impairment Provision for Financial Assets Available-For-Sale of Central China Securities Co., Ltd.; Annual Results Announcement for the Year Ended 31 December 2015 of Central China Securities Co., Ltd.; Proposal on Considering and Approving Annual Report for the year of 2015 of Central China Securities Co., Ltd.; 2015 Internal Control Self-assessment Report of Central China Securities Co., Ltd.; Proposal on Matters regarding Remuneration of Supervisors of Central China Securities Co., Ltd. and Explanation of the Remuneration and Evaluation of Supervisors in 2015 of Central China Securities Co., Ltd..
3. On 14 March 2016, the Company convened the 6th meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on Budget of Investment Plans for 2016 of Central China Securities Co., Ltd.; Proposal on Considering and Approving the Financial Reports of Central China Securities Co., Ltd. for the Latest Three Years and Proposal on Recognizing Connected Transactions of Central China Securities Co., Ltd. for the Latest Three Years.
4. On 8 April 2016, the Company convened the 7th meeting of the 5th session of the Supervisory Committee and considered and approved 2015 Compliance Report of Central China Securities Co., Ltd.
5. On 23 June 2016, the Company convened the 8th meeting of the 5th session of the Supervisory Committee and considered and approved the Annual Risk Management Report of Central China Securities Co., Ltd. (2015) and the Audit Report of Central China Securities Co., Ltd. (2015).



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6. On 8 August 2016, the Company convened the 9th meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on Interim Profits Distribution Plan for 2016 of Central China Securities Co., Ltd.; Interim Results Announcement for the Six Months Ended 30 June 2016 of Central China Securities Co., Ltd.; 2016 Interim Report of Central China Securities Co., Ltd.; Proposal on Considering and Approving Financial Reports in the Past 3 Years and the Most Recent Financial Report of Central China Securities Co., Ltd.; 2016 Interim Compliance Report of Central China Securities Co., Ltd.; Proposal on Recommending Xie Junsheng as Supervisor of the 5th session of the Supervisory Committee of Central China Securities Co., Ltd. and Proposal on Not Changing an Impairment Provision for Financial Assets Available-For-Sale of Central China Securities Co., Ltd.
7. On 29 August 2016, the Company convened the 10th meeting of the 5th session of the Supervisory Committee and considered and approved Proposal on Connected Transactions for the past 3 years and the Most Recent Connected Transactions of Central China Securities Co., Ltd.
8. On 16 November 2016, the Company convened the 11th meeting of the 5th session of the Supervisory Committee and considered and approved the Report on Review for January to September 2016 of Central China Securities Co., Ltd.

VII. EXPLANATION ON ABSENCE OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY ON BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE BY THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

As disclosed in the prospectus, the Company entered into a non-competition agreement (the "Non-Competition Agreement") with Henan Investment Group on 10 March 2014, pursuant to which Henan Investment Group undertook that, except for completed or ongoing business transactions by the Excluded Business Companies, neither itself nor its controlled entities (as defined under the Non-Competition Agreement) will, on its own account, or in conjunction with any third parties in or outside the PRC, in whatever manner, directly or indirectly, engage or participate in, or assist to engage or participate in, any business which competes or may compete with the Company's principal business. Henan Investment Group has confirmed that it has complied with the terms of Non-competition Agreement during the Reporting period. During the Reporting period, independent non-executive directors have, in relation to the decision on observing and performing the Non-competition Agreement, conducted annual review over the Non-competition Agreement to confirm that Henan Investment Group has fully complied with the Agreement and does not have any such breach.

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VIII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company has strictly implemented the performance appraisal for senior management, as well as improved the performance appraisal system and enriched the content of appraisal for cadre, in order to ensure the competitiveness of its cadre team. It has carried out comprehensive appraisal for cadre in terms of conduct, capability, diligence, performance and integrity through various methods, including performance appraisal, democratic assessment and individual conversation. With reference to the results of performance appraisal, the Company will promote and make good use of outstanding cadre and strictly put the relevant system of the Company into execution regarding those not meeting the requirements of their positions, with a view to adopt an appropriate talent employment mechanism based on merits.

The Company will conduct quarter and annual assessment for its senior management regarding their performance goals achievement. For those failing to complete the quarter or annual operation goals and major work tasks, the Company will give comments and warnings, conduct conversations with admonition, assess and reduce bonus according to the completion progress of performance goals or propose for demotion to the Board and SASAC of provincial governments after assessment. The Company adheres to the principle of giving both encouragement and restraints for senior management. The incentives for senior management will be determined based on their completion progress of annual goals and results of performance appraisal according to the Implementation Plans for Awards Distribution of Central China Securities Co., Ltd. which was considered and approved by the Board. The Company will also strictly comply with relevant requirements regarding deferred payment of remuneration of senior management according to industry practice.

IX. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

The Company has engaged ShineWing Certified Public Accountants (Special General Partnership) as the audit institution for internal control. ShineWing Certified Public Accountants (Special General Partnership) has issued the Audit Report on Internal Control of Central China Securities Co., Ltd. (XYZH/2017BJA10393), considering that the Company has maintained effective internal control over financial reporting in all material respects as at 31 December 2016 according to the Basic Standard for Enterprise Internal Control and relevant regulations.



SECTION 9 CORPORATE GOVERNANCE

X. ESTABLISHMENT AND EXECUTION OF INTERNAL CONTROL SYSTEM

(I) Building of internal control system

The Company places strong emphasis on the building of internal control system. The Company's internal control system was divided into 3 levels based on the authority of different examination and approval organizations and systems, namely the basic system for corporate governance, basic management system of the Company and specific rules of the Company. Stringent review procedures have also been formulated with reference to the level of importance and scope of application. Among which, the basic system for corporate governance shall be formulated, amended and abolished by general meetings, while the basic management system of the Company shall be formulated, amended and abolished by the Board; and the specific rules for operation and management of various departments of the company and inter-department matters shall be formulated, amended and abolished by the management. Currently, on the basis of the Articles of Association and the Internal Control System of the Company (Revised), the Company has formulated and implemented an internal control system covering various management lines and business lines. The Company's internal control measures strictly adheres to the principle of comprehensive, important, balanced, adaptive and cost-efficient, thereby forming comprehensive, systematic, timely and effective regulations and systems that cover the Company's organizational structure, rules and regulations, business procedures, as well as accident prevention and emergency contingency measures. Such systems include internal control for brokerage business, internal control for proprietary business, internal control for investment banking business, internal control for fixed income business, internal control for asset management business, internal control for margin finance, internal control for securities repurchase, internal control for stock pledged repurchase business, internal control for exchange-quoted bond repurchase, internal control for market-making on equities exchanges, internal control for stock option business, internal control for innovative business, internal control for OTC market business, internal control for market-making in quotation system, internal control for internet finance business, internal control for research and advisory business, internal control for settlement custody, internal control for financial management and account auditing, internal control for capital operation and management, internal control for information system, internal control for information isolation, internal control for anti-money laundering works, internal control for futures business, internal control for service business of Equity Exchange Co., internal control for direct investment business, internal control for alternative investment business, internal control for offshore business, internal control for branch outlets, internal control for human resources management and internal control for integrated management. The Company also specified the supervision, inspection and evaluation procedures involved in aspects such as risk control, auditing and compliance management. The Company's internal management system has been integrated into such steps as decision-making, execution, supervision and feedback. Each of the internal management system will be timely amended according to changes of laws, regulations and standards with a view to ensure compliance of the internal control.

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(II) BUILDING OF COMPLIANCE SYSTEM

During the Reporting period, under the continuous supervision and positive guidance of regulatory authorities, the Company, in strict compliance with relevant laws, regulations and rules, carefully organized and implemented various supervision and self-regulatory requirements, carried out various compliance works in a deep-going way, kept improving the Company's compliance management mechanism and focused on improving the Company's control over compliance risks.

1. Build and improve compliance management organizational structure. The Company built a four-tier compliance management organization system covering the Board, chief compliance officer, compliance management department and compliance officers of various branches of all departments. The compliance management department carried out specific compliance management works under the leadership of the chief compliance officer. The Company allocated qualified officers in time in setting up new departments and branches. In respect of compliance management, the officers were guided by and reported to the compliance management department. The responsibilities of persons at all levels were clarified and the communication and reporting channels were clear.
2. Continuously improving the Company's compliance management system. In 2016, the compliance management department formulated and issued Management Measures for Filing and Reporting of OTC Securities Business, Management Measures for Litigation, Compliance Management Measures for the "Stock Through-train Program" (2016 Revision), Money Laundering Risk Self-assessment Measures (2016 Revision) and Management Measures for Client Identity Identification and Maintenance of Information on Client Identity and Trading Records (2016 Revision). The compliance management department also reminded and supervised the relevant departments to sort out and improve the relevant system procedures in various forms based on the regulatory requirements and business management needs of the Company.
3. Carry out compliance audit and consultation with discretion, guard against and reduce compliance risks, and exert efforts to improve the normative and supportive effect of compliance management in business development. The Company organized reviews 2,430 contracts, and more than 200 reviews over the Company's systems, important decisions, business innovative programs and other filings, and conducted compliance consultation in various forms, which provided strong support for the Company's continuous and steady business development.



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4. Actively carry out compliance monitoring and anti-money laundering. By monthly compliance report, the Company regularly monitored and evaluated the compliance condition and followed key regulatory issues, so as to have timely information on the overall compliance situation of the Company and guide the compliance risk prevention. The Company organized to carry out anti-money laundering, monitor and analyze 2,360 items of abnormal trading data of anti-money laundering and submit one item of suspicious trading data.
5. Further improve the information isolation work. Firstly, optimize the function of information isolation system for the New Third Board market, to supervise assets business and proprietary business and improve the prevention and control mechanism for straddling buy and sell positions; secondly, keep optimizing and improving the isolation logic and formation mechanism of watch list and restricted list, to sort out and improve weak links of systemic function; thirdly, supervise business department to maintain, isolate and detect sensitive information well, accept relevant departments' matters for examination and approval and give survey feedback in time; fourthly, keep strengthening management of inter-departmental movements of employees and fulfil obligations for cross-wall examination and approval and prompt.
6. Compliance training and building of compliance culture. Organize employees to study new annual key rules; appoint persons to participate in the trainings organized by organizations like SAC and stock exchanges; issue notices according to the focus of regulatory works and recurrent compliance risks in the industry and prepare a register of regulatory cases to supervise relevant departments to strengthen management and take preventive measures.

(III) INSPECTIONS COMPLETED BY THE COMPLIANCE MANAGEMENT DEPARTMENT

During the Reporting period, according to the requirements of regulatory authorities and self-regulatory organizations, and in view of the Company's compliance management guidelines in phases, major risk events in the market and prominent risks reflected in the daily management, the Company mainly conducted compliance inspections like assessment and inspection over the effectiveness of compliance management, comprehensive self-inspection over licensed and unlicensed businesses of the Company, self-inspection over "six" works of the Company, special inspection over the compliance and risk control of investment banking business, special inspection over the compliance and risk control of proprietary business and special inspection over the compliance and risk control of asset management business.

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(IV) INSPECTION AND AUDIT COMPLETED BY THE AUDIT DEPARTMENT

During the Reporting period, adhering to the audit objective of keeping being oriented by the risks and taking the internal control as the core and value addition as the purpose, the Company's internal auditors audited highly risky businesses noted by the headquarter, branches and regulatory agencies. During the Reporting period, the audit department of the Company completed 92 audits in total, including 10 audits to Brokerage Business Department, Retail Business Department, Innovative Business Department, IT Department and Derivative Business Department; 33 audits to economic responsibility of the senior management and officers-in-charge of each department and branch of the Company as well as 49 audits to branches.

(V) MONITORING OF RISK CONTROL INDEX AND BUILDING OF REPLENISHMENT MECHANISM

The Company set up a dynamic monitoring and management model of risk control index system centering on net capital and liquidity according to a series of relevant regulations including Measures for the Management of the Risk Control Indexes of Securities Companies of CSRC, and monitored, conducted warning for and reported various indexes in strict accordance with CSRC's regulations. The Company built the complete stress test mechanism as required by the Guidelines on Securities Companies' Stress Test issued by SAC and conducted regular and irregular stress tests. In 2016, based on the monitoring and measurement of various indexes including the net capital, the Company regularly analyzed and evaluated the support of net capital for the Company's business development, studied and tested rational and efficient allocation of net capital, reserved sufficient net capital support for carrying out major business and built the dynamic linkage mechanism between business scale and net capital. In 2016, the Company, based on the aforesaid risk management activities, regularly prepared Monthly Report on Management of Net Capital Risk to provide a comprehensive analysis and evaluation on the risk profile of the Company's financials and net capital, realizing effective control on risks of financials and net capital. Risk control indexes of the Company including net capital all reached the standard in 2016.

The Company has established net capital dynamic replenishment mechanism and long-term replenishment planning, which effectively ensured the risk control indicators such as the net capital meet the standards continuously. To consider the further development requirements of all the businesses of the Company, the Company has completed the regression of A shares listed on 3 January 2017 according to its capital planning, which further strengthened the net capital. The Company further intensified capital management capability to enhance capital quality, to further improve capital's role in guiding and restricting the development of various businesses, continuously improved capital efficiency and guaranteed sustainable, healthy and rapid development of business lines with sufficient capital, thus maximizing value for the Shareholders.



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XII. OTHERS

(1) Shareholders' Rights

The Company convened and held general meetings strictly according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the small and medium ones. All of the Company's Directors, Supervisors and senior management attended the general meetings and answered the Shareholder's questions in accordance with the provisions of Articles of Association.

Procedures of Shareholders' application for convening of general meetings and for making proposals at the general meeting:

Shareholders may convene extraordinary general meetings or class general meetings and put forward proposals at such meetings according to Article 77 of Articles of Association "Shareholder(s) severally holding 10% or more shares of the Company shall be entitled to request in writing the Board to convene an extraordinary general meeting or class general meeting of the Company. Two or more shareholders aggregately holding 10% or more shares with the voting right in the proposed meeting shall be entitled to sign a written requisition in one or more counterparts in the same form and content, requiring the Board to convene an extraordinary general meeting or class general meeting and state in such written requisition the matters to be discussed at the meeting. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written requisition is made by the shareholders. The Board shall, pursuant to relevant laws, administrative regulations and Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding no less than 10% shares of the Company shall be entitled to propose in writing to the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Supervisory Committee fails to issue the notice for the general meeting within the specified time, the Supervisory Committee shall be deemed as failing to convene or preside the general meeting. The shareholder(s) severally or jointly holding no less than 10% shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on his or their own.", Article 106 "Where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding no less than 3% shares of the Company may make proposals to the Company." and Article 107 "Shareholder(s) severally or jointly holding no less than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other shareholders within two days after receipt of such proposal, and place the matters within

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the proposal on the agenda for the said meeting and submit for approval at the general meeting if the said matter falls within the functions and powers of general meetings. The contents of the provisional proposal shall fall within the functions and powers of general meetings and have specific discussion topic and specific matters to be resolved. Save as specified above, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served. The general meeting shall not vote or pass resolutions on proposals not listed in the notice of the general meeting or resolutions not in conformity with following article of the Articles of Association. The shareholders may attend general meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association has been disclosed on the website of the Company and the hkexnews website of the Hong Kong Stock Exchange.

(2) Secretary of the Company

Mr. Xu Haijun, secretary to the Board and the joint company secretary of the Company, is responsible for making proposals to the Board for the corporate governance and ensuring the policies and procedures of the Board, governing laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company appointed Ms. Kwong Yin Ping, Yvonne, vice president of SW Corporate Services Group Limited, as the joint company secretary of the Company to assist Mr. Xu Haijun in fulfilling the duties as the secretary to the Board and the secretary of the Company. The Company's main contact person is Mr. Xu Haijun, the secretary to the Board and the joint company secretary of the Company. As of 31 December 2016, Mr. Xu Haijun and Ms. Kwong Yin Ping, Yvonne accepted no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

(3) Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules concerning the securities transactions by directors and supervisors. The Company has made specific inquiries to all the Directors and Supervisors for the compliance with Model Code. It was confirmed that they completely observed the Model Code during the reporting period.

The Company has adopted the Model Code for supervising the unpublished price-sensitive information of the Company or its securities that is likely possessed by its employees. During the Reporting period, the Company did not find any employee's violation of the Model Code.



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(4) Responsibilities of directors concerning financial statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of CPAs in the Independent Auditor's Report of this report shall be read jointly but understood independently.

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. To the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

(5) Communications with shareholders

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company convened and held general meetings in strict accordance with relevant requirements of the Articles of Association and Rules of Procedure for General Meetings and ensured all Shareholders, especially minority Shareholders, could enjoy equal status and fully exercise their rights as Shareholders. The Articles of Association was amended two times during the reporting period. For details, please see the Company's circulars dated 8 March 2016 and 3 November 2016.

There are persons specially designated for contacting and communicating with Shareholders. The Company attaches great importance to the opinions and suggestions of Shareholders and tries to meet the reasonable requests of the Shareholders in time.

The Company set "Investor Relations" column in its website for publishing such information as announcements and financial data of the Company. Shareholders can also directly call the Company to inquire about relevant informant, and the Company will deal with such inquiry in a timely and proper manner.

The Company welcomes all Shareholders attending general meetings and facilitates their attendance in a permitted range. The Company's Directors, Supervisors and senior management will attend general meetings. According to Provision E.1.2 of Corporate Governance Code, chairman and chairpersons of the Audit Committee, Nomination and Remuneration Committee, and other special committees of the Board shall attend the annual general meeting and answer questions at the meeting. The management of the Company shall ensure that the external auditors can attend the annual general meeting and answer relevant questions put forward by Shareholders.

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(6) Investor relation activities

Dedicated to becoming a quality listed company in the Hong Kong capital markets, the Company has always given priority to protect the interests of investors, paid high attention to investor relations management, continuously established clear two-way communication channels with investors, communicated with investors through ways like conducting non-deal roadshows, phone calls, emails, receiving visitors and attending investor summits, actively enhancing investors' recognition of the Company, comprehensively and timely information disclosure, treating all investors fairly and equally, and strictly implementing decision procedures and processes to ensure that all Shareholders can fully exercise their rights and constantly improving the Company's governance structure.

During the Reporting period, the Company has organized 2015 annual report and 2016 interim results conferences in Hong Kong, conducted several non-deal roadshows in various places in the United States, Canada and Hong Kong, listened to daily telephone enquiries of investors and arranged several field research activities of investors.

During the Reporting period, the Company performed its obligations on information disclosure in a truthful, accurate, complete and timely manner in strict compliance with the laws, regulations and regulatory provisions.

(7) Appointment and remuneration of auditors

Refer to Section 5 "VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS" of this report.

(8) Review of the Audit Committee

The Audit Committee has reviewed the Company's 2016 Audit Report and 2016 Annual Results.



SECTION 9 CORPORATE GOVERNANCE

(9) Board diversity policy

The Company has adopted the board diversity policy according to Provision A.5.6 of the Corporate Governance Code.

The Company's board diversity policy can be summed up as follows: The Company knows and believes that the board diversity will help it a lot, and views it as an important element in maintaining its competitive edge. In designing the Board's composition, the Company considers board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. All Board appointments will be based on meritocracy, and candidates will be considered with due regard for the capacity, skill and experience required for the overall operation of the Board, so as to ensure the proper balance of the members of the Board.

The Remuneration and Nomination Committee of the Company will review and assess the composition of the Board, and provide suggestions to the Board for the appointment of new directors. The Remuneration and Nomination Committee of the Company will discuss annually all the agreed measurable objectives for implementing the board diversity, and provide relevant suggestions on the objectives to the Board.

SECTION 10 CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

(1) Corporate Bonds

Unit: RMB100 million

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds of Central China Securities Co., Ltd.	13 Central China Bond	122299	23 April 2014	23 April 2019	15.00	6.20%	Simple annualised interest rate	Shanghai Stock Exchange

Interest Payment of Corporate Bonds

This tranche applies the simple annualised interest rate without any compound interest, with interest payable annually in arrears, and principal to be repaid upon maturity in one lump sum together with the interest payable for the last period to repay principal and pay interest.

Further Descriptions of Corporate Bonds

1. This tranche is of a term of 3+2 years, with the issuer's option to raise the interest rate and investor's option to redeem at the end of the third year (i.e. 23 April 2017).
2. Arrangement Regarding Appropriateness of Investors: targets of this tranche include (1) online issuance: social public investors who hold security accounts with the initial letters of A, B, D or F opened in the securities registered institutions (excluding purchasers prohibited by laws and regulations) and (2) offline issuance: institutional investors opening eligible security accounts in the securities registered institutions (excluding purchasers prohibited by laws and regulations).



SECTION 10 CORPORATE BONDS

(2) Subordinated Bonds

As of the end of the Reporting period, two tranches of subordinated bonds issued by the Company in 2015 were still outstanding, with a balance amounting RMB3.4 billion and two tranches of subordinated bonds newly issued in 2016 with the total proceeds amounted to RMB4.0 billion. Particulars of subordinated bonds as of the end of the Reporting period are as follows:

Unit: RMB100 million

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Venue of trading
2015 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	15 Central China 01	123250	2015/2/12	2017/2/13	14.00	5.85%	Shanghai Stock Exchange
2015 Subordinated Bonds (Tranche 2) of Central China Securities Co., Ltd.	15 Central China 02	123205	2015/4/16	2018/4/17	20.00	6.00%	Shanghai Stock Exchange
2016 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	16 Central China 01	135418	2016/4/21	2019/4/22	25.00	4.20%	Shanghai Stock Exchange
2016 Subordinated Bonds (Tranche 2) of Central China Securities Co., Ltd.	16 Central China 02	145085	2016/10/25	2018/10/26	15.00	3.30%	Shanghai Stock Exchange

- Note:
1. "15 Central China 02" subordinated bond is with a term of 2+1 years. If the issuer exercised the option to redeem the bonds, the payment date would be 17 April 2017. Otherwise, the payment date would fall on 17 April 2018. The abovementioned payment date shall be extended to the next following business day if it falls on a statutory holiday or rest days, and no additional interest will be accrued during such period.
 2. The above bonds apply the annualised interest rate, with principal to be repaid upon maturity in one lump sum together with the interest payable for the last period.
 3. Arrangement Regarding Appropriateness of Investors: institutional investors satisfying the requirements of the Provisions on the Management of Subordinated Debts of Securities Companies.

SECTION 10 CORPORATE BONDS

II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

(1) Intermediaries of “13 Central China Bond”

Bond trustee	Name	CreditSuisse Founder Securities Limited
	Office address	15/F South Tower, Financial Street Centre, No. A9, Financial Street, Xi Cheng District, Beijing
	Contact Persons	Zhang Tao, Song Ya-Fen
	Tel	010-66538666
Credit-rating agency	Name	United Credit Rating Co., Ltd.
	Office address	No. 80 Qu Fu Dao, Heping District, Tianjin City

(2) Intermediary of “15 Central China 01” and “15 Central China 02” Subordinated Bonds

Credit-rating agency	Name	United Credit Rating Co., Ltd.
	Office address	No. 80 Qu Fu Dao, Heping District, Tianjin City

(3) Intermediaries of “16 Central China 01” and “16 Central China 02” Subordinated Bonds

Bond trustee	Name	Huaxi Securities Co., Ltd.
	Office address	Room 1104, Huaxi Securities Building, 2nd Tianfu Street, High-Tech Zone, Chengdu City
	Contact Persons	Hu Wei-jia
	Tel	028-86150039
Credit-rating agency	Name	United Credit Rating Co., Ltd.
	Office address	No. 80 Qu Fu Dao, Heping District, Tianjin City



SECTION 10 CORPORATE BONDS

III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

Agreed use of proceeds set out in the prospectus of “13 Central China Bond” is to replenish working capital of the Company. The Company strictly complied with the use of proceeds agreed in the prospectus. After deducting issuance expenses, all proceeds were applied to replenish the working capital of the Company, with no remaining amount recorded as of the end of the Reporting period. For “15 Central China 01”, “15 Central China 02”, “16 Central China 01” and “16 Central China 02” subordinated bonds, the use of proceeds agreed in respective prospectuses are to satisfy the business operational needs of the Company, to adjust debt structures of the Company and to replenish the liquidity of the Company. The Company strictly complied with the use of proceeds agreed in the respective prospectuses. All proceeds were applied to replenish the liquidity of the Company, with no remaining amount recorded as of the end of the Reporting period.

IV. INFORMATION ON CREDIT-RATING OF CORPORATE BONDS

United Ratings proposed to issue follow-up rating reports for “13 Central China Bond”, “15 Central China 02”, “16 Central China 01” and “16 Central China 02” in April 2017. Report will be disclosed on the Shanghai Stock Exchange.

During the Reporting period, United Ratings did not conduct random follow-up ratings for the Company and Corporate Bonds. During the Reporting Period, due to issuance of subordinated bonds, the Company was rated as AA+ company by United Credit Rating Co., Ltd. on 25 March 2016. Rating results are of no difference with follow-up rating results of “13 Central China Bond”, “15 Central China 01” and “15 Central China 02”.

V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

(1) Guarantee Institution of “13 Central China Bond”

“13 Central China Bond” is provided with irrevocable guarantee with joint liability by China Bond Insurance Co., Ltd. According to rating result disclosed on the official website of China Bond Insurance Co., Ltd, the Company obtained AAA rating and its rating prospect was stable.

SECTION 10 CORPORATE BONDS

(2) Repayment Plan for Corporate Bonds and Payment of Interests during the Reporting Period

During the Reporting period, the Company, in compliance with agreements set out in the prospectus, actively implemented repayment plan and other repayment supporting measures in safeguarding the bondholders' interests.

1. Repayment Plan

(1) Corporate Bonds

During the Reporting period, the Company paid the interests for the second tranche of "13 Central China Bond" upon maturity on 25 April 2016 according to the repayment plan agreed in the prospectus.

(2) Subordinated Bonds

During the Reporting period, the Company paid the interests for the first tranche of "15 Central China 01" and the second tranche of "15 Central China 02" upon maturity on 15 February 2016 and 18 April 2016 respectively according to the repayment plan agreed in the prospectus. Particulars of relevant payments have been published before payment in accordance with requirements of Stock Exchange where this tranche was listed. "16 Central China 01" and "16 Central China 02" have not reached the maturity date and interest payment date and there are no due repayment and interest payment.



SECTION 10 CORPORATE BONDS

2. Supporting Measures for Repayment

(1) Corporate Bonds

During the Reporting period, the Company, in compliance with agreements set out in the prospectus, has continuously strengthened its securities brokerage business, investment banking business, securities business on its own account and asset management while enhanced its efforts in developing new businesses including margin financing and securities lending, stock pledged repurchase transaction/securities-backed lending (both appeared in AR) and therefore maintaining its solvency and capitalization capabilities. At the same time, the Company implemented strict capital management in accordance with financial system and continued to optimize asset-liability management, strengthen liquidity management, and formulate monthly and annual planning for use of proceeds based on the debt structure of the Company so as to repay adequate proceeds in a timely manner in guaranteeing bondholders' interests.

(2) Subordinated Bonds

During the Reporting period, the Company, in compliance with agreements set out in the prospectus, has continued to improve its governance structure and risk management system, appoint specific personnel responsible for repayment of principal and payment of interests repayment and strict compliance of information disclosure. During the Reporting period, there were no major events due to significant deterioration of economic environment or other unforeseen factors that may affect the capability of the Company to incur cash liquidity through own operation for bonds repayment. As a result, the Company did not adopt any supporting measures including obtaining proceeds in a low-cost approach by realization and making up temporary proceeds by financing. During the Reporting period, there are no events of expected inability to repay the principal and interests of the Corporate Bonds as scheduled or that the Company is unable to repay. Therefore, the Company did not distribute dividends to the shareholders, suspend the implementation of projects that incur capital expenditures such as material external investments, acquisitions and mergers, adjust, reduce or cease the payment of salary and bonus of the directors and senior management of the Company, and allow key personnel accountable for such event for re-designation.

3. Undertakings of Repayment Guarantee

In accordance with the agreements set out in the prospectus, after bond issuance, the discretionary surplus reserve of the Company is appropriated when it increased to 5% of its current net profit after loss recovery while the general risk reserve is appropriated when it increased to 11% of its current net profit after loss recovery. During the Reporting period, "13 Central China Bond" did not encounter events of expected inability to repay the principal and interests as scheduled or that the Company is unable to repay the principal and interests as scheduled when due which may trigger commitment conditions.

SECTION 10 CORPORATE BONDS

(3) Other Relevant Information

The Company strictly complied with the laws and regulations in appointing CreditSuisse Founder Securities Limited and Huaxi Securities Co., Ltd. as debt agency and bond trustee of “13 Central China Bond”, “16 Central China 01” and “16 Central China 02” respectively. Pursuant to the bond trustee management agreement, CreditSuisse Founder Securities Limited and Huaxi Securities Co., Ltd. are committed to protecting bondholders’ interests, strictly implementing proceeds management and complying information disclosure requirements, which were consistent with such commitments as described in the prospectus.

The Company has opened a special account for “13 Central China Bond” at Qihuo Cheng Branch of China Construction Bank Corporation in Zhengzhou. On 20 April 2016, the Company transferred such proceeds from the special account to the corporate account in the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to pay interests and service fees for “13 Central China Bond” during the reporting period. On 22 June 2016, China Construction Bank Corporation transferred account opening fees and management fees from the special account while full opening fees and part of management fees were refunded by China Construction Bank Corporation on 23 June 2016. On the same day, the Company transferred the remaining interests incurred from proceeds to other accounts of the Company from such special account. In addition, there are no other proceeds balances of the special account and the Company did not utilize proceeds from such special account in investment, which satisfied with relevant agreements as described in the prospectus.

According to Administrative Measures for the Issuance and Trading of Corporate Bonds, the Company has opened special accounts of “16 Central China 01” and “16 Central China 02” at the securities department of Zhengzhou Branch of Shanghai Pudong Development Bank Co., Ltd. Apart from investors’ proceeds raised as required and transferal of such proceeds from special accounts in accordance with designated use set out in the prospectus, and due interests received from bank on 21 June, 21 September and 21 December 2016 respectively, the special accounts did not have any proceeds balances while the Company did not utilize proceeds from such special accounts in investment, which satisfied with relevant agreements as described in the prospectus.

Both “15 Central China 01” and “15 Central China 02” did not open special accounts for debt repayment.



SECTION 10 CORPORATE BONDS

VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting period, the Company has not convened meetings for bondholders.

VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

(1) Corporate Bonds

There were no conflicts of interests between bond trustee and bondholders when the bond trustee fulfills its duties. During the Reporting period, CreditSuisse, the debt agency of “13 Central China Bond”, strictly complied with the Trustee Agreement of Bonds and Debts and fulfilled its duties as a debt agency. 2016 Trust Management Report has not disclosed and will be disclosed on the Shanghai Stock Exchange as required. As the Company has accumulated new loans exceeding 20% of its net assets as of the end of last year, CreditSuisse issued the Temporary Announcements Regarding Material Events of Trustee of 2013 Corporate Bonds and Debts of Central China Securities Co., Ltd. by CreditSuisse Founder Securities Limited on 29 April, 3 August, 17 August and 7 November 2016 respectively and such announcements were disclosed on the Shanghai Stock Exchange.

Besides entering into trustee agreement of bonds and debts with issuer and acting as lead underwriter of this tranche, the debt agency also played a role as joint lead underwriter for the first public offering and listing of A shares of issuer. Saved for the relationships mentioned above, debt agency did not have any other conflicts of interests with the issuer that may affect the impartiality of the Company in fulfilling its agency duties for this tranche. For any potential conflicts of interests, debt agency and issuer agreed to establish risk prevention mechanism as follows:

1. Debt agency will exercise its rights and fulfil its duties on behalf of bondholders in compliance with relevant laws and regulations, departmental provisions, commitments of Trustee Agreement of Bonds and Debts and authorization from bondholders’ meeting, and is committed to guarantee bondholders’ best interests and legal rights, and prohibited from establishing any conflicts of interests with bondholders, except for any conflicts of interests that may incur or exist during the ordinary course of business with bondholders.
2. Debt agency can not provide guarantee for this tranche and commits that any transactions existed with issuer or any actions posed on issuer will not infringe bondholders’ interests and rights.
3. In the case of breaching prevention mechanism of conflicts of interests by both parties, bondholders can legally file compensation application if there is any loss incurred thereof.

SECTION 10 CORPORATE BONDS

(2) Subordinated Bonds

There were no conflicts of interests between bond trustee and bondholders when the bond trustee fulfills its duties. During the Reporting period, the bond trustee of “16 Central China 01” and “16 Central China 02” strictly complied with the Trustee Agreement of Bonds and fulfilled its duties as a debt agency. 2016 Trust Management Report has not disclosed and will be disclosed on the Shanghai Stock Exchange as required. As the Company has accumulated new loans exceeding 20% of its net assets as of the end of last year, Huaxi Securities issued the Temporary Announcements Regarding Material Events of Trustee Management of 2016 Subordinated Bonds of Central China Securities Co., Ltd. on 9 August, 17 August and 14 November 2016 respectively and such announcements were disclosed on the Shanghai Stock Exchange.

Conflicts of interest that may exist when bond trustee perform its entrusted management duties

In the course of carrying out its investment banking activities (including investment advisory, financial advisory, asset management, research, securities issuance, trading and brokerage), the bond trustee, by itself or through agents, may have conflicts of interest between its duties under this agreement and its duties under other business agreements:

The bond trustee may at any time contact other business departments or related parties to (i) provide services to any other clients; (ii) engage in any transaction in relation to the issuer or any members under the same group of the issuer; or (iii) to act for matters in relation to any person whose interest may be in conflicts with that of the issuer or other members under the same group of the issuer (the “Third Parties”), and to retain any relevant remunerations or profits for their own benefit. The bond trustee and its employees who provide services, execute transactions or act on behalf of the Third Parties may have conflicts of interest when using the confidential information about the issuer or the bonds to provide services, execute transactions or act on behalf of the Third Parties.

Relevant risk prevention mechanism for addressing conflicts of interest:

The bond trustee has established comprehensive internal information barriers and firewalls in accordance with the regulatory requirements with a view to guarantee that: (i) the employees of the bond trustee who assume the duties under this agreement will not be affected by the conflicts of interest; (ii) the confidential information held by the employees of the bond trustee who assume the duties under this agreement will not be disclosed to any other persons that are irrelevant to this agreement; (iii) the relevant confidential information will not be used by the bond trustee for any other purpose other than this agreement; (iv) the inappropriate flow of sensitive information in relation to this agreement will be avoided and that effective management will be in place for potential conflicts of interest.



SECTION 10 CORPORATE BONDS

VIII. PAYMENT OF INTERESTS AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Abbreviation of debt financing instruments	Amount (RMB00'000)	Payment status	Payment date
Jin Yi 38	1,196.00	Paid in a timely manner	12 January 2016
15 Central China Securities CP003	100,000.00	Paid in a timely manner	26 February 2016
15 Central China Securities CP004	100,000.00	Paid in a timely manner	18 March 2016
Rong Yi 16	20,000.00	Paid in a timely manner	26 September 2016
Rong Yi 14	20,000.00	Paid in a timely manner	25 November 2016
Rong Yi 15	4,500.00	Paid in a timely manner	23 December 2016
Jin Yi 45	27.00	Paid in a timely manner	29 December 2016

IX. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting period, the Company obtained total banking facilities amounting RMB54.24 billion, in which RMB4.29 billion was utilized while all banking facilities were in normal use. During the Reporting period, various banking borrowings obtained by the Company have no breach or delay in interest payment.



SECTION 10 CORPORATE BONDS

X. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

During the Reporting period, the Company strictly implemented the relevant agreements or commitments as described in the prospectus in connection with the issuance of corporate bonds. There was no breach of the abovementioned agreements and commitments.

XI. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY

During the Reporting period, the Company's new loans accumulated exceeded 20% of its net assets as of the end of last year. This was mainly due to issuance of subordinated bonds by the Company which posed no negative impact thereof on the operations and solvency of the Company. Temporary announcement of such event was disclosed on the Shanghai Stock Exchange website as required. The Company has no other material events as described in Article 45 of the Administrative Measures for the Issue and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》).



SECTION 11 FINANCIAL REPORT

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SECTION 12 DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	Text of the annual report bearing the signature of legal representative of the Company.
Documents available for inspection	Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting affairs of the Company.
Documents available for inspection	Text of the auditor's report with seals of the accounting firm and the signatures and seals of the certified public accountant.
Documents available for inspection	Original copies of all documents and announcements disclosed on websites designated by CSRC during the Reporting Period.
Documents available for inspection	Annual reports disclosed in other securities markets.
Documents available for inspection	Other relevant materials.



SECTION 13 INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

(1) Administrative licensing of branch offices and operation branches during the reporting period

Newly established operation branches	Relocation of branch offices	Relocation of operation branches
18	1	6

1. Administrative licensing of operation branches newly established during the reporting period

No.	Operation branches	Address	Document no. of establishment approval	Date of establishment approval	License obtained on
1	Central China Securities Co., Ltd. Minquan Boai Road Securities Branch	Shop 6, Building 11, Middot, at the intersection of Qiushui Road and Boai Road, Minquan County, Henan Province	Yu Zheng Jian Fa [2015] No. 175	17 August 2015	14 January 2016
2	Central China Securities Co., Ltd. Jishou Shiji Avenue Securities Branch	106, Block 62, Qianzhou Shiji Shanshui, Jishou City, Hunan Province	Yu Zheng Jian Fa [2015] No. 175	17 August 2015	29 January 2016
3	Central China Securities Co., Ltd. Zhongmou Guangwei Street Securities Branch	Southeast side of the intersection of Guangwei Street and Wansheng Road, Zhongmou	Yu Zheng Jian Fa [2015] No. 222	10 October 2015	29 January 2016
4	Central China Securities Co., Ltd. Xin'an Cihe Road Securities Branch	North side of Jianhe Road, New Western District, Xin'an County	Yu Zheng Jian Fa [2015] No. 222	10 October 2015	22 March 2016

SECTION 13 INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Operation branches	Address	Document no. of establishment approval	Date of establishment approval	License obtained on
5	Central China Securities Co., Ltd. Neihuang Zaoxiang Avenue Securities Branch	Room 8, Shuimu Qinghua shop, Zaoxiang Avenue, Neihuang County	Yu Zheng Jian Fa [2015] No. 222	10 October 2015	22 March 2016
6	Central China Securities Co., Ltd. Xiangcheng Zhongxin Road Securities Branch	East section of Zhongxin Road, Xiangcheng County (opposite of the Ministry of Finance)	Yu Zheng Jian Fa [2015] No. 222	10 October 2015	22 March 2016
7	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle section of Fengmu Road, Xihua County	Yu Zheng Jian Fa [2015] No. 222	10 October 2015	22 March 2016
8	Central China Securities Co., Ltd. Xiayi Kongzu Avenue Securities Branch	Shop 595, Kongzu Avenue, Xiayi County	Yu Zheng Jian Fa [2015] No. 222	10 October 2015	29 March 2016
9	Central China Securities Co., Ltd. Jinan Gongye South Road Securities Branch	103, Building 1, Wealth Center of China Railway, 59 Gongye South Road, Hi-tech Zone, Jinan, Shandong	Yu Zheng Jian Fa [2016] No. 93	26 April 2016	4 August 2016
10	Central China Securities Co., Ltd. Guangshan Xinlong Road Securities Branch	60 Xinlong Road, Xianshan Office, Guangshan County	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	31 August 2016
11	Central China Securities Co., Ltd. Yuanyang Huanghe Avenue Securities Branch	2-2-1 East, Shengshijiayuan, South of Huanghe Avenue, Yuanyang County	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	2 September 2016



SECTION 13 INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Operation branches	Address	Document no. of establishment approval	Date of establishment approval	License obtained on
12	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	14 September 2016
13	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East of middle section of Yumin Road, Puyang County	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	31 October 2016
14	Central China Securities Co., Ltd. Shenqiu Jixiang Road Securities Branch	South of Jixiang East Road, Huaidian Town, Shenqiu County	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	31 October 2016
15	Central China Securities Co., Ltd. Neixiang Yongshun Road Securities Branch	Yongshun Road, Tuantung Town, Neixiang County, Henan Province	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	31 October 2016
16	Central China Securities Co., Ltd. Tangyin Renmin Road Securities Branch	Zone A, Shangri-la, Southwest corner of the intersection of Renmin Road and Zhonghua Road, Tangyin County, Anyang City, Henan Province	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	31 October 2016
17	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	38 Shaolin Avenue, Dengfeng City	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	31 October 2016

SECTION 13 INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Operation branches	Address	Document no. of establishment approval	Date of establishment approval	License obtained on
18	Central China Securities Co., Ltd. Wuzhi Xinghua Road Securities Branch	3rd Floor, Northwest corner of the intersection of Heping Road and Xinghua Road, Wuzhi County	Yu Zheng Jian Fa [2016] No. 135	8 June 2016	4 November 2016

2. Administrative Licensing of relocation of branch offices during the reporting period

No.	Name of branch office before relocation	Name of branch office after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Xuchang Branch Office	Central China Securities Co., Ltd. Xuchang Branch Office	669 Yingchang Avenue, Weidu District, Xuchang City	1 November 2016

3. Administrative licensing of relocation of operation branches during the reporting period

No.	Name of operation branch before relocation	Name of operation branch after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Zhengzhou Jingliu Road Securities Branch	Central China Securities Co., Ltd. Zhengzhou Weiwu Road Securities Branch	2F/3F, Wing Building, West of Main Tower of Integrated Office Building, 37 Weiwu Road, Jinshui District, Zhengzhou City	22 February 2016
2	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	20F, Post Office Tower, 61 Zijingshan Road, Guancheng Hui District, Zhengzhou City	19 April 2016



SECTION 13 INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Name of operation branch before relocation	Name of operation branch after relocation	New address	License obtained on
3	Central China Securities Co., Ltd. Tianjin Xikang Road Securities Branch	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, 2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin City	27 April 2016
4	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	3F, Business Building, Jingwei Apartment, 30 Weier Road, Jinshui District, Zhengzhou City	11 May 2016
5	Central China Securities Co., Ltd. Shijiazhuang Xinhua Road Securities Branch	Central China Securities Co., Ltd. Shijiazhuang Zhongshan West Road Securities Branch	Shop 2A003, 2nd Floor, Zhong Dian Information Building, 356 Zhongshan West Road, Qiaoxi District, Shijiazhuang City, Hebei Province	12 September 2016
6	Central China Securities Co., Ltd. Hebi Xinghe Street Securities Branch	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, intersection of Qibin Road and Xinghe Street, Qibin District, Hebi City	7 June 2016

4. Administrative licensing of appointment of Directors, Supervisors and Senior Management

No.	Time	Content
1	6 May 2016	The Company received the Reply on Approval for Appointment of Xia Xiaoning as a Supervisor of Securities Company (Yu Zheng Jian Fa [2016] No. 101) (《關於核准夏曉寧證券公司監事任職資格的批復》(豫證監發[2016]101號)) issued by Henan Branch of the CSRC, which approved the appointment of Xia Xiaoning as a Supervisor of the securities company
2	7 September 2016	The Company received the Reply on Approval for Appointment of Xie Junsheng as a Supervisor of Securities Company (Yu Zheng Jian Fa [2016] No. 226) (《關於核准謝俊生證券公司監事任職資格的批復》(豫證監發[2016]226號)) issued by Henan Branch of the CSRC, which approved the appointment of Xie Junsheng as a Supervisor of the securities company

SECTION 13 INFORMATION DISCLOSURE OF SECURITIES COMPANY

5. Other administrative licensing

No.	Time	Content
1	18 April 2016	The Company received the Reply on Approval for Change of Major Terms to the Articles of Association of Central China Securities Co., Ltd. (Yu Zheng Jian Fa [2016] No. 87) (《關於核准Central China Securities Co., Ltd. 變更公司章程重要條款的批復》(豫證監發[2016]87號)) issued by Henan Branch of the CSRC, which approved the change of major terms to the Articles of Association
2	8 August 2016	The Company received the Reply Letter for Agreeing Central China Securities Co., Ltd. to become a market maker in the inter-bank private fund product quotation and service system (Zhong Zheng Bao Jia Han [2016] No. 197) (《關於同意中原證券成為機構間私募產品報價與服務系統做市商的復函》(中證報價函[2016]197號)) issued by China Securities Inter-agency Quotation Systems Co., Ltd., which agreed the Company to become a market maker in the inter-bank private fund product quotation and service system
3	25 November 2016	The Company received the Reply on Approval for the Initial Public Offering of Shares by Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2868) (《關於核准Central China Securities Co., Ltd. 首次公開發行股票的批復》(鄭監許可[2016]2868號)) issued by the CSRC, which approved the initial public offering of shares of the Company

II. CLASSIFICATION RESULT OF THE COMPANY BY REGULATORY AUTHORITY

The Company was classified as into category "A" under type "A" in 2016 classification and evaluation of securities companies by CSRC.



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Central China Securities Co., Ltd.
(Incorporated in People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Central China Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 204 to 330, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Consolidation of structured entities
- Impairment assessment of margin accounts receivable
- Impairment assessment of available-for-sale financial assets



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Consolidation of structured entities</p> <p>Refer to note 23 to the consolidated financial statements.</p> <p>The Group acts as asset manager for or invested in a number of investment funds and asset management plans which are structured entities.</p> <p>Management makes significant judgment on whether the Group controls and therefore should consolidate these structured entities.</p> <p>Management has determined that the Group has control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The controlled structured entities have been consolidated and their total assets was RMB1,510.67 million as at 31 December 2016.</p> <p>The significant judgement exercised by management in assessing whether the Group has control of structured entities and the amount of such structured entities included in the consolidated statement of financial position resulted in this matter being identified as a key area of audit focus.</p>	<p>We obtained and read the contracts from the Group's asset management and investment portfolio on a sample basis to assess management's judgement to consolidate or not by evaluating them against the following elements of control:</p> <ul style="list-style-type: none"> • The Group's power over the structured entities; • The Group's exposure, or rights, to variable returns from involvement with the structured entities; and • The Group's ability to use power over the structured entities to affect the amount of the Group's returns. <p>We checked the data used in the calculation of the Group's exposures or rights to variable returns from its involvement with the structured entities on a sample basis to the related contracts. We also re-performed management's calculations of the Group's exposures or rights to variable returns.</p> <p>Based on the available evidence we found that management's consolidation assessment in relation to structured entities was reasonable.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of margin accounts receivable	
<p>Refer to note 32 to the consolidated financial statements.</p>	<p>We evaluated the design and tested the controls over management's identification of impaired margin accounts receivable including their regular monitoring of the collateral values.</p>
<p>As at 31 December 2016, the Group had margin accounts receivable totalling RMB6,133.76 million, with allowance for impairment losses assessed by management at RMB14.49 million.</p>	<p>For impaired margin accounts receivable, we assessed the market prices of the collateral used for determining the impairment losses.</p>
<p>Management assessed whether objective evidence of impairment existed for margin accounts receivable that were individually significant at each reporting date. If there was objective evidence of impairment, impairment loss was recognised individually. Management performed a collective assessment for the remaining portfolio that were not individually significant or for which impairment had not yet been identified that were included in one group of financial assets because of their similar credit risk characteristics.</p>	<p>For collective impairment assessment, we assessed the appropriateness of the model and inputs used by comparing against those used in market practice and the Group's historical loss experience. We also re-performed management's calculations.</p>
<p>Impairment assessment of margin accounts receivable was considered to be a key audit area due to the size of the balance and the significant management judgement involved in assessing impairment.</p>	<p>Based on the results of our procedures performed, we found the model used and inputs adopted was acceptable.</p>



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of available-for-sale financial assets</p> <p>Refer to note 25 to the consolidated financial statements.</p> <p>As at 31 December 2016, the Group had available-for-sale financial assets totalling RMB2,583.34 million after impairment losses of RMB72.85 million provided.</p> <p>Management considered whether there was any objective evidence that the available-for-sale financial assets were impaired. Objective evidence of impairment arose when, among other matters, the investee's financial conditions and business prospects deteriorated significantly. Objective evidence of impairment for available-for-sale equity instruments also included a significant or prolonged decline in fair value below cost.</p> <p>Impairment assessment of available-for-sale financial assets is a key audit area due to the size of the balance and the significant management judgement involved in assessing impairment.</p>	<p>With respect to available-for-sale debt instruments, we evaluated management's judgement of the occurrence of the impairment event by referring to market data including market price and the credit ratings of the investees.</p> <p>With respect to available-for-sale equity instruments, we evaluated management's judgement of the occurrence of the impairment event by referring to market data including market price or financial information of the investees. We also evaluated the appropriateness of the criterion applied by management in their assessment of whether the decline in fair value was "significant" or "prolonged" by reference to market practice.</p> <p>For impaired instruments, we tested the impairment losses made by evaluating the models and inputs used including market price, financial information of the investees and comparable market parameters.</p> <p>Based on the results of our procedures, we found management's assessment of occurrence of impairment and the models and inputs used for determining the impairment losses was acceptable.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
Continuing operations			
Revenue			
– Commission and fee income	5	1,502,656	3,181,952
– Interest income	6	1,148,422	1,497,719
– Net investment gains	7	417,194	655,080
		3,068,272	5,334,751
Other income and gains	8	74,756	30,509
Total revenue and other income		3,143,028	5,365,260
Commission and fee expenses	9	(243,037)	(465,598)
Interest expenses	10	(830,115)	(936,144)
Staff costs	11	(711,286)	(1,395,391)
Depreciation and amortisation	12	(66,292)	(65,714)
Other operating expenses	13	(326,773)	(449,391)
Impairment reversal/(losses)	14	27,005	(127,631)
Total expenses		(2,150,498)	(3,439,869)
Profit before income tax		992,530	1,925,391
Income tax expense	15	(227,842)	(488,588)
Profit for the year from continuing operations		764,688	1,436,803
Discontinued operations			
Loss for the year from discontinued operations	38	(17,963)	(34,422)
Profit for the year		746,725	1,402,381
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value	40	(1,288)	14,544
– Income tax effect on changes in fair value	40	(426)	(4,585)
– Reclassification adjustments for gains/(losses) included in the consolidated income statement, net	40	7,882	(4,280)
		6,168	5,679
Foreign currency translation differences		27,281	5,795
Other comprehensive income for the year, net of tax		33,449	11,474
Total comprehensive income for the year		780,174	1,413,855

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
Profit attributable to:			
– Shareholders of the Company		718,646	1,405,501
– Non-controlling interests		28,079	(3,120)
		746,725	1,402,381
Profit attributable to shareholders of the Company arises from:			
– Continuing operations		727,807	1,423,056
– Discontinuing operations		(9,161)	(17,555)
		718,646	1,405,501
Total comprehensive income attributable to:			
– Shareholders of the Company		746,211	1,415,254
– Non-controlling interests		33,963	(1,399)
		780,174	1,413,855
Total comprehensive income attributable to shareholders of the Company arises from:			
– Continuing operations		755,372	1,432,809
– Discontinuing operations		(9,161)	(17,555)
		746,211	1,415,254
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB yuan per share)			
Basic/Diluted			
From continuing operations	16	0.23	0.50
From discontinuing operations	16	(0.01)	(0.01)
From profit for the year		0.22	0.49
Dividends	17	999,358	992,778

The notes on pages 212 to 330 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Note	As at 31 December 2016	2015
Assets			
Non-current assets			
Property and equipment	18	242,085	236,096
Investment properties	19	22,953	21,225
Goodwill	20	21,466	7,269
Intangible assets	21	155,559	155,961
Investments in associates	22	370,422	91,864
Other non-current assets	24	21,225	24,452
Available-for-sale financial assets	25	506,539	569,042
Financial assets designated as at fair value through profit or loss	26	403,989	–
Financial assets held under resale agreements	27	676,704	531,169
Entrusted loans	28	24,750	–
Deferred income tax assets	29	117,929	209,335
Refundable deposits	30	490,078	422,907
Total non-current assets		3,053,699	2,269,320
Current assets			
Other current assets	31	583,955	528,544
Entrusted loans	28	495,384	260,628
Margin accounts receivable	32	6,119,265	8,158,803
Available-for-sale financial assets	25	2,076,799	1,890,799
Financial assets designated as at fair value through profit or loss	26	110,830	–
Financial assets held under resale agreements	27	5,234,992	6,295,521
Financial assets held for trading	34	7,522,277	5,045,128
Clearing settlement funds	35	3,096,957	4,455,616
Cash held for brokerage clients	36	7,720,677	10,739,356
Cash and bank balances	37	4,369,739	1,968,105
		37,330,875	39,342,500
Assets of disposal group classified as held for sale	38	–	39,429
Total current assets		37,330,875	39,381,929
Total assets		40,384,574	41,651,249
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	39	3,923,735	3,223,735
Reserves	40	5,767,198	3,541,099
Retained earnings		891,184	1,396,747
Total equity attributable to shareholders of the Company		10,582,117	8,161,581
Non-controlling interests		964,653	714,873
Total equity		11,546,770	8,876,454

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	Note	2016	2015
Liabilities			
Non-current liabilities			
Bonds payable	41	5,494,299	5,291,078
Bank loans	42	55,327	51,818
Deferred income tax liabilities	29	28,707	49,157
Total non-current liabilities		5,578,333	5,392,053
Current liabilities			
Other current liabilities	43	1,107,744	1,272,545
Financial liabilities designated as at fair value through profit or loss	44	1,208,177	1,144,170
Tax payable	45	96,475	267,155
Bank loans	42	661,119	–
Bonds payable	41	3,399,755	2,650,000
Short-term notes payable	46	410,000	2,456,960
Financial assets sold under repurchase agreements	47	5,607,979	4,712,965
Due to other financial institutions	48	400,000	–
Derivative financial liabilities	33	132	–
Accounts payable to brokerage clients	49	10,368,090	14,867,251
		23,259,471	27,371,046
Liabilities of disposal group classified as held for sale	38	–	11,696
Total current liabilities		23,259,471	27,382,742
Total liabilities		28,837,804	32,774,795
Total equity and liabilities		40,384,574	41,651,249

The notes on pages 212 to 330 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 30 March 2017 and were signed on its behalf:

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaoquan

Executive Director and President



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company											
	Reserves						Available -for-sale financial assets revaluation reserve (Note 40)	Other reserves	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total equity
	Share capital (Note 39)	Capital reserve (Note 40)	Surplus reserve (Note 40)	General reserve (Note 40)	Transaction risk reserve (Note 40)							
Balance at 1 January 2016	3,223,735	1,864,928	604,797	531,483	503,393	30,703	-	5,795	1,396,747	714,873	8,876,454	
Profit for the year	-	-	-	-	-	-	-	-	718,646	28,079	746,725	
Other comprehensive income for the year (Note 40)	-	-	-	-	-	284	-	27,281	-	5,884	33,449	
Total comprehensive income for the year	-	-	-	-	-	284	-	27,281	718,646	33,963	780,174	
Issuance of shares, net	700,000	1,969,812	-	-	-	-	-	-	-	-	2,669,812	
Cash dividend recognised as distribution	-	-	-	-	-	-	-	-	(999,358)	-	(999,358)	
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,838)	(15,838)	
Appropriation to surplus reserve	-	-	92,217	-	-	-	-	-	(92,217)	-	-	
Appropriation to general reserve	-	-	-	67,626	-	-	-	-	(67,626)	-	-	
Appropriation to transaction risk reserve	-	-	-	-	61,478	-	-	-	(61,478)	-	-	
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	-	236,446	236,446	
Changes in ownership interests in subsidiaries that results in a loss of control	-	-	-	-	-	-	-	-	-	(4,804)	(4,804)	
Joint-stock conversion of a subsidiary by capitalization of reserves and retained earnings	-	3,530	-	-	-	-	-	-	(3,530)	-	-	
Changes due to the placement of the associates from other shareholders	-	-	-	-	-	-	3,871	-	-	13	3,884	
Balance at 31 December 2016	3,923,735	3,838,270	697,014	599,109	564,871	30,987	3,871	33,076	891,184	964,653	11,546,770	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company									
	Reserves									
	Share capital (Note 39)	Capital reserve (Note 40)	Surplus reserve (Note 40)	General reserve (Note 40)	Transaction risk reserve (Note 40)	Available -for-sale financial assets revaluation reserve (Note 40)	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2015	2,631,616	504,649	399,283	380,772	366,383	26,745	-	1,477,259	70,089	5,856,796
Profit/(Loss) for the year	-	-	-	-	-	-	-	1,405,501	(3,120)	1,402,381
Other comprehensive income for the year (Note 40)	-	-	-	-	-	3,958	5,795	-	1,721	11,474
Total comprehensive income for the year	-	-	-	-	-	3,958	5,795	1,405,501	(1,399)	1,413,855
Issuance of A shares, net	592,119	1,360,279	-	-	-	-	-	-	-	1,952,398
Cash dividend recognised as distribution	-	-	-	-	-	-	-	(992,778)	-	(992,778)
Appropriation to surplus reserve	-	-	205,514	-	-	-	-	(205,514)	-	-
Appropriation to general reserve	-	-	-	150,711	-	-	-	(150,711)	-	-
Appropriation to transaction risk reserve	-	-	-	-	137,010	-	-	(137,010)	-	-
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	646,183	646,183
Balance at 31 December 2015	3,223,735	1,864,928	604,797	531,483	503,393	30,703	5,795	1,396,747	714,873	8,876,454

The notes on pages 212 to 330 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2016	2015
Cash flows from operating activities		
Profit before income tax	992,530	1,925,391
Adjustments for:		
Depreciation and amortisation	66,292	65,714
Impairment (reversal)/losses	(27,005)	127,631
Net losses on disposal of property and equipment and other intangible assets	435	76
Foreign exchange loss/(gains)	3,443	(62,062)
Net gain on disposal of available-for-sale financial assets	(7,369)	(28,146)
Dividends and interest income from available-for-sale financial assets	(58,855)	(74,850)
Gain on disposal of subsidiaries	(40,981)	–
Investment gain from the associates	(12,708)	(1,725)
Interest expenses of short-term notes	58,323	124,422
Interest expenses of bonds payable	495,991	381,178
Interest expenses of bank loans	11,162	51
Changes in fair value of financial instruments at fair value through profit or loss	74,216	162,227
	1,555,474	2,619,907
Net decrease/(increase) in operating assets:		
Net decrease/(increase) in margin accounts receivable	2,035,132	(826,851)
Net increase in financial assets held for trading	(2,564,535)	(896,781)
Net increase in financial assets designated as at fair value through profit or loss	(376,912)	–
Net decrease/(increase) in financial assets held under resale agreements	912,665	(3,935,428)
Net (increase)/decrease in refundable deposits	(67,171)	304,497
Net decrease/(increase) in cash held for brokerage clients	3,018,679	(3,513,448)
Net decrease/(increase) in clearing settlement funds	1,471,824	(1,813,970)
Net increase in other assets	(530,392)	(190,843)
Net (decrease)/increase in operating liabilities:		
Net (decrease)/increase in accounts payable to brokerage clients	(4,499,161)	5,207,418
Net increase in financial liabilities designated at fair value through profit or loss	50,541	135,179
Net increase/(decrease) in financial assets sold under repurchase agreements	895,014	(874,269)
Net increase/(decrease) in due to other financial institutions	400,000	(2,373,000)
Net (decrease)/increase in other liabilities	(185,506)	370,041
Income tax paid	(327,566)	(544,648)
Net decrease in assets of disposal group classified as held for sale	(15,298)	(40,576)
Net cash outflow from operating activities	1,772,788	(6,372,772)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
	2016	2015
Cash flows from investing activities		
Dividends and interest received from available-for-sale financial assets	58,855	74,850
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	2,842	592
Purchase of property and equipment, intangible assets and other long-term assets	(92,276)	(92,125)
Cash paid for purchase of available-for-sale financial assets	(2,007,743)	(8,035,734)
Cash received from disposal of available-for-sale financial assets	1,942,867	6,235,903
Payment for acquisition of subsidiaries	(14,616)	–
Cash received from disposal of subsidiaries	43,878	–
Capital injection to associates	(121,142)	(42,375)
Net decrease in liabilities of disposal group classified as held for sale	(401)	(824)
Net cash outflow from investing activities	(187,736)	(1,859,713)
Cash flows from financing activities		
Dividends paid	(1,015,196)	(992,778)
Net proceeds from issuance of A/H shares	2,669,812	1,952,398
Capital injection of subsidiaries from non-controlling shareholders	236,446	489,483
Cash received from issuance of short-term notes	10,270	6,695,160
Cash paid for redemption of short-term notes	(2,457,230)	(6,579,480)
Cash paid for redemption of bonds	(2,650,000)	–
Cash received from issuance of bonds	4,002,976	7,351,051
Cash paid for bank loans	664,628	51,818
Payments of interest on debts	(544,640)	(248,891)
Net cash inflow from financing activities	917,066	8,718,761
Net increase in cash and cash equivalents	2,502,118	486,276
Cash and cash equivalents at the beginning of the year	2,144,554	1,596,054
Effect of exchange rate changes on cash and cash equivalents	(3,443)	62,224
Cash and cash equivalents at the end of the year (Note 50)	4,643,229	2,144,554
Cash and cash equivalents at the end of the year -Continuing operations	4,643,229	2,128,430
Cash and cash equivalents at the end of the year -Discontinuing operations	–	16,124
Cash and cash equivalents at the end of the year (Note 50)	4,643,229	2,144,554

The notes on pages 212 to 330 form an integral part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

1 GENERAL INFORMATION

Central China Securities Co., Ltd. (the "Company") is a joint-stock financial institution incorporated in Henan Province, the People's Republic of China (the "PRC"). The Company was incorporated on 8 November 2002, pursuant to the approvals by China Securities Regulatory Commission (the "CSRC") and the People's Government of Henan Province. The Company completed the relevant registration with Henan Provincial Administration of Industry and Commerce (the "HAIC") on 8 November 2002. The CSRC and the HAIC have granted the securities institution license No. Z30574000 and business licence No. 410000100009831 to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province.

The principle business of the Company and its subsidiaries (the "Group") include brokerage business (securities and futures brokerages, wealth management, and distribution of financial products), investment banking business (equity financing, financial advisory and bond financing), investment management business (asset management, direct investment and funds management), proprietary trading business, other headquarter's business (stock pledged repurchase and transaction securities repurchase transactions, the New Third Board market making business, Internet finance business, innovation business, equity exchange centre, overseas business and research business).

The Company completed its initial public offering of overseas-listed foreign shares ("H shares") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 25 June 2014. Under this offering, the Company issued a total of 598,100,000 shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB2,631.62 million.

The Company completed its placement of H shares on Hong Kong Stock Exchange on 3 August 2015. The Company issued a total of 592,119,000 shares with a nominal value of RMB1 per share. After this placement, total share capital of the Company was increased to RMB3,223.74 million.

The Company completed its initial public offering of domestic-listed shares ("A shares") on Shanghai Stock Exchange on 30 December 2016. The Company issued a total of 700,000,000 shares with a nominal value of RMB1 per share. After this issuance, total share capital of the Company was increased to RMB3,923.74 million.

These consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRSs"), disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, assets/liabilities of disposal group classified as held for distribution, and financial assets and financial liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.2.

2.1 Amendments to the accounting standards effective in 2016 and adopted by the Group

The following amendments have been adopted by the Group for the first time during the financial year ended 31 December 2016.

(1)	Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations
(2)	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
(3)	Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 cycle
(4)	Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
(5)	Amendments to IAS 1	Disclosure Initiative
(6)	IFRS 14	Regulatory Deferral Account

(1) Amendments to IFRS 11: Acquisition of Interests in Joint Operations

The amendments to IFRS 11 – Joint Arrangements provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Amendments to the accounting standards effective in 2016 and adopted by the Group (continued)

(2) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 – Property, Plant and Equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38 – Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances.

(3) Amendments to IFRSs: Annual Improvements to IFRSs 2012 – 2014 cycle

The Annual Improvements to IFRSs 2012 – 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7 – Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19 – Employee Benefits regarding discount rates, the amendments to IAS 34 – Interim Financial Reporting regarding disclosure of information.

(4) Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10. The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to IAS 28 allow an entity which is itself not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a policy choice to retain the fair value measurement applied by the associate or joint venture, or to unwind the fair value measurement and perform a consolidation at the level of the associate or joint venture for their subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Amendments to the accounting standards effective in 2016 and adopted by the Group (continued)

(5) Amendments to IAS 1: Disclosure Initiative

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

(6) IFRS 14: Regulatory Deferral Accounts

The IASB has issued IFRS 14 – Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities (“regulatory deferral accounts”). IFRS 14 is only applicable to entities that apply IFRS 1 – First-time Adoption of International Financial Reporting Standards as first-time adopters of IFRSs. It permits such entities, on adoption of IFRSs, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income or financial position of the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group

Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group are as follows:

		<i>Effective for annual periods beginning on or after</i>
(1)	Amendments to IFRS 10 and IAS 28	<p>Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture</p> <p>The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed</p>
(2)	Amendments to IAS 12	Income Taxes 1 January 2017
(3)	Amendments to IAS 7	Statement of Cash Flows 1 January 2017
(4)	Amendments to IFRS 2	Share-based Payment 1 January 2018
(5)	IFRS 9	Financial Instruments 1 January 2018
(6)	IFRS 15	Revenue from Contracts with Customers 1 January 2018
(7)	IFRS 16	Leases 1 January 2019

(1) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between the requirements in IFRS 10 – Consolidated Financial Statements and those in IAS 28 – Investment in Associates and Joint Ventures in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group (continued)

(2) Amendments to IAS 12 – Income Taxes

The IASB has issued amendments to IAS 12 – Income Taxes. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

(3) Amendments to IAS 7 – Statement of Cash Flows

The IASB has issued an amendment to IAS 7 – Statement of Cash Flows introducing, an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.

(4) Amendments to IFRS 2 – Share-based Payment

The IASB issued an amendment to IFRS 2 – Share-based Payment, addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group anticipates that the adoption of this amendment will not have a significant impact on the Group's consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group (continued)

(5) IFRS 9 – Financial Instruments

The complete version of IFRS 9 – Financial Instruments was issued in July 2014. It replaces the guidance in IAS 39 – Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI in which case the accumulated fair value changes in OCI will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have an impact on the Group’s consolidated financial statements, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group (continued)

(5) IFRS 9 – Financial Instruments (continued)

The Company is analysing its business models and changes to its existing credit exposures to assess the potential impact on its financial statements resulting from the adoption of IFRS 9. Given the nature of the Company's operations, it is expected to have an impact on the classification of financial instruments as well as the calculation, amount and timing of its allowances for impairment losses for financial assets. Implementation of IFRS 9 will also have an impact on the management process, budgeting and performance review, as well as the IT systems. The Company will start to collect and prepare the information related to the expected credit loss model, updating financial instruments impairment policies and procedures as well as launching relevant staff training in the year of 2017.

It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detail review has been completed.

(6) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detail review has been completed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group (continued)

(7) IFRS 16 – Leases

IFRS 16 – Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value, in the statement of financial position. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability in the consolidated income statement, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statement of cash flows.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2016 the amounts of operating leasing commitment was RMB166.04 million as disclosed in Note 52.2. However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

3.1 Summary of significant accounting policies

3.1.1 Accounting year

The Group's accounting year starts on 1 January and ends on 31 December.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and the Group's presentation currency.

3.1.3 Consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Management applies its judgment to determine whether the Group is acting as agent or principal in relation to the structured entities ("SEs") in which the Group acts as an asset manager. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.3 Consolidation (continued)

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Group are recognised as non-controlling interests and presented separately in the consolidated financial statements within equity and net profits respectively.

3.1.4 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.1.5 Associates

An associate is an entity over which the Group has significant influence but not control, holds its 20%-50% voting capital in general. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.5 Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments in associates' in the consolidated statement of comprehensive income.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

3.1.6 Separate financial statements

In the Company's statement of financial position, investments in subsidiaries and consolidated structured entities are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The results of subsidiaries and consolidated structured entities are accounted for by the Company on the basis of dividend received and receivable.

The Company assesses at each financial reporting date whether there is objective evidence that investment in subsidiaries or consolidated structured entities is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' or consolidated structured entities' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' or consolidated structured entities' fair value less costs to sell and value in use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.7 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as at the reporting date and translation differences are recognised in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

3.1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.1.9 Financial instruments

(1) Recognition and de-recognition of financial instruments

A financial asset or financial liability is recognised on trade-date, the date when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when one of the following conditions is met: (1) the contractual rights to receive cash flows from the investments have expired; (2) when the Group has transferred substantially all risks and rewards of ownership; (3) when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been directly recognised in equity is recognised in profit or loss.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) Classification and measurement

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. Management determines the classification of its financial assets at initial recognition.

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. Equity securities, funds and debt securities purchased for the purpose of selling in the near term are classified as financial assets held for trading. Equity securities, funds, debt securities are classified as financial assets designated as at fair value through profit or loss if the financial assets which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the financial assets are provided internally on that basis to the Group's management.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value on the statement of financial position. The related transaction costs incurred at the time of acquisition are expensed in the profit or loss. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised through net investment gains in the period in which they arise. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in the statement of comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) Classification and measurement (continued)

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including entrusted loans, margin accounts receivable, accounts receivable, other receivables, financial assets held under resale agreements, refundable deposits, and clearing settlement funds. Loans and receivables are recognised initially at fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Loans and receivables are subsequently measured at amortised cost using effective interest rate method.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories mentioned above. Such financial assets are recognised at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value. Except for impairment losses and foreign exchange gains or losses arising from foreign currency monetary financial assets, gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, and ultimately in the equity, until the financial assets are de-recognised at which time the cumulative gains or losses previously recognised in equity should be reclassified from equity to the statement of comprehensive income. Interest income of available-for-sale debt instruments calculated using effective interest method and dividend income declared are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) Classification and measurement (continued)

(d) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss have two sub-categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial liability is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee).

Financial liabilities are designated at fair value through profit or loss upon initial recognition when: (i) the financial liabilities are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets or financial liabilities; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial liability at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial liabilities at fair value through profit or loss are initially recognised and subsequently measured at fair value on the statement of financial position. The related transaction costs incurred at the time of incurrence are expensed in the statement of comprehensive income. Gains or losses arising from changes in the fair value of financial liabilities at fair value through profit or loss are recognised in profit or loss through net investment gains/losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(2) Classification and measurement (continued)

(d) *Financial liabilities at fair value through profit or loss* (continued)

The interests of both subordinated interest holders of classified collective asset management schemes and holders of non-classified collective asset management schemes within the Group's consolidation scope were designated at fair value through profit or loss, as the interests are managed, evaluated and reported internally on a fair value basis.

(e) *Other financial liabilities*

Other financial liabilities are initially recognised at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest method. Transaction costs and fees of other financial liabilities are included in calculating amortised cost using the effective interest method.

The Group's other financial liabilities mainly comprise "Bonds payable", "Due to other financial institutions", "Accounts payable to brokerage clients", "Financial assets sold under repurchase agreements" and "Other current liabilities" in the statement of financial position. Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(3) Determination of fair value

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Group utilises the latest market price for both financial assets and financial liabilities where the latest price falls within the bid-ask spread. In circumstances where the latest market price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If the market for a financial instrument is not active, valuation techniques are used to establish fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that substantially the same, and discounted cash flow analysis, among others. In applying valuation techniques to measure fair value, the Group maximises the use of observable market inputs and minimises the use of inputs that are specific to the Group.

If the quoted market price is not available and the fair value cannot be reliably measured, a financial asset is measured at cost.

(4) Derivative financial instruments

The Group's derivatives are stock index futures contracts.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(5) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral. Margin financing and securities lending services are classified as margin financing and securities lending, respectively.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using the effective interest rate method.

(6) Resale and repurchase agreements

Assets purchased under agreements to resell at a specified future date are not recognised on the statement of financial position at time of acquisition. The corresponding cash paid is recognised on the statement of financial position as "financial assets held under resale agreements". Conversely, assets sold under agreements to repurchase at a specified future date with a specific price are not derecognised. The corresponding cash received is recognised on the statement of financial position as "financial assets sold under repurchase agreements".

The differences between the purchase and resale prices and sale and repurchase prices are recognised as interest income and interest expense respectively and are accrued over the term of the agreement using the effective interest rate method.

(7) Impairment of financial assets

Except for financial assets held for trading and financial assets at fair value through profit or loss, other categories of financial assets are tested for impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(7) Impairment of financial assets (continued)

(a) *Financial assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties;
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group; and
- (vii) other objective evidence indicating there is an impairment of the financial asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(7) Impairment of financial assets (continued)

(a) **Financial assets carried at amortised cost** (continued)

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and recognised in the consolidated income statement.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment

Homogeneous groups of loans and receivables to customers not considered individually significant and individually assessed and loans and receivables with no objective evidence of impairment on an individual basis are assessed for impairment losses on a collective basis. If there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those financial assets, the impairment is recognised and recorded in the consolidated income statement.

For homogeneous groups of entrusted loans that are not considered individually significant, the Group assess impairment on a collective basis.

For margin financing which are individually significant and therefore have been individually assessed but for which no impairment can be identified, the Group accrues impairment according the business type and clients' margin ratio.

Impairment reversal

If, in a subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the consolidated income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(7) Impairment of financial assets (continued)

(b) *Financial assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is also evidence that the assets are impaired. The Group assesses the fair value of available-for-sale equity instruments individually at statement of financial position date and determines that it is impaired if the fair value of the equity instrument declines to less than 50% (inclusive) or more of its initial cost. When the fair value of an available-for-sale financial asset has declined for more than one year, and the Group concludes this decline is prolonged based on professional judgment of the management. The Group recognises impairment losses in profit or loss. For available-for-sale investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the consolidated income statement; increases in their fair value subsequent to impairment are recognised as other comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.9 Financial instruments (continued)

(8) Offsetting financial instruments

Financial assets and financial liabilities are separately presented in the statement of financial position without any offsetting, except when:

- (i) the Group has a legally enforceable right to offset the recognised amounts; and
- (ii) the Group has intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.1.10 Asset management business

The Group's asset management business comprises targeted asset management, specified asset management and collective asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

When the Group is considered as an agent for targeted asset management business and specified asset management business, the related assets are not recognised. The fees received are recognised as commission and fee income.

For collective asset management schemes where the Group manages with power and/or holds direct investments, the Group further assesses whether its exposure to the variable returns from the activities of the collective asset management schemes is of such magnitude and variability that indicates the Group is a principal. The collective asset management schemes shall be consolidated when the Group is concluded as acting in the role of principal. When the Group acts in the role of an agent of other investors, it recognises the related commission and fee income from the collective asset management schemes in its statement of comprehensive income, and its direct investments as available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.11 Property and equipment

The Group's property and equipment include buildings, motor vehicles, electronics and other equipment that are used for operation purpose and have useful lives of more than one year.

Property and equipment shall be recognised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other subsequent expenditures are recognised in profit or loss during the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For the assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of property and equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	20~40 years	5%	2.38%~4.75%
Motor vehicles	8 years	5%	11.88%
Electronics and other equipment	5-15 years	5%	6.33%~19%

The estimated useful life, the estimated residual value and the depreciation method applied to an asset are reviewed, and adjusted as appropriate by the Group at the end of each reporting period.

Property and equipment are de-recognised on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognised in the statement of comprehensive income. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.16).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.12 Investment properties

Property held for rental purpose that is not occupied by the Group is classified as investment property. Investment properties comprises of land and buildings.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings	20~40 years	5%	2.38%~4.75%

Investment properties are reviewed for impairment at the statement of financial position date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

3.1.13 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire at the date of acquisition.

3.1.14 Intangible assets

Intangible assets mainly include computer software, trading rights and land use rights, which are measured at cost and amortised on a straight-line basis over their estimated useful lives. For an intangible asset with a definite useful life, review of its useful life and amortisation method is performed at each year end, with adjustment made as appropriate.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 3.1.16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.15 Long-term deferred expenses

Long-term deferred expenses include leasehold improvements and expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term deferred expenses are amortised on the straight-line basis over the expected useful economic lives and are presented at actual expenditure net of accumulated amortisation.

3.1.16 Impairment of long-term non-financial assets

Property and equipment, intangible assets with definite useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognised in accordance with the difference. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets that have an indefinite useful life – for example, goodwill or intangible assets with indefinite useful life that are not subject to amortisation are tested at least annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.1.17 Disposal groups classified as held-for-sale and discontinued operations

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal groups constituting the discontinued operation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.18 Employee benefits

Employee benefits mainly include salaries, bonus, allowances and subsidies, staff welfare benefits, social security contributions and housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees. Salary and welfare are expensed in operating expenses in the accounting period of services rendered.

In accordance with the relevant laws and regulations, domestic employees of the Group participate in various social security schemes such as basic pension insurance, medical insurance, housing fund schemes and other social security schemes, which are all defined contribution plans. Insurance expenses and pensions are calculated based on certain percentage of gross salary and are paid to the Labor and Social Security Bureau, and insurance companies, etc. The contribution ratios are defined by stipulating regulations or commercial contracts, which should be no higher than statutory upper ceilings. The Group has no further payment obligations once the contributions have been paid. Contributions are recognised in the statement of comprehensive income for the current period.

The Group operates various post-employment schemes, including both defined contribution pension plans and defined benefit. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. During the current and prior periods, the Group's post-employment scheme mainly includes basic pension insurance, which belongs to the defined contribution pension plans.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.19 Revenue recognition

The Group's revenue mainly includes commission and fee income and interest income.

(1) Commission and fee income

- (a) Revenue from the securities and futures brokerage services is recognised on the date of the transaction;
- (b) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (c) Consultancy and advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;
- (d) Fee revenue from asset management services is recognised according to the provisions of the asset management contracts.

(2) Interest income is recognised by using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

3.1.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.21 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the statement of financial position date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred income tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets is charged or credited directly to equity and is subsequently transferred to profit or loss when the financial assets are de-recognised.

Deferred income tax assets and liabilities are offset when:

- (a) the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority;
- (b) there is a legally enforceable right to offset current tax assets against current tax liabilities.

3.1.22 Leases

Leases of assets where the Group has transferred substantially all the risks and rewards of ownership are classified as finance leases. All leases other than finance leases are classified as operating leases. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are charged as an expense for the current period.

3.1.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.1 Summary of significant accounting policies (continued)

3.1.24 Provisions

Provisions for matters such as legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.1.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.1.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision maker in resource allocation and performance assessment of each segment. The same accounting policies as adopted in preparation of the Group's consolidated financial statements are used for segment reporting.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.2 Summary of significant accounting estimates

The Group continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.2.1 Impairment of loans and receivables

The Group reviews the portfolios of loans and advances to assess whether impairment losses exist and if they exist, the amounts of impairment losses. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows identified with an individual loan and receivable. It also includes observable data indicating adverse changes in the repayment status of borrowers or issuers in the assets portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

The impairment loss for a loan and receivable that is individually assessed for impairment is the decrease in the estimated discounted future cash flows. Entrusted loans are collectively assessed for impairment at the statement of financial position date. Margin financings are collectively assessed for impairment, which the estimate is based on the business type and clients' margin ratio. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual losses.

3.2.2 Impairment of available-for-sale financial assets

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

3.2.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.2 Summary of significant accounting estimates (continued)

3.2.4 Fair value of financial instruments

The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques, which include discounted cash flow models, as well as other types of valuation model. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

3.2.5 Income taxes

The Group is mainly subject to income taxes in China. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Taxation matters such as tax deductible due to asset impairment loss are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

3.2.6 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management schemes shall be consolidated if the Group acts in the role of principal.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

4 TAXATION

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

4.1 Income tax

The PRC Enterprise income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%.

The income tax rate for CCIFHC, a subsidiary established and operates in Hong Kong is 16.5%.

4.2 Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36 issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

After the implementation of the VAT Pilot Programs, the Group's related income is presented at value net of its respective VAT in the consolidated income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

4 TAXATION (CONTINUED)

4.3 Business tax

Prior to 1 May 2016, the Group is subject to business tax calculated and paid at the tax rate of 5% of taxable business income.

According to the "Circular of the Ministry of Finance and the State Administration of Taxation on Business Taxation in Capital Markets" (Cai Shui [2004] No. 203), securities companies are allowed to deduct the following expenses charged on behalf of other parties from their taxable business income.

- i. Securities trading regulatory fees collected on behalf of the securities exchanges;
- ii. Fees received on behalf of the stock exchanges in its agency trading of securities;
- iii. Activation fees of stockholder accounts (include A Shares and B Shares), account opening fees of special transferred stocks, and transfer fees, as well as settlement fees of B Shares, and custodian fees collected on behalf of the China Securities Depository and Clearing Co., Ltd.

According to the "Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Business Tax of the Securities Investor Protection Fund" (Cai Shui [2006] No. 172), securities companies are allowed to deduct their investor protection fund contributions from their taxable business income.

4.4 Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of turnover taxes payable, respectively.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

5 COMMISSION AND FEE INCOME

	Year ended 31 December	
	2016	2015
Securities brokerage	898,242	2,568,707
Financial advisory	209,154	61,860
Investment advisory	123,506	285,404
Underwriting and sponsorship	120,635	166,452
Futures brokerage	79,287	39,838
Asset management and fund management	68,897	59,671
Listing service	2,935	20
Total	1,502,656	3,181,952

6 INTEREST INCOME

	Year ended 31 December	
	2016	2015
Margin financing and securities lending	495,274	847,461
Bank deposits	314,685	381,977
Financial assets held under resale agreements	295,872	223,416
Entrusted loans	42,320	43,203
Others	271	1,662
Total	1,148,422	1,497,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

7 NET INVESTMENT GAINS

	Year ended 31 December	
	2016	2015
Realised gain from disposal of available-for-sale financial assets	7,369	28,146
Dividends and interest income from available-for-sale financial assets	58,855	74,850
Realised losses/gain from disposal of financial assets held for trading	(1,395)	469,925
Dividends and interest income from financial assets held for trading	373,364	291,035
Net realised losses from derivative financial instruments	(18,460)	(48,374)
Investment income from associates	12,708	1,725
Realised gain from disposal of subsidiaries	40,981	–
Dividends and interest income from financial assets designed as at fair value through profit or loss	17,988	–
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets held for trading	(87,386)	49,065
– Derivative financial instruments	(442)	6,625
– Financial assets designated as at fair value through profit or loss	27,078	–
– Financial liabilities designated as at fair value through profit or loss	(13,466)	(217,917)
Total	417,194	655,080

8 OTHER INCOME AND GAINS

	Year ended 31 December	
	2016	2015
Government grants ⁽¹⁾	25,408	21,084
Rental income	3,378	3,248
Others ⁽²⁾	45,970	6,177
Total	74,756	30,509

(1) This item consists of tax incentive and other grants from local governments.

(2) In 2016, others mainly consists of the physical commodities trading carried out by Yuxin Investment Management (Shanghai) Co.,Ltd., a subsidiary of the Company registered in Shanghai.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

9 COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2016	2015
Brokerage expenses	215,442	440,613
Underwriting and sponsorship	13,213	15,001
Financial advisory	12,165	3,947
Asset management and fund management	2,217	6,037
Total	243,037	465,598

10 INTEREST EXPENSES

	Year ended 31 December	
	2016	2015
Corporate bonds	495,991	378,449
Financial assets sold under repurchase agreements	205,939	263,723
Short-term notes	58,323	124,422
Accounts payable to brokerage clients	45,214	63,166
Due to other financial institutions	12,313	105,491
Bank loans	11,162	51
Securities lending	1,173	842
Total	830,115	936,144

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION)

	Year ended 31 December	
	2016	2015
Salaries and bonus	434,777	1,190,218
Pension	168,838	89,986
Other social security benefits	76,712	49,992
Labor union funds and employee education funds	18,371	53,218
Other welfare	12,588	11,977
Total	711,286	1,395,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.1 Emoluments of the directors and supervisors

Emoluments of the directors and supervisors of the Company paid by the Group for the years ended 31 December 2016 and 2015 are set out below:

Name	Year ended 31 December 2016				Total
	Remuneration	Salaries, allowances and other welfares	Pension	Discretionary bonus	
Executive Directors					
Jian Mingjun (Chairman) ⁽²²⁾	-	426	60	-	486
Zhou Xiaoquan (President) ⁽²²⁾	-	432	57	-	489
Non-executive Directors					
Yuen Chi Wai	210	-	-	-	210
Yuan Dejun	210	-	-	-	210
Ning Jincheng ⁽¹⁾	70	-	-	-	70
Yu Zeyang	15	-	-	-	15
Wang Lixin	31	-	-	-	31
Zhang Qiang	15	-	-	-	15
Li Xingjia	15	-	-	-	15
Yu Xugang ⁽²⁾	210	-	-	-	210
Zhang Xiaoqi ⁽³⁾	31	-	-	-	31
Supervisors					
Lu Zhili ⁽⁴⁾	-	333	41	-	374
Lai Bulian ⁽⁵⁾	-	583	10	1,351	1,944
Wang Jing ⁽⁶⁾	-	284	19	-	303
Han Junyang ⁽⁷⁾	-	240	18	-	258
Xiang Siying ⁽⁸⁾	101	-	-	-	101
Li Jieying ⁽⁹⁾	42	-	-	-	42
Yan Changkuan ⁽¹⁰⁾	10	-	-	-	10
Xia Xiaoning ⁽¹¹⁾	59	-	-	-	59
Wang Jinchang ⁽¹²⁾	11	-	-	-	11
Total	1,030	2,298	205	1,351	4,884



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(All amounts in RMB'000 unless otherwise stated)

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.1 Emoluments of the directors and supervisors (continued)

Name	Year ended 31 December 2015				Total
	Remuneration	Salaries, allowances and other welfares	Pension	Discretionary bonus	
Executive Directors					
Jian Mingjun (Chairman) ⁽²²⁾	–	587	63	4,291	4,941
Zhou Xiaoquan (President) ⁽²²⁾	–	494	59	3,992	4,545
Non-executive Directors					
Yuen Chi Wai	223	–	–	–	223
Yuan Dejun	223	–	–	–	223
Ning Jincheng ⁽¹⁾	174	–	–	–	174
Zhu Shanli ⁽¹³⁾	171	–	–	–	171
Yu Zeyang	31	–	–	–	31
Wang Lixin	31	–	–	–	31
Zhang Qiang	31	–	–	–	31
Li Xingjia	29	–	–	–	29
Zhu Jie ⁽¹⁴⁾	21	–	–	–	21
Yu Xugang ⁽²⁾	18	–	–	–	18
Shi Dan ⁽¹⁵⁾	14	–	–	–	14
Zhang Xiaoqi ⁽³⁾	9	–	–	–	9
Supervisors					
Lu Zhili ⁽⁴⁾	–	367	39	2,850	3,256
Zhou Jianzhong ⁽¹⁶⁾	–	383	51	2,673	3,107
Zhu Qiben ⁽¹⁷⁾	–	276	25	1,829	2,130
Li Feng ⁽¹⁸⁾	–	247	25	1,806	2,078
Lai Bulian ⁽⁵⁾	–	855	26	1,035	1,916
Wang Jing ⁽⁶⁾	–	196	20	1,368	1,584
Han Junyang ⁽⁷⁾	–	233	20	1,241	1,494
Xiang Siying ⁽⁸⁾	27	–	–	–	27
Li Jieying ⁽⁹⁾	27	–	–	–	27
Yan Changkuan ⁽¹⁰⁾	21	–	–	–	21
Ji Guangyuan ⁽¹⁹⁾	15	–	–	–	15
Wang Rui ⁽²⁰⁾	15	–	–	–	15
Wang Jinchang ⁽¹²⁾	7	–	–	–	7
Cui Yuanfeng ⁽²¹⁾	7	–	–	–	7
Total	1,094	3,638	328	21,085	26,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.1 Emoluments of the directors and supervisors (continued)

- (1) Ning Jincheng was elected to be independent non-executive director effective from 10 September 2015.
- (2) Yu Xugang was elected to be independent non-executive director effective from 7 December 2015.
- (3) Zhang Xiaoqi was elected to be non-executive director effective from 10 September 2015.
- (4) Lu Zhili was elected to be chairman of the Board of Supervisor effective from 15 September 2015.
- (5) Lai Bulian was elected to be employee supervisor effective from 10 September 2015.
- (6) Wang Jing was elected to be employee supervisor effective from 10 September 2015.
- (7) Han Junyang was elected to be employee supervisor effective from 10 September 2015.
- (8) Xiang Siying was elected to be independent supervisor effective from 10 September 2015.
- (9) Li Jieying was elected to be independent supervisor effective from 22 September 2015, and ceased to be an independent supervisor since 7 January 2016.
- (10) Yan Changkuan was elected to be shareholder representative supervisor from 10 September 2015.
- (11) Xia Xiaoning was elected to be independent supervisor from 9 May 2016.
- (12) Wang Jinchang was elected to be shareholder representative supervisor from 10 September 2015.
- (13) Zhu Shanli ceased to be independent non-executive director effective from 15 September 2015.
- (14) Zhu Jie ceased to be non-executive director effective from 10 September 2015.
- (15) Shi Dan ceased to be independent non-executive director effective from 6 January 2015.
- (16) Zhou Jianzhong ceased to be supervisor effective from 10 September 2015.
- (17) Zhu Qiben ceased to be supervisor effective from 10 September 2015.
- (18) Li Feng ceased to be supervisor effective from 10 September 2015.
- (19) Ji Guangyuan ceased to be supervisor effective from 10 September 2015.
- (20) Wang Rui ceased to be supervisor effective from 10 September 2015.
- (21) Cui Yuanfeng was elected to be shareholder representative supervisor from 10 September 2015, and ceased to be supervisor effective from 20 July 2016.
- (22) The total compensation package for these directors for the year ended 31 December 2016 has not yet been finalised. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2016.

11.2 The five highest paid individuals

For the year ended 31 December 2016, the five highest paid individuals do not include any directors (for the year ended 31 December 2015: two directors).

Details of the remuneration for the rest of the five highest paid individuals for the relevant years are as follows:

	Year ended 31 December	
	2016	2015
Salaries, allowances and other welfares	2,679	2,515
Pension plan contributions	71	227
Discretionary bonus	14,930	19,707
Total	17,680	22,449



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

11 STAFF COSTS (INCLUDING DIRECTORS' AND SUPERVISORS' REMUNERATION) (CONTINUED)

11.2 The five highest paid individuals (continued)

The remuneration of the senior management and individuals by range:

	Year ended 31 December	
	2016	2015
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	1	–
Total	5	3

The Group has not provided any compensation to any of these directors, supervisors and the five highest paid individuals as incentive for them to join the Group, reward for joining the Group or for leaving the Group.

12 DEPRECIATION AND AMORTISATION

	Year ended 31 December	
	2016	2015
Depreciation of property and equipment	32,557	32,082
Amortisation of intangible assets	20,777	18,978
Amortisation of leasehold improvement and long-term deferred expenses	12,063	13,781
Depreciation of investment properties	895	873
Total	66,292	65,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

13 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2016	2015
Tax and surcharges	57,418	255,484
Rental expenses	52,185	47,942
Consulting fees	21,410	15,861
Electronic device operating costs	20,034	13,740
Securities investors protection fund	17,387	39,817
Communication costs	17,333	18,052
Exchange annual fees	9,258	17,049
Utilities	9,081	10,237
Property fees	7,399	5,785
Travel expenses	7,257	6,285
Auditors' remuneration		
– Audit services	4,543	3,802
– Non-audit services	270	130
Foreign exchange gains, net	3,443	(62,062)
Others	99,755	77,269
Total	326,773	449,391

14 IMPAIRMENT (REVERSAL)/LOSSES

	Year ended 31 December	
	2016	2015
Entrusted loans	10,537	(170)
Margin accounts receivable	4,097	(435)
Financial assets held under resale agreements	2,328	(1,547)
Accounts receivable	1,116	3,333
Available-for-sale financial assets	(45,083)	126,450
Total	(27,005)	127,631



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

15 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
Current		
– Mainland China	155,318	575,294
– Hong Kong	3,336	–
Deferred		
– Mainland China	70,318	(86,706)
– Hong Kong	(1,130)	–
Total	227,842	488,588

Reconciliation between income tax and accounting profit:

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2016	2015
Profit before income tax	992,530	1,925,391
Tax calculated at applicable statutory tax rate of 25%	248,133	481,348
Effects of different applicable rates of tax prevailing in various regions	(2,549)	(7)
Income not subject to tax ⁽¹⁾	(22,699)	(2,578)
Items not deductible for tax purposes ⁽²⁾	3,529	8,959
Net tax losses for which no deferred income tax asset was recognised	1,428	866
Total	227,842	488,588

(1) The income not subject to tax mainly represents interest income arising from PRC treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(2) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible thresholds under the relevant PRC tax regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

16 EARNINGS PER SHARE

16.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
Profit attributable to shareholders of the Company		
– Continuing operations	727,807	1,423,056
– Discontinued operations	(9,161)	(17,555)
Total	718,646	1,405,501
Weighted average number of ordinary shares in issue	3,240,995	2,874,952
Basic earnings per share (in RMB yuan)	0.22	0.49
– Continuing operations	0.23	0.50
– Discontinued operations	(0.01)	(0.01)

16.2 Diluted earnings per share

For the year ended 31 December 2016 and 2015, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

17 DIVIDENDS

Under the "Company Law" of the PRC and the Company's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) 10% and 5% of the Company's profit is appropriated to the non-distributable statutory surplus reserve and discretionary surplus reserve;
- (iii) 11% of the Company's profit is appropriated to the non-distributable general reserve;
- (iv) 10% of the Company's profit is appropriated to the non-distributable transaction risk reserve;
- (v) Appropriations to the discretionary reserve with approval from the General Meetings of Shareholders. These funds form part of the shareholders' equity.

The 2015 profit distribution was approved in the 2015 annual general shareholders' meeting held on 9 May 2016 in Zhengzhou. Total dividend of RMB676,984,287 was declared and paid out as of 31 December 2016 (RMB0.21 per share, tax inclusive).

The 2016 interim profit distribution was approved in the 2016 second extraordinary general shareholders' meeting held on 13 October 2016 in Zhengzhou. Total dividend of RMB322,373,470 was declared and paid out as of 31 December 2016 (RMB0.10 per share, tax inclusive).

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profit determined in accordance with IFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

18 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
Cost					
1 January 2016	180,155	27,496	296,920	543	505,114
Additions	-	271	41,425	3,508	45,204
Transfer to investment properties (Note 19)	(3,485)	-	-	-	(3,485)
Disposals	-	(131)	(18,945)	-	(19,076)
Exchange difference	-	89	53	-	142
31 December 2016	176,670	27,725	319,453	4,051	527,899
Accumulated depreciation					
1 January 2016	(38,857)	(17,589)	(212,572)	-	(269,018)
Additions	(4,640)	(2,216)	(25,701)	-	(32,557)
Transfer to investment properties (Note 19)	862	-	-	-	862
Disposals	-	124	14,803	-	14,927
Exchange difference	-	(10)	(18)	-	(28)
31 December 2016	(42,635)	(19,691)	(223,488)	-	(285,814)
Carrying amount					
31 December 2016	134,035	8,034	95,965	4,051	242,085



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

18 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
Cost					
1 January 2015	179,041	26,481	262,065	100	467,687
Additions	–	2,974	48,344	443	51,761
Transfer from investment properties (Note 19)	1,114	–	–	–	1,114
Disposals	–	(1,317)	(5,787)	–	(7,104)
Transfer to disposal group held for sale	–	(696)	(7,723)	–	(8,419)
Exchange difference	–	54	21	–	75
31 December 2015	180,155	27,496	296,920	543	505,114
Accumulated depreciation					
1 January 2015	(34,051)	(17,204)	(199,286)	–	(250,541)
Additions	(4,660)	(1,942)	(25,480)	–	(32,082)
Transfer from investment properties (Note 19)	(146)	–	–	–	(146)
Disposals	–	1,263	5,173	–	6,436
Transfer to disposal group held for sale	–	296	7,023	–	7,319
Exchange difference	–	(2)	(2)	–	(4)
31 December 2015	(38,857)	(17,589)	(212,572)	–	(269,018)
Carrying amount					
31 December 2015	141,298	9,907	84,348	543	236,096

For the year ended 31 December 2016 and 2015, gain or loss from disposal of property and equipment was not significant.

All buildings of the Group are located in mainland China.

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19 INVESTMENT PROPERTIES

	1 January 2016	Transfer in (Note 18)	Transfer out (Note 18)	Additions	31 December 2016
Buildings	36,223	3,485	–	–	39,708
Accumulated depreciation	(14,998)	(862)	–	(895)	(16,755)
Carrying amount	21,225				22,953

	1 January 2015	Transfer in (Note 18)	Transfer out (Note 18)	Additions	31 December 2015
Buildings	37,337	–	(1,114)	–	36,223
Accumulated depreciation	(14,271)	–	146	(873)	(14,998)
Carrying amount	23,066				21,225

20 GOODWILL

Goodwill of the Group arose from its acquisition of Yuliang Futures Brokerage Co., Ltd. (later renamed to Central China Futures Co., Ltd.) on 12 October 2007 and Pan Asia Corporate Finance Limited (later renamed to Central China Finance Holdings Limited) on 16 February 2016.

The recoverable amount is determined based on the value in use derived from the present value of expected future cash flows. No impairment provision is provided because the recoverable amount exceeds the carrying amount.



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21 INTANGIBLE ASSETS

	Land use rights	Software	Trading rights and others	Total
Cost				
1 January 2016	105,480	125,086	34,638	265,204
Increases	–	20,337	–	20,337
Decreases	–	(376)	–	(376)
Exchange difference	–	17	28	45
31 December 2016	105,480	145,064	34,666	285,210
Accumulated amortization				
1 January 2016	(4,615)	(71,132)	(33,496)	(109,243)
Increases	(2,637)	(17,981)	(159)	(20,777)
Decreases	–	376	–	376
Exchange difference	–	(7)	–	(7)
31 December 2016	(7,252)	(88,744)	(33,655)	(129,651)
Carrying amount				
31 December 2016	98,228	56,320	1,011	155,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

21 INTANGIBLE ASSETS (CONTINUED)

	Land use rights	Software	Trading rights and others	Total
Cost				
1 January 2015	105,480	110,944	33,909	250,333
Increases	–	26,919	729	27,648
Transfer to disposal group held for sale	–	(12,777)	–	(12,777)
31 December 2015	105,480	125,086	34,638	265,204
Accumulated amortization				
1 January 2015	(1,978)	(62,217)	(32,395)	(96,590)
Increases	(2,637)	(15,240)	(1,101)	(18,978)
Transfer to disposal group held for sale	–	6,327	–	6,327
Exchange difference	–	(2)	–	(2)
31 December 2015	(4,615)	(71,132)	(33,496)	(109,243)
Carrying amount				
31 December 2015	100,865	53,954	1,142	155,961



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

22 INVESTMENTS IN ASSOCIATES

Details of investments in associates, unlisted, are as follow:

	31 December 2016	31 December 2015
Balance at beginning of year	91,864	49,685
Addition	265,850	39,930
Share of results	12,708	2,249
Balance at end of year	370,422	91,864

The investment in associates are mainly composed of those invested by Zhongding Kaiyuan Venture Capital Management Co., Ltd. and Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership), both are subsidiaries of the Company registered in Mainland China.

An analysis of the major investments in associates is as follows:

Name of associates	Place of registration	Registered share capital	Principal activities	Percentage of equity interest held by the Group
Taiping Fund Management Co., Ltd.	Shanghai	227,000	Fund management	14.98%
Henan Zhongping Finance & Guaranty Co., Ltd.	Zhengzhou	200,000	Guarantee business	25.00%
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	Zhumadian	124,930	Cultivation	40.73%
Tangyin County Innovation Industry Investment Fund (limited partnership)	Anyang	100,000	Non-securities equity investment	40.00%
Minquan County Innovation Industry Investment Fund (limited partnership)	Shangqiu	100,000	Non-securities equity investment	10.00%
Anyang Purun High-Tech Industry Investment Fund (limited partnership)	Anyang	100,000	Non-securities equity investment	30.00%
Henan Liyong Environmental Protection Technology Co., Ltd.	Shangqiu	54,000	Production of garbage disposal equipment	6.76%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

General information

The following is information of major subsidiaries and consolidated structured entities of the Group as at 31 December 2016. Unless specifically stated, the equity interests in these subsidiaries were all ordinary shares and directly or indirectly held by the Group, and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses were also their business locations.

Name of subsidiary and consolidated structured entities	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered and paid-in capital	Equity interest held by the Group		Directly held/indirectly held
				31 December 2016	31 December 2015	
Central China Futures Co., Ltd.	Zhengzhou, PRC, limited liability company	Futures brokerages in Mainland China	330,000	51.36%	51.36%	Direct
Zhongding Kaiyuan Entrepreneurial Investment Management Co., Ltd. ("ZDKY Venture Capital") ⁽¹⁾	Beijing, PRC, limited liability company	Investment holding in Mainland China	1,380,000	64.86%	62.29%	Direct
Central China International Financial Holdings Co., Ltd. ("CCIFHC") ⁽²⁾	Hong Kong, PRC, limited liability company	Investment management, fund management in Hong Kong	500,000 (HKD)	100.00%	100.00%	Direct
Central China Blue Ocean Investment Management Co., Ltd. ("CCBO") ⁽³⁾	Zhengzhou, PRC, limited liability company	Fund management in Mainland China	500,000	100.00%	100.00%	Direct
Central China Equity Exchange Co., Ltd. ("CCEEC")	Zhengzhou, PRC, limited liability company	Investment management in Mainland China	350,000	35.00%	35.00%	Direct
"Yanhuan No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	44,557	14.48%	70.15%	Direct
"Yanhuan No.2"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	31,082	12.78%	29.49%	Direct
"Changsheng No.2"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	33,600	14.88%	-	Direct
"Panshi No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	100,000	12.50%	12.50%	Direct



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

(CONTINUED)

General information (continued)

Name of subsidiary and consolidated structured entities	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered and paid-in capital	Equity interest held by the Group		Directly held/indirectly held
				31 December 2016	31 December 2015	
"Wenjian No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	250,000	20.00%	20.00%	Direct
"Wenjian No.2"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	250,000	20.00%	20.00%	Direct
"Wenjian No.3"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	250,000	20.00%	20.00%	Direct
"Wenjian No.4"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	200,000	25.00%	16.67%	Direct
"Xincheng No.1"	Zhengzhou, PRC, structured entity	Asset management in Mainland China	30,010	100.00%	100.00%	Indirect
Henan Zhongyuan Kechuang venture capital investment fund (limited partnership)	Zhengzhou, PRC, limited partnership	Non-securities brokerage and consulting in Mainland China	50,000	32.43%	31.15%	Indirect
Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership)	Luoyang, PRC, limited partnership	Asset management in Mainland China	110,000	11.45%	20.39%	Indirect

- (1) In 2016, the registered and paid-in capital of ZDKY Venture Capital increased from RMB1,000 million to RMB1,380 million. The Company made additional investment of RMB410.40 million.
- (2) In 2016, the registered capital of CCIFHC increased from HKD300 million to HKD500 million. The Company made additional investment of HKD200 million.
- (3) In 2016, the registered capital of CCBO increased from RMB300 million to RMB500 million. The Company made additional investment of RMB195 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

23 SUBSIDIARIES AND CONSOLIDATED STRUCTURED ENTITIES

(CONTINUED)

General information (continued)

The fair value and book value of identifiable assets and liabilities of the structured entities listed above are as follows:

	31 December 2016 Fair value	31 December 2016 Book value
Current assets	1,509,443	1,509,443
Non-current assets	1,230	1,230
Total assets	1,510,673	1,510,673
Current liabilities	1,504,472	1,504,472
Non-current liabilities	817	817
Total liabilities	1,505,289	1,505,289

The operating results and cash flows of the structured entities listed above for the year 2016 are as follows:

	Year ended 31 December 2016
Revenue	6,199
Profit for the year	5,165

24 OTHER NON-CURRENT ASSETS

	31 December 2016	31 December 2015
Leasehold improvements	19,205	22,259
Long-term deferred expenses	2,020	2,193
Total	21,225	24,452



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

24 OTHER NON-CURRENT ASSETS (CONTINUED)

24.1 Leasehold improvements

Leasehold improvements of the Group is amortised over the expected beneficial period.

	31 December 2016	31 December 2015
Balance at beginning of year	22,259	23,221
Additions	8,224	11,708
Amortisation	(11,204)	(12,709)
Exchange difference	(74)	39
Balance at end of year	19,205	22,259

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current assets

	31 December 2016	31 December 2015
At fair value		
Specified asset management schemes ⁽¹⁾	310,639	317,799
Collective asset management schemes	131,430	242,976
Debt securities	60,000	–
Investment funds	2,044	1,936
Investments in unlisted companies	–	12,000
Less: impairment allowance ⁽¹⁾	(55,655)	(68,148)
Subtotal	448,458	506,563
At cost		
Investments in unlisted companies	60,458	64,855
Less: impairment allowance	(2,377)	(2,376)
Subtotal	58,081	62,479
Total	506,539	569,042
Analysed as		
Unlisted	564,571	639,566
Less: impairment allowance	(58,032)	(70,524)
Total	506,539	569,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets

	31 December 2016	31 December 2015
At fair value		
Equity securities	252,241	126,674
Wealth management products	158,000	70,550
Collective asset management schemes	140,870	24,101
Targeted asset management schemes	100,000	150,000
Specified asset management schemes ⁽¹⁾	79,960	69,971
Investment funds	25,984	120,495
Trust schemes	–	36,200
Others ⁽²⁾	1,334,560	1,336,310
Less: impairment allowance ⁽¹⁾	(14,816)	(58,302)
Subtotal	2,076,799	1,875,999
At cost		
Equity securities	–	14,800
Total	2,076,799	1,890,799
Analysed as		
Listed outside Hong Kong	1,501,915	1,491,643
Listed in Hong Kong	98,733	93,887
Unlisted	490,967	363,571
Less: impairment allowance	(14,816)	(58,302)
Total	2,076,799	1,890,799

(1) As at 31 December 2016, the Group set aside an impairment allowance of RMB70.45 million for the Da Cheng Xi Yellow River Bridge specified asset management scheme based on independent valuation (31 December 2015: RMB126.45 million).

(2) Others mainly included the investment portfolio, operating by China Securities Finance Corporation Limited ("CSF"), which was jointly invested by the Company and other securities companies. On 1 September 2015, the Group made investment with total amount of RMB1,323.45 million. Under the investment agreement, the Company and other joint investors share the income/loss based on contribution proportion.



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(All amounts in RMB'000 unless otherwise stated)

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets (continued)

As at 31 December 2016, available-for-sale financial assets of the Group included securities lent to clients amounted to RMB 11.86 million (31 December 2015: RMB12.77 million).

As at 31 December 2016, the available-for-sale financial assets of CCIFHC consisted of RMB69.31 million securities, which had been pledged with the Hong Kong branch of Bank of Communications Co., Ltd. as collateral of its bank loans (Note 42). In addition to the above, the Group has no other securities used as collateral (31 December 2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

26 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current assets

	31 December 2016	31 December 2015
Analysed by asset type:		
Convertible bonds	403,989	–
Analysed by market:		
Unlisted	403,989	–

Current assets

	31 December 2016	31 December 2015
Analysed by asset type:		
Convertible bonds	89,451	–
Others	21,379	–
Total	110,830	–
Analysed by market:		
Unlisted	110,830	–
Total	110,830	–

The convertible bonds held by the Group are hybrid financial instruments, which are designated as financial assets at fair value through profit or loss with a fair value of RMB493.44 million (31 December 2015: nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

27 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Non-current assets

	31 December 2016	31 December 2015
Analysed by asset type:		
Equity securities	678,400	532,500
Less: Impairment provision	(1,696)	(1,331)
Total	676,704	531,169
Analysed by market:		
Shenzhen Stock Exchange	678,400	532,500
Less: Impairment provision	(1,696)	(1,331)
Total	676,704	531,169

Current assets

	31 December 2016	31 December 2015
Analysed by asset type:		
Equity securities	2,028,976	1,421,756
Debt securities	3,211,450	4,877,236
Less: Impairment provision	(5,434)	(3,471)
Total	5,234,992	6,295,521
Analysed by market:		
Interbank market	3,048,951	4,877,236
Shenzhen Stock Exchange	1,039,399	752,239
Shanghai Stock Exchange	928,448	669,517
Hong Kong Stock Exchange	223,628	–
Less: Impairment provision	(5,434)	(3,471)
Total	5,234,992	6,295,521

Collateral held by the Group as part of its resale agreements may be placed again as collateral in the absence of default by any party involved, and the Group is obligated to return the assets to its counterparties upon maturity of the contracts. As at 31 December 2016, the fair value of securities of the Group which have been pledged as collateral were RMB2,393.76 million (31 December 2015: RMB1,892.59 million).

One agreement with stock collateral of RMB121.10 million was overdue as of 31 December 2016. The directors of the Company, taking into consideration of the value of collateral and external legal advice, concluded that the amount can be fully recovered and no provision is recognised as of 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

28 ENTRUSTED LOANS

Non-current assets

	31 December 2016	31 December 2015
Entrusted loans	25,000	–
Less: Impairment allowance	(250)	–
Total	24,750	–

Current assets

	31 December 2016	31 December 2015
Entrusted loans	508,304	263,261
Less: Impairment allowance	(12,920)	(2,633)
Total	495,384	260,628

Entrusted loans represent the Group's lending to third parties via domestic commercial banks in Mainland China, with interest rates ranging from 8.00% to 13.50% per annum.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

29 DEFERRED INCOME TAX ASSETS AND LIABILITIES

29.1 Deferred income tax assets

The movements in deferred income tax assets during the years are as follows:

	Provision for asset impairment	Employee benefits payable	Changes in fair value of available-for-sale financial assets	Changes in fair value of derivatives	Accrual and others	Total
As at 1 January 2015	14,981	82,555	-	1,474	5,459	104,469
Income statement charge	29,019	74,494	-	(1,474)	2,811	104,850
Tax charge relating to components of other comprehensive income	-	-	16	-	-	16
As at 31 December 2015	44,000	157,049	16	-	8,270	209,335
Income statement charge	(10,032)	(82,907)	-	-	1,549	(91,390)
Tax charge relating to components of other comprehensive income	-	-	(16)	-	-	(16)
As at 31 December 2016	33,968	74,142	-	-	9,819	117,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

29 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

29.2 Deferred income tax liabilities

The movements in deferred income tax liabilities during the years are as follows:

	Changes in fair value of available- for-sale financial assets	Changes in fair value of financial assets held for trading	Changes in fair value of derivatives	Others	Total
As at 1 January 2015	(8,836)	(13,429)	-	(5,572)	(27,837)
Income statement charge	-	(8,261)	(182)	(9,701)	(18,144)
Tax charge relating to components of other comprehensive income	(3,176)	-	-	-	(3,176)
As at 31 December 2015	(12,012)	(21,690)	(182)	(15,273)	(49,157)
Income statement charge	-	19,585	115	2,502	22,202
Tax charge relating to components of other comprehensive income	(1,803)	-	-	-	(1,803)
Exchange difference	-	-	-	51	51
As at 31 December 2016	(13,815)	(2,105)	(67)	(12,720)	(28,707)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net movements on the deferred income tax account are as follows:

	31 December 2016	31 December 2015
Balance at beginning of the year	160,178	76,632
Income statement charge	(69,188)	86,706
Tax charge relating to components of other comprehensive income (Note 40)	(1,819)	(3,160)
Exchange difference	51	-
Balance at end of the year	89,222	160,178



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

30 REFUNDABLE DEPOSITS

	31 December 2016	31 December 2015
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	37,544	58,155
– Shenzhen Stock Exchange	23,385	45,819
– National Equities Exchange and Quotations	969	550
Deposits to Futures and Commodities Exchanges		
– China Financial Futures Exchange	117,018	185,582
– Shanghai Futures Exchange	128,204	61,900
– Zhengzhou Commodities Exchange	40,460	46,800
– Dalian Commodities Exchange	66,672	24,101
Deposits to CSF	75,826	–
Total	490,078	422,907

31 OTHER CURRENT ASSETS

	31 December 2016	31 December 2015
Interest receivable	397,345	257,758
Other receivables	119,245	230,494
Accounts receivable	46,923	30,594
Others	51,210	39,350
Less: Impairment allowance	(30,768)	(29,652)
Total	583,955	528,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

31 OTHER CURRENT ASSETS (CONTINUED)

31.1 Interest receivable

	31 December 2016	31 December 2015
Margin financing, securities lending and financial assets held under resale agreements	237,669	147,929
Bonds	134,706	85,701
Asset management schemes	16,115	20,921
Others	8,855	3,207
Total	397,345	257,758

31.2 Accounts receivable

The aging analysis of accounts receivable is as follows:

	31 December 2016		31 December 2015	
	Amount	Impairment allowance	Amount	Impairment allowance
Up to 1 year	42,510	(502)	29,742	(2,594)
1 to 3 years	4,413	(2,924)	852	(413)
Total	46,923	(3,426)	30,594	(3,007)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

32 MARGIN ACCOUNTS RECEIVABLE

	31 December 2016	31 December 2015
Margin Accounts Receivable		
– Individuals	5,953,677	8,101,884
– Institutions	180,078	67,002
Subtotal	6,133,755	8,168,886
Allowance for impairment losses	(14,490)	(10,083)
Total	6,119,265	8,158,803

As at 31 December 2016, the Group received collateral with fair value amounted to RMB15,383.06 million (31 December 2015: RMB21,931.67 million) in margin financing business.

33 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The derivative financial assets of the Group mainly represent stock options, stock index futures contracts and the commodity futures contracts. The Group settles its futures gains or losses on a daily basis, with the corresponding receipts and payments as at 31 December 2016 and 2015 included in “clearing settlement funds”.

	31 December 2016		31 December 2015	
	Contractual value	Negative fair value	Contractual value	Negative fair value
Futures	49,822	235	87,045	727
Less: settlement		(235)		(727)
Options	186	(132)	–	–
Net position		(132)		–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

34 FINANCIAL ASSETS HELD FOR TRADING

	31 December 2016	31 December 2015
Debt securities	5,739,835	3,838,532
Investment funds	863,728	485,806
Equity securities	822,911	720,790
Others	95,803	–
Total	7,522,277	5,045,128
Analysed as:		
Listed outside Hong Kong	7,425,469	4,964,105
Listed in Hong Kong	–	11,023
Unlisted	96,808	70,000
Total	7,522,277	5,045,128

As at 31 December 2016, the fair value of securities of the Group which have been pledged as collateral were RMB3,530.71 million (31 December 2015: RMB2,712.61 million).

Those “listed outside Hong Kong” include securities and investment funds traded in PRC’s interbank bond markets, Shanghai and Shenzhen Stock Exchanges, and National Equities Exchange and Quotations.

35 CLEARING SETTLEMENT FUNDS

	31 December 2016	31 December 2015
Clearing settlement funds held for clients	2,823,467	4,295,291
Proprietary clearing settlement funds	273,490	160,325
Total	3,096,957	4,455,616



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

36 CASH HELD FOR BROKERAGE CLIENTS

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognise them as due to clients given that they are held liable for any loss or miss-appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

37 CASH AND BANK BALANCES

	31 December 2016	31 December 2015
Cash on hand	659	623
Deposits in banks	4,369,080	1,967,482
Total	4,369,739	1,968,105

As at 31 December 2016, the amount of restricted cash and bank deposits is RMB3.55 million (31 December 2015: 46.74 million).

38 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to Ashmore-CCSC, a 51% owned subsidiary of the Company, had been presented as held for sale as at 31 December 2015. The Board of Directors of the Company made a disposal decision of Ashmore-CCSC in 2015.

38.1 Assets of disposal group classified as held for sale

	31 December 2016	31 December 2015
Cash and bank balances	–	26,058
Financial assets at fair value through profit or loss	–	5,013
Refundable deposits	–	22
Clearing settlement funds	–	81
Other non-financial assets	–	8,255
Total	–	39,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

38.2 Liabilities of disposal group classified as held for sale

	31 December 2016	31 December 2015
Financial liabilities at fair value through profit or loss	–	6,012
Other liabilities	–	5,661
Tax payable	–	23
Total	–	11,696

38.3 Analysis of the result of discontinued operations is as follows:

	Year ended 31 December	
	2016	2015
Revenue	(157)	441
Expenses	(17,806)	(34,863)
Loss before tax of discontinued operations	(17,963)	(34,422)
Less: Tax	–	–
Loss after tax of discontinued operations	(17,963)	(34,422)
Pre-tax loss recognised on the re-measurement of assets of the disposal group	–	–
Less: Tax	–	–
After tax loss recognised on the re-measurement of assets of the disposal group	–	–
Loss for the year from discontinued operations	(17,963)	(34,422)
Loss for the year from discontinued operations attributable to:		
– Shareholders of the Company	(9,161)	(17,555)
– Non-controlling interests	(8,802)	(16,867)
Loss for the year from discontinued operations	(17,963)	(34,422)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

38 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

38.4 Analysis of the result of discontinued cash flow is as follows:

	31 December 2016	31 December 2015
Operating cash flows	(15,298)	(40,576)
Investing cash flows	(401)	(824)
Financing cash flows	–	–
Total	(15,699)	(41,400)

39 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	31 December 2016	31 December 2015
Issued and fully paid ordinary shares of RMB1.00 each		
– Domestic shares	2,673,706	1,973,706
– H shares	1,250,029	1,250,029
Total	3,923,735	3,223,735
Share Capital		
– Domestic shares	2,673,706	1,973,706
– H shares	1,250,029	1,250,029
Total	3,923,735	3,223,735

On 30 December 2016, an aggregate of 700,000,000 domestic shares have been successfully issued by the Company at a price of RMB4.00 each, and the Company's domestic shares were listed on the Shanghai Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

40 RESERVES

40.1 Capital reserve

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

40.2 Surplus reserve

Pursuant to the PRC Company Law, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

40.3 General reserve and transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 11% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering potential securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

40.4 Foreign currency translation reserve

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

40 RESERVES (CONTINUED)

40.5 Available-for-sale financial assets revaluation reserve

Fair value changes of available-for-sale financial assets for other comprehensive income are as below:

	Pre-tax amount	Income tax effect <i>(Note 29)</i>	After-tax net amount
As at 1 January 2016	44,420	(11,996)	32,424
Changes in fair value for available-for-sale financial assets	(1,288)	(426)	(1,714)
Reclassification adjustments for losses/(gains) included in profit or loss			
– Impairment	10,895	(1,798)	9,097
– Disposal	(1,620)	405	(1,215)
As at 31 December 2016	52,407	(13,815)	38,592
As at 1 January 2015	35,581	(8,836)	26,745
Changes in fair value for available-for-sale financial assets	14,544	(4,585)	9,959
Reclassification adjustments for losses/(gains) included in profit or loss			
– Disposal	(5,705)	1,425	(4,280)
As at 31 December 2015	44,420	(11,996)	32,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41 BONDS PAYABLE

Non-current liabilities

	31 December 2016	31 December 2015
Corporate bonds	1,494,299	1,492,102
Subordinated bonds	4,000,000	3,398,976
Beneficiary certificates	–	400,000
Total	5,494,299	5,291,078

Current liabilities

	31 December 2016	31 December 2015
Subordinated bonds	3,399,755	2,650,000

On 21 April 2016, the Group issued RMB2.50 billion three-year subordinated bonds at par value, paying annual interest at 4.20%.

On 25 October 2016, the Group issued RMB1.50 billion two-year subordinated bonds at par value, paying annual interest at 3.30%.

Corporate bond of the Company pay annual interest rates of 6.2%. The term of the corporate bond is five years, with the issuer's option to raise interest rate and the investors' put option at the end of the third year.



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42 BANK LOANS

The non-current bank loan is a secured bank loan of US\$7,984,000, equivalent to RMB55.33 million borrowed by CCIFHC. The bank loan is repayable on 18 December 2018 and pays interest rate at London Interbank Offered Rate (the "LIBOR") plus 1.8% per annum.

Part of the current bank loans are overseas loans of HKD569.09 million under domestic bank guarantee, equivalent to RMB509.05 million, which was borrowed by CCIFHC, a subsidiary of the Company. The bank loans pay interest rate at 1.3% to 1.9% plus Hong Kong Interbank Offered Rate (the "HIBOR") (Note 54.2.4) per annum.

The other part of current bank loans are overseas fiduciary loans and collateral loan amounted to HKD170 million, equivalent to RMB152.07 million, which was borrowed by CCIFHC and Central China International Securities Co., Ltd., subsidiaries of the Company registered in Hong Kong. The bank loans pay interest rate at 1.6% to 2.4% plus HIBOR per annum.

43 OTHER CURRENT LIABILITIES

	31 December 2016	31 December 2015
Salaries, bonus, allowances and benefits	472,060	711,033
Interest payable	354,923	327,496
Accounts payable	207,332	152,467
Other payables	45,790	51,598
Others	27,639	29,951
Total	1,107,744	1,272,545

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(All amounts in RMB'000 unless otherwise stated)

43 OTHER CURRENT LIABILITIES (CONTINUED)

43.1 Salaries, bonus, allowances and benefits

	1 January 2016	Current year charge	Current year payment	31 December 2016
Salaries and bonus	599,377	434,777	(634,339)	399,815
Pension	39,988	168,838	(208,826)	–
Other social security contributions	68	76,712	(76,780)	–
Labour union funds and employee education funds	68,435	18,371	(16,252)	70,554
Other welfare	3,165	12,588	(14,062)	1,691
Total	711,033	711,286	(950,259)	472,060

	1 January 2015	Current year charge	Current year payment	31 December 2015
Salaries and bonus	310,374	1,190,218	(901,215)	599,377
Pension	28,070	89,986	(78,068)	39,988
Other social security contributions	2	49,992	(49,926)	68
Labour union funds and employee education funds	33,610	53,218	(18,393)	68,435
Other welfare	3,859	11,977	(12,671)	3,165
Total	375,915	1,395,391	(1,060,273)	711,033



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

44 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities (the "SEs") are designated as at fair value through profit or loss by the Group because of the Group has the obligation to pay other investors upon maturity dates of the SEs based on net book value and the related terms of those schemes (Note 3.2.6).

	31 December 2016	31 December 2015
Asset management schemes	926,217	1,004,526
Limited partnership	281,960	139,644
Total	1,208,177	1,144,170

45 TAX PAYABLE

	31 December 2016	31 December 2015
Corporate income tax	80,722	218,945
Value added tax	8,247	–
Individual income tax withheld	4,899	17,540
Business tax	–	26,282
Others	2,607	4,388
Total	96,475	267,155

46 SHORT-TERM NOTES PAYABLE

	31 December 2016	31 December 2015
Short-term notes payable	–	2,000,000
Beneficiary certificates	410,000	456,960
Total	410,000	2,456,960

As at 31 December 2016, the annual interest rates on the short-term notes payable were in the range of 3.50% to 6.10%.

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47 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2016	31 December 2015
Analysed by asset type:		
Debt securities	5,607,979	4,212,965
Margin accounts receivable	–	500,000
Total	5,607,979	4,712,965
Analysed by market:		
Interbank market	4,969,079	4,068,346
Shanghai Stock Exchange	638,900	144,619
Others	–	500,000
Total	5,607,979	4,712,965
Analysed by transaction type:		
Pledged	2,088,850	3,131,819
Sold	3,519,129	1,581,146
Total	5,607,979	4,712,965

The value of the financial assets held for trading and financial assets held under resale agreements that had been placed as financial assets sold under repurchase agreements of the Group was listed as below:

	31 December 2016	31 December 2015
Pledged		
Financial assets held for trading	1,836,036	2,247,870
Financial assets held under resale agreements	414,316	600,000
Securities lending	88,077	335,000
Subtotal	2,338,429	3,182,870
Sold		
Financial assets held for trading	1,375,806	400,000
Financial assets held under resale agreements	1,979,440	1,080,000
Securities lending	259,889	–
Subtotal	3,615,135	1,480,000
Total	5,953,564	4,662,870



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

48 DUE TO OTHER FINANCIAL INSTITUTIONS

As at 31 December 2016, due to other financial institutions of the Group represented placements from China Securities Finance Corporation Limited (31 December 2015: Nil).

49 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 31 December 2016, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB942.00 million (31 December 2015: RMB1,580.44 million), and are included in the Group's accounts payable to brokerage clients.

50 CASH AND CASH EQUIVALENTS

For the purpose of statements of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	31 December 2016	31 December 2015
Cash on hand	659	623
Deposits in banks	4,369,080	1,983,606
Proprietary clearing settlement funds <i>(Note 35)</i>	273,490	160,325
Total	4,643,229	2,144,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

51 TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for de-recognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

51.1 Repurchase transactions

Transferred financial assets that do not qualify for de-recognition include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to pledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities upon maturity of the contract. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collateral from the counterparties or have to return part of the collateral it holds to the counterparties. In these cases, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. In addition, it recognises a financial liability for the cash received.

51.2 Securities lending

Transferred financial assets that do not qualify for de-recognition include securities lent to clients for them to sell, for which the clients are required to provide collateral that could fully cover the credit exposure of the securities lent, and have the obligation to return the securities to the Group in accordance with the contracts. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collateral from the clients or have to return part of the collateral it holds to the clients. In these instances, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

The following table analyses the carrying amount of the abovementioned financial assets transferred to third parties or customers that did not qualify for de-recognition and their associated financial liabilities:

	31 December 2016		31 December 2015	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase	3,615,135	3,519,129	1,480,000	1,581,146
Securities lending	11,881	–	12,769	–



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(All amounts in RMB'000 unless otherwise stated)

52 COMMITMENTS AND CONTINGENT LIABILITIES

52.1 Capital commitments

	31 December 2016	31 December 2015
Contracted but not provided for	32,615	12,073

52.2 Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	31 December 2016	31 December 2015
Within 1 year	53,646	39,159
1 to 3 years	83,471	59,469
Over 3 years	28,924	27,792
Total	166,041	126,420

52.3 Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subject to investigations by regulatory authorities.

The Company is involved as defendants in three lawsuits arising from certain finance lease contracts entered into by a former employee falsified as representative of the Company in 2015 and 2016. As at 31 December 2016, two lawsuits with total claim in dispute of RMB2.26 million had been ruled by the court for withdrawal of civil action while the other one is in legal proceeding with claim in dispute of RMB11.67 million.

The Company is involved as defendant in a lawsuit arising from margin financing business entered into with a customer in 2016. As at 31 December 2016, the claim against the Company is RMB1.08 million.

The Directors of the Company, taking into consideration of external legal advice, concluded that these lawsuits will not have a material impact on the financial position, operations or cash flows of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

53 DISPOSAL OF SUBSIDIARY

In August 2016, the Group disposed 34% equity interest of Ashmore-CCSC Fund Management Company Limited ("Ashmore-CCSC") to a third party at a consideration of RMB44.30 million. After the disposal, Ashmore-CCSC become an associate of the Group.

53.1 The financial impacts arising from the disposal are summarised as follows

Consideration received in cash	44,303
Fair value of the remaining equity interest held by the Group at disposal	1,662
Carrying value of the equity owned by the Group	(4,984)
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Gain on the disposal	40,981

53.2 Carrying value of the equity owned by the Group

Non-current assets	
Property and equipment	840
Intangible assets	3,681
Current assets	
Other current assets	2,439
Financial assets held for trading	8,235
Clearing settlement funds	26
Cash held for brokerage clients	7
Cash and bank balances	4,454
Non-current liabilities	
Other non-current liabilities	2,060
Current liabilities	
Other current liabilities	4,071
Financial liabilities designated at fair value through profit or loss	3,676
Tax payable	87
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Net assets	9,788
Less: Non-controlling interests	4,804
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Carrying value of the equity owned by the Group	4,984

53.3 Cash effect

Cash consideration received	44,303
Cash disposed	(425)
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Total	43,878



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

54 RELATED PARTY TRANSACTIONS

54.1 Related parties

When the Group exercises control, common control over or has significant influence on another entity; or another entity exercises control, common control over or has significant influences on the Group; or the Group and another entity are under control, common control or significantly influenced by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

The following table lists the Group's significant related legal entities and the holdings of the Company's major shareholders as at 31 December 2016:

Significant related legal persons	The relationship with the Group	Stock holding percentage
Henan Investment Group	The controlling shareholder of the Company	20.98%
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company	15.50%
Anyang Iron & Steel Group Co., Ltd. (hereinafter "Angang Group")	Other shareholder of the Company	4.52%
Henan Shenhua Group Co., Ltd.	Other shareholder of the Company	0.45%
Henan Venture Capital Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Henan Ancai Hi-tech Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Henan Sky-Land Hotel Co., Ltd.	Controlled by the controlling shareholder of the Company	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

54 RELATED PARTY TRANSACTIONS (CONTINUED)

54.2 Related party transactions and balances

54.2.1 The Company's controlling shareholder – Henan Investment Group

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

Transactions during the year:

	Year ended 31 December	
	2016	2015
Income from providing securities brokerage services	4	83

54.2.2 The company's non-controlling shareholders

		Year ended 31 December	
		2016	2015
Angang Group	Income from providing securities brokerage services	-	41
Henan Shenhua Group Co., Ltd.	Interest income from financial assets held for trading	-	33



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

54 RELATED PARTY TRANSACTIONS (CONTINUED)

54.2 Related party transactions and balances (continued)

54.2.3 Enterprise controlled by the controlling shareholder of the Company

Transactions during the year:

		Year ended 31 December	
		2016	2015
Henan Sky-Land Hotel Co., Ltd.	Prepayments decrease due to service provided	–	(55)
Henan Venture Capital Co., Ltd.	Income from providing securities brokerage services	–	13
Henan Ancai Hi-tech Co., Ltd.	Income from underwriting services	2,642	–

Balances at the end of the year:

		31 December 2016	31 December 2015
Henan Sky-Land Hotel Co., Ltd.	Prepayments	845	845

54.2.4 Subsidiaries and consolidated structured entities

Transactions during the year:

		Year ended 31 December	
		2016	2015
	Income from providing services	8,062	8,817
	Expenses for receiving services	67	2,330
	Lease income received	1,307	1,046

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(All amounts in RMB'000 unless otherwise stated)

54 RELATED PARTY TRANSACTIONS (CONTINUED)

54.2 Related party transactions and balances (continued)

54.2.4 Subsidiaries and consolidated structured entities (continued)

Balances at the end of the year

	31 December 2016	31 December 2015
Refundable deposits	15,802	22,918
Clearing settlement funds	86,336	63,641
Available-for-sale financial assets	257,933	374,746
Receivables	711	714

Commitments

As at 31 December 2016, the Company provided counter guarantee for overseas banking facilities of CCIFHC and its subsidiaries with the caps of HKD380.50 million financing guarantee and RMB200.00 million short-term loan facilities. As at 31 December 2016, the facilities used amounted to HKD569.09 million (Note 42).

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

54.2.5 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Company, including members of the board of directors, board of supervisors and other members of the senior management.

	Year ended 31 December	
	2016	2015
Key management compensation	7,627	51,981

54.2.6 Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

55 SEGMENT ANALYSIS

The Group manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Securities brokerage: securities trading and brokering services;
- (b) Futures brokerage: futures trading and brokering and futures information advisory and training services;
- (c) Margin trading and securities lending: margin trading and securities lending services;
- (d) Investment banking: corporate finance and financial advisory services to institutional clients;
- (e) Proprietary trading: trading in financial products;
- (f) Investment and asset management: direct investments and funds related businesses (including portfolio management and maintenance), investment advisory and transaction execution services;
- (g) Overseas business: business operation of overseas subsidiaries of the Company, which mainly engage in broking, margin financing, trading and investment and financial planning and advisory services;
- (h) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

The Group mainly operates in Henan Province, the PRC.

55 SEGMENT ANALYSIS (CONTINUED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December 2016							Total (continued and discontinued operation)		
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other Elimination	Total (continued operation)	Discontinued operation
Total revenue and other income										
Commission and fee income	935,047	82,581	79,653	291,830	-	98,475	12,621	8,783	(6,334)	106
- external	935,047	82,581	79,653	291,830	-	98,475	12,621	8,783	-	106
- internal	-	-	-	-	-	-	-	-	(6,334)	-
Interest income	57	21,396	488,094	-	137,564	44,444	38,310	418,557	-	178
- external	57	21,396	488,094	-	137,564	44,444	38,310	418,557	-	178
- internal	-	-	-	-	-	-	-	-	-	-
Net investment gains/(loss)	-	1,892	-	-	214,724	48,289	46,587	72,977	32,725	(682)
- external	-	1,892	-	-	214,724	48,289	46,587	72,977	-	(682)
- internal	-	-	-	-	-	-	-	-	32,725	-
Other gains/(loss)	7,432	26,433	3,157	1,963	11,752	1,092	200	24,046	(1,319)	241
- external	7,432	26,433	3,157	1,963	11,752	1,092	200	24,046	-	241
- internal	-	-	-	-	-	-	-	-	(1,319)	-
Total expenses	(616,780)	(106,558)	(349,690)	(166,733)	(314,091)	(76,177)	(67,724)	(460,363)	7,618	(17,806)
Profit before income tax	325,756	25,744	221,214	127,060	49,949	116,123	29,994	64,000	32,690	(17,963)
Total assets	10,239,236	1,344,322	409,900	74,444	5,382,044	3,459,952	1,245,647	20,435,743	(2,206,714)	-
Total liabilities	10,032,549	888,675	413,728	96,023	5,371,077	1,541,234	770,863	9,838,675	(115,020)	-
Supplemental information										
Depreciation and amortisation	32,171	2,088	1,187	259	2,087	1,555	1,069	25,876	-	1,586
Capital expenditure	21,029	4,622	-	354	2,975	521	727	62,048	-	372

55 SEGMENT ANALYSIS (CONTINUED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December 2015										Total (continued and discontinued operation)	
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total (continued operation)	Discontinued operation	Total (continued and discontinued operation)
Total revenue and other income												
Commission and fee income	2,514,606	40,260	323,153	225,148	-	65,740	111	1,767	11,167	3,181,952	194	3,182,146
- external	2,514,606	40,260	323,153	225,148	-	65,740	111	1,767	-	3,170,785	194	3,170,979
- internal	-	-	-	-	-	-	-	-	11,167	11,167	-	11,167
Interest income	7,813	25,653	864,624	-	44,294	47,155	635	507,545	-	1,497,719	311	1,498,030
- external	7,813	25,653	864,624	-	44,294	47,155	635	507,545	-	1,497,719	311	1,498,030
- internal	-	-	-	-	-	-	-	-	-	-	-	-
Net investment gains/(loss)	-	(7,391)	-	-	478,857	102,503	360	80,723	28	655,080	(2,455)	652,625
- external	-	(7,391)	-	-	478,857	102,489	360	80,433	-	654,748	(2,455)	652,293
- internal	-	-	-	-	-	14	-	290	28	332	-	332
Other gains/(loss)	7,099	176	141	600	5,276	6,037	13,497	12,226	(14,543)	30,509	2,391	32,900
- external	7,099	176	141	600	5,276	6,037	13,497	12,226	-	45,052	2,391	47,443
- internal	-	-	-	-	-	-	-	-	(14,543)	(14,543)	-	(14,543)
Total expenses	(1,370,343)	(44,926)	(821,650)	(194,042)	(444,568)	(72,185)	(14,521)	(480,592)	2,958	(3,439,869)	(34,863)	(3,474,732)
Profit before income tax	1,159,175	13,772	366,268	31,706	83,859	149,250	82	121,669	(390)	1,925,391	(34,422)	1,890,969
Total assets	15,008,602	1,164,585	12,619	104,045	4,245,413	2,711,178	308,561	19,677,505	(1,620,688)	41,611,820	39,429	41,651,249
Total liabilities	14,683,513	768,891	30,648	106,230	4,172,140	1,321,963	60,945	11,705,543	(86,630)	32,763,243	11,552	32,774,795
Supplemental information												
Depreciation and amortisation	35,154	2,099	1,188	251	1,820	1,224	434	23,544	-	65,714	2,729	68,443
Capital expenditure	11,907	1,934	38	1,770	3,879	996	4,164	67,437	-	92,125	1,176	93,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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56 FINANCIAL RISK MANAGEMENT

56.1 Summary

The Group's risk management objective is to maintain an appropriate balance between risks and rewards, and reduce the negative impact on the operating results of the Group, so as to maximise the shareholders' value. The Group's risk management strategy is to identify and analyse a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliable manner so as to ensure that risks are controlled within acceptable limits.

Financial risks to which the Group is exposed to mainly include: credit risk, market risk and liquidity risk. The Group has adopted risk management policies and procedures to identify and analyse these risks and defined appropriate risk indicators, risk limits, risk policies and internal control procedures, and constantly monitor and manage risks through its IT systems.

The risk management framework is structured into four levels consisting of (i) Board of Directors and Supervisory Committee; (ii) Risk Control Committee, Audit Committee and Investment Decision Committee; (iii) Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department; and (iv) Business and management departments and branch outlets.

Level 1: Board of Directors and Supervisory Committee

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board of Directors is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and setting objectives, limits and delegating authority to relevant administrative departments in the actual performance of risk control activities.

The Supervisory Committee focuses on mitigating the Company's exposure to legal and compliance risks and financial oversight, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.1 Summary (continued)

Level 2: Risk Control Committee, Audit Committee and Investment Decision Committee

Risk Control Committee, Audit Committee and Investment Decision Committee are the second level of the Company's risk control framework, and is responsible for preparing the comprehensive annual report on risk control; reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organisational structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors.

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department work together to manage risks.

The Compliance Management (Legal Affairs) Department assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management and business departments, business lines and branch outlets, and monitors compliance with laws and regulations in the Company's business and management activities. It also drives business departments, business lines and the Company's branch outlets to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business activities; reports to regulatory authorities on a regular and extraordinary basis, in addition to mitigating legal risks to which the Company and its businesses are exposed to.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.1 Summary (continued)

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department (continued)

Risk Management Department carries out risk control activities in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and leverages the results to improve the end-to-end risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; regularly tests, monitors and evaluates the implementation of risk control rules and procedures across the Company, and when necessary, conducts regular and ad hoc inspections on risk control results, follows up on issues identified and launches reporting procedures where appropriate; and establishes communications and cooperation with respect to risk control with various business lines, business departments, and branch outlets.

Internal Audit Department has overall responsibility for the internal audit function, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

Level 4: Business and management departments and branch outlets

The fourth level of risk control is the front-line risk control systems by business and management departments and branch outlets, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management (Legal Affairs) Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.



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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Group credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held for trading, financial assets held under resale agreements, available-for-sale financial assets, margin accounts receivable, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Group invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances from margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivables are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 31 December 2016 and 2015, the Group and the Company's collateral value is sufficient to mitigate the credit risk in margin financing.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before they settle on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the debt investments. Credit risk management approaches over those entrusted loans include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Entrusted loans are approved by the authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks. In order to further constraints the borrowers through the credit rating system of the People's Bank of China, the Group enters into entrusted lending business via the banks with relatively better capability in risk management.

The Group invests in wealth management products with proper approval process.

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.2 Credit risk (continued)

(1) Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	31 December 2016	31 December 2015
Refundable deposits	490,078	422,907
Other current assets	532,742	489,194
Entrusted loans	520,134	260,628
Margin accounts receivable	6,119,265	8,158,803
Available-for-sale financial assets		
– Securities lent to clients	11,860	12,769
– Targeted asset management schemes	100,000	150,000
– Specified asset management schemes	320,148	261,320
– Collective asset management schemes	218,514	267,077
– Wealth management	158,000	–
– Trust schemes	–	36,200
– Debt securities	60,000	–
Financial assets held under resale agreements	5,911,696	6,826,690
Financial assets designed as at fair value through profit or loss		
– Convertible bonds	493,440	–
Financial assets held for trading		
– Debt securities	5,739,835	3,838,532
– Others	63,803	–
Clearing settlement funds	3,096,957	4,455,616
Cash held for brokerage clients	7,720,677	10,739,356
Bank balances	4,369,080	1,967,482
Total	35,926,229	37,886,574



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.2 Credit risk (continued)

(2) Rating distribution of debt securities investments

The Group monitors the credit risk profile of the debt securities and asset-backed securities portfolio held based on credit ratings, which are obtained from major rating agencies in the country where debt issuers are located.

	31 December 2016	31 December 2015
Financial assets held for trading		
AAA	1,367,187	276,054
AA- to AA+	3,464,819	2,601,224
A- to A+	–	300,539
Unrated	907,829	660,715
Total	5,739,835	3,838,532

(3) Allowance analysis for financial assets in other current assets

	31 December 2016	31 December 2015
Individually assessed and impaired, gross amount	27,462	181,163
Impairment allowance	(21,788)	(21,491)
Subtotal	5,674	159,672
Collectively assessed and impaired, gross amount	138,706	79,925
Impairment allowance	(8,980)	(8,161)
Subtotal	129,726	71,764
Overdue but not impaired	–	–
Neither overdue nor impaired	397,345	257,758
Total	532,745	489,194

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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.2 Credit risk (continued)

(4) Entrusted Loans analysed by economic sector concentrations

	31 December 2016		31 December 2015	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Leasing and business services	154,400	28.95%	6,000	2.28%
– Agriculture, forestry, farming, fishing	136,280	25.55%	65,700	24.96%
– Manufacturing	82,450	15.46%	115,211	43.76%
– Whole sale and retail trade	74,599	13.99%	26,600	10.10%
– Real estate	44,775	8.40%	–	–
– Others	40,800	7.65%	–	–
Total	533,304	100.00%	263,261	100.00%

(5) Entrusted Loans analysed by geographical sector concentrations

	31 December 2016		31 December 2015	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Central	488,504	91.60%	188,611	71.64%
– Pearl River Delta	19,800	3.71%	39,800	15.12%
– Western	15,000	2.81%	29,850	11.34%
– Bohai Rim	10,000	1.88%	5,000	1.90%
Total	533,304	100.00%	263,261	100.00%



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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.2 Credit risk (continued)

(6) Entrusted Loans analysed by types of collateral

	31 December 2016		31 December 2015	
	Gross loan balance	Percentage	Gross loan balance	Percentage
Entrusted Loans				
– Loans secured by monetary assets	209,100	39.21%	166,211	63.14%
– Guaranteed loans	112,029	21.01%	94,050	35.72%
– Loans secured by tangible assets other than monetary assets	212,175	39.78%	3,000	1.14%
Total	533,304	100.00%	263,261	100.00%

(7) Overdue entrusted loans by period

	31 December 2016	31 December 2015
	3 months to 1 year	3 months to 1 year
Entrusted Loans		
– Guaranteed loans	6,199	–
As a percentage of entrusted loans	1.16%	–

The above analysis represents the gross amount of entrusted loans overdue for more than three months.

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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.2 Credit risk (continued)

(8) Distribution of entrusted loans in terms of credit quality is analysed as follows:

	31 December 2016	31 December 2015
Individually assessed and impaired gross amount	11,199	–
Allowances for impairment losses	(7,949)	–
Subtotal	3,250	–
Neither overdue nor impaired		
– Loans secured by monetary assets	209,175	166,211
– Guaranteed loans	103,830	94,050
– Loans secured by tangible assets other than monetary assets	209,100	3,000
Gross amount	522,105	263,261
Collectively assessed allowances for impairment losses	(5,221)	(2,633)
Subtotal	516,884	260,268
Total	520,134	260,268



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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.3 Market risk

Summary

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

56.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimizing the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage client in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.3 Market risk (continued)

56.3.1 Interest rate risk (continued)

As at 31 December 2016	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Non-interest bearing	Total
Financial assets							
Cash and bank balances	4,089,080	100,000	180,000	-	-	659	4,369,739
Cash held for brokerage clients	7,720,677	-	-	-	-	-	7,720,677
Clearing settlement funds	3,096,957	-	-	-	-	-	3,096,957
Financial assets held for trading	1,044,206	575,275	1,380,084	1,315,746	2,377,807	829,159	7,522,277
Financial assets held under resale agreements	3,577,793	555,017	1,102,182	676,704	-	-	5,911,696
Refundable deposits	490,078	-	-	-	-	-	490,078
Entrusted loans	4,240	41,333	449,811	24,750	-	-	520,134
Other current assets	-	-	-	-	-	532,742	532,742
Available-for-sale financial assets	68,000	145,676	255,360	443,457	-	1,670,845	2,583,338
Financial assets designed as at fair value through profit or loss	-	-	110,830	403,989	-	-	514,819
Margin accounts receivable	308,127	862,484	4,948,654	-	-	-	6,119,265
Sub-total	20,399,158	2,279,785	8,426,921	2,864,646	2,377,807	3,033,405	39,381,722
Financial liabilities							
Short-term notes payable	(10,000)	-	(400,000)	-	-	-	(410,000)
Bonds payable	-	(1,400,000)	(1,999,755)	(5,494,299)	-	-	(8,894,054)
Derivative financial liabilities	-	-	-	-	-	(132)	(132)
Financial assets sold under repurchase agreements	(4,767,085)	(840,894)	-	-	-	-	(5,607,979)
Accounts payable to brokerage clients	(9,507,813)	-	-	-	-	(860,277)	(10,368,090)
Other current liabilities	-	-	-	-	-	(732,965)	(732,965)
Bank loans	-	(303,686)	(357,433)	(55,327)	-	-	(716,446)
Financial liabilities designated as at fair value through profit or loss	-	-	-	-	-	(1,208,177)	(1,208,177)
Sub-total	(14,284,898)	(2,544,580)	(2,757,188)	(5,549,626)	-	(2,801,551)	(27,937,843)
Interest rate sensitivity gap	6,114,260	(264,795)	5,669,733	(2,684,980)	2,377,807	231,854	11,212,025



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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.3 Market risk (continued)

56.3.1 Interest rate risk (continued)

As at 31 December 2015	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years	Non-interest bearing	Total
Financial assets							
Cash and bank balances	1,722,482	85,000	160,000	-	-	623	1,968,105
Cash held for brokerage clients	10,739,356	-	-	-	-	-	10,739,356
Clearing settlement funds	4,455,616	-	-	-	-	-	4,455,616
Financial assets held for trading	495,960	401,855	1,556,435	719,007	1,021,125	850,746	5,045,128
Financial assets held under resale agreements	4,953,284	81,587	1,260,650	531,169	-	-	6,826,690
Refundable deposits	422,907	-	-	-	-	-	422,907
Entrusted loans	-	297	260,331	-	-	-	260,628
Other current assets	-	-	-	-	-	489,194	489,194
Available-for-sale financial assets	5,904	70,550	228,833	494,563	65,394	1,594,597	2,459,841
Margin accounts receivable	437,050	850,158	6,871,595	-	-	-	8,158,803
Sub-total	23,232,559	1,489,447	10,337,844	1,744,739	1,086,519	2,935,160	40,826,268
Financial liabilities							
Short-term notes payable	(11,960)	(2,000,000)	(445,000)	-	-	-	(2,456,960)
Bonds payable	-	-	(2,650,000)	(5,291,078)	-	-	(7,941,078)
Financial assets sold under repurchase agreements	(4,212,941)	(24)	(500,000)	-	-	-	(4,712,965)
Accounts payable to brokerage clients	(14,203,073)	-	-	-	-	(664,178)	(14,867,251)
Other current liabilities	-	-	-	-	-	(915,098)	(915,098)
Bank loans	-	-	(51,818)	-	-	-	(51,818)
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	(1,144,170)	(1,144,170)
Sub-total	(18,427,974)	(2,000,024)	(3,646,818)	(5,291,078)	-	(2,723,446)	(32,089,340)
Interest rate sensitivity gap	4,804,585	(510,577)	6,691,026	(3,546,339)	1,086,519	211,714	8,525,214

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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.3 Market risk (continued)

56.3.1 Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and interest-bearing liabilities. A 25 basis points increase or decreases in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in net interest income, while a negative result indicates otherwise, and the impact attributable to other investors of the consolidated structured entities is eliminated.

	Year ended 31 December	
	2016	2015
Net interest income		
Increases by 25 bps	19,317	16,451
Decreases by 25 bps	(19,317)	(16,451)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- different interest-bearing assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- all assets and liabilities are repriced in the middle of the relevant period;
- analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- impact of interest rate changes on customer behaviours not considered;
- impact of interest rate changes on market prices not considered;
- interest rate of demand deposits moving in the same direction and extent;
- necessary measures that may be adopted by the Group in response to interest rate changes not considered.



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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.3 Market risk (continued)

56.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

As at 31 December 2016, the foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that its currency risk is not material.

56.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.3 Market risk (continued)

56.3.3 Price risk (continued)

Sensitivity analysis

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, funds, convertible bonds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

	Year ended 31 December	
	2016	2015
Profit before income tax		
Increase by 10%	127,963	112,020
Decrease by 10%	(127,963)	(112,020)
Other comprehensive income before income tax		
Increase by 10%	166,332	161,786
Decrease by 10%	(166,332)	(161,786)

56.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, early redemptions of exchange-quoted bond, repurchase products by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.



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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.4 Liquidity risk (continued)

The Group manages and controls their funds in a centralised manner. Through early warnings and focusing on individually large amounts of funds, the Group achieves the objective of centralised control and management of liquidity risk. By finding an appropriate balance between safety, liquidity and profitability, the Group adjusts and allocates asset sizes and structural provisions, so as to establish a multi-level liquidity reserve system and achieve liquidity risk management objectives by leveraging money market and capital market transactions in a timely manner.

The Group prepares funding plans and report their implementation to the management to update the liquidity position periodically.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group. The Group invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

As at 31 December 2016, the Group holds cash and cash equivalents of approximately RMB4,643 million that are expected to readily generate cash flows for managing liquidity risk (31 December 2015: RMB2,145 million). In addition, the Group holds financial assets held for trading of RMB7,522 million as at 31 December 2016, which could be readily realised to provide a further source of cash if the need arose (31 December 2015: RMB5,045 million). Further the Group holds cash held for brokerage clients of RMB7,721 million, client's clearing settlement funds of RMB2,824 million, which could be used to settle the Group's account payable to brokerage clients whenever needed (31 December 2015: RMB10,739 million and RMB4,295 million respectively).

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities as at 31 December 2016 and 31 December 2015. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

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56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.4 Liquidity risk (continued)

As at 31 December 2016	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Short-term notes payable	-	10,066	-	448,132	-	458,198
Bonds payable	-	-	1,409,873	2,035,178	6,047,060	9,492,111
Financial assets sold under repurchase agreements	-	4,774,106	849,697	-	-	5,623,803
Due to other financial institutions	-	402,034	-	-	-	402,034
Derivative financial liabilities	132	-	-	-	-	132
Accounts payable to brokerage clients	860,277	9,507,813	-	-	-	10,368,090
Bank loans	-	-	304,555	361,934	58,982	725,471
Financial liabilities designated at fair value through profit or loss	-	26,111	56,735	863,439	281,960	1,228,245
Other current liabilities	732,965	-	-	-	-	732,965
Total	1,593,374	14,720,130	2,620,860	3,708,683	6,388,002	29,031,049

As at 31 December 2015	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Short-term notes payable	-	12,296	2,012,888	468,715	-	2,493,899
Bonds payable	-	-	81,900	3,051,249	5,949,032	9,082,181
Financial assets sold under repurchase agreements	-	4,218,353	24	551,159	-	4,769,536
Accounts payable to brokerage clients	14,867,251	-	-	-	-	14,867,251
Bank loans	-	-	-	-	55,241	55,241
Financial liabilities designated at fair value through profit or loss	-	-	63,275	969,768	139,644	1,172,687
Other current liabilities	915,098	-	-	-	-	915,098
Total	15,782,349	4,230,649	2,158,087	5,040,891	6,143,917	33,355,893



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(All amounts in RMB'000 unless otherwise stated)

56 FINANCIAL RISK MANAGEMENT (CONTINUED)

56.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC and effective 1 October 2016, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%;

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

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57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

57.1 Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, financial assets held under resale agreements, due to other financial institutions and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

The aggregate fair value of bond payable is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

In accordance with the related regulations, the Group can put or redeem its refundable deposits with stock exchanges, futures and commodities exchanges and CSF. The Group assesses the fair value of refundable deposits approximates the carrying amount.

57.2 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

As at 31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Equity securities	341,913	480,998	–	822,911
– Debt securities	1,702,187	4,037,648	–	5,739,835
– Investment funds	863,728	–	–	863,728
– Others	–	95,803	–	95,803
Available-for-sale financial assets				
– Equity securities	98,733	153,508	–	252,241
– Debt securities	–	60,000	–	60,000
– Investment funds	13,825	14,182	–	28,007
– Collective asset management schemes	–	92,097	180,203	272,300
– Targeted asset management schemes	–	100,000	–	100,000
– Specified asset management schemes	–	320,149	–	320,149
– Wealth management products	–	–	158,000	158,000
– Others	–	1,334,560	–	1,334,560
Financial assets designed as at fair value through profit or loss	–	–	514,819	514,819
Total assets	3,020,386	6,688,945	853,022	10,562,353
Derivative liabilities	(132)	–	–	(132)
Financial liabilities designed as at fair value through profit or loss	–	–	(1,208,177)	(1,208,177)
Total liabilities	(132)	–	(1,208,177)	(1,208,309)

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57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

As at 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
– Equity securities	387,360	333,430	–	720,790
– Debt securities	1,710,073	2,128,459	–	3,838,532
– Investment funds	485,806	–	–	485,806
Available-for-sale financial assets				
– Equity securities	93,887	32,787	–	126,674
– Investment funds	107,745	14,686	–	122,431
– Collective asset management schemes	–	5,084	261,993	267,077
– Targeted asset management schemes	–	–	150,000	150,000
– Specified asset management schemes	–	261,320	–	261,320
– Wealth management products	–	–	70,550	70,550
– Trust schemes	–	–	36,200	36,200
– Investments in unlisted companies	–	–	12,000	12,000
– Others	–	1,336,310	–	1,336,310
Total assets	2,784,871	4,112,076	530,743	7,427,690
Financial liabilities designed as at fair value through profit or loss	–	–	(1,144,170)	(1,144,170)
Total liabilities	–	–	(1,144,170)	(1,144,170)

For the years ended 31 December 2016 and 2015, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy of the Group.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange classified as trading securities or available-for-sale.



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57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(c) Valuation methods for specific investments

As at 31 December 2016, the Company's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For restricted shares that are acquired during an initial public offering or an additional oriental issue, fair values are determined using valuation techniques.

For National Equities Exchange and Quotations listed equity securities, the fair value is determined based on the closing price as at the reporting date and adjusted by the valuation techniques due to the low transaction frequency. The adjustment is based on the potential maximum losses that could occur at a given level of confidence due to variation in interest rates, stock prices and exchange rates over a certain period, which are all observable.

- (2) For closed-end investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and collective asset management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

(c) Valuation methods for specific investments (continued)

- (4) For debt securities traded through the inter-bank bond market and the over-the-counter (“OTC”) market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, and other fixed income debt securities, fair values are determined using valuation techniques.

(d) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2016 and 31 December 2015.

	Available-for-sale financial assets
Balance at 1 January 2016	530,743
Increase	320,887
Decrease	(513,427)
<hr/>	
Balance at 31 December 2016	338,203
<hr/>	
Total gains or losses for the year included in profit or loss for assets held at the end of year, under “Net investment gains”	1,151
<hr/>	
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(1,093)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Available-for-sale financial assets
Balance at 1 January 2015	198,648
Increase	349,737
Decrease	(17,642)
Balance at 31 December 2015	530,743
Total gains or losses for the year included in profit or loss for assets held at the end of year, under "Net investment gains"	18,530
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	2,993
	Financial assets designed as at fair value through profit or loss
Balance at 1 January 2016	–
Increase	514,819
Balance at 31 December 2016	514,819
Total gains or losses for the year included in profit or loss for assets held at the end of year, under "Net investment gains"	17,988
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	27,078
	Financial liabilities designated at fair value through profit or loss
Balance at 1 January 2016	1,144,170
Consolidation of SEs	33,600
Losses recognised in profit or loss	(13,466)
Purchases	42,103
Settlements	1,770
Balance at 31 December 2016	1,208,177
Total gains or losses for the year included in profit or loss for assets held at the end of year, under "Net investment gains"	(13,466)
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(13,466)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Financial liabilities designated at fair value through profit or loss
Balance at 1 January 2015	791,074
Consolidation of SEs	678,500
Losses recognised in profit or loss	(219,754)
Purchases	127,763
Settlements	(233,413)
<hr/>	
Balance at 31 December 2015	<u>1,144,170</u>
Total gains or losses for the year included in profit or loss for assets held at the end of year, under "Net investment gains"	<u>(219,754)</u>
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	<u>(219,754)</u>

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

57 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

57.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Trust schemes	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Private convertible bonds	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level Option pricing model 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level Stock price volatility 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value The higher the stock price volatility, the higher the fair value
Financial liabilities designated at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected payment date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the payment date, the higher the fair value The lower the discount rate, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

58 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	As at 31 December 2016				Net amount of financial assets presented in the statements of financial position
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets	Cash received as settlement	
Derivative financial instruments	235	(132)	103	(235)	(132)

	As at 31 December 2015				Net amount of financial assets presented in the statements of financial position
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets	Cash received as settlement	
Derivative financial instruments	727	–	727	(727)	–

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement and margin accounts receivable, are disclosed in the corresponding notes, which are generally not on the net basis in financial position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

59 UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes, trust schemes, wealth management products and investment funds.

Except for the consolidated structured entities as detailed in Note 3.2.6, in the opinion of the directors of the Company, the variable returns of the other structured entities of the Group are not significant. The Group did not consider itself being the principal and consequently did not consolidate these other structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB10,968 million as at 31 December 2016 (31 December 2015: RMB4,341 million). For the unconsolidated trust schemes, wealth management products and investment funds invested by the Group, there is no publicly available information on the size of those structured entities which are issued and managed by third parties.

The interests in unconsolidated structured entities held by the Group included fund investment classified as available-for-sale financial assets, and financial assets held for trading, and management fee, commission fee receivables recorded as other current assets. The related carrying amount and the maximum exposure were as follows:

	31 December 2016	31 December 2015
Available-for-sale financial assets	769,455	800,827
Financial assets held for trading	885,106	485,806
Other current assets	31,480	31,052
Total	1,686,041	1,317,685

For the year ended 31 December 2016 and 2015, the income derived from these unconsolidated structured entities held by the Group was as follows:

	Year ended 31 December 2016	2015
Net investment gains	55,793	70,309
Fee and commission income	63,452	32,048
Total	119,245	102,357

As at 31 December 2016 and 2015, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

60 SUBSEQUENT EVENTS

60.1 Capital injection

On 10 February 2017, the Company increased capital contribution to CCBO, a wholly owned subsidiary registered in Zhengzhou by RMB113 million.

60.2 Share repurchase

On 20 February 2017, the Board of directors of the Company resolved to repurchase no more than 10% of the outstanding H shares using its own funds. The transaction price will be the average closing prices plus 5% over the five trading days preceding the transaction. The actual repurchase price and amounts will be determined based on the market situation.

60.3 Selling back of corporate bond

On 27 February 2017, the Board of directors of the Company resolved not to raise the coupon rate of corporate bond (13中原債). The coupon rate for the remaining 2 years of the corporate bond remains at 6.20%. The investors have the right to sell the corporate bond in whole or in part to the issuer or to continue holding during the investor sell-back registration period.

60.4 Redemption of the subordinated bond

On 27 February 2017, the Board of directors of the Company resolved to exercise the issuer's redemption option of one of the subordinated bonds (15中原02), the option exercise date will be on 17 April 2017, with the amount of RMB2,000 million.

60.5 Shareholding reform and capital injection

Central China International Financial Group Limited, a company registered in Cayman Islands was restructured on 3 March 2017 with registered capital of HKD1,000 million and the Group owns 48% equity in it.

60.6 Profit distribution for 2016

On 30 March 2017, the Board of Directors proposed the 2016 final dividends of RMB1.21 per ten shares (inclusive of tax), amounting to RMB474,771,899 in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

61 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	<i>Note</i>	As at 31 December 2016	2015
Assets			
Non-current assets			
Property and equipment		221,077	217,282
Investment properties		33,547	32,121
Intangible assets		151,913	152,894
Investments in subsidiaries and consolidated structured entities	23	1,983,424	1,284,273
Other non-current assets		17,843	19,561
Available-for-sale financial assets		336,999	475,794
Deferred income tax assets		105,281	205,857
Refundable deposits		153,315	126,996
Financial assets held under resale agreements		676,704	531,169
Total non-current assets		3,680,103	3,045,947
Current assets			
Other current assets		471,175	318,459
Investments in subsidiaries and consolidated structured entities	23	221,472	259,972
Margin accounts receivable		5,873,865	8,095,545
Available-for-sale financial assets		1,641,983	1,730,203
Financial assets held under resale agreements		4,892,466	6,265,521
Derivative financial assets		–	–
Financial assets held for trading		5,633,992	3,408,279
Clearing settlement funds		2,861,280	4,229,638
Cash held for brokerage clients		7,374,122	10,427,088
Cash and bank balances		3,532,247	1,030,253
Assets of disposal group classified as held for sale	38	–	102,000
Total current assets		32,502,602	35,866,958
Total assets		36,182,705	38,912,905
Equity and liabilities			
Share capital		3,923,735	3,223,735
Reserves	a	5,740,540	3,575,790
Retained earnings	a	767,341	1,402,524
Total equity		10,431,616	8,202,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

61 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (continued)

	As at 31 December	
	2016	2015
Liabilities		
Non-current liabilities		
Bonds payable	5,494,299	5,291,078
Deferred income tax liabilities	17,076	46,765
Other non-current liabilities	–	–
Total non-current liabilities	5,511,375	5,337,843
Current liabilities		
Other current liabilities	1,051,728	1,238,385
Tax payable	80,816	261,981
Due to other financial institutions	400,000	–
Financial assets sold under repurchase agreements	5,313,079	4,568,565
Bond payable	3,399,756	2,650,001
Short-term notes payable	410,000	2,456,960
Derivative financial liabilities	132	–
Accounts payable to brokerage clients	9,584,203	14,197,121
Total current liabilities	20,239,714	25,373,013
Total liabilities	25,751,089	30,710,856
Total equity and liabilities	36,182,705	38,912,905

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf:

JIAN Mingjun
Chairman of the Board and Executive Director

ZHOU Xiaoquan
Executive Director and President



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

61 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a)

Reserve movement of the Company

	Retained earnings	Reserves
At 1 January 2015	1,518,441	1,142,432
Profit for the year	876,861	493,234
Dividends paid	(992,778)	–
At 31 December 2015	1,402,524	1,635,666
At 1 January 2016	1,402,524	1,635,666
Profit for the year	364,175	221,321
Dividends paid	(999,358)	–
At 31 December 2016	767,341	1,856,987