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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “东方证券股份有限公司” and carrying on business in Hong Kong as “東方證券” (in Chinese) and “DFZQ” (in English))

(Stock Code: 03958)

ANNOUNCEMENT ON EXPECTED DECREASE IN 2016 ANNUAL RESULTS

This announcement is made by 東方證券股份有限公司 (the “**Company**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09(2) of the Listing Rules.

I. HIGHLIGHT OF RESULTS FOR THIS PERIOD

(1) Period covered by the highlight of results

From 1 January 2016 to 31 December 2016.

(2) Major financial data and indicators for the year of 2016 (consolidated)

Units: RMB in ten thousands

Item	The reporting period	The corresponding period of the previous year	Increase or decrease (%)
Total operating income	685,925.85	1,543,470.51	-55.56
Operating profit	260,449.39	939,444.82	-72.28
Profit before income tax	281,438.70	949,908.53	-70.37
Profit for the period attributable to shareholders of the listed company	231,996.44	732,522.45	-68.33
Basic earnings per share (RMB)	0.41	1.46	-71.92
Weighted average return on net assets (%)	6.26	25.11	Decreased by 18.85 percentage points

	As at the end of the reporting period	As at the beginning of the reporting period	Increase or decrease (%)
Total assets	21,250,192.39	20,789,756.25	2.21
Equity attributable to shareholders of the listed company	4,051,477.39	3,495,811.93	15.90
Share capital	621,545.20	528,174.29	17.68
Net assets per share attributable to shareholders of the listed company (RMB)	6.52	6.62	-1.51

Note: In July 2016, the Company issued the overseas listed foreign shares (H shares) and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). In August 2016, the Company partially exercised the over-allotment option. The earnings per share during the reporting period are calculated on the basis of the weighted average number of the ordinary shares.

II. MAJOR REASONS FOR THE EXPECTED DECREASE IN RESULTS FOR THIS PERIOD

In 2016, the capital market in China witnessed decline in both transaction volume and price. During the whole year, the SSE Composite Index decreased by 12.3%, the SZSE Component Index decreased by 19.6%, and the transaction volume of A shares in Shanghai and Shenzhen stock markets decreased by 50% as compared with 2015. Owing to such reasons, the income from brokerage business and proprietary business of the Company recorded decrease of various degrees, which caused the operating income of the Company and the profit attributable to shareholders of the listed company for 2016 decreased by 55.56% and 68.33% as compared with last year, respectively. The Company actively responded to the challenge in the operational environment, constantly expanded investment in innovation and transformation development, optimized and improved the profit structure, and tried to search for new profit growth points, which contributed to the growth of securities financing and investment banking business. In the meantime, during the reporting period, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange so that the Company made an important step of internationalization strategy, which enabled the Company to re-consolidate and re-improve its capital strength, and further fortified the foundation for its sustainable development.

III. OTHER MATTERS

The above data is only preliminary accounting data and has not been audited by an accounting firm. The final and accurate financial data should be those to be disclosed in the 2016 annual report of the Company. Investors are hereby reminded of the investment risks.

By order of the Board of Directors
PAN Xinjun
Chairman

Shanghai, PRC
January 24, 2017

As at the date of this announcement, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. WU Jianxiong, Mr. ZHANG Qian, Mr. WU Junhao, Mr. CHEN Bin, Mr. LI Xiang, Mr. XU Jianguo, Ms. HUANG Laifang and Mr. ZHOU Yao as non-executive Directors; and Mr. LI Zhiqiang, Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning, Mr. PAN Fei and Mr. XU Zhiming as independent non-executive Directors.