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(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6030)

2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of CITIC Securities Company Limited is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2016. This announcement, containing the main text of the 2016 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The 2016 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company and available for view on the HKExnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.cs.ecitic.com> on or before 30 April 2017.

IMPORTANT NOTICE

The Board and the Supervisory Committee and the Directors, Supervisors and Senior Management warrant the truthfulness, accuracy and completeness of contents of this results announcement and that there is no false representation, misleading statement contained herein or material omission from this results announcement, for which they will assume joint and several liabilities.

This results announcement was considered and approved at the 11th Meeting of the Sixth Session of the Board. All Directors attended this meeting of the Board. No Director raised any objection to this results announcement.

The Company's domestic and international financial statements for the year were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong, respectively. Auditor's reports with standard unqualified audit opinions were issued accordingly.

Mr. ZHANG Youjun, head of the Company, Mr. GE Xiaobo, the Chief Financial Officer, and Ms. KANG Jiang, head of the Company's accounting department, warrant that the financial statements set out in this results announcement are true, accurate and complete.

The Company's 2016 profit distribution plan considered and approved by the Board is to distribute a cash dividend of RMB3.5 for every 10 shares (tax inclusive). This proposal is subject to the approval of the general meeting of the Company.

Forward looking statements, including future plans and development strategies, contained in this results announcement do not constitute a substantive commitment to investors by the Company. Investors should be aware of investment risks.

There was no appropriation of funds of the Company by controlling shareholder(s) or its/their related parties for non-operating purposes.

The Company had made no guarantee to external parties against the stipulated decision-making process.

The Company prepared this results announcement in both English and Chinese versions. In the event of any discrepancies between the English version and the Chinese version, the Chinese version shall prevail.

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DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this results announcement:

“A Shareholder(s)”	holder(s) of A Shares
“A Shares”	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 600030)
“Board”	the board of directors of the Company
“China AMC”	China Asset Management Company Limited
“China CITIC Bank”	China CITIC Bank Corporation Limited
“CITIC Buyout Fund”	CITIC Buyout Fund Management Co., Ltd.
“CITIC Futures”	CITIC Futures Company Limited
“CITIC Global Trade”	CITIC Global Trade (Shanghai) Co., Ltd.
“CITIC Group”	CITIC Group Corporation
“CITIC Holdings”	CITIC Holdings Limited
“CITIC Pacific”	CITIC Pacific Limited
“CITIC PE Fund”	CITIC Private Equity Funds Management Company Limited
“CITIC Real Estate”	CITIC Real Estate Co., Ltd
“CITIC Securities (Shandong)”	CITIC Securities (Shandong) Co., Ltd.
“CITIC Securities Finance 2013”	CITIC Securities Finance 2013 Co., Ltd.
“CITIC Securities Finance MTN”	CITIC Securities Finance MTN Co., Ltd.
“CITIC Securities Investment”	CITIC Securities Investment Limited
“CITIC Trust”	CITIC Trust Co., Ltd.
“Company” or “CITIC Securities”	CITIC Securities Company Limited
“Company Law”	the Company Law of the People’s Republic of China
“connected transaction (s)”	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
“CSCL”	China Securities Co., Ltd.
“CSDCC”	China Securities Depository and Clearing Corporation Limited
“CSI”	CITIC Securities International Co., Ltd.
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“ECT”	E-Capital Transfer Co., Ltd.

“GoldStone Fund”	CITIC GoldStone Fund Management Company Limited
“GoldStone Haorui”	Qingdao GoldStone Haorui Investment Company Limited
“GoldStone Investment”	GoldStone Investment Co., Ltd.
“GoldStone Zexin”	GoldStone Zexin Investment Management Co., Ltd.
“Group”	the Company and its subsidiaries
“H Shareholder(s)”	holder(s) of H Shares
“H Share(s)”	the overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange of Hong Kong Limited (stock code: 6030)
“HKEx”	Hong Kong Exchanges and Clearing Limited
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jiantou Zhongxin”	Jiantou Zhongxin Asset Management Co., Ltd.
“Jindingxin Microfinance”	Qingdao Jindingxin Microfinance Company Limited
“Kington Securities”	Kington Securities Limited Liability Company
“Ministry of Finance”	the Ministry of Finance of the People’s Republic of China
“NSSF”	National Council for Social Security Fund of the People’s Republic of China
“PwC”	PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers
“PwC Hong Kong”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“Qianhai Equity Exchange”	Qianhai Equity Exchange (Shenzhen) Co., Ltd.
“Qingdao Blue Ocean Equity Exchange”	Qingdao Blue Ocean Equity Exchange Co., Ltd.
“related party transaction(s)”	for the purpose of Section 6 “Significant Events” and Section 9 “Corporate Governance Report” only, has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time, unless otherwise stated
“Reporting Period”	the twelve months ended 31 December 2016
“SAC”	Securities Association of China
“SAIC”	the State Administration for Industry & Commerce of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Senior Management”	the senior management of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	A Share(s) and H Share(s)

“Shareholder(s)”	holder(s) of the domestic share(s) or the overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively
“Shenzhen Bureau of the CSRC”	the Shenzhen Securities Regulatory Bureau of the CSRC
“SME”	small and medium-sized enterprise
“SOE”	state-owned enterprise
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Wind Info”	Wind Information Co., Ltd.
“Xiamen Cross-strait Equity Exchange”	Xiamen Cross-strait Equity Exchange Co, Ltd.

MATERIAL RISK FACTORS

The Group's business is highly dependent on the macroeconomic and market conditions of China and other areas in which the Company operates its business. Therefore, fluctuation in the Chinese and international capital markets will have material impact on the operating results of the Group.

The major risks exposed to by the Group include but not limited to: legal and compliance risk caused by possible failure of the business management and standards to align in a timely manner with changes in national laws and the regulations and rules promulgated by the regulatory authorities; strategic risk where the Group may not be able to determine the strategic plan in response to the profound changes in the domestic and overseas capital markets; internal operations and management risks arising from the transformation of the Company's business model and the emergence of new businesses and new technologies; market risk that may arise from the fluctuating price of the securities held by the Group; credit risk that may arise from the default of its borrower or trading counterparty; liquidity risk where the Group may encounter a shortage of fund in fulfillment of payment obligations; operational risk that may arise from the negligence or omission of the internal process management, information system failure or personnel misconduct; risks such as currency exchange risk that may arise from the operation of international businesses and financial innovative businesses. In particular, credit risk and liquidity risk are the major risks currently being faced by the Group.

To cope with the above risks, the Group takes preventive measures through its organizational structure, management system, information technology, and other aspects, while at the same time, optimizes its business process and focuses on strengthening the management of credit risk and liquidity risk.

1. COMPANY INFORMATION

1.1 Profile

Name in Chinese	中信証券股份有限公司
Abbreviation in Chinese	中信証券
Name in English	CITIC Securities Company Limited
Abbreviation in English	CITIC Securities Co., Ltd.
Legal Representative	ZHANG Youjun
President	YANG Minghui
Authorized Representatives	YANG Minghui, ZHENG Jing

Registered Capital and Net Capital

In RMB Yuan

	As at the end of the Reporting Period (31 December 2016)	As at the end of last year (31 December 2015)
Registered Capital	12,116,908,400.00	12,116,908,400.00
Net Capital (Parent Company)	93,504,021,274.87	94,453,590,792.95

Note: As at the disclosure date of this results announcement, the total number of issued Shares of the Company was 12,116,908,400 shares, of which 9,838,580,700 shares were A Shares and 2,278,327,700 shares were H Shares.

Business Qualifications for Each Individual Business of the Company

The business scope of the Company covers: securities brokerage (for areas other than Shandong Province, Henan Province, Tiantai and Cangnan Counties of Zhejiang Province); securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; margin financing and securities lending; securities investment fund sales agency; provision of brokerage services to futures companies; distribution of financial products; and stock options market making.

In addition, the Company possesses the following business qualifications:

1. Business qualifications approved or certified by the CSRC: online trading; entrusted wealth management; operation of overseas securities investment management business by qualified domestic institutional investors (QDII); direct investment; inter-bank market interest rate swap; stock index futures trading in proprietary business and asset management business; stock repo business; pilot business of stock return swap; treasury bonds futures trading in proprietary business and securities asset management business; pilot business of agency services for gold and other precious metal spot contracts and proprietary trading for spot gold contracts; custodian business for securities investment funds; and credit risk mitigation instruments selling business.
2. Business qualifications approved by the stock exchange: market maker of stock exchange fixed income platform; warrants trading; stock-pledged repo business; Southbound Trading Link business; financing business with respect to exercising rights under share incentive schemes of listed companies; stock options brokerage; proprietary trading for stock options; and principal market maker in SSE 50 ETF options contracts.
3. Business qualifications approved by SAC: quoted transfer; underwriting private placement of bonds by small and medium-sized companies; OTC business; engaging in recommending businesses and brokerage business through stock transfer systems; OTC options business; and Internet-based securities business.
4. Business qualifications approved by the People's Bank of China: member of the national inter-bank lending market; commercial paper underwriting; market maker in inter-bank bond market; and primary dealer of open market.
5. Other business qualifications: member of book-entry government bond underwriting syndicates; Class A clearing participant of CSDCC; license for operating foreign exchange in securities business (foreign-currency negotiable securities brokerage, foreign-currency negotiable securities underwriting and entrusted foreign-exchange asset management); qualified enterprise annuity fund management institution; qualified member of underwriting syndicate of policy bank; qualified manager of converted shares of the NSSF; qualified NSSF domestic investment manager; entrusted management of insurance funds; pilot refinancing business; sideline insurance agency business; market-maker of the New OTC market; and the qualifications for consultancy services relating to secrecy-involved business of the military industry.

1.2 Contact Person and Methods

Secretary to the Board, Company Secretary	
Name	ZHENG Jing
Contact Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Telephone	0086-755-2383 5383, 0086-10-60836030
Facsimile	0086-755-2383 5525, 0086-10-60836031
Email	ir@citics.com

1.3 Basic Information

Registered Address	North Tower, Excellence Times Plaze II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Postal Code of Registered Address	518048
Office Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province <small>(Note: This is a postal address and is in the same building as that of the registered address of the Company. The registered address of the Company corresponds to the name of the building registered with the Shenzhen Real Estate Ownership Registration Centre)</small> CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Business Address in Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Postal Code of Office Address	518048, 100026
Website	http://www.cs.ecitic.com
Email	ir@citics.com
Telephone	0086-755-2383 5888, 0086-10-6083 8888
Facsimile	0086-755-2383 5861, 0086-10-6083 6029
Customer Service Hotline for Brokerage and Asset Management Business	95548, 4008895548
Investor Relations Hotline	0086-755-2383 5383, 0086-10-6083 6030
Business License United Social Credibility Code	914403001017814402

1.4 Information Disclosure and Availability Places

Media designated for information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times
Websites for information disclosure	Website designated by CSRC: http://www.sse.com.cn (website of SSE) Website designated by the Hong Kong Stock Exchange: http://www.hkexnews.hk (HKExnews website of HKEx)
Places where Annual Reports of the Company are available	16/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province 10/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

1.5 Brief Information of the Shares of the Company

Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code
A Shares	SSE	CITIC Securities	600030
H Shares	Hong Kong Stock Exchange	CITIC SEC	6030

1.6 Other Information of the Company

1.6.1 History of the Company

The Company was incorporated in Beijing on 25 October 1995, under the name of CITIC Securities Limited, with registered capital of RMB300,000,000. The principal shareholder of the Company was CITIC Group which directly held 95% of share capital of the Company.

On 29 December 1999, CITIC Securities Limited completed the increase in share capital and was converted into a joint stock limited company known as CITIC Securities Company Limited. The registered capital was increased to RMB2,081,500,000 and the direct shareholding of CITIC Group decreased to 37.85%.

On 6 April 2000, with the approval of CSRC and SAIC, the registered address of the Company was changed to Shenzhen.

In December 2002, the Company conducted the initial public offering of 400,000,000 A Shares at the price of RMB4.50 per share, and such Shares were listed on the SSE on 6 January 2003. Upon completion of the offering, the total number of Shares of the Company was increased to 2,481,500,000 shares and the direct shareholding of CITIC Group decreased to 31.75%.

On 15 August 2005, the Company carried out the non-tradable shares reform. As a result, holders of non-tradable shares paid consideration to holders of tradable shares in exchange for listing and trading rights of non-trading shares at a ratio of 10:3.5, pursuant to which holders of tradable shares received 3.5 shares for every 10 tradable shares. In addition, a total of 30,000,000 shares were provided by all the holders of non-tradable shares as the shares for the Company's first share incentive scheme. Upon completion of the non-tradable shares reform, the total number of issued Shares of the Company remained at 2,481,500,000 and all such Shares were tradable shares, of which, 1,941,500,000 shares were subject to trading moratorium, accounting for 78.24% of the total issued Shares of the Company, and the direct shareholding of CITIC Group decreased to 29.89%. On 15 August 2008, all Shares held by the promoters which were previously subject to trading moratorium became tradable on the market.

On 27 June 2006, the 500,000,000 A Shares issued by the Company to China Life Insurance (Group) Company and China Life Insurance Company Ltd. by private placement at the price of RMB9.29 per share were listed and traded on SSE. The total number of issued Shares of the Company increased from 2,481,500,000 to 2,981,500,000 and the direct shareholding of CITIC Group decreased to 24.88%.

On 4 September 2007, the 333,733,800 A Shares issued by Company by public offering at the price of RMB74.91 per share were listed and traded on SSE. The total number of issued Shares of the Company increased from 2,981,500,000 to 3,315,233,800 and the direct shareholding of CITIC Group decreased to 23.43%.

In April 2008, the Company completed the 2007 profit distribution and capitalization issue plan, whereby the Company distributed a cash dividend of RMB5 (tax inclusive) for every 10 Shares, and completed a capitalization issue of 10 bonus Shares for every 10 Shares. Following the capitalization issue, the total number of issued Shares of the Company increased from 3,315,233,800 to 6,630,467,600.

In June 2010, the Company completed the 2009 profit distribution and capitalization issue plan, whereby the Company distributed a cash dividend of RMB5 (tax inclusive) for every 10 Shares, and completed a capitalization issue of 5 bonus Shares for every 10 Shares. Following the capitalization issue, the total number of issued Shares of the Company increased from 6,630,467,600 to 9,945,701,400.

In September and October 2011, the Company conducted the initial public offering of 1,071,207,000 H Shares (inclusive of the H Shares issued upon partial exercise of the over-allotment option) at the offering price of HK\$13.30 per share. All such Shares were ordinary shares, with a par value of RMB1 per share. According to the Administrative Measures for Reducing the State-owned Shares to Raise Social Security Funds and with the approval from MOF, the 13 State-owned shareholders of the Company transferred their 107,120,700 State-owned shares (inclusive of the shares reduced as a result of partial exercise of over-allotment option) to the NSSF and converted them into H Shares. The 1,094,830,000 H Shares issued and converted pursuant to the global offering (including the H Shares converted from corresponding State-owned shares), the 75,907,000 H Shares issued upon the partial exercise of the over-allotment option and the 7,590,700 H Shares converted from the corresponding State-owned shares, respectively, were listed and traded on the Main Board of the Hong Kong Stock Exchange on 6 October 2011, 1 November 2011 and 7 November 2011. Upon completion of the offering, the total number of issued Shares of the Company increased from 9,945,701,400 to 11,016,908,400, of which 9,838,580,700 Shares were A Shares and 1,178,327,700 Shares were H Shares, and the direct shareholding of CITIC Group decreased to 20.30%.

On 27 December 2011, the first majority shareholder of the Company, CITIC Group, was restructured into a wholly State-owned company and changed its name to “CITIC Group Corporation”, which took over all of the business and assets of CITIC Group. According to the restructuring plan, CITIC Group together with Beijing CITIC Enterprise Management Co., Ltd. established CITIC Limited (renamed as CITIC Corporation Limited in 2014) on 27 December 2011 by contributing to it substantially all of its operating net assets (inclusive of its 20.30% Shares in the Company). With the approval of CSRC, CITIC Group and CITIC Corporation Limited completed the procedures for the transfer of shareholding on 25 February 2013. The first majority shareholder of the Company was changed to CITIC Corporation Limited and its direct shareholding in the Company is 20.30%. On 16 April 2014, CITIC Group and Beijing CITIC Enterprise Management Co., Ltd., the shareholders of CITIC Corporation Limited, entered into a share transfer agreement with CITIC Pacific, pursuant to which they agreed to transfer their 100% equity interest held in CITIC Corporation Limited to CITIC Pacific. The relevant equity transfer was completed on 25 August 2014, and CITIC Pacific became the sole and direct shareholder of CITIC Corporation Limited, the first majority shareholder of the Company. On 27 August 2014, CITIC Pacific changed its name to CITIC Limited.

On 23 June 2015, upon the listing and trading on the Hong Kong Stock Exchange of the 1,100,000,000 H Shares issued by the Company to 10 investors, including Kuwait Investment Authority, by private placement at the price of HK\$24.60 per Share, the total number of issued Shares of the Company increased from 11,016,908,400 to 12,116,908,400, of which 9,838,580,700 Shares were A Shares and 2,278,327,700 Shares were H Shares. Following completion of the issuance, the direct shareholding of CITIC Corporation Limited in the total issued Shares of the Company decreased to 15.59%.

On 26 February 2016 and 29 February 2016, CITIC Corporation Limited, through its own stock account, increased its shareholding in the Company by an aggregate of 110,936,871 A Shares. Upon the completion of the increase in shareholding, the total number of shares directly held by CITIC Corporation Limited increased from 1,888,758,875 shares to 1,999,695,746 shares, and the direct shareholding increased from 15.59% to 16.50%.

After its listing on SSE, the Company has since been included in the SSE 180 Index, SSE 50 Index, CSI 300 Index, SSE Corporate Governance Index, FTSE/Xinhua A50 China Index, Dow Jones China 88 Index, and SSE Social Responsibility Index, etc. After its listing on the Hong Kong Stock Exchange, the Company has since been included in constituent stocks of indices such as the Hang Seng China H-Financials Index, Hang Seng China AH Index Series, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index — Financials and Hang Seng Composite MidCap Index, Hang Seng China Enterprises Index, Hang Seng Mainland 100 Index, Hang Seng CSI Shanghai-Hong Kong AH Smart Index, SSE SH Equities Index, FTSE China 25 Index and MSCI China Index, which greatly enhanced the prestige of the Company. Since the launch of Shanghai-Hong Kong Stock Connect on 17 November 2014, the Shares of the Company have been included in its northbound trading list and southbound trading list respectively. Upon the launch of Shenzhen-Hong Kong Stock Connect on 5 December 2016, H Share of the Company has become an eligible stock of Shenzhen-Hong Kong Stock Connect.

Changes in registration status during the Reporting Period:

On 25 January 2016, the Company completed the registration of changes in the legal representative and the united social credibility code at the Market Supervision Administration of Shenzhen Municipality.

On 14 June 2016, the Company completed the registration of changes in the business scope and the Senior Management at the Market Supervision Administration of Shenzhen Municipality.

On 28 July 2016, the Company completed the registration of changes in the branches and Senior Management at the Market Supervision Administration of Shenzhen Municipality.

On 22 August 2016, the Company completed the registration of changes in the Directors and Supervisors at the Market Supervision Administration of Shenzhen Municipality.

On 15 December 2016, the Company completed the registration of changes in the Directors at the Market Supervision Administration of Shenzhen Municipality.

Information of first registration:

Date of First Registration: 25 October 1995

Address of First Registration: Capital Mansion, No. 6 Xinyuan South Road, Chaoyang District, Beijing

Registration Number of Corporate Legal Person Business License: 10001830

Certificate of Organization Code: 10178144-0

Please refer to “1. Company Information” of 2002 Annual Report of the Company for the information on the first registration of the Company.

1.6.2 Changes in the principal businesses

The Company was established against the background of increasing development and maturity of the securities market in China. Since its establishment, the Company has continuously improved its business operations following the principle of “standardized operation and stable and healthy development”. At the end of 1996, the Company became one of the first ten securities houses whose stock underwriting qualification was re-approved by CSRC; in October 1999, the Company became one of the first batch of comprehensive securities companies approved by CSRC and one of the first batch of securities houses whose qualification as a lead underwriter for equity product was re-approved by CSRC. The Company is one of the supervisor members of SAC, one of the first securities companies to enter into the national interbank lending market, and one of the first securities companies authorized to engage in stock-secured loans. In 2002, the Company obtained the qualifications to engage in entrusted investment management and fund sales agency services. In 2006, the Company became the only securities company to obtain the qualification approved by the People’s Bank of China as a lead underwriter of commercial papers. In 2007, the Company obtained the qualifications for the trial business of direct investment and overseas securities investment management as a qualified domestic institutional investor (QDII). In 2008, the Company became a Class-A clearing participant of CSDCC, and obtained the qualification for the provision of brokerage services to futures companies. In 2009, the Company obtained the qualification to manage the transfer of converted shares to NSSF. In 2010, the Company obtained the qualifications for margin financing and securities lending business, stock index futures trading in proprietary business and assets management business. In the same year, it became a domestic investment manager for the NSSF. In 2011, the Company became one of the first companies to obtain the stock repo trading qualification. In 2012, the Company obtained the qualifications for underwriting of private placement of SME bonds, entrusted management of insurance funds, distribution of financial products, pilot businesses of total return swap and refinancing, and consultancy services relating to secrecy-involved military industry. In 2013, the Company obtained the qualifications for sideline insurance agency business, and treasury futures trading in proprietary business and the securities assets management business. In 2014, the Company obtained the qualifications for agency services business for gold and other precious metal spot contracts and proprietary business for spot gold contracts, OTC option business, Internet-based securities business, New OTC Market market making business, securities investment fund custody business, Southbound Trading Link business, credit risk mitigation instruments selling business and financing business with respect to exercising options under share incentive schemes of listed companies, and was qualified as an primary dealer of open market. In 2015, the Company obtained the qualification of the stock options market making business, and was approved to commence SSE 50 ETF options market making business; the Company was admitted as a stock options trading participant on the SSE and obtained the trading permission to commence the stock options brokerage and proprietary trading business. In 2016, the Company was accepted as a non-bank member on the Shanghai Bill Exchange Co., Ltd., and obtained the trading permission to commence the rediscount, pledged repurchase, outright repurchase and other transactions of bills.

1.6.3 Changes of principal Shareholders

Since the establishment of the Company, CITIC Group or its subsidiaries has/have been the largest shareholder of the Company. Please refer to “1.6.1 History of the Company” of this results announcement.

1.6.4 The organization status of the Company

The Company currently has four principal wholly-owned subsidiaries, namely CITIC Securities (Shandong), CSI, GoldStone Investment and CITIC Securities Investment, and two principal subsidiaries, namely CITIC Futures and China AMC. Please refer to “4.3.5 Analysis of the operation and results of principal subsidiaries and non-controlling companies” of this results announcement for details.

1.6.5 Number and network of securities outlets of the Company

As at the end of the Reporting Period, the Company, CITIC Securities (Shandong), CITIC Futures and Kington Securities have 320 outlets in Mainland China, with 284 outlets for securities operations and 36 outlets for futures operations. In addition, CSI has four branches in Hong Kong.

The number and network of securities outlets and branches of the Group are as follows:

Province, city or district	Number of securities outlets/branches	Province, city or district	Number of securities outlets/branches	Province, city or district	Number of securities outlets/branches
Zhejiang	68	Liaoning	6	Jilin	2
Shandong	58	Henan	6	Guangxi	1
Guangdong	26	Sichuan	5	Hunan	1
Shanghai	23	Hebei	5	Heilongjiang	1
Jiangsu	21	Tianjin	4	Gansu	1
Beijing	21	Shaanxi	3	Inner Mongolia	1
Fujian	8	Shanxi	2	Ningxia	1
Hubei	8	Anhui	2	Hainan	1
Jiangxi	7	Chongqing	2	Hong Kong	4

1.7 Other Relevant Information

Domestic auditors engaged by the Company	PricewaterhouseCoopers Zhong Tian LLP 11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
International auditors engaged by the Company	PricewaterhouseCoopers Hong Kong 22/F, Prince’s Building, Central, Hong Kong
Legal Advisers as to PRC Laws	Beijing Jiayuan Law Firm
Legal Advisers as to Hong Kong Laws	Linklaters
A Share Registrar	CSDCC, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui East Road, Pudong New Area, Shanghai
H Share Registrar	Computershare Hong Kong Investor Services Limited 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

1.8 Awards in 2016

1.8.1 The Company

Issued by: *Global Finance*

Best Investment Bank in Asia Pacific
Best Equity Bank in Asia Pacific

Issued by: *China Securities Investor Protection Funds Corporation*

Outstanding Securities Firm by Investor Survey

Issued by: *Asiamoney*

Best Chinese Bond Financing House
Best Local Currency Bond Award (HSBC Panda Bonds)
Best Asset-backed Securities Award (BMW Automotive Finance (China) ABS)

Issued by: *GlobalCapital/Asiamoney*

Best Follow on/ABB – onshore: Financial adviser for China Shipbuilding Industry Group Power Co., Ltd. Rmb13.48bn private placement
Best Equity Linked Deal – onshore: Joint bookrunners for Guangzhou Automobile Group Co., Ltd. Rmb4.10bn six-year convertible bond
Best Investment Bank – onshore
Best Equity House – onshore
Best Domestic Debt House in China

Issued by: *FinanceAsia*

The Platinum Awards of 20th Anniversary-Best Stock Underwriter in China, Best Bond Underwriter in China

Issued by: *New Fortune*

Best Local Investment Bank
Best Overseas Investment Bank
Best Local Investment Bank in Equity Underwriting
Best Local Investment Bank in Bond Underwriting
Best Investment Bank for Real Estate Finance Industry
Best Local Investment Bank in Merger and Acquisition
Best Investment Bank for Pharmaceutical Industry
Best Investment Bank in Asset-based Securitization
Best Asset-backed Securitization Project (Enterprises): First Tranche of CITIC China AMC Stock-pledged Creditor's Rights
Best Asset-backed Securitization Project (Credit): Driver China Automobile Pledged Loans Securitization Second Tranche No. 3 for Best Investment Bank in Corporate Bond
Best Corporate Bond Project 15 Lvcheng 01

Issued by: *Securities Times*

2016 Best Bond House in China
2016 Best IPO House in China

Issued by: *Financial News*
2016 Best Securities Company for Investment Bank Business

Issued by: *SSE*
2016 Excellent Participation in Local Government Bonds (Securities Companies)
Excellent Underwriter of Corporate Bonds for 2016
Excellent Dealer in Bonds for 2016

Issued by: *China Asset Securitization Research Institute and cn-abs.com*
2016 Most Popular Award in Financial Lease ABS
2016 Best Structure Award in Automobile Pledged Loans ABS
2016 Best Asset Award in Automobile Pledged Loans ABS
2016 ABS Best Lead Underwriter Award

Issued by: *Caixin Media, Dealogic*
2016 Best Underwriter in Equity Capital Markets for Chinese Issuers (In terms of Underwriting Amount)
2016 Best Investment Bank in Chinese Market (In terms of Income)
2016 Best Chinese A-Share Market Underwriter (In terms of Underwriting Amount)
2016 Best Chinese Underwriter of Private Placement of A-Shares (In terms of Underwriting Amount)

Issued by: *China Central Depository Clearing Co. Ltd.*
2016 Excellent Underwriting Organization Award

Issued by: *Ta Kung Pao*
The 6th China Securities Golden Bauhinia Awards – The Best Listed Company Award in Investor Relations

Issued by: *League of American Communications Professionals*
2015 Vision Awards Annual Report Competition: Platinum Award, Top 100 Annual Reports Worldwide (#70), Top 50 Chinese Annual Reports, Best Letter to Shareholders in the Asia-Pacific Region

Issued by: *Finet.com/Tencent.com*
2015 Top 100 Hong Kong Stocks

1.8.2 CSI

Issued by: *FinanceAsia*
Best Domestic Equity House in Hong Kong

Issued by: *GlobalCapital/Asiamoney*
Best Domestic Equity House in Hong Kong

Issued by: *Asiamoney*
Best Local Bond House in China

Issued by: *Chinese Asset Management Association of Hong Kong/Bloomberg*
Best ETF Market Maker

1.8.3 CLSA Limited

Corporate Financing and Capital Market Business

Issued by: FinanceAsia

Annual Achievement Award:

Best Equity House in Hong Kong of Chinese Financial Institution

Best India Deal

Stock Brokerage

Issued by: Asiamoney

Awards in Asia (excluding Japan and Australia): No. 1 for Best Independent Research Brokerage in the Region (Hong Kong, Indonesia, Singapore, The Philippines, Thailand)/No. 1 for Best Team for Strategy/No. 1 for Best Team for Quantitative and Technical Analysis/No. 1 for Best Team for Software & Internet Services/No. 1 for Best Hardware and Materials Analysis, etc.

Sales & Trading/Execution Awards: No. 1 for Best Team for Sales in Asia (excluding Japan and Australia)/No. 1 for Best Execution in Indonesia, The Philippines and Thailand/No. 1 for Best Sales Trading in India, Indonesia and The Philippines

Events and Roadshows Awards: No. 1 for Best Events and Conferences in Hong Kong, the Philippines and Thailand/No. 1 for Best Roadshows and Company Visits in Indonesia, the Philippines and Thailand

Awards in Japan: No. 1 for Best Independent Research Brokerage in the Industries: Consumer Discretionary/Consumer Staples/Industrials/Semiconductors & Semiconductor Equipment/Software&Internet Services/Strategy/Technology Hardware & Equipment/Banks, etc.

Awards in Australia: Research: No. 1 for Best Independent Research Brokerage in the Industries: Banks/Healthcare/Insurances/Public Utilities

1.8.4 Goldstone Investment

Issued by: ChinaVenture

2015 CV Annual Awards:

Top 10 Best Direct Investment Securities Houses in China

Top 20 Best Chinese Private Equity Investment Institutions in China

Top 30 Best Private Equity Investment Institutions in China for 2015

Issued by: Zero2IPO Group

2016 Top 100 Best Private Equity Investment Institutions in China

1.8.5 CITIC Futures

Issued by: China Futures Association

Best Undertaking Award for China Futures Analyst Forum

Issued by: Futures Daily and Shenzhen Securities Times Company Limited

Best Futures Company in China

Best Service Award for Financial Futures

Best Futures Outlets in China (Shanghai Century Avenue Branch)

Issued by: Zhengzhou Commodity Exchange

Excellent Member of Zhengzhou Commodity Exchange for 2015:

Excellent Member in Market Development

Excellent Member in Industrial Service

Excellent Member in Industrial Service for Varieties (Thermal Coal, Methyl Alcohol, PTA, Glass, White Sugar, Rapeseed Meal, Cotton, Rapeseed Oil and Ferroalloy)

1.8.6 CITIC Securities (Shandong)

Issued by: Qingdao Municipal Government

Top 50 Enterprise Taxpayers in Qingdao

2. FINANCIAL SUMMARY

2.1 Key Financial Data

2.1.1. Key accounting data

In RMB million

Items	2016	2015	Variance in comparison with last year (%)	2014
Total revenue and other income	50,067	72,924	-31.34	39,525
Operating profit	13,913	26,642	-47.78	14,793
Profit before income tax	14,263	27,287	-47.73	15,422
Net profit attributable to owners of the parent	10,365	19,800	-47.65	11,337
Net cash inflow/(outflow) from operating activities	-35,715	39,533	N/A	-26,283

Items	31 December 2016	31 December 2015	Variance in comparison with last year (%)	31 December 2014
Total assets	597,439	616,108	-3.03	479,626
Total liabilities	451,650	474,371	-4.79	378,495
Equity attributable to owners of the parent	142,696	139,138	2.56	99,099
Issued share capital	12,117	12,117	—	11,017

2.1.2 Key financial indicators

In RMB yuan

Items	2016	2015	Variance in comparison with last year (%)	2014
Basic earnings per share (RMB yuan/share)	0.86	1.71	-49.71	1.03
Diluted earnings per share (RMB yuan/share)	0.86	1.71	-49.71	1.03
Return on weighted average equity (%)	7.36	16.63	Decreased by 9.27 percentage points	12.18

Items	31 December 2016	31 December 2015	Variance in comparison with last year (%)	31 December 2014
Net assets per share attributable to owners of the parent (RMB yuan/share)	11.78	11.48	2.61	9.00
Gearing ratio (%) ^{Note}	68.51	69.56	Decreased by 1.05 percentage points	73.23

Note: Gearing ratio = (total liabilities – customer brokerage deposits)/(total assets – customer brokerage deposits)

2.1.3 Net capital and relevant risk control indices of the parent company

Items	31 December 2016	31 December 2015
Net capital (RMB million)	93,504	94,454
Net assets (RMB million)	118,870	116,208
Total risk capital reserves (RMB million)	54,746	37,415
Risk coverage ratio (%)	170.79	252.45
Capital leverage ratio (%)	21.62	20.04
Liquidity coverage ratio (%)	166.77	180.70
Net stable funding ratio (%)	143.29	130.70
Net capital/net assets (%)	78.66	81.28
Net capital/liabilities (%)	37.02	35.32
Net assets/liabilities (%)	47.06	43.45
Value of proprietary equity securities and derivatives held/net capital (%)	35.01	33.74
Value of proprietary non-equity securities and derivatives held/net capital (%)	143.30	134.91

Note: Relevant data as at the end of the previous year has been restated in accordance with *Measures for the Risk Control Indices of Securities Companies* (2016 Revision).

2.2 Financial Data for the Last 5 Years

2.2.1 Operating results

In RMB million

Items	2016	2015	2014	2013	2012
Total revenue and other income	50,067	72,924	39,525	20,279	13,071
Operating expenses	36,154	46,282	24,732	13,644	8,016
Share of profits and losses of associates and joint ventures	350	645	629	211	432
Profit before income tax	14,263	27,287	15,422	6,846	5,487
Net profit attributable to owners of the parent	10,365	19,800	11,337	5,244	4,237

2.2.2 Financial position

In RMB million

Items	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Issued share capital	12,117	12,117	11,017	11,017	11,017
Total equity	145,789	141,737	101,131	89,402	86,685
Equity attributable to owners of the parent	142,696	139,138	99,099	87,688	86,465
Total liabilities	451,650	474,371	378,495	181,952	81,823
Customer brokerage deposits <i>Note 1</i>	134,398	150,457	101,846	45,196	34,807
Total assets	597,439	616,108	479,626	271,354	168,508

2.2.3 Key financial indicators

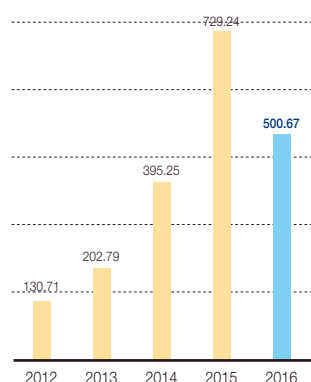
Items	2016	2015	2014	2013	2012
Dividends per share (RMB yuan/share)	0.35	0.50	0.28	0.15	0.30
Basic earnings per share (RMB yuan/share)	0.86	1.71	1.03	0.48	0.38
Diluted earnings per share (RMB yuan/share)	0.86	1.71	1.03	0.48	0.38
Return on weighted average equity (%)	7.36	16.63	12.18	6.02	4.90
Gearing ratio (%) <i>Note 2</i>	68.51	69.56	73.23	60.47	35.17

Note 1: Customer brokerage deposits represent the amount received from and repayable to clients arising from the normal courses of the Group's securities brokerage business. The fund is restricted and governed by the relevant third-party deposit regulations.

Note 2: Gearing ratio = (total liabilities – customer brokerage deposits)/(total assets – customer brokerage deposits)

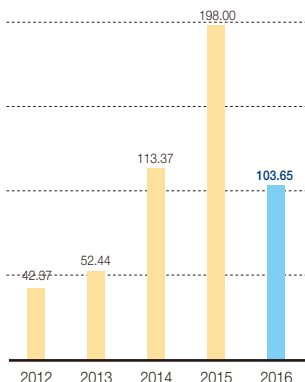
Total revenue and other income

In RMB100 million



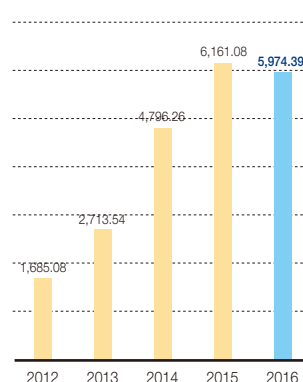
Net profit attributable to owners of the parent

In RMB100 million



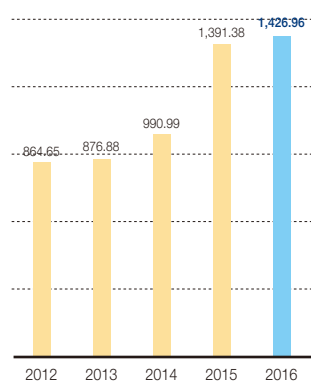
Total assets

In RMB100 million



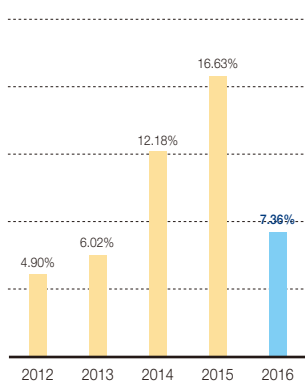
Equity attributable to owners of the parent

In RMB100 million



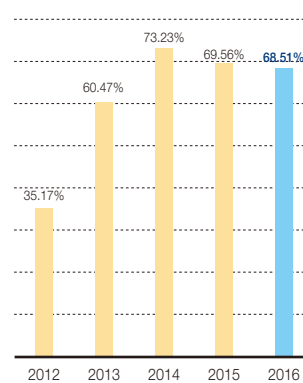
Return on weighted average equity

%



Gearing ratio

%



3. CHAIRMAN'S STATEMENT

Dear Shareholders,

2016 was the first year of implementing the 13th Five-year Plan by the Company. Under the leadership of Communist Party Committee of CITIC Group, the Communist Party Committee of the Company firmly carried out the directional policies of the Communist Party, integrated the strengthening of Party development with the reform and development of the Company, facilitating and perfecting the standardized corporate governance system. During the past year, the Company actively adopted effective measures to enlarge client base, enhance its capabilities in integrated services, improve planning and appraisal management systems, optimize the MD grading system with the basic principle of linking the obligations with rights and benefits, strengthen talent team building, and consolidate overseas business platforms.

In 2016, our total revenue and other income, profit attributable to owners of the parent and return on equity amounted to RMB50.1 billion, RMB10.4 billion and 7.36%, respectively while the Company's total assets, equity attributable to owners of the parent and gearing ratio amounted to RMB597.4 billion, RMB142.7 billion and 3.18 times, respectively. The Company's investment banking, brokerage, asset management, equity sales, research and other principal businesses continued to maintain the market leading position. Subsidiaries of the Company, including GoldStone Investment, CITIC Futures, China AMC, and CSI, are operated in a good shape. The operating results we achieved depended on the ongoing trust and support of our investors and clients. On behalf of the Company, I would like to take this opportunity to express my heartfelt gratitude to all our Shareholders, clients, investors and the community!

Looking forward, there will be better development opportunities for the Chinese securities industry. We shall seize available opportunities derived from the acceleration in implementation of the state-owned enterprise reform, the social security reform and the Belt and Road Initiative. Relying on the economic development in China and the prosperous capital market, we will further enlarge our market share, enhance our capabilities in integrated services, strive for the realization of the vision of "becoming a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world", and make further contribution to the realization to achieve the great Chinese Dream of rejuvenating the Chinese nation!

ZHANG Youjun

Chairman

22 March 2017

4. MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Corporate Strategy and Long-term Operation Model

4.1.1 Landscape and trend of the industry

In 2016, the landscape of the securities industry is undergoing profound changes in China. Firstly, adhering to the philosophy featuring “strict and comprehensive regulation according to law”, the regulatory authorities has issued provisions on operation of non-public asset management business and management regulations on subsidiaries for alternative investments of securities companies, providing more stringent requirements for compliance management and risk control capabilities of securities companies. Secondly, competition in the securities industry is getting more intensive. Financial institutions such as commercial banks, insurance companies and trust companies continuously strengthen the penetration of underwriting, asset management and other securities businesses. The faster relaxation of securities licensing and more diversified backgrounds of new entrants will trigger a catfish effect. Thirdly, the client structure is changing with increasing proportion of high net worth clients and wealth management demand. There is an increasingly urgent need for global asset allocation. Fourthly, the increasing categories of businesses and the emergence of new products, such as off-shore businesses, complex non-linear derivatives, fixed income products, currency, and commodities, place higher requirements for middle- and back-office management of securities companies. Fifthly, financial technology is triggering tremendous transformation of business models. Goldman Sachs has clearly stated that “it would be a technology company in future”, transforming from “business supported by technology” to “business led by technology”. Participants in the domestic securities industry also carry out different levels of financial service innovation such as robotic smart investment consultation, big data product innovation, artificial intelligence and other Fintech means.

There will be better development opportunities for the securities industry. Firstly, the SOE reform has turned from pilot projects into full implementation. The mixed ownership reforms for the electricity, oil, civil aviation, telecommunications, military industry and other sectors are expected to take the substantial step, requiring investment banking services such as M&A, asset restructuring and introduction of strategic investors. Secondly, the central government promoted the public-private partnership, resulting in demand for financing tools such as equity investment funds, revenue bonds or corporate bonds, mezzanine financing and asset-backed securitization. Thirdly, the social security reform has accelerated long-term capital inflow. The inflow of pension fund is expected to bring RMB600 billion of incremental capital to the A-Share market, opening up a broad prospect for asset management business of the securities companies. Fourthly, the accelerating implementation of the Belt and Road Initiative has brought about the demand for integrated financial support to infrastructure construction, energy resource development and industrial investment of countries along the Belt and the Road. Fifthly, with the launch of Shenzhen-Hong Kong Stock Connect, the stock market in China is basically open to all international investors, bringing business opportunities to cross-border investment and financing services of securities companies.

4.1.2 Development strategy of the Company

In the beginning of 2016, the Company has proposed a new development vision of becoming a domestically leading and internationally first-class Chinese investment bank most trusted by clients around the world.

4.1.3 Business plan for 2017

In 2017, the Company will strengthen the development of its Communist Party Committee, enlarge its client market, reinforce and enhance its market position, enhance its trading and investment capabilities, raise capabilities in integrated services, further promote domestic and foreign integration and interaction as well as firmly enhance management level.

4.1.4 Capital requirement

In 2017, the Company will, according to business development needs, rationally arrange the size of its liabilities and maintain a reasonable and sound gearing ratio. In 2016, the Company successfully completed the private placement of one tranche of corporate bonds, raising a total of RMB2 billion; the public offering of a dual-tranche corporate bonds, including a three-year tranche raising RMB12.5 billion and a five-year tranche raising RMB2.5 billion; the issuance of seven tranches of commercial papers with a total size of RMB31 billion; the issuance of 489 tranches of beneficiary certificates through the OTC market with an aggregated issue size of RMB46,009 million. The cumulative debt financing of the Company for the full year was approximately RMB94,009 million in total, and the balance of beneficiary certificates was RMB22,827 million. The financial gearing ratio decreased to 3.2 times from 3.3 times at the beginning of the year.

4.1.5 Possible risk exposure

The Company is exposed to market, credit, exchange rate, interest rate and other risks. The China economy stabilizes gradually and shows an upward trend. The Central Economic Work Conference determined the general tone of making progress while ensuring stability. The fiscal policy is expected to be more active whereas the monetary policy remains steady and moderate. Meanwhile, the problem of over-capacity and demand structure in the China's economy is outstanding while the economic growth lacks momentum and financial risks have accumulated; RMB is still facing great depreciation pressure and inflation is expected to further increase; and the turning point of interest rate may come, all of which bring relevant risks to the Company.

Please refer to "Material Risk Factors" in this results announcement.

4.2 Business Overview

Analysis of Principal Activities

The investment banking business of the Group consists of equity financing, debt and structured financing as well as financial advisory services. The Group provides fund raising and financial advisory services to a wide range of enterprises and other institutional clients in China and globally.

The brokerage business of the Group is mainly engaged in dealing and broking of securities and futures, and distribution of financial products.

The trading business of the Group is primarily engaged in trading and market-making of equity products, fixed income products and derivatives, margin financing and securities lending business, alternative investment and block trading business.

The Group provides asset management services and products to clients in China and globally. The Group is engaged in CAM, TAM, SAM, fund management and other investment accounts management.

The investment business of the Group mainly comprise private equity investment and other businesses.

The Group provides services such as custody and research.

4.2.1 Investment banking

(1) Domestic equity financing

Market conditions

In 2016, the issuance of IPOs gradually accelerated while approvals for re-financing and equity issuances largely remained stable. In 2016, the A-share equity financing size amounted to RMB2,046,824 million (including private placements of assets), representing a year-on-year increase of 23.68%. Among which, IPO proceeds amounted to RMB164,158 million, representing a year-on-year increase of 3.37%. The equity re-financing size amounted to RMB1,882,666 million, representing a year-on-year increase of 25.84%.

The market share of the top ten securities companies in A-share equity underwriting amounted to 58.55%, representing a larger increase when compared to the market share of the top ten securities companies in 2015 (with a market share of 48.34%).

Actions and achievements

In response to the transformation of economic structure, supply-side reform and changes in market policies, the Company seized new business opportunities of SOE reforms from large SOE clients on the basis of consolidating its client advantages in traditional industries and put more attention on private enterprises, foreign enterprises and other clients, enhanced developing SME clients with growth potential in emerging industries. On the other hand, the Company continued to implement the business strategy of "full-product coverage", strengthened its efforts in developing international businesses, and endeavored to enhance its overall competitive edge.

In 2016, the Company completed a total of 79 A-share lead underwriting projects with an aggregate lead underwriting amount of RMB240,766 million (including private placements of assets), accounting for a market share of 11.76%, ranking the first in the market in terms of both the number of lead underwriting projects and the lead underwriting amount. Among which, 19 were IPOs, with an aggregate lead underwriting amount of RMB11,902 million; 60 were re-financing issuances projects, with a total lead underwriting amount of RMB228,864 million.

Projects	2016		2015	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
IPOs	11,902	19	12,095	10
Re-financing issuances	228,864	60	165,238	54
Total	240,766	79	177,333	64

Source: Wind Info and the Company's internal statistics

Notes: (1) When compiling the above table, completion of an IPO project is the date of online issuance; completion of a public equity issuance, non-public equity issuance or preference shares issuance project is the date of the issuance results announcement; completion of an equity placement project is the ex-dividend date; and the convertible bonds projects were considered to have been completed on the value date.

(2) Underwriting amount of joint-lead underwriting projects is calculated by dividing total project size by number of lead underwriters.

Outlook for 2017

In 2017, the Company will continue to implement the client-centered “full-product coverage” business strategy; enhance coverage of regional market and emerging market clients, put emphasis on nurturing industry experts, deepen its understanding of diversified client needs; enhance its capabilities in integrated services, consolidate and strengthen its market leading position. Through integration of internal and external sales channels of the Company, the Company will actively promote innovative business, develop cross-border business and continue to transform into an investment bank as “trading counterparty” and “industry service supplier”.

(2) Domestic debt and structured financing

Market conditions

In January to October 2016, under the influence of weak fundamental economy, abundant liquidity, increased leveraging of enterprises and other factors, investors' demand for bond business remained strong and investment yields showed a continued downward trend. After November 2016, due to the tightening of market liquidity, the increase in the interest rate by the US Federal Reserve and the rapid depreciation of RMB, the bond market faced great deleveraging pressure with a rapid upward trend in investment yields.

In 2016, the issuance size of the domestic bond market maintained a rapid growth. The aggregate issuance size of bonds (excluding interbank certificates of deposit) of the year amounted to RMB23.34 trillion, representing a year-on-year increase of 30.43%; the aggregate issuance size of debenture bonds (net of treasury bonds, policy bank financial bonds and local government bonds) amounted to RMB10.87 trillion, representing a year-on-year increase of 16.24%. The stock exchange's bond market showed a more rapid growth when compared with that to the inter-bank market. The issuance size of the stock exchange's corporate bonds amounted to RMB2.78 trillion, representing a year-on-year increase of 168%. It exceeded the issuance size of medium-term notes for the first time, becoming the market segment with the greatest growth rate. The issuance size of the stock exchange's corporate asset-backed securitization also exceeded that of the inter-bank market for the first time.

Actions and achievements

In 2016, the Company undertook a total of 320 lead underwriting projects relating to different debenture bonds, with a lead underwriting amount of RMB379,714 million, representing 2.55% of the market share. The Company ranked the second and third in the industry in terms of the underwriting amount and the number of underwriting projects respectively. The Company had a full pipeline for projects, maintaining its leading position in the bond underwriting market; as the sector leader in asset-backed securities business, it has apparent advantages in REITs, personal automobile pledged loans securitization, etc.

Projects	2016		2015	
	Lead Underwriting Amount (RMB million)	Number of Issuances	Lead Underwriting Amount (RMB million)	Number of Issuances
Enterprise bonds	15,314	10	34,500	24
Corporate bonds	128,485	92	64,133	42
Financial bonds	104,168	27	147,292	53
Medium-term notes	25,070	33	50,910	62
Commercial papers	7,850	11	20,600	21
Asset-backed Securities	90,345	142	68,259	119
Convertible bonds/ exchangeable bonds	8,482	5	—	—
Total	379,714	320	385,694	321

Source: Wind Info and the Company's internal statistics

Outlook for 2017

In 2017, the Company will continue to increase its inputs in direct debt financing business, enhance internal synergy, capitalize its overall business advantages, provide comprehensive and integrated debt financing services, consolidate and enhance the competitive edge for traditional bond underwriting business, focus on exploring business opportunities with local state-owned enterprises and quality private enterprises; seize the opportunity of asset revitalization, focus on corporate asset-backed securitization business, strengthen project risk management to effectively control operational risks, credit risks and issuance risks.

Besides, with the further opening up of the domestic financial market and domestic enterprises' adoption of globalization strategies, financing opportunities including panda bonds and overseas USD-denominated bonds will gradually increase. The Company will further integrate its domestic and foreign client resources to explore cross-border business opportunities, and enhance its diversified full-product coverage for clients, both domestically and internationally.

(3) Financial advisory services

Market conditions

According to the Bloomberg statistics, the total value of global merger and acquisition transactions announced in 2016 reached USD3.6 trillion, representing a year-on-year decrease of 16.08%; the number of announced merger and acquisition transactions amounted to 39,657, representing a year-on-year increase of 2.62%. Geographically, most of the mergers and acquisitions were concentrated in North America and Asia-Pacific region and the value of merger and acquisition transactions amounted to USD1.8 trillion and RMB0.9 trillion respectively, accounting for approximately 75.38% in aggregate of the total value of global merger and acquisition transactions. On a sector basis, the financial sector was the most active with the value of merger and acquisition transactions announced amounted to USD690.1 billion, which accounted for approximately 19.17% of the total value of global merger and acquisition transactions; followed by the non-cyclical consumer goods and communications sectors with announced transaction amount of USD568.1 billion and USD414.7 billion, accounting for 15.78% and 11.52% of the amount of global merger and acquisition transactions, respectively.

In 2016, the value of global merger and acquisition transactions participated by Chinese enterprises amounted to USD693.5 billion, representing a year-on-year increase of 7.24% and accounting for 77.06% of the value of merger and acquisition transactions in the Asia Pacific region. The number of announced merger and acquisition transactions amounted to 4,089, representing a year-on-year increase of 0.49%. In 2016, the sectors with higher amount of merger and acquisition transactions involving Chinese enterprises were the industrial manufacturing, financial and non-cyclical consumer goods sectors.

Actions and achievements

In 2016, the Company continued to strengthen transaction matching and professional execution capabilities, deepened its understanding of client needs, seize opportunities arising from reorganization of central SOEs, reforms of local SOEs, industrial asset consolidation, market-oriented mergers and acquisitions, transformation advancement of private enterprises and cross-border mergers and acquisitions, to consolidate and enhance its competitive edge in the area of onshore and offshore mergers and acquisitions.

In 2016, the size of A-share major assets restructuring transactions completed by the Company amounted to RMB119.7 billion with a market share of 14.15%, ranking the first in the industry. The Company completed several merger and acquisition transactions, such as the acquisition of Sanxia Jinshajiang Chuanyun Hydropower Development Co., Ltd by China Yangtze Power, the restructuring of power assets under China Shipbuilding Industry Corporation by China Shipbuilding Industry Group Power, the establishment of listing platform for construction business of China Petroleum Engineering Corporation through restructuring by Xinjiang Dushanzi TianLi High & New Tech Co. Ltd, P.R.C., listing of S.F. Express and Yunda Express through restructuring, forming significant influence in the market.

In 2016, among the announced global merger and acquisition transactions involving PRC enterprises, the Company ranked second of the PRC securities houses in terms of its transaction volume. The Company actively pushed forward domestic and overseas integration and interaction of merger and acquisition business and completed several influential and innovative cross-border merger and acquisition transactions of listed companies in 2016 such as the acquisition of Hiwilinglux and other companies by China Aerospace Science and Technology Corporation, the acquisition of Kuka under offer by Midea Group, the acquisition of Home Inn by BTG Hotels (Group) Co., Ltd., the acquisition of industrial cleansing business of Dürr Group by Shenyang Blue Silver Industry Automatic Equipment Co., Ltd.

According to the professional evaluation of the practice capability of securities companies acting as financial advisers to the merger, acquisition and restructuring of listed companies as announced by the SAC in December 2016, the Company continued to be awarded an A rating for the financial advisory business in 2016. The Company was one of the few securities companies obtaining A-rating for four consecutive years since the commencement of the evaluation in 2013.

Outlook for 2017

In 2017, the Company will continue to push forward domestic merger and acquisition business to enlarge its market share. The Company will strengthen fundamental research on merger and acquisition trend, while under the trend of reform of mixed ownership systems in state-owned enterprises, state-owned asset securitization, market-oriented merger and acquisition, cross-border merger and acquisition and other large transactions, the Company will make hot transaction layout in advance, enhance its capabilities in reproducing innovative transactions, actively initiate transactions, further develop diversified merger and acquisition business to enlarge its market share.

In addition, the Company will actively explore business opportunities for cross-border merger and acquisition to broaden its scope of services. The Company will push forward domestic and overseas integration and interaction of merger and acquisition business and enhance domestic and overseas cooperation and further explore in inbound transaction projects by leveraging on its experience in US stock market exit by way of privatization as well as its abundant resources of the domestic capital markets and its solid capital resources. The Company will participate in influential outbound projects, in order to carry out cross-border transactions and provide integrated financing services for cross-border transactions.

(4) *New OTC Market business*

Market conditions

In 2016, the growth in the number of enterprises listed on the New OTC Market remained rapid. As at the end of Reporting Period, a total of 10,163 enterprises were listed, with the total share capital and total market value amounting to 585.2 billion shares and RMB4,055,811 million. In 2016, the total turnover amount in the New OTC Market amounted to RMB191.2 billion whereas the aggregate proceeds of share issuances completed amounted to RMB139.1 billion. In 2016, the Component Inex on the New OTC Market showed a constant downward trend, closed at 1,243.61 points at the end of December 2016, representing a year-on-year decrease of 16.2%.

In June 2016, the National Equities Exchange and Quotations officially implemented the hierarchical arrangement and selected a total of 953 listed enterprises meeting the standard of the innovative market.

Actions and achievements

Under the hierarchical management of the New OTC Market and the strengthened regulation, the Company implemented its strategy to focus on quality products and image building, enhanced integrated services for customers of strategic emerging industries and sponsored a number of influential enterprises for listing. The Company put emphasis on quality control and further improved its risk management system and procedures.

As at the end of the Reporting Period, the Company lead sponsored a total of 174 enterprises for listing, and the funds raised by the enterprises supervised by the Company amounted to approximately RMB14.1 billion with a market share of 10.15%, ranking the first in the market. In 2016, the Company provided market-making services for 188 listed companies, among which, 121 companies entered the innovative layer, and total turnover amount for market-making activities was approximately RMB5.1 billion.

Outlook for 2017

In 2017, the Company will further improve the business management system and market development system with value realization as the core, to drive the development of other relevant business and provide quality integrated services for the full industry chain in the New OTC Market by selecting quality enterprises, and deepening exploration of enterprise value, with a view to create good returns. Meanwhile, the Company will further invest in market-making activities, enhance its capabilities in quotations for transactions in the secondary market and promote the improvement in liquidity in the New OTC Market.

(5) International business

Market conditions

2016 was a challenging year for the international capital market. The financing and trading were weak in the Hong Kong market. The funds raised from IPO in the year amounted to HKD194.8 billion, representing a decrease of 26% in comparison with the corresponding period of 2015. Moreover, the overall commission rate in the Asia-Pacific region further declined, together with the impact of domestic market fluctuation, the international business faced a lot of difficulties.

Actions and achievements

In 2016, the Company enhanced the consolidation of overseas platform to promote the development of cross-border business. CSI and CLSA Limited completed the first stage of consolidation, becoming the international platforms of the Company to cover the major global stock markets, which focused on institutional businesses. Through collaboration of domestic and overseas business lines, the Company enhanced its capabilities in allocation of global network and resources, followed up customer needs to strengthened its insights for customers' cross-border business; promoted integration of staff and business to further enhance business interaction between domestic and overseas teams and raise customer satisfaction. Greater synergies of international business began to emerge while services and implementation capabilities of the major business further enhanced.

In 2016, CSI and CLSA Limited participated in 11 IPOs, 13 re-financing projects, 16 debt financing projects and 13 financial advisory projects. The Company was ranked No. 1 for ECM and No. 2 for DCM by total deal value in Asia ex-Japan market (including China). In addition, the Company completed several "One Belt, One Road" landmark projects such as the material merger and acquisition project of Security Bank Co. and Bank of Tokyo-Mitsubishi UFJ Ltd., the sales of equity held in CITIC Envirotech Ltd. to China Reform Puissance Overseas GP L.P. by KKR and other projects, and was awarded by AsiaMoney as the second best Asia research and sales team.

Outlook for 2017

In 2017, the Company will speed up the consolidation of domestic and overseas platforms, realize management integration and promote the development of cross-border business. The Company will strive to provide all-round financial services in the process of "going global" of Chinese enterprises and better implement the "One Belt, One Road" strategy. The Company will enlarge the coverage of overseas network and strengthen overseas team building to create diversified business opportunities.

4.2.2 Brokerage business

Market conditions

In 2016, the domestic secondary market was affected by exchange rate fluctuation, liquidity and other factors. For the whole year, SSE Composite Index dropped by 12.31%, SSE SME Composite dropped by 22.89% and Chinext Index dropped by 27.71%. The overall trading significantly declined as compared to 2015. The average daily turnover of stock funds amounted to RMB531.6 billion, representing a year-on-year decrease of 50.62%.

Actions and achievements

In 2016, the Company pushed forward “customers centered” structural reform on brokerage business, established differentiated and professional service systems, further developed and operated with individual clients, wealth management clients and institutional clients to provide diversified integrated financial services.

In 2016, the Group’s brokerage business remained among the frontrunners in the market, with improving key market indicators. The trading turnover of stock and funds was RMB14.92 trillion with a market share of 5.72%, ranking the second highest in the industry. Net income from brokerage commission fee accounted for a market share of 5.31%, representing a year-on-year increase of 4%, ranking the second compared to the fifth in 2015. The Company remained the first in terms of customer asset custody, and the market share of tradable market cap increased by 17%. Distribution of financial assets by the Company and CITIC Securities (Shandong) amounted to a total of RMB242.4 billion.

In 2016, the Group put emphasis on the building of customer base and looked for customers in various ways. In respect of individual clients, channel operation management system of uniform planning, management, promotion and operation was built. The Company focused on the development of banking, corporate and online channels and fully implemented the bulk customer development. In respect of wealth management clients, the Company realized asset allocation through diversified financial products with high threshold, refined conference marketing, organized roadshow activities such as “CITIC Wealth Index” and “Wealth Management Forum”. In respect of institutional clients, the Company enhanced the coverage in listed companies, established asset management organizations with its own system and professional services, and enlarged customer base in the financial industry such as agricultural commercial banks and urban commercial banks. In 2016, the total number of new customers in brokerage business amounted to 1.08 million, the newly added assets amounted to RMB821.6 billion, customer asset in custody amounted to RMB4.3 trillion, representing a year-on-year increase of RMB450 billion. As at the end of Reporting Period, the number of retail customer amounted to above 6.6 million, the number of general legal person clients reached 29,000 (excluding number of deregistered institutional clients), the number of QFII clients was 140 and the number of RQFII clients was 49, ranking at the forefront among peers in terms of the total number and trading volume of QFII and RQFII clients.

In 2016, the Group focused on the establishment of standardized customer service system to enhance customer services. The Group launched the new “CITIC INTERNET” (“信e投”) mobile securities APP, continued to carry out independent development optimization, integrated existing online business, and sped up the introduction of diversified business functions. The Group established WeChat official account, improved CITIC Securities Account, “CITIC INTERNET” Subscription Account and explored into efficient customer service means. The Group enriched the product portfolio with diversified financial products as the basis of asset allocation services, enhanced its market influence and raised integrated revenue. The Group optimized its investment consultation system to classify and categorize customers. On the basis of improving buy-side research methodology, the Group established a series of comprehensive investment research product service system including online products, offline service and credit investment consultation package.

The Group put in efforts to enhance network establishment and optimize network layout to promote account opening and fund attraction in new network. In 2016, the Company and CITIC Securities (Shandong) newly set up 36 securities outlets, resulting in the increase in the number of domestic securities outlets and branch offices to 310, of which, 284 were securities outlets. Our networks gradually concentrated in developed regions, with increasing coverage in unclaimed markets. Of which, the number of outlets in Guangdong, Shenzhen and Tianjin doubled as compared to 2014, whereas the Company firstly entered unclaimed areas such as Chongqing, Inner Mongolia and Gansu. Meanwhile, to enhance regional regulation and connections between banking channels, realize the regional integrated IBS function and attract high level talents, the Group pushed forward establishment of branch offices in 2016. The number of branch offices of the Company increased from 13 to 22.

Outlook for 2017

The Group's brokerage business will aim at maintaining and strengthening its market leading position, establish and improve a classified and layered customer service system mainly through method innovation and evolving around customer, allocate resources according to the categories of customers to create core competitive edges. For individual clients, the Group will enhance customer attraction on the Internet and realize the rapid growth in customer base through broadening channels, realize account opening in bulk through offline system progression and optimization of banking channel development. The Group will optimize scale operation of individual clients, enhance service and business coverage to raise customer loyalty. For wealth management clients, the Group will optimize its precise marketing development model, provide competitive financial products to meet product allocation needs on the basis of effective study and analysis on wealth management clients' market demand. For institutional clients, the Group will continue to push forward the development and operation with institutional clients as the core, including listed companies, peer institutions and asset management institutions, as the core consolidate the Company's resource, refine product system, service system and transaction platforms of institutional clients and enhance the level of integrated financial services with customization and specialization as targets to achieve revenue diversification.

4.2.3 Trading

Market conditions

In 2016, the A-share market stabilized after suffering a plunge in the beginning of the year, and maintained a trend of fluctuation and increase, reflecting an overall tumble. The SSE Composite Index closed at 3,103.64 points at the end of 2016, representing a year-on-year decrease of 12.31% from 3,539.18 points at the end of 2015. In January 2016, with a significant market fluctuation, the decrease in the SSE Composite Index amounted to 22.66%. The Index began to stabilize in the early February 2016. Meanwhile, implementation of favorable policies such as supply-side reform progressively improved the market sentiments, with moderate overall increase. In December 2016, the market again underwent adjustment due to tightening liquidity and other factors.

Actions and achievements

(1) Flow-based business

For the equity derivatives business, the Company provided its corporate clients with equity management services such as stock repo, stock-pledged repo and market cap management, launched OTC derivatives products such as structured products, total return swaps, OTC options quotation and equity-linked beneficiary certificates for institutional clients; and the Company continued to make great efforts in developing its market-making business through expanding its scale of the market-making business in ETF and the SSE 50 ETF options market. The scale of equity management business ranked at the forefront among peers. Its OTC derivatives business was at a leading market position. Market-making business steadily developed as its SSE 50 ETF options market-making ranked the first in the market. A business model with extensive client base, a wide range of products, and relatively stable yields in general has been formed. During the Reporting Period, these businesses maintained the market leading position.

In respect of the fixed income business, the issuance size in the bond market continued to increase in 2016, and the Company made good use of its customer resources and enhanced its customer service capabilities, ranking the first in the industry in terms of the total sales of interest rate products. Meanwhile, through strengthened cooperation among various business segments, enriched transaction categories, improved market and credit research and enhanced capacities of bond market-making service, the trading volume of the Company as a market maker in the inter-bank market further rose. Furthermore, the Company actively promoted the investment advisory services for financial institutions such as joint-stock banks and urban commercial banks to meet the wealth management demand of customers.

In respect of the overseas fixed income business, in 2016, the Company still gave an excellent performance under the market fluctuation. The overseas fixed-income platform recorded an annualized yield of 12%, the RMB bond market making business of the Group continued to rank among top three in the Hong Kong market, and ranked first among PRC securities firms in the US dollar bond market.

In respect of the commodities business, the Company, by adhering to the principle of "financial institution serving the real economy", continued to strengthen its business exploration in the commodities business. The Company continued to expand the scale of metal and precious metal trading business; it also commenced OTC swaps business on freight index, thermal coal, iron ore and copper premium, copper full price etc. on the Shanghai Clearing House, trading volume of the OTC commodities market-making business ranked first in the market; commenced onshore and offshore commodities OTC option business and continued to develop the carbon emissions trading business. The Company actively expanded the spot trading related business, thereby expecting to provide commodity-linked comprehensive financial services to a wide range of domestic and foreign clients via various means.

In respect of the prime brokerage business, with market influence in the first half of 2016, a significant decrease was seen in financing balance, and due to the lack of hedging policies, securities lending business was temporarily suspended and then slowly recovered. By adhering to the principle of prudent development, the Group steadily carried out the margin financing and securities lending business premised on ensuring measurable, controllable and tolerable risks and the balance of the margin financing business steadily grew. As at the end of the Reporting Period, the size of the Group's margin financing and securities lending business was approximately RMB62,676 million, accounting for 6.67% of the aggregate business size in the whole market and ranking the first in the market. Among which, the size of margin financing business and the size of securities lending business was RMB62,644 million and RMB32 million, respectively.

Item	Company	31 December 2016	31 December 2015
Balance of margin financing and securities lending (RMB million)	CITIC Securities	56,661	65,940
	CITIC Securities (Shandong)	6,015	8,070
	Total	62,676	74,010

Source: Wind Info and the Company's internal statistics

(2) Proprietary trading

In 2016, the Company proactively pushed forward the strategic transformation of its proprietary trading business. Through proactive seizing of market opportunities and strict risk management and taking risk/reward ratio as an important reference indicator for investment decision making, the Company enhanced fundamental research, continued to develop a multi-strategy proprietary trading model, and has achieved good results.

In 2016, the alternative investment business faced a challenging market. Based on macro analysis and judgment, the Company focused on quantitative trading and flexibly utilized various financial instruments and derivatives to manage risks, and overcame the adverse market impacts. Meanwhile, the diversified multi-market investment strategy has effectively dispersed investment risks and enriched the sources of revenue. Currently, the businesses or strategies we have commenced include: index arbitrage, domestic macroeconomic strategy, statistical arbitrage, fundamental quantification, convertible arbitrage, commodity strategy, options strategies, portfolio hedge fund investment, global multi-strategy funds and global statistical arbitrage. The domestic and overseas investment for the year exceeded the CSI 300 by approximately 15%.

Outlook for 2017

In 2017, for the equity derivatives business, the Company will adhere to the vision and business position of "becoming the major equity solution suppliers in the corporate customer market, becoming the major trader (market maker) for OTC derivatives in the institutional customer market and becoming the major market maker for exchange based derivatives in the retail customer market", continue to enlarge its business size, nurture and strengthen its capabilities in providing extensive products and risk hedging and continue to establish and improve the product matrix, forming the three product matrices of equity financing, OTC derivatives and market making transactions. The Company will speed up its business upgrade and transformation, enhancing from the meeting of customer standardization needs to specification needs, broaden the customer base, strengthen its capabilities in product services and refine construction of system platform to improve customer experience. For fixed income business, the Company will strengthen the bond credit research to further enrich its trading strategies and to improve its abilities in sales and trading, market-making, and liquidity management.

In 2017, the Company will adhere to the principle of the optimum risk/reward ratio and further research and develop new trading strategies for its equity proprietary trading business and capture market opportunities to diversify revenue sources and steadily enhance the trading returns, while proactively managing risks and prudently allocating capital. The Company will fully make the layout of investment strategies for its alternative investment business, with the goal of establishing excellent hedge fund platform, further research and develop new trading strategies, build up a more efficient trading system and capture investment opportunities emerging in various markets in order to steadily increase investment yields. Meanwhile, the Company will regard internationalization and product development as the main development directions, accelerate customer fund raising, and commercialize mature strategies to provide hedge fund products for domestic and overseas clients.

In 2017, in respect of prime brokerage business, the Company will further establish a more complete grading system, to reduce the return collection risk and to provide service to quality client, at the same time, the Company will base Hong Kong as the key overseas market to expand PB and other flow-based business. The Company will further establish a more complete compliance and risk control system for its margin financing and securities lending business, optimize the structure of fund sources and improve the active fund management. Based on the achievements in building the prime brokerage services system, the Company will focus on enhancing its quality of service and, through product innovation and service innovation, maintain its leading position in the industry.

4.2.4 Asset management

Market conditions

In 2016, with the deepening financial reforms and changes in regulatory policies, the asset management business of securities companies is facing great opportunities as well as challenges with increasing number of market competitors, varied product structures, and diversified business operations.

Actions and achievements

(1) Asset management of the Company

In 2016, the Company continuously adhered to the development path of “enlarging platform through institutional business” and the principle of “innovation through building up a sound foundation” for the asset management business. The Company strived to enhance the scale of active management and created capabilities in active management of investment and research. It also steadily pushed ahead with the best efforts by focusing on the development of institutional business and with wealth management business and alternative business as the dual drivers.

As at the end of Reporting Period, the AUM of asset management business of the Company was RMB1,815,180 million with a market share of 10.5%, representing an increase of RMB739,326 million compared with that at the end of 2015. Among these, the size of CAM, TAM (including those of corporate annuities and the National Social Security Fund) and SAM were RMB181,597 million, RMB1,590,082 million and RMB43,501 million respectively. The Company continued to maintain the first position in the total size of AUM and market share of the asset management business.

Type	AUM (RMB million)		Management fees (RMB million)	
	31 December 2016	31 December 2015	Year 2016	Year 2015
CAM	181,597	141,542	500.57	732.32
TAM	1,590,082	910,560	1,576.56	1,007.12
SAM	43,501	23,753	23.29	11.03
Total	1,815,180	1,075,854	2,100.42	1,750.47

Source: Asset Management Association of China and the Company's internal statistics

Note: The statistics of AUM were based on the statistical caliber of Asset Management Association of China, of which, data of 2015 was adjusted accordingly.

(2) China AMC

During the Reporting Period, China AMC continued to uphold the four driving forces of “talents, investment research, products and sales”, continuously refined the layout of public funds product lines to strengthen the cooperation with institutional clients, pushed forward the steady progress of various businesses. The AUM and the profitability further improved.

As at the end of Reporting Period, the AUM of China AMC was RMB1,005,846 million, representing a year-on-year increase of 16.37%, of which, the AUM of institutional business reached RMB591,857 million (excluding investment consultancy business, etc.), representing a year-on-year increase of 115.89%.

Outlook for 2017

In 2017, the Company will further “strengthen revenue, strengthen active management, intensify investment and research and emphasize cross-sales”, explore social security, annuities, insurance, banking and non-financial corporate clients, push forward online sales of wealth management products, enhance product innovation, further promote strategic product development. The Company will strengthen its operation management, promote business-oriented team culture, enhance interaction between domestic and overseas asset management platforms to actively make overseas layout.

China AMC will continue to fully enhance its investment research capacity, capture market opportunities, promote client-oriented product innovation and operation/marketing model innovation, and grasp trends of internationalization to maintain integrated competitive advantages in the industry.

4.2.5 Custody

Market conditions

During the Reporting Period, the size of domestic public funds steadily increased while the growth in the size of private funds constantly accelerated. As at the end of Reporting Period, the size of private funds was approaching that of public funds. The regulations and self-regulatory rules implemented in 2016 played an important role in the regulated development of asset management industry. Institutions providing custody and outsourcing services continuously met their customer needs through strengthening marketing and service innovation. Competition in the industry intensified while the size of custody and outsourcing services constantly increased.

Actions and achievements

During the Reporting Period, the Company enhanced its sales and services to professional institutional clients and maintained constant increase in the business size through optimization of service procedure and enhancement of service system construction and other measures. CITIC Zhongzheng Investment Service Co., Ltd., a wholly-owned subsidiary of the Company began the provision of share registration outsourcing service and valuation calculation outsourcing service during the Reporting Period. As at the end of Reporting Period, the Company provided asset custody service to a total of 2,970 securities investment funds and asset management schemes, and provided fund business outsourcing service to 2,715 securities investment funds and asset management schemes.

Outlook for 2017

In 2017, the Company will closely track the asset management industry, fully explore the Company's service advantages, enhance its capabilities in providing customized services to maintain constant growth in business size.

4.2.6 Investment

Market conditions

In 2016, China's private equity market maintained a relatively high profile in terms of fundraising, investment and divestment.

According to Zero2IPO data, in 2016, a total of 1,675 private equity investment funds completed raising in the PRC private equity investment market, of which, 1,358 funds announced the fundraising amount amounting to a total of RMB996,049 million, reaching the record high.

In 2016, there were a total of 3,390 investment cases in China's private equity market, representing a year-on-year increase of 19.2%. In 2016, 3,137 cases with disclosed investment amounts involved a total investment of RMB601,413 million, which is approximately 1.56 times of the total investment in 2015, reflecting continued high level growth in investment size. In respect of the average investment amount, single investment amount by PE institutions slightly increased from that of last year, mainly due to the contraction of financial demand under the "New Norm" economic condition leading to the institutional inclination to invest more in quality projects.

In 2016, cases of divestment by PE institutions totaled 2,625. Due to the acceleration of issuance of new shares and the higher threshold for merger and acquisition in the second half of 2016, as ideal and most beneficial divestment way for the PE institutions, the number of exit via IPO during the year amounted to 263; cases of merger and acquisition withdrawal amounted to 151. In 2016, supply-side reform in the New OTC Market system boosted the explosive growth of the New OTC Market. In 2016, the number of enterprises listed on the New OTC Market invested by PE institutions continued to increase, amounting to 1,873.

Actions and achievements

By fully leveraging on the Group's network and its own project resources, GoldStone Investment, a wholly-owned subsidiary of the Company, focuses on the strategic investments in equities of medium to large scale enterprises in the Chinese market.

GoldStone Haorui, a wholly-owned subsidiary of GoldStone Investment, mainly invests in the areas of information technology, healthcare and high-end manufacturing sectors. In 2016, GoldStone Haorui completed 30 PE investment projects with a total investment amount of RMB2,985 million. As at the end of Reporting Period, GoldStone Haorui completed a total of 96 PE investment projects with cumulative investment amount of RMB5,678 million.

As at the end of Reporting Period, Qingdao GoldStone Hongxin Investment Centre (Limited Partnership), a direct investment fund established by GoldStone Investment, invested in a total of six projects with a total investment amount of RMB1.535 billion, among which the investor has completely withdrawn from 1 project, receiving a return of RMB1.2 billion afterwards.

CITIC Buyout Fund, the management institution of a buyout fund under GoldStone Investment, is positioned as a driver of industry consolidation and an active financial investor, with focus on the selection of leading enterprises in the key industries relating to population and upgraded consumption for strategic investment, cross-border merger and acquisition and mixed ownership reform investment. The AUM size as of the end of 2016 amounted to approximately RMB18 billion, with investment projects covering industries such as electronics and semiconductor, medical treatment, consumption, agriculture, finance, the Internet and construction materials etc.

In 2016, CITIC GoldStone Fund, another sub-fund under GoldStone Investment, maintained its domestic leading position in the area of real estate finance business and achieved good results in REITs, private equity and other innovative businesses.

In June 2016, GoldStone Fund, as the general coordinator and financial adviser, with the six modernized logistics centers of Suning Commerce Group Co., Ltd. as the target properties, successfully initiated the CITIC China AMC Suning Yunxiang ABS Plan, with an investment size of RMB1,847 million, which was the first REITs project in the domestic logistics and warehousing industry. In November 2016, GoldStone Fund as a fund manager, together with Sanpower Group Co., Ltd., with Nanjing IFC as the target property, successfully initiated the CITIC China AMC Sanpower Nanjing IFC ABS Plan, with an issuance size of RMB3,053 million. In December 2016, GoldStone Fund as fund manager, together with Anhui Xinhua Media Co., Ltd., with the eight bookstore properties held by Anhui Xinhua Media Co., Ltd. as the target properties, successfully initiated the CITIC Wan Xin Yue Jia Phase One ABS Plan, with an investment size of RMB555 million, which was the first REITs project in the domestic cultural media industry.

During the period, GoldStone Fund strived to develop real estate finance business, actively established investment platforms, developed investment business, sought quality assets in the market, maintaining its leading position in the area of real estate finance business. To achieve the coverage of a full-product chain for self-owned properties, in 2015, the Company initiated the establishment of incubator funds for self-owned properties, and completed its first investment. In the future, there will be more high-quality assets reserved for REITs to maintain the leading position of the Company in the area of REITs business.

In February 2016, GoldStone Investment and Three Gorges Capital Holdings Company Limited jointly established Three Gorges GoldStone Investment Management Company Limited (“**Three Gorges GoldStone**”). As the equity investment cooperation platform for GoldStone Investment and Three Gorges Capital, Three Gorges GoldStone initiated the fund raising for Three Gorges GoldStone Fund. The Fund was first settled in May 2016, with fund size of RMB5 billion. During the Reporting Period, the number of investment projects of the Fund amounted to 6, with a total investment amount of RMB680.7 million.

Outlook for 2017

In 2017, GoldStone Investment will adhere to its hybrid investment strategy and further pursue business transformation to fulfill the Company’s market strategy of economies of scale and brand recognition.

In 2017, GoldStone Investment will invest in PE funds, buyout funds, Three Gorges mutual fund, REIT funds, Fund of Funds and etc., based on the foundation set by innovative businesses, it will strive to adhere to a balanced development of domestic and international business; and by following economic structural adjustments in response to changes in economic environment and in response to the “going global” and “One Belt, One Road” strategies, it will actively explore innovative investment areas and try new business models, with a view to building up comprehensive and multi-level equity investment capabilities, enlarging management scale and revenue scale to enhance the brand effect of Gold Stone and generate good returns for Shareholders.

4.2.7 Research business

In 2016, in response to market needs and customers’ demands, some of the research teams were consolidated, among which, a “prospective research” team was newly established and research teams on real estate and construction, computer and communications were integrated. Currently there are totally 30 professional research teams which basically cover all research areas. In 2016, the research department issued a total of 6,439 research reports, provided 9,317 road show services for clients, and organized 2,387 surveys and studies as well as telephone conferences. Besides, the department has also organized 17 large- and medium-sized investor forums, including the “Theme Seminar for Asset Allocation under Liquidity Changes”, the “Seminar for Children Consumer Sector” and the “Seminar for Artificial Intelligence”, serving over 7,500 clients on an accumulated basis.

In addition, the research department actively promoted the depth and breadth of cooperation with CLSA Limited, strengthened overseas research services to speed up the progress of research internationalization, and enhanced the branding of the Company’s research business and its influence overseas. In 2016, the Company provided a total of 1,716 reports in English to overseas institutional investors, 82 global conference calls, 314 road shows and 82 data/research reports for global institutional investors, organized 17 surveys and studies for listed companies.

In 2017, the research department of the Company is striving to increase its influence. The department will continue to promote synergy and cooperation with CLSA Limited, enhance the level of overseas research service while strengthening support for and cooperation with the Company’s other business lines.

4.3 Financial Statement Analysis

4.3.1 Financial statement summary

Profitability analysis

In 2016, due to the overall changes in the market environment, the operational performance of the Group decreased comparing with that in 2015. In 2016, the Group recognized total revenue and other income of RMB50,067 million, representing a year-on-year decrease of 31.34%. Net profit attributable to owners of the parent amounted to RMB10,365 million, representing a year-on-year decrease of 47.65%. Basic earnings per share amounted to RMB0.86, representing a year-on-year decrease of 49.71%. Return on weighted average equity was 7.36%, representing a year-on-year decrease of 9.27 percentage points.

Assets structure and assets quality

In 2016, total assets and total liabilities decreased by different margins. In 2016, due to market fluctuation, the Group made corresponding provisions for impairment losses in respect of assets which had indication of impairment, enabling the Group to maintain high asset quality.

As of 31 December 2016, the Group's total assets amounted to RMB597,439 million, representing a year-on-year decrease of RMB18,669 million or 3.03%. Excluding customer brokerage deposits, the Group's total assets amounted to RMB463,041 million, representing a year-on-year decrease of RMB2,610 million or 0.56%. As of 31 December 2016, the Group's total liabilities amounted to RMB451,650 million, representing a year-on-year decrease of RMB22,721 million or 4.79%. Excluding customer brokerage deposits, the Group's total liabilities amounted to RMB317,252 million, representing a year-on-year decrease of RMB6,662 million or 2.06%. As of 31 December 2016, equity attributable to owners of the parent amounted to RMB142,696 million, representing a year-on-year increase of RMB3,558 million or 2.56%.

A stable asset and liability structure was maintained. As of 31 December 2016, excluding customer brokerage deposits, the Group's total assets amounted to RMB463,041 million, among which, investments, which mainly included investments in associates/joint ventures and investments in financial assets, accounted for 54.48% of the total assets; margin accounts and reverse repurchase agreements accounted for 26.82% of the total assets; cash and bank balances accounted for 7.93% of the total assets; fixed assets, constructions in progress, intangible assets, land-use rights and investment properties in aggregate accounted for 1.69% of the total assets.

As of 31 December 2016, excluding customer brokerage deposits, the Group's total liabilities amounted to RMB317,252 million with a major proportion of short-term liabilities, among which repurchase agreements were RMB121,414 million, accounting for 38.27% of the total liabilities; debt instruments issued and long-term loans were RMB70,866 million, accounting for 22.34% of the total liabilities; short-term loans, due to banks and other financial institutions, short-term financing instrument payables and non-current liabilities due within one year were RMB45,183 million, accounting for 14.24% of the total liabilities; financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss and derivative financial liabilities were RMB33,795 million, accounting for 10.65% of the total liabilities; and other liabilities were RMB45,994 million in total, accounting for 14.50% of the total liabilities.

The gearing ratio slightly decreased. As of 31 December 2016, excluding customer brokerage deposits, the gearing ratio of the Group was 68.51%, representing a year-to-year decrease of 1.05 percentage points.

Cash flow status

Excluding customer brokerage deposits, the Group's net decrease in cash and cash equivalents was RMB33,776 million in 2016, compared with net increase of RMB28,932 million in 2015, which was mainly due to an increase in net cash outflow from operating activities.

From a structural perspective, the net cash outflow from operating activities in 2016 was RMB35,715 million, compared with an inflow of RMB39,533 million in 2015, which was mainly attributable to the increase in the net cash outflows from repurchase business and financial instruments measured at fair value through profit or loss.

Net cash inflow from investing activities in 2016 was RMB9,938 million, compared with an outflow of RMB37,910 million in 2015, which was mainly attributable to the year-on-year increase in the net cash inflows from available-for-sale financial assets.

Net cash outflow from financing activities in 2016 was RMB7,999 million, compared with an inflow of RMB27,309 million in 2015, which was mainly attributable to a decrease in issuance of bonds and capital injection during the Reporting Period.

Access to and ability of financing

Currently, the Company obtains short-term funds from commercial banks and other investors primarily by way of bond repurchases, inter-bank lending, collateralized loans, issuance of commercial papers, issuance of beneficiary certificates, issuance of short-term corporate bonds etc., to platforms such as commercial banks through SSE, SZSE and inter-bank market in accordance with the relevant policies and regulations.

In addition, the Company may, subject to market conditions and its own demands, finance by way of re-financing issuance, rights issue, issuance of bonds, and convertible bonds, subordinated bonds, private placement bonds and other financing methods as approved by the competent authorities. The Company may issue USD-denominated notes through overseas subsidiaries to obtain foreign funds to support the Company's overseas business development.

To maintain a balance between liquidity and profitability, the Company held a number of fixed income products, and changes in interest rates will have direct impact on the interests received from the cash deposit held by the Company, as well as the market price of the bond investment and the investment income. Meanwhile, equity investment of the Company is also impacted, though indirectly, by changes in interest rates. In addition, the Company has subsidiaries which are incorporated outside mainland China, with the amounts invested by the Company denominated in foreign currencies. As the Company has foreign currency denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies by its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the Company.

To maintain the liquidity and profitability of its assets, the Company's proprietary capital is centrally managed by its treasury department. There is also a comprehensive management system and corresponding work flows in place. The Company fine-tunes the structures of its different classes of assets in a timely manner and utilizes corresponding hedging tools to mitigate the risks and the impacts of the above factors.

4.3.2 Analysis on income statement

Financial highlights

In 2016, the Group accomplished a profit before income tax of RMB14,263 million, representing a decrease of 47.73%. Major financial highlights of the Group are as follows:

In RMB million

Items	2016	2015
Fee and commission income	25,775	34,253
Interest income	11,233	15,621
Investment income	8,265	19,510
Other income	4,794	3,540
Operating expenses	36,154	46,282
Share of profits and losses of associates/joint ventures	350	645
Profit before income tax	14,263	27,287
Income tax expenses	3,281	6,927
Profit attributable to owners of the parent	10,365	19,800

Structure of the revenue

In 2016, the total revenue and other income of the Group amounted to RMB50,067 million, representing a year-on-year decrease of 31.34%. Structure of the revenue was relatively stable. The following table sets out the structure of the revenue and other income of the Group in the past 5 years:

Items	2016	2015	2014	2013	2012
Fee and commission income	51.48%	46.97%	47.86%	52.76%	54.24%
Interest income	22.44%	21.42%	19.86%	20.17%	16.62%
Investment income	16.51%	26.75%	25.82%	25.93%	27.91%
Other income	9.57%	4.86%	6.46%	1.14%	1.23%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Fee and commission income

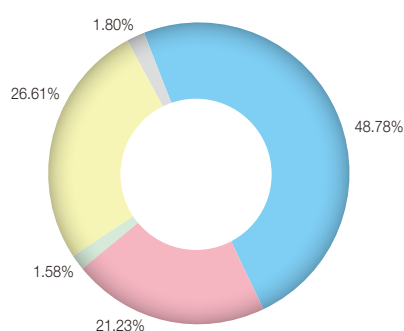
In 2016, the net fee and commission income of the Group amounted to RMB22,444 million, representing a year-on-year decrease of 24.26%, which was mainly attributable to a decrease in revenue from brokerage business. The breakdown of fee and commission income of the Group during 2015 and 2016 is as follows:

In RMB million

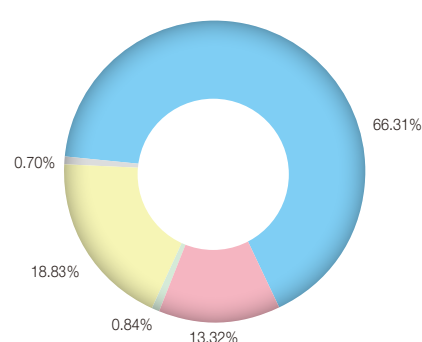
Items	2016	2015	Variance in amount	Variance in percentage
Fee and commission income				
Brokerage	12,574	22,714	-10,140	-44.64%
Investment banking	5,471	4,563	908	19.90%
Trading	407	287	120	41.81%
Asset management	6,860	6,449	411	6.37%
Others	463	240	223	92.92%
Fee and commission expenses	3,331	4,621	-1,290	-27.92%
Net fee and commission income	22,444	29,632	-7,188	-24.26%

The breakdown of fee and commission income during 2015 and 2016 were as follows:

Breakdown of fee and commission income for 2016



Breakdown of fee and commission income for 2015



The fee and commission income from brokerage decreased by RMB10,140 million year-on-year, representing a decline of 44.64%. In 2016, China's A-share market was affected by exchange rate fluctuation, liquidity and other factors. For the whole year, SSE Composite Index dropped by 12.31% and the overall trading in the markets significantly declined as compared to 2015. The average daily turnover of stock funds amounted to RMB531.6 billion, representing a year-on-year decrease of 50.62%.

The fee and commission income from investment banking increased by RMB908 million, representing a year-on-year increase of 19.90%, mainly derived from an increase in the revenue from the financial advisory business.

The fee and commission income from trading increased by RMB120 million, representing a year-on-year increase of 41.81%, mainly derived from an increase in the revenue from the financial investment advisory business.

The fee and commission income from asset management increased by RMB411 million or 6.37% year-on-year. As of 31 December 2016, the Company's total AUM amounted to RMB1,815.2 billion, representing an increase of RMB739.3 billion as compared to the end of 2015. The Company continued to maintain the first position in the total size of AUM and market share of the asset management business.

Interest income

In 2016, the net interest income of the Group amounted to RMB2,348 million, representing a year-on-year decrease of 15.87%. The table below sets out the major composition of the net interest income during the period:

In RMB million

Items	2016	2015	Variance in amount	Variance in percentage
Interest income				
— Bank interest income	3,963	5,288	-1,325	-25.06%
— Interest income on margin and other financing	7,198	10,294	-3,096	-30.08%
— Others	72	39	33	84.62%
Interest expense				
— Accounts payable to clients	420	668	-248	-37.13%
— Due to banks and other financial institutions	3,690	6,341	-2,651	-41.81%
— Debt instruments issued and short-term financing instruments payable	3,933	4,483	-550	-12.27%
— Others	842	1,338	-496	-37.07%
Net interest income	2,348	2,791	-443	-15.87%

Bank interest income decreased by RMB1,325 million or 25.06% year-on-year, mainly due to a decrease in client deposits and reserves with the brokerage segment resulting from securities market conditions. Consequently, the average daily balance of the monetary assets during the year decreased as compared to the previous year.

Interest income from margin and other financing decreased by RMB3,096 million, representing a year-on-year decrease of 30.08%, which was mainly attributable to the significant decrease in the balance of margin financing business as affected by the market in the first half of 2016, and the slow restoration of securities lending business after suspension, resulting in a decrease of interest income.

Interest expense decreased by RMB3,945 million or 30.75% year-on-year, mainly due to the reduction of financing scale of the Group during the Reporting Period, resulting in a decrease in interest expense.

Investment income

In 2016, the investment income of the Group amounted to RMB8,265 million, representing a year-on-year decrease of 57.64%. The table below sets out the major composition of the investment income during the period:

In RMB million

Items	2016	2015	Variance in amount	Variance in percentage
Net income from available-for-sale financial assets	6,694	6,733	-39	-0.58%
Net income from financial instruments held for trading and financial instruments designated as at fair value through profit or loss	-1,643	14,859	-16,502	N/A
Others	3,214	-2,082	5,296	N/A
Total	8,265	19,510	-11,245	-57.64%

Net income from available-for-sale financial assets decreased by RMB39 million, representing a year-on-year decrease of 0.58%, attributable to a decrease of RMB1,413 million or 25.93% in investment income from the disposal of available-for-sale financial assets, and an increase of RMB1,374 million or 107.01% in dividend income and interest income from available-for-sale financial assets held.

Net income from financial instruments held for trading and financial instruments designated as at fair value through profit or loss decreased by RMB16,502 million year-on-year. In 2016, investment income arising from the holding and disposal of such instruments by the Group decreased by RMB15,752 million and the gains arising from changes in the fair value decreased by RMB750 million.

Other investment income increased by RMB5,296 million year-on-year, which was mainly attributable to fair value changes in the derivative financial instruments.

Operating expenses

In 2016, operating expenses of the Group (excluding fee and commission expense and interest expenses) amounted to RMB23,938 million, representing a year-on-year decrease of RMB4,893 million or 16.97%.

The table below sets out the major composition of the operating expenses during the period:

In RMB million

Items	2016	2015	Variance in amount	Variance in percentage
Staff costs	11,507	14,798	-3,291	-22.24%
Depreciation	413	285	128	44.91%
Tax and surcharges	797	2,768	-1,971	-71.21%
Other operating expenses and costs	9,286	8,499	787	9.26%
Impairment losses	1,935	2,481	-546	-22.01%
Total	23,938	28,831	-4,893	-16.97%

In 2016, staff costs of the Group recorded a decrease of RMB3,291 million, representing a year-on-year decrease of 22.24%, mainly due to a decrease in staff remuneration.

In 2016, depreciation increased by RMB128 million, representing a year-on-year increase of 44.91%, mainly due to an increase in depreciation of transportation vehicles.

In 2016, tax and surcharges decreased by RMB1,971 million or 71.21% year-on-year, mainly due to decrease in taxable income and the policy of replacement of business tax with value-added tax.

In 2016, impairment losses amounted to RMB1,935 million, representing a year-on-year decrease of RMB546 million, mainly attributable to impairment losses occurred on available-for-sale financial assets. In 2016, under the influence of the securities market, the Group provided allowance for the impairment losses for assets with indications of impairment according to the Group's accounting policies.

The following table sets out the major composition of the impairment losses during the period:

In RMB million

Items	2016	2015	Variance in amount	Variance in percentage
Available-for-sale financial assets	1,624	1,625	-1	-0.06%
Goodwill	—	383	-383	-100.00%
Others	311	473	-162	-34.25%
Total	1,935	2,481	-546	-22.01%

4.3.3 Analysis on financial position

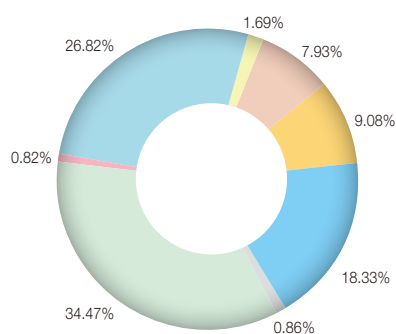
As of 31 December 2016, the total assets of the Group were RMB597,439 million, representing a year-on-year decrease of 3.03%. Excluding the effect of the customer brokerage deposits, the total assets of the Group amounted to RMB463,041 million as of 31 December 2016, representing a year-on-year decrease of 0.56%. Major changes in the total assets of the Group were as follows:

In RMB million

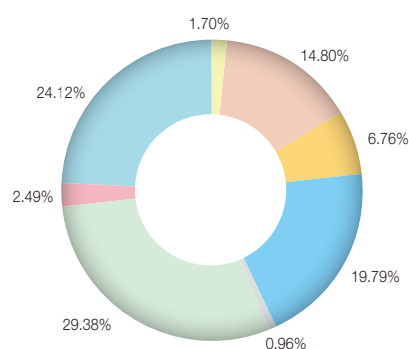
Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Available-for-sale financial assets	84,879	92,135	-7,256	-7.88%
Investments in associates/joint ventures	3,974	4,484	-510	-11.37%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	159,619	136,792	22,827	16.69%
Derivative financial assets	3,780	11,595	-7,815	-67.40%
Margin accounts and reverse repurchase agreements	124,196	112,294	11,902	10.60%
Properties, intangible assets and land-use rights	7,811	7,912	-101	-1.28%
Cash and bank balances	36,713	68,907	-32,194	-46.72%
Others	42,069	31,532	10,537	33.42%
Total	463,041	465,651	-2,610	-0.56%

The following chart sets forth the composition of the total assets of the Group as of the period:

Analysis of the components of the Group's assets for 2016



Analysis of the components of the Group's assets for 2015



Investment

The investment of the Group primarily comprises available-for-sale financial assets, investments in associates/joint ventures, financial assets held for trading and financial assets designated as at fair value through profit or loss, derivative financial assets, etc.

As of 31 December 2016, the total investments of the Group were RMB252,252 million, representing an increase of RMB7,246 million as compared to the end of 2015, or a year-on-year increase of 2.96%. Its total investments accounted for 54.48% of the total assets, representing a year-on-year increase of 1.86 percentage points.

The following table sets out, as at the dates indicated, the investments of the Group and its percentage to the total assets by category:

In RMB million

Items	31 December 2016		31 December 2015	
	Amount	Percentage to total assets	Amount	Percentage to total assets
Available-for-sale financial assets	84,879	18.33%	92,135	19.79%
Investments in associates/joint ventures	3,974	0.86%	4,484	0.96%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	159,619	34.47%	136,792	29.38%
Derivative financial assets	3,780	0.82%	11,595	2.49%
Total	252,252	54.48%	245,006	52.62%

Available-for-sale financial assets

As of 31 December 2016, available-for-sale financial assets of the Group decreased by RMB7,256 million, representing a year-on-year decrease of 7.88%, and it accounted for 18.33% of the total assets. The following table sets forth the components of the available-for-sale financial assets portfolio of the Group:

In RMB million

Items	31 December 2016		31 December 2015	
	Amount	Percentage to available-for-sale financial assets	Amount	Percentage to available-for-sale financial assets
Debt securities	21,292	25.09%	33,149	35.98%
Equity investments	28,768	33.89%	24,575	26.67%
Others	34,819	41.02%	34,411	37.35%
Total	<u>84,879</u>	<u>100.00%</u>	<u>92,135</u>	<u>100.00%</u>

Investments in associates/joint ventures

In RMB million

Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Investments in associates	3,975	4,480	-505	-11.27%
Investments in joint ventures	-1	4	-5	N/A
Total	<u>3,974</u>	<u>4,484</u>	<u>-510</u>	<u>-11.37%</u>

As of 31 December 2016, investments in associates and joint ventures decreased by RMB510 million or 11.37% year-on-year, mainly due to the changes in net profit in associates and joint ventures.

Financial assets held for trading and financial assets designated as at fair value through profit or loss

As of 31 December 2016, the Group's financial assets held for trading and financial assets designated as at fair value through profit or loss increased by RMB22,827 million, representing an increase of 16.69% year-on-year, and accounted for 34.47% of the total assets of the Group, mainly due to a significant increase in debt securities held for trading.

The following table sets forth the components of the Group's financial assets held for trading and financial assets designated as at fair value through profit or loss:

In RMB million

Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Debt securities held for trading	97,289	66,766	30,523	45.72%
Equity investments held for trading	43,543	56,461	-12,918	-22.88%
Financial assets designated as at fair value through profit or loss	13,337	10,354	2,983	28.81%
Others	5,450	3,211	2,239	69.73%
Total	159,619	136,792	22,827	16.69%

Properties, intangible assets and land-use rights

As of 31 December 2016, properties, intangible assets and land-use rights of the Group amounted to RMB7,811 million, representing a year-on-year decrease of 1.28%. The following table sets out the properties, intangible assets and land-use rights of the Group as at the dates indicated:

In RMB million

Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Property, plant and equipment	3,923	3,856	67	1.74%
Investment properties	68	71	-3	-4.23%
Land-use rights and intangible assets	3,820	3,985	-165	-4.14%
Total	7,811	7,912	-101	-1.28%

Cash and bank balances

As of 31 December 2016, cash and bank balances decreased by RMB32,194 million year-on-year, which was mainly attributable to the increase in investment scale during the year.

In RMB million

Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Cash and bank balances	36,713	68,907	-32,194	-46.72%

Liabilities

As of 31 December 2016, total liabilities of the Group amounted to RMB451,650 million, representing a year-on-year decrease of RMB22,721 million or 4.79%. Excluding the effect of customer brokerage deposits, total liabilities of the Group would have amounted to RMB317,252 million as at the end of December 2016, representing a year-on-year decrease of 2.06%. The following table sets out the breakdown of the liabilities of the Group as of the dates indicated:

In RMB million

Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Customer brokerage deposits	134,398	150,457	-16,059	-10.67%
Short-term loans, due to banks and other financing institutions, short-term financing instrument payables, and non-current liabilities due within one year	45,183	41,167	4,016	9.76%
Financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, and derivative financial liabilities	33,795	30,705	3,090	10.06%
Repurchase agreements	121,414	127,789	-6,375	-4.99%
Debt instruments issued and long-term loans	70,866	70,181	685	0.98%
Others	45,994	54,072	-8,078	-14.94%
Total	451,650	474,371	-22,721	-4.79%

During the year, the overall trading activities in A-share market significantly declined as compared to 2015. As of 31 December 2016, the domestic customer brokerage deposits decreased. Total customer brokerage deposits of the Group amounted to RMB134,398 million, representing a year-on-year decrease of 10.67%. It accounted for 29.76% of the total liabilities of the Group. The following table sets out the Group's customer brokerage deposits as categorized by geographical locations and types of customers as of the dates indicated:

In RMB million

Items	31 December 2016	31 December 2015	Variance in amount	Variance in percentage
Mainland China	119,119	139,999	-20,880	-14.91%
— Individual	47,477	86,586	-39,109	-45.17%
— Corporate	71,642	53,413	18,229	34.13%
Outside Mainland China	15,279	10,458	4,821	46.10%
Total	134,398	150,457	-16,059	-10.67%

As of 31 December 2016, short-term loans, due to banks and other financing institutions, short-term financing instruments payables and non-current liabilities due within one year amounted to RMB45,183 million, representing an increase of 9.76% year-on-year, mainly attributable to the increase in short-term financing instruments payables scale at the end of the period.

As of 31 December 2016, financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss, and derivative financial liabilities amounted to RMB33,795 million, representing a year-on-year growth of 10.06%, mainly attributable to the increase in investment scale.

As of 31 December 2016, amounts from repurchase agreements decreased by RMB6,375 million or 4.99% year-on-year, which was mainly attributable to the decrease in pledge repo business.

As of 31 December 2016, amounts from debt instruments issued and long-term loans increased by RMB685 million or 0.98% year-on-year, which was mainly attributable to an increase of RMB8,689 million in bonds and medium term notes issued, and a decrease of RMB8,004 million in structured notes issued and long-term loans.

Equity

As of 31 December 2016, the total equity of the Group amounted to RMB145,789 million, representing a year-on-year increase of 2.86%, mainly attributable to the increase in net profit in 2016 and dividend distribution. The following table sets out, as of the dates indicated, the components of the Group's total equity:

In RMB million

Items	31 December 2016	31 December 2015
Share capital	12,117	12,117
Capital reserve	54,462	54,453
Surplus reserve	7,813	7,525
General reserve	18,797	17,174
Investment revaluation reserve	1,215	3,100
Foreign currency translation reserve	1,100	-18
Retained profits	47,192	44,787
Non-controlling interests	3,093	2,599
Total	<u>145,789</u>	<u>141,737</u>

4.3.4 Fair value measurement

During the Reporting Period, the principle in determination of fair value is: the fair value of the relevant asset or liability of the Group is measured by prices in principal markets. If no principal market exists, the fair value of the relevant asset and liability will be measured by the prices in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For a financial asset or financial liability with an active market, the Group will adopt quotation in the active market to determine the fair value. If no active market exists for a financial instrument, the Group will adopt valuation techniques to determine its fair value. The valuation techniques used by the Group mainly include market method, revenue method and cost method. In applying the valuation technique, the Group will maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

For liabilities measured at fair value, the Group has considered the default risk and assumed that such default risk will remain unchanged before and after the transfer of liabilities. Default risk refers to the risk that obligations are not performed by the enterprise, including but not limited to the enterprise's own credit risk.

4.3.5 Analysis of the operation and results of principal subsidiaries and non-controlling companies

The Company has six principal subsidiaries and two principal non-controlling companies, a summary of which is set out below:

Name	Shareholding Held by the Company (%)	Date of Establishment	Registered Capital	Place of Business	Registered Address	Responsible Officer	Contact Number
CITIC Securities (Shandong)	100.00	1988.6.2	RMB2,500 million	2/F, East Wing, Tower 1, Longxiang Plaza, No. 28 Dong Hai Xi Road, Shinan District, Qindao	Unit 2001, Tower 1, No. 222 Shenzhen Road, Laoshan District, Qindao	YANG Baolin	0532-85021179
CSI	100.00	1998.4.9	Paid-up Capital of HK\$6,516.05 million	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	YIN Ke	00852-22376899
GoldStone Investment	100.00	2007.10.11	RMB7,200 million	17/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Qi Shuguang	010-60837800
CITIC Securities Investment	100.00	2012.4.1	RMB3,000 million	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Unit 2001, Tower 1, International Finance Plaza, No. 222 Shenzhen Road, Laoshan District, Qindao	GE Xiaobo	010-60838838
CITIC Futures	93.47	1993.3.30	RMB 1,604,792,982	Units 1301-1305 and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	Units 1301-1305 and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	ZHANG Hao	0755-83217780
China AMC	62.20	1998.4.9	RMB238 million	Building 7, No. 1 Yuetan South Street, Xicheng District, Beijing	Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing	YANG Minghui	010-88066688
CITIC PE Fund	35.00	2008.6.6	RMB1,800 million	10/F, Jin Bao Building, No. 89 Jinbao Street, Dongcheng District, Beijing	District C, Incubator Building, Technology Education and startup Park, Technology City, Mianyang, Sichuan	TIAN Yu	010-85079062
Jiantou Zhongxin	30.00	2005.9.30	RMB1,900 million	9/F, Easyhome Tower, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	9/F, Easyhome Tower, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	GAO Shixin	010-66276508

Note: For other first-level subsidiaries and non-controlling companies of the Company, please refer to “Note 21 to the Consolidated Financial Statements”.

Particulars of the principal subsidiaries and non-controlling companies of the Company are as follows:

- (1) CITIC Securities (Shandong) is a wholly-owned subsidiary of the Company with a registered capital of RMB2,500 million. As at the end of Reporting Period, the total assets and net assets of CITIC Securities (Shandong) amounted to RMB21,800.83 million and RMB5,288.66 million, respectively, and the revenue, gross profit and net profit realized in 2016 amounted to RMB1,569.16 million, RMB664.10 million and RMB504.39 million, respectively. CITIC Securities (Shandong) had 68 securities branches and 2,565 staff (brokers and dispatched staff inclusive).

The principal businesses of CITIC Securities (Shandong) include: life insurance and property insurance (other than aviation accident insurance and alternative products) approved by the China Insurance Regulatory Commission; foreign-currency negotiable securities brokerage; securities brokerage (in Shandong and Henan provinces only); securities investment advisory (for securities investment advisory business in Shandong and Henan provinces only); margin trading; distribution of securities investment fund; provision of intermediate referral services to futures companies; and distribution of financial products (in Shandong and Henan provinces only).

- (2) CSI is a wholly-owned subsidiary of the Company with paid-up capital of HK\$6,516.05 million. As at the end of Reporting Period, the total assets and net assets of CSI amounted to approximately RMB75,529.12 million and approximately RMB7,129.02 million, respectively; the revenue, gross profit and net profit realized in 2016 amounted to approximately RMB4,436.89 million, approximately RMB125.12 million and approximately RMB158.32 million, respectively. CSI had 4 branches in Hong Kong and 2,000 staff (brokers inclusive).

The principal businesses of CSI include: holding and investment, and its subsidiaries are permitted to engage in businesses such as investment banking, securities brokerage, futures brokerage, asset management, proprietary trading and direct investment.

- (3) GoldStone Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB7.2 billion. As at the end of Reporting Period, the total assets and net assets of GoldStone Investment amounted to RMB31,030.39 million and RMB13,080.86 million, respectively; the revenue, gross profit and net profit realized in 2016 amounted to RMB3,243.65 million, RMB2,151.51 million and RMB1,671.96 million, respectively. GoldStone Investment had 135 staff (dispatched staff inclusive).

The principal businesses of GoldStone Investment include: industrial investment, investment advisory and management.

- (4) CITIC Securities Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB3 billion. As at the end of Reporting Period, the total assets and net assets of CITIC Securities Investment amounted to RMB12,835.24 million and RMB3,922.52 million, respectively; the revenue, gross profit and net profit realized in 2016 amounted to RMB4,688.21 million, RMB260.43 million and RMB190.21 million, respectively. CITIC Securities Investment had 10 staff.

The principal businesses of CITIC Securities Investment include: financial product investment, securities investment and investment advisory.

- (5) CITIC Futures is held as to 93.47% by the Company with a registered capital of RMB1,604,792,982. As at the end of Reporting Period, the total assets and net assets of CITIC Futures amounted to RMB35,877.12 million and RMB3,270.24 million, respectively; the revenue, gross profit and net profit realized in 2016 amounted to RMB1,055.94 million, RMB485.91 million and RMB363.98 million respectively. CITIC Futures had 43 regional offices and branches and 904 staff.

The principal businesses of CITIC Futures include: commodity futures brokerage, financial futures brokerage, futures investment advisory, asset management and fund distribution.

- (6) China AMC is held as to 62.20% by the Company with a registered capital of RMB238 million. As at the end of Reporting Period, the total assets and net assets of China AMC amounted to RMB8,553.67 million and RMB6,695.83 million, respectively; the revenue, gross profit and net profit realized in 2016 amounted to RMB4,104.05 million, RMB1,926.13 million and RMB1,457.68 million, respectively. China AMC had 895 staff (dispatched staff inclusive).

The principal businesses of China AMC include: fund raising, fund distribution, asset management and other businesses permitted by the CSRC.

- (7) CITIC PE Fund is held as to 35% by the Company with a registered capital of RMB1.8 billion. As at the end of Reporting Period, the total assets and net assets of CITIC PE Fund amounted to RMB6,979.41 million and RMB4,535.19 million, respectively; the net profit realized in 2016 amounted to RMB410.21 million (unaudited).

The principal businesses of CITIC PE Fund include: promotion and establishment of private equity investment funds; private equity investment fund management; financial advisory, investment and investment management advisory; equity investment and external investment; and enterprise management.

- (8) Jiantou Zhongxin is held as to 30% by the Company with a registered capital of RMB1.9 billion. As at the end of Reporting Period, the total assets and net assets of Jiantou Zhongxin amounted to RMB2,267.99 million and RMB2,060.96 million, respectively; the net profit realized in 2016 amounted to RMB72.43 million (unaudited).

The principal businesses of Jiantou Zhongxin include: investment and asset management; investment advisory; enterprise management advisory; and financial advisory.

4.3.6 Regional securities offices of the Company

The Company has established a total of 22 regional securities offices in Beijing, Shanghai, Guangdong, Hubei, Jiangsu, Shanghai Pilot Free Trade Zone, Shenzhen, Northeast, Zhejiang, Fujian, Jiangxi, Wenzhou, Ningbo, Sichuan, Shaanxi, Tianjin, Inner Mongolia, Anhui, Shanxi, Yunnan, Hebei, Hunan, particulars of which are as follows:

No.	Regional Office	Responsible Officer	Place of Business	Contact Method
1	Beijing regional office	SONG Dianguo	4/F, 5 Jinchengjianguo, No. 5 Jianguomen Beidajie, Dongcheng District, Beijing	010-65648685
2	Shanghai regional office	SHEN Yufei	Units 01, 06, 07, 8/F (Actual Floor: 7/F), and Units 01-03A, 07, 10/F (Actual Floor: 9/F), 1568 Century Avenue, Pudong New District, Shanghai	021-61768696
3	Guangdong regional office	LI Yongtian	Rooms 01-08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou	020-66609960
4	Hubei regional office	SHI Xiangrong	16/F, CITIC Bank Building, No. 747 Jianshe Avenue, Jiangnan District, Wuhan, Hubei	027-85355210
5	Jiangsu regional office	WANG Guoqing	No. 5 Gaoloumen, Xuanwu District, Nanjing, Jiangsu	025-83282413
6	Shanghai Pilot Free Trade Zone regional office	ZHENG Yonghan	19/F, 20/F, 1568 Century Avenue Pilot Free Trade Zone, Shanghai	021-20262006
7	Shenzhen regional office	YIN Hongwei	20/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen	0755-23911600
8	Northeast regional office	XU Xin	Level 30, No. 286 Qingnian Avenue, Heping District, Shenyang City, Liaoning	024-23972693
9	Zhejiang regional office	LI Yongjin	Units 2201, 2202, 2203 and 2204 of Dikai Yinzuo, Jianggan District, Hangzhou	0571-85783714
10	Jiangxi regional office	XIA Lifen	28/F, Lianfa Plaza, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi	0791-83970561
11	Fujian regional office	WANG Jun	Units 1901, 1902, 1905A and 1907 of Sino Plaza, No. 137 Wusi Road, Gulou District, Fuzhou, Fujian	0591-8780107
12	Ningbo regional office	XU Xunjian	Block 2 (15-1), No. 235 Heji Street, Jiangdong District, Ningbo, Zhejiang	0574-87033718
13	Wenzhou regional office	YANG Qiaowu	Rooms 701, 702 and 703, 7/F, Fortune Center, No. 577 Station Avenue, Wenzhou, Zhejiang	0577-88107230
14	Sichuan regional office	LUO Nan	1/F, La Defense, No. 1480, north Section of Tianfu Avenue, High-tech Industrial, Development Zone, Chengdu, Sichuan	028-65728888
15	Shaanxi regional office	SUN Jiayu	Room 11301, Building 1, E-Yang International Building, 27 Keji Road, Hi-tech Zone, Xi'an City, Shaanxi Province	029-88222554
16	Tianjin regional office	LIU Jinkun	Level 7, Tianjin Technology Building, No. 23 Youyi Road, Hexi District, Tianjin	022-28138825
17	Inner Mongolia regional office	HAN Rui	3/F, Block D, CITIC Building, 42 Ruyihe Street, Saihan District, Hohhot, Inner Mongolia	0471-598223
18	Anhui regional office	ZHENG Guosheng	Rooms 101 and 1-701 and 1-708, 1-Shang, Jinding International Square, 287 Suixi Road, Luyang District, Hefei City, Anhui Province	0551-65662888
19	Shanxi regional office	ZHENG Wenhui	4/F, International Energy Center, 100 Yingzexi Avenue, Wanbailin District, Taiyuan City, Shanxi Province	0351-6191968
20	Yunnan regional office	ZHANG Rui	11/F, Block 2, Huahai Xinjingjie Commercial Building, Milesi New Village, Huancheng Road West, Xishan District, Kunming, Yunnan Province	0871-68353618
21	Hunan regional office	CHEN Keke	2/F, New Century Building, Second Section 198 Furong Zhonglu, Tianxin District, Changsha, Hunan	0731-85175358
22	Hebei regional office	ZHANG Xinyu	3501-3504, 35/F, Tower B, Letai Center, 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei Province	0311-66188907

4.3.7 Structured vehicles controlled by the Company

Please refer to Note 21 to the Consolidated Financial Statements in this results announcement for details of structured vehicles controlled by the Company.

4.3.8 Explanation of change in scope of statement consolidation

During the Reporting Period, the Company added two first-level subsidiaries, including Xinjiang Equity Exchange Centre and CITIC Securities Pan-Asian Multi-Strategy Fund. The number of structured entities which were included in the consolidation of the first-level financial statements increased to 12. The number of first-level units included in the consolidation of the Company's financial statements increased to 27.

4.3.9 No change in the income tax policy of the Company during the Reporting Period

From 1 January 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) became effective for the Company. The enterprise income tax computation and payment are governed by the requirements of the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《國家稅務總局關於印發<跨地區經營匯總納稅企業所得稅徵收管理辦法>的公告》) (Public Notice of the State Administration of Taxation [2012] No. 57). The enterprise income tax rate applicable to the Company is 25%.

4.3.10 Contingent liabilities

According to the investigation initiated by CSRC into the Company in 2015, the provision for accrued liabilities of relevant investigated accounts was RMB436 million in 2015. As of the reporting date, the Company has not received other information beyond the scope of the above investigation. Thus, it is impossible to anticipate the impacts of such contingent liabilities on the financial statements at the present stage. The final result of the investigation and the amount of administrative penalty will be based on the final conclusion of the regulatory authority.

4.4 Core Competitiveness Analysis

In 2016, the Company had steadfastly focused on serving the real economy and further improved its five major roles as financing arranger, wealth manager, trading service and liquidity provider, significant market investor and risk manager, and hence its core competitiveness has been re-invented and consolidated continuously.

The principal business maintained its market leading position. The equity financing lead underwriting size amounted to RMB240.8 billion with a market share of 11.76%, ranking the first in the industry. The bond lead underwriting size amounted to RMB379.7 billion, with a market share of 2.55%, ranking the second in the market share. The transaction size of completed domestic merger and acquisition (issuance of share to purchase assets and material asset restructuring) amounted to RMB119.7 billion, with a market share of 14.15% ranking the first in the industry. The total trading volume of equity funds handled was RMB14.92 trillion, with a market share of 5.72%, ranking the second in the industry. The size of AUM entrusted was RMB1.8 trillion, with a market share of 10.5%, ranking the first in the industry. The balance of margin financing and securities lending amounted to a market share of 6.67%, ranking the first in the industry. Share issuance on New OTC Board amounted to RMB14.1 billion, with a market share of 10.15%, ranking the first in the industry.

4.5 Risk Management

4.5.1 Overview

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has implemented comprehensive risk management and internal control processes, through which the Company monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in its business activities, and implements vertical risk management of its subsidiaries through different models including business guidance, operational support and decision-making management. The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's General Meeting of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law, and the Articles of Association of the Company. By strengthening the relevant internal control arrangements and improving the Company's control environment and internal control structures, the Board has now incorporated internal control and risk management as essential elements in the Company's decision-making processes.

In 2016, the Company continued to push forward and enhance construction of comprehensive risk management system, refined its comprehensive risk management mechanisms and formulated Risk Preference Statement and further clarify its risk tolerance to protect the Company's business for steady and sustainable development.

4.5.2 Structure of risk management

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, the related professional committees under the Operation Management, the relevant internal control departments and business departments/business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making among the respective committees, and close cooperation between internal control departments and business departments/business lines, and manages risks through review, decision, execution and supervision.

Level 1: The Board

The Risk Management Committee of the Board supervises the overall risk management of the Company with the aim of controlling risks within an acceptable level and ensures smooth implementation of effective risk management schemes over risks related to the Company's operation activities; prepares overall risk management policies for the Board's review; formulates strategic structure and resources to be allocated for risk management purposes and keeps them in line with the internal risk management policies; sets limits for major risk indicators; performs supervision and review on the risk management policies and makes recommendation to the Board.

Level 2: Operation management

The Company has established the Assets and Liabilities Management Committee. Within the authority delegated by the Board and Operation Management of the Company, the committee makes decisions on and reviews major issues and related systems involving application of the Company's proprietary capital. For the purpose of ensuring the Company's capital security, the committee optimizes assets allocation and improves the efficiency of the capital application via a scientific, standardized and prudent approach under strict control and management over risk exposures.

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and reviews on capital commitment of the underwriting business within the authority delegated by the Board and Operation Management of the Company. All corporate finance activities involving application of capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate finance activities and security of capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and Executive Committee of the Company, and is responsible for monitoring and managing the daily risks of the Company within its designated authority, deciding on and approving material matters related to risk management and relevant system and setting limits for risk. The Risk Management Committee comprises a risk management sub-working group and a reputation risk management sub-working group. The risk management sub-working group is the main body responsible for the daily monitoring and management of the financial risks over the buy-side business and facilitating the execution of the decisions made by the Risk Management Committee. With regular working meeting, the Risk Management Committee has set up specific working groups led by specific risk management control experts with the involvement of related business departments/business lines separately in accordance with market risks, credit risks, liquidity risks and operational risks to respond to matters from daily monitoring or decisions made by the higher authorities in a timely manner through the establishment of coordination on implementation level. The reputation risk management sub-working group is the daily management body of reputation risks and is responsible for establishing relevant rules and management mechanisms, preventing and identifying reputation risks, responding to and tackling reputation events in a proactive and effective manner and mitigating any negative effect to the largest extent.

The Company has established the Product Committee. The Company has renewed the relevant system for the Product Committee in 2016, and has replaced certain committee members according to the relevance of business and management. Under the authority of the Board and Operation Management, the Product Committee uniformly coordinates and manages the Company's business related to private financial products and conducts planning, coordination, decision making and review on the Company's issuance and sales of private financial products. The Product Committee manages relevant risks through effective control of core segment such as qualification examination of the product principal, due diligence investigation of products, risk evaluation of products, internal filing of products, appropriateness management of investors, duration management, risk disposal, product issuance or sales approval. Under the renewed working framework, the Product Committee has set up risk evaluation units to review the qualification of the principal which entrusted the Company to sell products as well as internal filing, risk evaluation and supervision and guidance services during the period of its existence on the products. Extensive and in-depth analysis of proposed products is conducted through the convening of product evaluation meetings with the participation of the risk evaluation units, the product launch department and product sales department, providing a comprehensive and appropriated evaluation.

Level 3: Division/Business lines

At the division and business line level, the Company has segregated the roles and responsibilities of the front office, middle office and back office to ensure the establishment of a system of “checks and balances”.

Front-office business departments/business lines of the Company are the first line of defense of risk management. Such departments establish business management systems and risk management systems for the respective businesses and perform supervision, assessment and reporting on the business risks and contain such risks within limits.

The Risk Management Department of the Company performs risk identification, measurement, analysis, monitoring, reporting and management. The department analyzes and assesses the overall risks of the Company and each of its business line and recommends on optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the operation management, and regularly discloses the general risk portfolio of the Company and makes recommendations on risk management; establishes a comprehensive stress test mechanism as a basis for major decision making and daily operational adjustment and fulfillment of regulatory requirements; performs pre-risk assessment and control over new products and businesses.

The Audit Department of the Company has the overall responsibility for internal audit, planning and implementing internal audit of all departments/business lines of the Company, its subsidiaries and branches, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of emergency events.

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance policy of the Company, provides compliance advice to management, departments/business lines and branches of the Company, monitors lawful compliance of management and operating activities; supervises and instructs the business departments/business lines and branches to assess, develop, modify and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on new internal management policies, important decisions, new products, new businesses and key business activities launched by the Company; and fulfills the regular and non-regular obligations of reporting to regulatory authorities.

The Legal Department of the Company is responsible for oversight of the legal risks of the Company and its relevant businesses.

The Office of the Board of the Company promotes the management over the reputation risk of the Company in conjunction with the Office of the CEO, Risk Management Department, Compliance Department, Human Resources Department and other relevant departments.

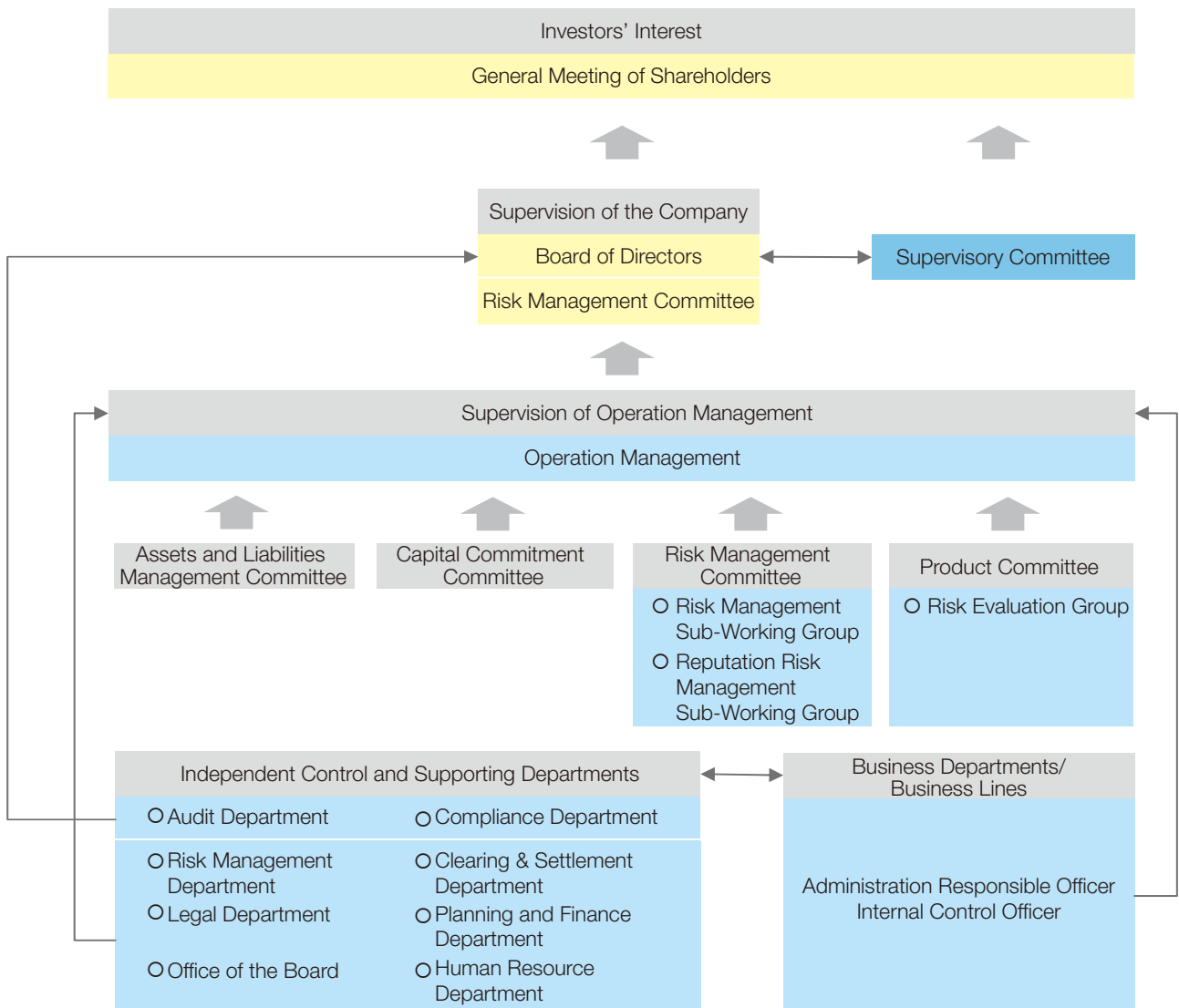


Chart: Structure of the Risk Management

4.5.3 Market risk

Market risks represent potential losses due to movement in market prices of financial positions held. Financial positions held are derived from the proprietary investment, market-making business and other investment activities. Movements in the financial positions held primarily originated from instructions received from the customers and the relevant strategies of proprietary investment.

Market risks primarily include equity price risk, interest rate risk, commodity price risk and foreign exchange rate risk. Equity price risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. Interest rate risk primarily arises from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads. Commodity price risk arises from adverse price movements of various commodities. Exchange rate risk represents exposures arising from changes in non-local currency rates.

The Company has established a top-down risk prevention measure, which is formed by the Risk Management Committee of the Board, Risk Management Committee of the Company and all business departments/business lines and internal control departments. Through allocating the overall risk of the Company to different business departments/business lines, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within an acceptable level.

The Company assesses, monitors and manages its overall market risks through a risk management department, which is independent of the business departments/business lines, and its assessments and testings are reported to the respective business departments/business lines, the operation management of the Company and the Risk Management Committee. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for risk management and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures to reduce or hedge against such risks when the exposures are high. The relevant monitoring personnel from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments/business lines with regard to information on risk exposures, and discuss the status of risk portfolios and the losses in extreme situations.

The Risk Management Department estimates possible losses arising from market risks through series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk portfolios and its changes in each of the business departments/business lines. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers of the business departments/business lines and the operation management of the Company.

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company upon occurrence of a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management. Through stress tests, the Company could focus on the possible losses to the Company, analyze its risk return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits. In view of the market condition and risk characteristics in 2016, the Company strengthened research and improvement of stress tests, in particular, incorporated the considerations of credit defaults on bond inventory and capabilities in liquidity realization and enriched stress test scenario and calculation method to better evaluate and manage the possible material loss of the Company under extreme circumstances.

The Company sets limits for its respective business departments/business lines to control fluctuations in profit or loss and market exposures. The risk limits are monitored by the Risk Management Department on a daily basis. When risk level is approaching or exceeds the threshold values, the Risk Management Department will warn the relevant management officers in advance, discuss with the respective business management officers, and in accordance with the opinion reached through discussions, the business departments/business lines will reduce the exposures to the risk limits, or may apply for a temporary or permanent upgrade in the limits, subject to approval by the relevant committees.

The Company continues to modify the risk limits system, and is building up a more comprehensive system with different levels of risk limit indicators for the Company, its respective business departments/business lines and investment accounts, with a view to formulating substantive rules or guidelines for its risk management system.

In respect of foreign assets, in order to ensure the availability of funds required for foreign business expansion, the Company implemented centralized management toward its exchange risk. The Company keeps track of the risk by closely monitoring the value of the assets in the account on a daily basis. It monitors the exchange risk from different angles, such as assets limit, VaR, sensibility analysis and stress test, and to manage exchange risk exposure through methods such as adjusting foreign currency position, using forward exchange contract/option hedging, currency swap contracts, etc.

The Group closely kept track of market and business changes, promptly identified the latest market risk profile and maintained good communication with relevant regulatory authorities and shareholders, with a view to timely control exposure to market risks.

Please refer to Note 54 to the Consolidated Financial Statements in this results announcement for details of the market risk of the Group.

4.5.4 Credit risk

Credit risk is the risk in respect of loss arising from inability of a borrower, counterparty or issuer of financial positions held to meet its obligations or whose credit qualifications deteriorate.

The credit risk of the Group mostly arises from four aspects: firstly, brokerage business in respect of securities dealing and futures trading on behalf of clients, if the Group does not require the clients to pay sufficient margin deposits in advance according to the laws, the Group may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors on the settlement date, and accordingly resulting in losses; secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock repo, stock-pledged repo, which refers to the Group's exposure to losses caused by clients' failure to perform the contracts; thirdly, default risk from credit product investment, which refers to the risk of the Group's asset losses and change in yield by reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products the Group invested; and fourthly, counterparty default risk in OTC derivative transactions such as interest rate swap, equity swap, OTC option and forwards, i.e. the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the mature dates.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating systems, measures its credit risk by means of stress test and sensitivity analysis, and manages such credit risk based on these results through credit approval system. Meanwhile, the Company uses its information management systems to monitor its credit risk on a real time basis, keeps track of the credit risk of its business products and transaction counterparties, provides analysis and pre-warning reports, and adjust its credit limits in a timely manner.

Securities brokerage business transactions in Mainland China are all required to be settled in full by security deposit, as a result of which the settlement risk associated with brokerage business has been largely controlled.

Credit risk arising from the securities financing business primarily includes clients' provision of false information, failure to make full repayment on time, contractual breach of portfolio limits and compositions, violation of regulatory requirements, and provision of collateral encumbered with legal disputes. Credit risk arising from this type of businesses is mainly managed through client education, credit reference checks, credit approval, daily mark to market, risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means.

For credit products investment, in respect of private equity investment, the Company has established the entrance levels and investment caps for its products and will manage its credit risk through risk assessment, risk reminders and judicial recourse, and in respect of public offering investments, through the counterparty credit approval policy, the Company has developed certain investment restrictions based on the credit ratings.

The counterparties in OTC derivative transactions are mainly financial institutions and other professional institutions and the main risks are their failure to make payments on time, their failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties. The Company sets certain proportions for the security deposits of counterparties and restrictions on the transaction size, controls the credit risk exposure of counterparties through daily mark to market, margin calls and forced liquidation of clients' positions, and carries out recourse through judicial procedures upon the forced liquidation of clients' positions and the occurrence of losses.

Due to the lack of comparability between credit rating results granted by domestic credit rating agencies and by foreign credit rating agencies, the credit risk exposure is stated separately as follows:

Credit risk exposure of investments in bonds (by domestic rating agencies)

In RMB million

Investment Rating	31 December 2016	31 December 2015
China's Sovereign Credit Rating	13,378.78	19,767.18
AAA	28,671.95	9,139.58
AA	13,936.47	16,465.32
A	97.79	187.09
A-1	4,523.10	7,760.24
Others	15,865.78	17,512.38
Total exposure	76,473.87	70,831.80

Note: AAA~A represents rating for debts with maturity over one year, of which AAA represents the highest rating; A-1 represents the highest rating for debts with maturity within one year; AA includes products with AA+, AA and AA- actual ratings; A includes products with A+, A and A- actual ratings; others refer to products with ratings below A- (excluding A-) and those without external debt ratings.

Credit risk exposure of investments in bonds (by foreign rating agencies)

In RMB million

Investment Rating	31 December 2016	31 December 2015
A	40.32	45.66
B	3,055.42	1,764.43
C	9,490.73	2,938.61
D	361.44	101.69
NR	3,902.80	2,022.05
Total exposure	16,850.71	6,872.43

Note: The foreign bond rating is chosen as the lowest of the ratings granted by Moody's, Standard & Poor's and Fitch Ratings (if any); NR is recorded when no rating has been granted by any of the three agencies. Of which, A represents products with ratings of Aaa~Aa3 by Moody's, AAA~AA- by Standard & Poor's and AAA~AA- by Fitch Ratings; B represents products with ratings of A1~Baa3 by Moody's, A+~BBB- by Standard & Poor's and A+~BBB- by Fitch Ratings; C represents products with ratings of Ba1~B3 by Moody's and BB+~B- by Standard & Poor's, and BB+~B- by Fitch Ratings; D represents products with ratings of Caa1~D by Moody's, CCC+~C by Standard & Poor's, and CCC+~B- by Fitch Ratings.

The Group continued to maintain strict risk management standards for its securities financing business from a multiple perspective in terms of pledge ratio, collaterals, security payment ratio, concentration, liquidity, durations etc., and managed its credit risk exposure through timely mark to market management.

As at the end of the Reporting Period, the Group maintained a minimum margin ratio of 277% for the Group's margin financing and securities lending clients with outstanding liabilities; an average ratio of 228% for the Group's stock repo clients with outstanding liabilities; a guarantee ratio was 273% for the Group's stock-pledged repo clients with outstanding liabilities; and a ratio of 230% for the Group's stock returns swap clients with outstanding liabilities.

4.5.5 Liquidity risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a time manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to a unified liquidity management and operation policy and set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases, which enable the Company to maintain its overall liquidity at a relatively secured level.

In addition, the Risk Management Department independently monitors and assesses the fund and debt positions of the Company over a future time span on a daily basis. On the one hand, it measures the solvency of the Company via analysis of matching between assets and liabilities within specified point in time and time period and indicators such as liquidity coverage ratio, and on the other hand, it assesses the intra-day settlement risk of the Company through indicators such as intra-day fund multiples. The Risk Management Department releases a liquidity risk report on a daily basis, and monitors and reports the status of payment risks and settlement risks pursuant to such report. The Company also sets threshold values for relevant indicators, and once exceeded, the Risk Management Department will warn the relevant responsible officers of the operation management of the Company and relevant departments of such risks through independent pathways, and appropriate actions will be taken by the relevant competent departments to adjust the liquidity risks exposed to a level within the permitted ranges.

In 2016, in view of expectation of market condition change due to liquidity easing, the Group strengthened its close monitoring and daily management on liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards. On the other hand, the Group evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

4.5.6 Operational risk

Operational risk is the risk of losses arising from flawed internal processes, breakdown of information system, fault or misconduct of staff, external factors and other reasons.

During the Reporting Period, the Company continued to fully push forward the development of operational risk management system, and these well-established mechanisms in respect of the reporting of risk events and tracking of rectification measures, evaluation of new business process, streamlining of business process and review on rules and regulations and monthly operational risk working group meetings were on continuous effective operation.

For system development, in order to regulate and specify the accountability mechanism relating to operational risk events and to effectively enhance the risk awareness of staff, the Company has formulated the Accountability Regulations on Operational Risk Events (Trial) and issued for implementation on 24 June 2016.

For management tools, to further enhance the depth and breadth of daily monitoring of operational risk and ensure the completeness and timeliness for the reporting of operational risk events and to timely warn of potential risks in the course of operation, the Company were establishing the key risk indicator (KRI) monitoring system to set daily quantitative monitoring indicators and alert limit for the core business processes and key control nodes of various departments.

For training, based on the online training for all staff, the risk management department conducted a lecture on the "Analysis on Classic Operational Risk Cases of Financial institutions", and carried out special training in respect of the business lines with frequent risk events to enhance staff awareness of operational risk management and introduce the best practice in the area of internal control.

5. Report of the Board

5.1 Review of Business^{Note}

5.1.1 Business review

The Group is principally engaged in providing securities brokerage, investment banking, assets management, trading and other related financial services.

In 2016, the domestic securities market experienced relatively volatile fluctuation at the beginning of the year with each of SSE Composite Index and SZSE Composite Index reaching the maximum amplitude of 26% and 29% respectively. Compared with the end of 2015, the closing prices of each of SSE Composite Index and SZSE Composite Index at the end of 2016 decreased by 12.31% and 19.64%, respectively. Both Shanghai and Shenzhen markets gradually stabilized since February 2016.

In 2016, the PRC securities industry recorded total revenue of RMB328.0 billion, representing a year-on-year decrease of 43%, net profit of RMB123.4 billion, representing a year-on-year decrease of 50%, and return on equity of 8.1%, representing a year-on-year decrease of 11.8 percentage points. As at the end of 2016, the industry had total assets of RMB5.8 trillion, representing a year-on-year decrease of 10%, net assets of RMB1.64 trillion, representing a year-on-year increase of 13%, and financial leverage ratio of 2.7 times, representing a year-on-year decrease of 0.3 times. As at the end of 2016, the securities companies in the PRC had a total net capital of RMB1.47 trillion, representing a year-on-year increase of 18%. The securities companies in the PRC achieved significant enhancement in capital strength and steady increase in net assets and net capital with 124 out of 129 securities companies recorded profits.

Please refer to “4.1 Corporate Strategy and Long-term Operation Model” of this annual results announcement for the industrial landscape and development strategies of the Group.

In 2016, the Company recognized total revenue and other income of RMB50.1 billion and profit attributable to owners of the parent of RMB10.4 billion, and continued to rank the first among the domestic securities companies and all of its businesses stayed ahead of the market. Our investment banking business maintained a leading market share by adhering to the professional matrix management structure, strengthening the client coverage and completing a number of projects with relatively large market influence in equity, bonds and merger and acquisition sectors. Meanwhile, we made progressive results in the integration of overseas platforms to form an international platform covering major stock markets in the world with focus on institutional business. For brokerage business, based on the development strategy of “product-orientation, institution-orientation and high-end-orientation”, the Company deepened the development and management of individual clients, wealth management clients and institutional clients, strengthened the customer services, improved the investment advisory system and optimized the distribution of branches. For sectors related to flow-based business, the Company continued to diversify the product portfolio and trading models to maintain the leading position in the industry. For asset management business, the Company continuously optimized the diversified development path of “enlarging platform through institutional business” and continued to rank the first in the industry in terms of AUM, and the active management scale was also improved. During the Reporting Period, the business and operating conditions of the Group were set out in “4.2 Business Overview” of this annual results announcement.

5.1.2 Principal risks and uncertainties

Principal risks and uncertainties to which the Company is exposed include market risk, credit risk, liquidity risk and operational risk. For the objectives and policies of risk management of the Company, please refer to paragraphs 4.5.3 to 4.5.6 of this annual results announcement for description about risk management of the Company. For major risks and uncertainties to which the Company is exposed in 2017, please refer to “4.1.5 Possible risk exposure” in this annual results announcement.

5.1.3 Relevant laws and regulations with significant impact

Adhering to the philosophy of operating in compliance with laws and regulations, the Company complies with the national laws, administrative regulations and various rules and normative documents promulgated by regulatory authorities. In 2016, by virtue of regulatory provisions and business management requirements, the Company formulated and revised a series of internal management systems to enhance its internal control and management level and improve compliance management systems; formulated and improved business management systems and processes to timely implement all the requirements of regulatory authorities and self-regulatory organizations in all of its business lines; continuously strengthened the publicity and training of laws and compliance culture to enhance the awareness of active prevention from compliance risks in the course of business operations. The overall compliance and risk management of the Company runs well and no material systematic compliance risks have been detected.

Note: Other sections or chapters of this results announcement mentioned in this section form part of the Report of the Board.

5.1.4 Environmental policies and performance

The Company set up a carbon trading and investment team in 2011. Since its establishment, the carbon trading team has been an active player in both domestic and overseas deals in order to procure the financialization of carbon trading. The team helps companies activate their carbon assets by providing liquidity on the market through quotations and innovative OTC transactions. These measures encourage companies to accelerate technology upgrades and develop industries that are energy-conserving, low-polluting and low-emitting in support of the achievement of China's national goal of energy saving and emissions reduction. In 2016, the Company continued to carry out carbon financial business and participated in the long-term quotation transactions of carbon quota on the Shanghai Clearing House, thereby actively supporting the development of domestic carbon emission market.

5.1.5 Future development/forward-looking

Please refer to “4.1.2 Development strategy of the Company” and “4.1.3 Business plan for 2017” of this results announcement on prospects of the Company's future development.

5.2 Profit Distribution and Proposed Dividend

5.2.1 Formulation, implementation or adjustment of cash dividend policy

The Company has formulated differentiated profit distribution policy, while the Articles of Association of the Company specify the profit distribution plans, particularly the decision-making procedures and mechanisms for the cash dividend plans, clarify the priority of cash dividend in the profit distribution, and state that “the Company shall do its best to ensure that the annual profit distribution scale is not less than 20% of the net profit attributable to owners of the parent company for the year.”

The formulation of and amendments to the profit distribution policy of the Company are transparent and are in compliance with the laws and regulations, the Articles of Association of the Company and the requirements on the reviewing process. The Company has a definite and clear policy regarding the criteria and ratio of the cash dividends distribution and a sound decision-making procedure and mechanism.

On 28 June 2016, the 2015 profit distribution plan was considered and approved at the 2015 Annual General Meeting of the Company, according to which, a cash dividend of RMB5.00 (tax inclusive) was to be distributed for every 10 Shares. The plan was completed on 19 August 2016. The cash dividend, representing 30.60% of the net profit attributable to the owners of the parent in 2015, was in compliance with the related provisions in Guidelines on Distribution of Cash Dividends by Listed Companies issued by SSE and the Articles of Association of the Company. The Company's independent Directors have issued independent opinions in respect of the 2015 Profit Distribution Plan which stated that the plan is beneficial for the long-term development of the Company as well as the long-term interests of the Shareholders as a whole.

5.2.2 Profit distribution plans/proposals for the past three years

The profit distribution plan of the Company is subject to the approval by the Shareholders after approved by the Board and the Supervisory Committee. In the process of consideration by the Board, the independent Directors shall provide objective and independent opinions based on the protection of interests of investors. During the general meeting, minority Shareholders will be provided with sufficient opportunities to express their views and concerns to protect their legitimate rights.

The Company has distributed cash dividends every year since its incorporation. In each year of 2014 to 2016, the cash dividends distributed/declared by the Company represented over 30% of the net profit attributable to owners of the parent company, which are in compliance with regulatory requirements and the profit distribution policy of the Company, details of which are as follows:

In RMB Yuan

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax inclusive)	Capitalization issue of bonus shares for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to owners of the parent as stated in the consolidated financial statements of the year of distribution	Percentage of net profit attributable to owners of the parent as stated in the consolidated financial statements (%)
2016	—	3.5000	—	4,240,917,940.00	10,365,168,588.41	40.92
2015	—	5.0000	—	6,058,454,200.00	19,799,793,374.33	30.60
2014	—	2.8185	—	3,415,241,604.00	11,337,193,825.46	30.12

Proposed profit distribution plan for 2016:

The profits available for distribution for the year of 2016 amounted to RMB29,189,671,295.10, which was calculated based on the retained profits of the Company at the beginning of 2016, which amounted to RMB27,723,060,093.16, plus the net profit of RMB7,525,065,401.94 realized by the Company in 2016, and after deduction of the cash dividends of RMB6,058,454,200.00 distributed in 2016.

Pursuant to the Company Law, Securities Law, Financial Rules for Financial Enterprises and the Articles of Association of the Company, the net profits of the Company for 2016 are proposed to be appropriated in the following sequences:

1. There will be no provision to be made this year as the Company's accumulated amount of the statutory reserve has reached 50% of its registered capital;
2. The Company appropriates a total of RMB752,506,540.19 to the general risk reserve calculated on the basis of 10% of the total of net profit realized by the parent company for 2016;
3. The Company appropriates a total of RMB752,506,540.19 to the transaction risk reserve calculated on the basis of 10% of the net profit realized by the parent company for 2016.

The above withdrawals amounted to RMB1,505,013,080.38 in total.

Net of the above items, the profits of the parent company available for distribution for the year of 2016 amounted to RMB27,684,658,214.72.

In consideration of factors such as the future development of the Company and the interests of the Shareholders, the Company proposed the profit distribution plan of 2016 as follows:

The Company will adopt cash dividend payment method for its 2016 profit distribution (i.e. 100% cash dividend) and proposes, based on the total Shares of the Company as at 31 December 2016, to distribute to the holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date for the 2016 cash dividend distribution, a cash dividend of RMB3.50 (tax inclusive) for every 10 shares, with a total amount of cash dividend of RMB4,240,917,940.00 (tax inclusive), representing 40.92% of the net profit attributable to the owners of the parent company for the year of 2016 under the consolidated financial statements. The outstanding balance of the retained distributable profits in 2016 amounted to RMB23,443,740,274.72 and will be carried forward to the next year.

Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in Hong Kong dollars to the H Shareholders. The actual amounts to be paid in Hong Kong dollars will be calculated based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five business days before the date of the 2016 Annual General Meeting of the Company.

The 2016 profit distribution proposal of the Company is still subject to the approval at the 2016 Annual General Meeting. The Company will publish separate announcement on the record date and book closure period for the payment of the final dividends to H Shareholders, as well as the record date and the date for the payment of the dividends to A Shareholders.

5.3 Tax Relief

Holders of A Shares

In accordance with the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (Cai shui [2012] No. 85) and the Notice on Issues Regarding the Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (Cai shui [2015] No. 101) issued jointly by MOF, the State Administration of Taxation and CSRC, for dividends obtained from listed companies by individual investors, if the period between the date of the individual investor obtaining the Company's share and the record date is more than one year, individual income tax shall be exempted; if the period between the date of the individual investor obtaining the Company's share and the record date is less than one year (inclusive), listed companies are not required, in respect of their individual income tax, to pay withholding tax, subject to adjustment to be made in accordance with the Notice at the time when the individual investors transferred their respective Shares.

For Shareholders who are resident enterprises, the income tax on their cash dividends shall be payable by themselves.

For Qualified Foreign Institutional Investors (QFII), listed companies are required to 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) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates according to the relevant rules and regulations after they receive the dividends.

Pursuant to the "Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets" (Cai Shui [2014] No. 81), for dividends derived by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on SSE, and prior to Hong Kong Securities Clearing Company Ltd. is able to furnish the identity, holding period and other detailed data of investors in the Hong Kong market to CSDCC, the differentiated tax treatment based on the holding period of shares will temporarily not be implemented. Listed companies shall withhold income tax at a tax rate of 10% and make withholding filings with their competent tax authorities. For those investors in Hong Kong who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and their residence countries, enterprises or individuals may by themselves or ask the withholding agent to act on their behalf to apply to the competent tax authorities of the listed company for the application of preferential treatment under the treaties. With the approval of the competent tax authorities, the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

Holders of H Shares

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the dividends received by overseas resident individual shareholders from the shares 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 withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The relevant dividend tax rate under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. In circumstances where the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements subject to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement to the relevant agreed preferential treatments, and upon approval by the tax authorities, excessive withheld tax amounts will be refunded; (2) for citizens from countries under agreements subject to tax rates higher than 10% but lower than 20%, the withholding agents shall withhold individual income tax at the agreed-upon effective tax rate upon distribution of dividends (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or under other circumstances, the withholding agents shall withhold individual income tax at a tax rate of 20% upon distribution of dividends.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when distributing dividends for the year 2008 and the years thereafter to H shareholders who are overseas non-resident enterprises, shall be subject to enterprise income tax withheld at a uniform rate of 10%.

Pursuant to the “Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets” (Cai Shui [2014] No. 81), for dividends derived by Mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. For dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect, the company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves. For dividends derived by Mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

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.

Shareholders of the Company are taxed and/or entitled to enjoy tax relief in accordance with the aforementioned regulations.

5.4 Use of Proceeds

The net proceeds raised by the Company from the placing of H shares in 2015 totalled an aggregate amount of RMB21.122 billion. As of 31 December 2016, the use of proceeds is as follows: HK\$13.0 billion (equivalent to RMB10.414 billion) was transferred to the mainland for use in developing flow-based businesses, an equivalent amount of RMB10.077 billion was used for developing overseas business, and un-used amount equivalent to RMB631 million was temporarily deposited in an offshore account.

The above utilization of proceeds was in line with the disclosures in relevant announcement and circular. In 2017, the Company will continue to utilize the proceeds in accordance with its development strategies and the conditions of the capital market.

During the Reporting Period, the Company issued one tranche of RMB-denominated public corporate bonds, among which RMB12.5 billion was issued for a 3-year term product and RMB2.5 billion was issued for a 5-year term product, all of which were used to replenish the working capital of the Company and increase its liquidity reserve; issued one tranche of private corporate bonds in the size of RMB2.0 billion, all of which were used to replenish the working capital of the Company; and issued seven tranches of short-term commercial papers and 489 tranches of beneficiary certificates to replenish the liquidity of the Company.

5.5 Purchase, Sale or Redemption of the Company’s Securities

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

5.6 Biographical Details of the Directors, Supervisors and Senior Management

Biographical details of the Directors, Supervisors and Senior Management are set out in “8.1.4 Major working experience of the current Directors, Supervisors and Senior Management” of this results announcement.

5.7 Directors’ and Supervisors’ Service Contracts

An appointment letter was entered into by the Company with each of the Directors of the Sixth Session of the Board. The term of appointment commenced from the date of election by the Shareholders at the general meeting of the Company and the obtaining of the relevant qualification for the appointment until the expiry date of the term of office of the Sixth Session of the Board. (The appointment letter sets out agreements on things including the Directors’ responsibilities, termination of the appointment, undertakings and the directors’ fee during the term of office).

In addition, none of the Directors or Supervisors entered into a service agreement with the Company or its subsidiaries which could not be terminated within one year without paying compensation (other than statutory compensation).

5.8 Permitted Indemnity Provisions

In 2016, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors or any directors of the associated companies of the Company (if made by the Company).

The Company has purchased insurance for the Directors against legal liabilities arising from performance of their duties. The governing law of relevant insurance policies was PRC law. The Company reviews the coverage of such insurance each year. During the year, there were no claims for compensation against the Directors or Senior Management.

5.9 Management Contracts

During the year, no management and administrative contracts were entered into or subsisting in respect of the whole or a substantial part of any business of the Company.

5.10 Remuneration Policies

The details of remuneration policies and share incentive scheme in respect of the Directors, Supervisors and Senior Management are set out in “8.4.3 Remuneration of Directors, Supervisors and Senior Management for the Year” and “8.4.4 Share Incentives to Directors, Supervisors and Senior Management” of this results announcement.

Details of the Company’s employee remuneration policies and employee compensations are set out in “8.5.2 Remuneration Policy” and Note 10 to the Consolidated Financial Statements of this annual results announcement.

5.11 Directors’ and Supervisors’ Interests in Material Contracts

The Company or its subsidiaries did not enter into any contract of significance in which the Directors or Supervisors had a material interest, whether directly or indirectly, during the Reporting Period.

5.12 Directors’ Interests in Businesses Competing with the Company

None of the Directors has interests in any business which competes with businesses of the Company.

5.13 Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at 31 December 2016, the following persons had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

Name	Position	Nature of Interest	Class of Shares	Number of Shares Held (<i>shares</i>)	Percentage of Total Number of Shares of the Company (%)
ZHANG Youjun	Executive Director and Chairman	Personal Interest	A Shares	374	0.000003
LEI Yong	Supervisor	Personal Interest	A Shares	483,285	0.004
YANG Zhenyu	Supervisor	Personal Interest	A Shares	81,000	0.001

Pursuant to the Securities and Futures Ordinance, the chief executive who was required to disclose his interests to the Hong Kong Stock Exchange was the General Manager and did not include other Senior Management personnel. For details of the shareholdings of other Senior Management, please refer to “8.1.1 Changes in the Shares held and information on remuneration” of this results announcement. In addition, as at 31 December 2016, no other Directors, Supervisors or Senior Management or their respective spouses or children under 18 years of age had been granted equity securities or warrants of the Company.

5.14 Pre-emptive Rights

The Company was incorporated in accordance with the PRC laws with no arrangement regarding pre-emptive rights.

5.15 Reserves and Distributable Reserves

Please refer to the Consolidated Statement of Changes in Equity of Shareholders and Note 47 to the Consolidated Financial Statements in this results announcement for details of changes in the reserves and the reserves of distributable profits of the Company.

5.16 Fixed Assets

Please refer to Note 18 to the Consolidated Financial Statements in this results announcement for details of the Group's fixed assets as at 31 December 2016.

5.17 Major Clients and Suppliers

The Group serves institutional and individual clients in various sectors. The Group's clients range from multinational corporations and SMEs to high-net-worth individuals and retail customers. The clients are primarily located in China. The Company expects to serve more overseas clients as the Company taps into overseas market in the future. In 2016, the revenue from rendering services attributable to the Company's five largest clients accounted for less than 30% of the total revenue of the Group.

The top five major clients of the Group include CITIC Corporation Limited, the largest Shareholder of the Company, and its shareholder, CITIC Group and CITIC Limited.

Save as disclosed above, none of the Shareholders holding more than 5% of the issued share capital of the Company, Directors, Supervisors and their respective associates has any interest in any of the five largest clients of the Company. The Company has no major supplier due to the nature of its business.

5.18 Relationship with Employees, Clients, Suppliers and Persons Who are Materially Related

Employees' remuneration consists of base annual salary, performance-based annual salary, special rewards, insurance and other benefits. The Company continues to promote and implement staff training programs with comprehensive planning, implementation by levels and clear purposes. For details about the remuneration and training plans for employees of the Company, please refer to "8.5.2 Remuneration policy" and "8.5.3 Training program" of this results announcement. As at 31 December 2016, the Company and CITIC Securities (Shandong) had 774 securities brokers, of which 597 were brokers of the Company. For information on relationship between the Company and its securities brokers, please refer to "8.5.4 Information on brokers". For information on relationship between the Company and major clients and suppliers, please refer to "5.17 Major Clients and Suppliers" of this results announcement.

5.19 Sufficient Public Float

Upon listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, accepting the minimum public float for the H Shares to be the higher of: (i) 10% of the total issued share capital; or (ii) the percentage of H Shares held by the public immediately after the completion of the global offering (including the H Shares issued pursuant to the exercise of the over-allotment option and the transfer and conversion of the relevant State-owned shares into H Shares pursuant to the PRC regulations on reduction of State-owned shares). Upon the completion of the global offering and based on the minimum public float granted by the Hong Kong Stock Exchange, the minimum public float for the H Shares is not lower than 10.70%.

As at the date of this results announcement, based on the information available to the public and the knowledge of the Directors, the public float of the Company is in compliance with Rule 8.08 of the Hong Kong Listing Rules and the requirements for minimum public float as set out in the waiver granted by the Hong Kong Stock Exchange upon the H Share listing.

5.20 Donations

During the Reporting Period, the Group's charitable and other donations amounted to approximately RMB15.19 million in total.

By Order of the Board
Chairman
ZHANG Youjun

Beijing, 22 March 2017

6. SIGNIFICANT EVENTS

6.1 Performance of Undertakings

Undertakings of the Company, Shareholders, de facto controller, acquirer, Directors, Supervisors, Senior Management or other related parties made or subsisting during the Reporting Period

6.1.1 Undertakings of Shareholders and related/connected parties and their performance

(1) Undertaking in respect of the share reform

During the Company's implementation of the share reform in 2005, CITIC Group, the largest shareholder of the Company, has undertaken "not to transfer its shares within 12 months from the date of listing of the shares of the Company or upon expiry of the non-transfer undertaking, whenever it transfers through the stock exchange any shares of the Company amounting to 1% of total issued shares of the Company, it shall announce within two working days of such transfer; in addition, any such transfers shall not exceed 5% of the total issued shares of the Company within the 12-month period and not to exceed 10% within the 24-month period."

Since CITIC Group has transferred all the Shares held by it to CITIC Corporation Limited, the above undertaking is taken up by CITIC Corporation Limited. The above long-term undertaking is still valid, which has been performed satisfactorily at present and will continue to be performed.

(2) Undertaking in respect of non-competition

During the initial public offering of A Shares of the Company in December 2002, CITIC Group, the largest shareholder of the Company, undertook that "there did not exist and it will not establish any further new companies engaging in securities business. In respect of those minor banking and trust investment businesses engaged by its subsidiaries that might potentially compete with our business, CITIC Group has undertaken that our Company can make adequate disclosure of such business and that it will not misuse its shareholder position to act in the detriment of our interests and other Shareholders."

The above long-term undertaking is still valid and is succeeded by CITIC Corporation Limited. It is currently in good implementation, and will continue to be duly performed.

There are no unperformed open undertakings by other Shareholders or related/connected parties.

6.2 Appointment or Termination of Service of Accounting Firms

In RMB ten thousand

Current appointment	
Name of the PRC accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for the PRC accounting firm	139.75
Duration of service of the PRC accounting firm	2 years
Name of the overseas accounting firm	PricewaterhouseCoopers Hong Kong
Remuneration for the overseas accounting firm	26.88
Duration of service of the overseas accounting firm	2 years

Note: The above is the audit fee of the financial statements of Company for the year, which does not include the audit fees for subsidiaries of the Company.

Name	Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian 32.25

Explanation on Appointment or Termination of Service of Accounting Firms

Since 2007, the Shareholders' general meeting had engaged Ernst & Young Hua Ming LLP (formerly known as Ernst & Young Huaming), a branch of Ernst & Young, as the auditor for the financial statements of the Company, and engaged both Ernst & Young and Ernst & Young Hua Ming LLP as the auditors for the financial statements of the Company from 2011–2014. In addition, Ernst & Young Hua Ming LLP also audited the internal control of the financial statements of the Company from 2012-2014.

The 2014 Annual General Meeting of the Company appointed PwC as the external auditors of the Company for 2015 to be responsible for the provision of the relevant audit and review services in accordance with the Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. (PwC Hong Kong, a member of the PricewaterhouseCoopers global network in Hong Kong, provided the relevant audit and review services to the Company in accordance with the International Financial Reporting Standards).

As approved at the 2015 Annual General Meeting of the Company, PricewaterhouseCoopers Zhong Tian LLP and PwC Hong Kong were reappointed as the external auditors of the Company for 2016 to be responsible for the provision of the relevant annual audit and interim review services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; and PwC Zhong Tian was appointed as the auditor for audit of internal control over financial reporting of the Company for 2016.

6.3 Material Litigation and Arbitration

6.3.1 Litigations and arbitrations not disclosed in interim announcements or with subsequent progress

During the Reporting Period, material litigations and arbitrations of the Company or its subsidiaries are as follows:

1. *Dispute between China AMC and NBO on breach of contract*

China AMC is a subsidiary controlled by the Company. In June 2013, the SME private debt/asset management plan managed by China AMC subscribed for the first tranche (referred to as “12 NBO 01”) and the second tranche (referred to as “12 NBO 02”) of private bonds issued by three enterprises under Anhui NBO Machinery Group. The issuers of the private bonds did not fulfill the obligation to repay the principal or pay the interest on schedule. To safeguard the legitimate interests of the asset management plan and the principals, China AMC initiated an arbitration at South China International Economic and Trade Arbitration Commission on 28 April 2015 against the issuers of 12 NBO 01 and 12 NBO 02, the guarantors (Sino-capital; Lv Qingtang, the de facto controller of Anhui NBO Machinery Group; Anhui NBO Machinery Group Engineering Vehicle Co., Ltd.) and the underwriter (Capital Securities Co., Ltd.), requesting all responsible parties to fulfill the payment and compensation obligations to pay damages of approximately RMB58.0481 million. South China International Economic and Trade Arbitration Commission accepted the case on 28 April 2015 and 21 August 2015 has been scheduled for trial. On 30 June 2016, an arbitration award was rendered in support of China AMC's claim for payment of the principals, interests and liquidated damages by the bond issuers and guarantors in respect of the two tranches of private bonds, “12 NBO 01” and “12 NBO 02”, issued by three enterprises under Anhui NBO Machinery Group. Currently the case has entered the enforcement process, which has not been completed.

2. *Disputes between GoldStone Investment and Baohua Group in respect of equity transfer contract*

GoldStone Investment is a wholly-owned subsidiary of the Company. GoldStone Investment and Shandong Baohua International Group Limited (山東寶華國際集團有限公司) (hereinafter referred to as “**Baohua Group**”) entered into an equity transfer agreement on 11 August 2014, pursuant to which GoldStone Investment shall transfer all of its equity interests in Shandong Far East International Biochemical Co., Ltd. (山東遠東國際生物化工股份有限公司) to Baohua Group and Baohua Group shall pay the consideration for equity transfer of RMB30 million plus the corresponding cost of capital to GoldStone Investment before 30 September 2014. On 19 August 2016, Jin Baohua, the legal representative of Baohua Group, issued a letter of guarantee to GoldStone Investment and undertook to assume an unlimited joint and several liability for all the amount payable by Baohua Group to GoldStone Investment. Because Baohua Group failed to pay the consideration for equity transfer in full, in order to safeguard its legitimate interests, GoldStone Investment brought a civil action in the No. 3 Intermediate People's Court of Beijing Municipality (hereinafter referred to as the “**Court**”) on 23 September 2016, requesting Baohua Group to pay the consideration for equity transfer to GoldStone Investment and Jin Baohua to bear the joint liability for the payment. On 31 December 2016, the parties to the proceedings reached a settlement and signed a settlement agreement under the mediation of the Court. According to the settlement agreement, Baohua Group should pay GoldStone Investment the sum for consideration for equity transfer plus litigation cost at RMB36,220,912.5. As at the end of the Reporting Period, Baohua Group has paid the above amount of RMB36,220,912.5 in full to GoldStone Investment.

3. *Disputes involving Zhongzheng Asset on breach of contract*

Zhongzheng Asset Management (Shenzhen) Company Limited (中證資本管理(深圳)有限公司) (hereinafter referred to as “**Zhongzheng Asset**”), a wholly-owned subsidiary of CITIC Futures, a subsidiary controlled by the Company, brought a lawsuit in the People’s Court of Shenzhen Qianhai Cooperation Zone (hereinafter referred to as “**Qianhai Court**”) on 9 April 2015 against the counterparties to a thermal coal purchasing agency agreement for breach of contract and the case was accepted on the same date. For the background of this case, please refer to the 2015 Annual Report, 2016 First Quarterly Report and 2016 Interim Report of the Company.

This lawsuit proceeded by two separate proceedings. In respect of Litigation One, a written judgement of the second trial (final) was received on 26 July 2016 from the Shenzhen Intermediate People’s Court (hereinafter referred to as the “**Shenzhen Intermediate Court**”) in support of Zhongzheng Asset’s claims. The case is currently under the enforcement procedure. As at the date of this results announcement, Zhongzheng Asset has received part of enforcement amount of RMB12,010,407.57. In respect of Litigation Two, a written judgement of the second trial (final) was received on 22 August 2016 from the Shenzhen Intermediate Court in support of Zhongzheng Asset’s claims. The enforcement procedures initiated on 8 September 2016 and has not yet completed now. On 13 October 2016, Zhongzheng Asset received an award from the court defreezing the properties under the name of SHEN Peng, one of the defendants in Litigation Two, which Zhongzheng Asset refused to accept and appealed for reconsideration. On 27 October 2016, Qianhai Court rebutted the reconsideration request and ordered the lifting of the freeze of the properties under the name of SHEN Peng.

SHEN Peng, one of the defendants in Litigation Two, brought an action against Zhongzheng Asset on 24 March 2016 for damages arising from property preservation in litigation, claiming for a compensation of RMB11,715,913.86. The trial is scheduled to commence on 31 August 2017.

4. *Litigation brought by ZHANG Zhengchao against CITIC Futures for disputes on futures brokerage contract*

On 15 May 2015, ZHANG Zhengchao signed a futures brokerage agreement with CITIC Futures. On 8 July 2015, he held a total of 84 IH1509 contracts. Due to the fluctuation in the market in July 2015, CITIC Futures through its system and by way of telephone calls notified ZHANG Zhengchao to pay additional deposits or reduce positions in time. Under the circumstances that ZHANG Zhengchao did not fulfill contractual obligations to deal with the risk of his own, CITIC Futures mandatorily liquidated 77 positions according to the agreement on 9 July 2015, by liquidating only the insufficient part of the positions available to client. After the liquidation, ZHANG Zhengchao filed a lawsuit in the Intermediate People’s Court of Qingdao alleging that CITIC Futures and its Qingdao Outlet be liable for payment of all damages, and claiming compensation of RMB11,485,320.00 calculated in accordance with the differences between the high and low points with reference to the increased prices after mandatory liquidation. On 12 September 2016, CITIC Futures received the judgement of the first trial from the Intermediate People’s Court of Qingdao, which ruled against all claims made by ZHANG Zhengchao. The plaintiff, ZHANG Zhengchao didn’t accept such judgement and appealed to the Higher People’s Court of Shandong Province. After trial, the Higher People’s Court of Shandong Province rendered its judgement on 20 March 2017 to reject the appeal and uphold the judgement of the trial court.

5. *Disputes between Jindingxin Microfinance and Business Jet Company and Qingxinda*

(1) *Dispute between Jindingxin Microfinance and Business Jet Company on breach of contract*

Qingdao Jindingxin Microfinance Company Limited (hereinafter referred to as “**Jindingxin Microfinance**”) is a subsidiary controlled by CITIC Securities (Shandong), a wholly-owned subsidiary of the Company. On 27 March 2014, Jindingxin Microfinance and Qingdao Airlines Business Jet Co., Ltd. (hereinafter referred to as “**Business Jet Company**”) entered into a loan agreement (Jindingxin 2014 Jie Zi No. 00041), pursuant to which a loan amounting to RMB15 million was granted to Business Jet Company (the loan period was from 28 March 2014 up to 27 February 2015). Since the defendant failed to repay the principal and interests due on the scheduled repayment date on 27 February 2015, and in order to safeguard its legitimate interests, Jindingxin Microfinance instituted legal proceedings against the borrower, Business Jet Company, and the joint liability guarantors, Binzhou Pingtai Investment Management Co., Ltd. (濱州市平太投資管理有限公司), Shandong Huachang New Energy Co., Ltd. (山東華昌新能源股份有限公司), Binzhou Dagao Properties Co., Ltd. (濱州大高置業有限公司) and Yu Bin on 4 March 2015 according to law to claim for repayment of approximately RMB14.6799 million (the defendant repaid an aggregate principal sum of RMB320,100 from 2 to 3 March 2015). On 4 March 2015, the Intermediate People’s Court of Qingdao accepted the case and froze the relevant properties of Shandong Huachang New Energy Co., Ltd., and those of Yu Bin on 11 March 2015. Trial of the case commenced on 24 August 2015. On 12 November 2015, the Intermediate People’s Court of Qingdao delivered a judgment in favour of Jindingxin Microfinance but as the judgment had not dealt with Jindingxin Microfinance’s claim for interest accrued upon default, Jindingxin Microfinance appealed to the Higher People’s Court of Shandong Province on 20 November 2015. On 28 October 2016, the parties to the proceedings reached a settlement under the mediation of the Higher People’s Court of Shandong Province.

Jindingxin Microfinance has downgraded the grading of Business Jet Company to “subordinate” grade of the five grading categories and made impairment provision for the full amount.

(2) *Dispute between Jindingxin Microfinance and Qingxinda*

On 14 April 2014, a loan agreement (Jindingxin 2014 Jie Zi No. 00056) was entered into between Jindingxin Microfinance and Qingdao Qingxinda Trade Co., Ltd. (hereinafter referred to as “**Qingxinda**”), pursuant to which Jindingxin Microfinance granted a loan in an amount of RMB15 million to Qingxinda (the term of such loan was from 16 April 2014 to 15 October 2014). Since Qingxinda defaulted in repaying the principal and interest on the scheduled repayment date on 15 October 2014, Jindingxin Microfinance commenced legal proceedings in the People’s Court of the Shinan District of Qingdao against the borrower, Qingxinda, and the joint liability guarantors, Shandong Boxing Changhong Steel Plat Co., Ltd. (山東省博興縣長虹鋼板有限公司), WANG Yongqing, WANG Wei, WANG Qiang and WANG Zhong for recovery of approximately RMB14.1602 million (Qingxinda repaid an aggregated principal sum of RMB1.357 million from 26 November 2014 to 13 August 2015) on 11 January 2016. The court accepted the case on 11 January 2016 and froze the land and real properties under the name of Shandong Boxing Changhong Steel Plat Co., Ltd. on 19 February 2016. On 19 August 2016, Jindingxin Microfinance and Qingxinda agreed to a change of some guarantee measures. On 8 September 2016, Jindingxin Microfinance submitted to the People’s Court of Shinan District of Qingdao an application for adding defendant and claims. The trial commenced on 21 February 2017.

Jindingxin Microfinance has downgraded the grading of Qingxinda to “subordinate” grade of the five grading categories and made impairment provision for the full amount.

6. *Arbitration of disputes between SOM and the Company and GoldStone Zexin Investment Management Co., Ltd. on Design Contract*

On 8 October 2014, the Company and GoldStone Zexin Investment Management Co., Ltd., a subsidiary of the Company’s subsidiary GoldStone Investment Co., Ltd. (hereinafter referred to as “**GoldStone Zexin**”), signed a few contracts with Skidmore, Owings&Merrill LLP (hereinafter referred to as “**SOM**”) including one design contract for CITIC Finance Center Building (《中信金融中心大樓設計合同》, the “**Design Contract**”). In December 2016, the Company and GoldStone Zexin received a notice of arbitration and relevant arbitration materials from China International Economics and Trade Arbitration Commission (hereinafter referred to as the “**Arbitration Commission**”). Due to dispute in respect of the Design Contract, SOM filed an arbitration with the Arbitration Commission and listed the Company as the first respondent and GoldStone Zexin as the second respondent. The arbitration claims against the first respondent include designing fees, travelling disbursements and overdue interests, with an aggregate amount of USD1.63 million (approximately RMB11.3 million). Arbitration claims against the second respondent include designing fees, travelling disbursements and overdue interests, with an aggregate amount of USD1.20 million (approximately RMB8.32 million). The Company and GoldStone Zexin had been actively preparing for the arbitration, submitted to the Arbitration Commission the Application for Postponing Selection of the Arbitrator, Filing the answer and Counterclaim 《延期選定仲裁員、提交答辯及反請求的申請》 in accordance with the arbitration notice and the arbitration rules, and submitted the written affirmative defenses as required by the arbitration court.

6.3.2 Punishment and public censure of the Company in or subsisting during the year

1. *Being imposed administrative supervision and management measures by the regulatory authority*

On 16 March 2016, due to violations of regulatory requirements and internal rules of the Company in facilitating the financing of clients by the staff of the Quanzhou Baozhou Road Outlet of the Company, the CSRC Fujian Branch issued “The Decision on Issuing A Letter of Warning to Quanzhou Baozhou Road Outlet of CITIC Securities Company Limited” (CSRC Fujian Branch Administrative Supervision Measures [2016] No. 3) to Quanzhou Baozhou Road Outlet of the Company.

Upon the receipt of the above regulatory letter, the Company attached great importance to the matter and immediately began rectification. Based on the facts and consequences, the Company carried out internal investigation and inquiry into relevant staff’s liability in accordance with Compliance Appraisal System of CITIC Securities Company Limited and Administrative Measures of Non-Compliance and Accountability Of CITIC Securities Company Limited and formulated and implemented the rectification measures. The specific plan for increasing frequency of internal compliance checks will be submitted to CSRC Shenzhen Branch on time.

2. *Investigation proceedings by the CSRC*

On 26 November 2015, the Company received an investigation notice (Ji Cha Zong Dui Diao Cha Tong Zi No. 153121) from the CSRC, which stated: as the Company is suspected to have breached the relevant provisions of the Regulations on the Supervision and Administration of Securities Companies, CSRC has decided to initiate investigation proceedings against the Company. Based on the inquiry by the Company, the scope of the investigation is in relation to the Company's suspected breach of Article 84 of the Regulations on the Supervision and Administration of Securities Companies, in the conduct of its margin financing and securities lending business by failing to execute business contracts with its customers in accordance with the relevant provisions. The Company attached great importance and was actively and comprehensively cooperating with the relevant investigation. Please refer to the announcements published by the Company on 26 November 2015 and 29 November 2015 for details. As at the date of this results announcement, we have not yet received any investigation result from CSRC.

6.4 Punishment and Rectifications of Listed Companies and its Directors, Supervisors, Senior Management and the Largest Shareholder

Please refer to "Punishment and public censure of the Company in or subsisting during the year" of this section for details of punishment imposed on the Company.

During the Reporting Period, none of the Directors, Supervisors, Senior Management or the largest Shareholder was subject to investigations by competent authorities or enforcement actions by judiciary authorities or disciplinary departments; was brought before relevant judiciary authorities or prosecuted for criminal liabilities; was subject to investigations or administrative punishments by the CSRC, or prohibitions from entering into the securities markets; was identified as an inappropriate person for the posts held; or was published by other administrative authorities or publicly censured by any stock exchange.

6.5 Credibility of the Largest Shareholder of the Company during the Reporting Period

During the Reporting Period, neither the Company nor its largest Shareholder had unperformed enforceable court judgments or unpaid debts with larger sum at maturity.

6.6 Material Related Party Transactions/Non-exempt Connected Transactions

6.6.1 Related party transactions in relation to day-to-day operation/non-exempt continuing connected transactions

1. Progress of matters which had been disclosed in interim announcements

(1) Day-to-day related party transactions under the SSE Listing Rules/continuing connected transactions under the Hong Kong Listing Rules

I. Background

The Group conducted its related party/connected transactions in strict compliance with the listing rules of the place where the Shares of the Company are listed, the Management Measures on Information Disclosure and the Administrative Measures on Related Party Transactions issued by the Company. Related-party/connected transactions of the Group are conducted in accordance with the principles of impartiality, openness and fairness and related party/connected transaction agreements are entered into based on the principles of equality, free will, fair value and mutual consideration and according to market rates.

The day-to-day related party/continuing connected transactions of the Group are mainly entered into with CITIC Group, their subsidiaries and associates. As CITIC Group indirectly holds 16.66% equity interests in the Company, CITIC Group, its subsidiaries and associates are related/connected parties of the Company according to the SSE Listing Rules and the Hong Kong Listing Rules. CITIC Group engages in a wide range of businesses and has plenty of subsidiaries. The Group, as a participant in the financial market, would inevitably transact with China CITIC Bank, CITIC Trust and CITIC Prudential Life Insurance Co., Ltd., each a subsidiary of CITIC Group and has strong market influences, and together would form an integrated operation for the provision of comprehensive domestic and overseas financial services to clients. On the one hand, this is favorable for the expansion of the Group's business and enhancement of its service level; on the other hand, it also provides business opportunities to the Group. Such related party/connected transactions will be favorable to the business development, increase investment returns, and are in line with the Group's business and thus favorable to the long term development of the Group.

According to the relevant requirements, and based on the analysis of the types and contents and different nature of existing and possible ongoing related party/connected transactions between the Group and CITIC Group and its subsidiaries and associates, the Group classified such transactions into three major categories, namely securities and financial products transactions and services, property leasing and miscellaneous services. At the time of the listing of the Company's H Shares, the Company and CITIC Group entered into the Securities and Financial Products Transactions and Services Framework Agreement upon the approval by the 2011 Third Extraordinary General Meeting of the Company; and entered into the Miscellaneous Services Framework Agreement and the Property Leasing Framework Agreement upon the approval of the Board, pursuant to which the parties agreed on the contents of the day-to-day related party/continuing connected transactions thereunder from 2011 to 2013 and set the respective annual caps for the transaction amounts. On 31 December 2013, the Company and CITIC Group renewed the Securities and Financial Products Transactions and Services Framework Agreement upon the approval by the 2013 Third Extraordinary General Meeting of the Company; and renewed the Miscellaneous Services Framework Agreement and entered into the Supplemental Agreement I to the Property Leasing Framework Agreement upon the approval by the Board, pursuant to which the parties agreed on the contents of the related party/continuing connected transactions thereunder and set respective annual caps for the transaction amounts from 2014 to 2016.

On 14 February 2017, the Company further renewed the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group upon the approval by the 2017 First Extraordinary General Meeting of the Company (which was convened on 19 January 2017); and further renewed the Miscellaneous Services Framework Agreement and entered into Supplemental Agreement II to the Property Leasing Framework Agreement with CITIT Group upon the approval by the Board, pursuant to which the parties agreed on the contents of the related party/continuing connected transactions thereunder from 2017 to 2019 and set respective annual caps for the transaction amount.

During the Reporting Period, the above day-to-day related party/continuing connected transactions were conducted pursuant to the respective framework agreements entered into between the Company and CITIC Group and relevant pricing principles for the transactions had been strictly followed. The transaction amount and the transaction content did not exceed the scope of such agreements. Details are set out below:

II. Securities and Financial Products Transactions and Services Framework Agreement between the Company and CITIC Group

Pursuant to the framework agreement, the Group and CITIC Group and its subsidiaries and associates conduct securities and financial products transactions and provide mutual securities and financial services during the ordinary course of business. Both the Company and CITIC Group agreed that: ① Securities and Financial Products Transactions: irrespective of whether or not such securities and financial products transactions are conducted in the PRC interbank bond market, such transactions shall be conducted by the parties at the prevailing market prices applicable to independent counterparties for the same type of transactions; ② Securities and Financial Services: interest rates on deposits: shall not be lower than the interest rates authorized by the People's Bank of China for the same type of deposits with commercial banks and shall not be lower than the interest rates of those banks offered to other clients by CITIC Group, its subsidiaries and associates for the same type of deposits; commissions and service fees: shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations. The agreement is valid for three years, that is, from 1 January 2014 to 31 December 2016, subject to renewal.

The Hong Kong Stock Exchange has granted waiver to the Group in respect of the following matters: ① as for the securities and financial products transactions, exemption from setting the annual caps from 2014 to 2016 for such transactions; ② as for the securities and financial services, in respect of the proprietary funds of the Group and its clients' funds placed with the banking subsidiaries of CITIC Group and its associates in the PRC and Hong Kong, exemption from complying with the requirement to set a maximum daily deposit balance limit on such deposits.

For the year of 2016, with respect to the day-to-day related party/continuing connected transactions between the Group and CITIC Group and its subsidiaries and associates, ① the actual transaction amount for the securities and financial products transactions; and ② the annual caps and actual transaction amount for the securities and financial services are as follows:

In RMB ten thousand

Subject matter	Annual cap for the year of 2016	Actual Transaction Amount for the year of 2016	Percentage of total amount of similar transactions
1. Securities and Financial Products Transactions			
Total cash inflow to the Group arising from sales of fixed income products and equity-linked products, interest received from fixed income derivative products, and borrowing/repurchase of financing transactions	—	30,329,212.86	—
Total cash outflow from the Group arising from purchase of fixed income products and equity-linked products, interest paid for fixed income derivative products, and lending/reverse repurchase of financing transactions	—	1,216,167.02	—
2. Securities and Financial Services			
Income: Securities and financial services provided by the Group to CITIC Group, its subsidiaries and associates	280,000	118,952.15	3.21
Expense: Securities and financial services provided by CITIC Group, its subsidiaries and associates to the Group	120,000	13,378.44	1.10

III. Miscellaneous Services Framework Agreement

Pursuant to the framework agreement, the Company and CITIC Group both agreed to mutually provide certain non-financial miscellaneous services to each other during the term of the Miscellaneous Services Framework Agreement at prices and terms no less favorable than those available to or from independent third parties in compliance with the relevant laws and regulations and upon normal commercial terms. The agreement is valid for three years, from 1 January 2014 to 31 December 2016, subject to renewal.

For the year of 2016, the annual caps and actual transaction amount of the day-to-day related party/continuing connected transactions conducted between the Group and CITIC Group and its subsidiaries and associates under the Miscellaneous Services Framework Agreement are as follows:

In RMB ten thousand

Subject matter	Annual cap for the year of 2016	Actual Transaction Amount for the year of 2016	Percentage of total amount of similar transactions
Income: Non-financial services provided by the Group to CITIC Group or its subsidiaries or associates	600	231.11	0.05
Expenses: Non-financial services provided by CITIC Group or its subsidiaries or associates to the Group	12,000	11,801.30	0.59

IV. Property Leasing Framework Agreement and Supplemental Agreement I to the Property Leasing Framework Agreement

Pursuant to the agreement, the Company and CITIC Group both agreed to determine the rentals for the leased properties according to the relevant laws and regulations and the local fair market value as confirmed by qualified independent property valuer. This agreement is valid for three years, from 1 January 2014 to 31 December 2016, subject to renewal.

For the year of 2016, the annual rental caps and the actual rental amount in relation to Property Leasing Framework Agreement and Supplemental Agreement I to the Property Leasing Framework Agreement between the Group and CITIC Group and its subsidiaries and associates are as follows:

In RMB ten thousand

Subject matter	Annual cap for the year of 2016	Actual Transaction Amount for the year of 2016	Percentage of total amount of similar transactions
Income: Lease of properties to CITIC Group or its subsidiaries or associates by the Group	4,000	420.83	1.72
Expenses: Lease of properties from CITIC Group or its subsidiaries or associates by the Group	5,000	4,979.36	4.18

The auditors of the Company have reviewed the above-mentioned continuing connected transactions and issued a letter to the Board stating that:

- nothing has come to its attention that may cause it to believe that such discloseable continuing connected transactions have not been approved by the Board;
- if the transactions involved the provision of goods or services by the Group, nothing has come to its attention that may cause it to believe that these transactions were not, in all material respects, in accordance with the pricing policy of the Group;

- nothing has come to its attention that may cause it to believe that these transactions were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and
- with respect to the amounts for each of such continuing connected transactions specified in the appendix of the continuing connected transactions letter, nothing has come to its attention that may cause it to believe such discloseable continuing connected transactions have exceeded the annual transaction caps set by the Company.

(2) *Day-to-day related party transactions under the SSE Listing Rules*

According to the SSE Listing Rules, in addition to CITIC Group and its subsidiaries and associates, related parties of the Company also include the companies in which the Directors, Supervisors or members of the Senior Management hold positions as directors or the senior management, but they do not constitute connected persons under the Hong Kong Listing Rules. Related party transactions between the Company and such parties are conducted in compliance with the relevant requirements under the SSE Listing Rules, and will not constitute connected transactions under the Hong Kong Listing Rules. During the Reporting Period, these related party transactions have been implemented according to the Resolution Relating to the Estimate on day-to-day Related Party/Connected Transactions of the Company in 2016, which was considered and approved at the 2015 Annual General Meeting of the Company. New related party transactions shall go through the approval procedures as required by the SSE Listing Rules according to the transaction amounts involved.

In RMB ten thousand

Related party	Subject matter	Estimated transaction amount for 2016	Actual transaction amount for 2016	Percentage of total amount of similar transactions (%)	Impact on profit of the Company
CITIC Private Equity Funds Management Co., Ltd.	Fee income	2,600	20.95	less than 0.01	20.95
	Fee expense	10	—	—	—
	Securities and financial products transactions	in actual amount	Outflow: 3,870	—	—
Qianhai Equity Exchange (Shenzhen) Company Limited	Fee expense	1,000	—	—	—
Qingdao Blue Ocean Equity Exchange	Fee income	540	32.96	less than 0.01	32.96
	Fee expense	3,100	—	—	—
China Life Asset Management Company Limited	Fee income	3,450	1,016.72	—	1,016.72
	Fee expense	3,000	—	—	—
	Securities and financial products transactions	in actual amount	—	—	—
New China Life Insurance Company Co., Ltd.	Fee income	50	—	—	—
	Securities and financial products transactions	in actual amount	—	—	—
China Life Investment Holding Company Limited	Securities and financial products transactions	in actual amount	—	—	—
Sino-Ocean Land Holdings Limited	Fee income	800	—	—	—
	Securities and financial products transactions	in actual amount	—	—	—

Related party	Subject matter	Estimated transaction amount for 2016	Actual transaction amount for 2016	Percentage of total amount of similar transactions (%)	Impact on profit of the Company
Changjiang Securities Company Limited	Fee income	1,050	46	—	46
	Fee expense	3,330	26.42	—	(26.22)
	Securities and financial products transactions	in actual amount	Inflow: 294,038 Outflow: 305,065	—	—
Bohai Industrial Investment Fund Management Co., Ltd.	Securities and financial products transactions	in actual amount	—	—	—
E-Capital Transfer Co., Ltd.	Operating and administrative expenses	300	93.40	—	(93.40)
The People's Insurance Company (Group) of China Limited	Operating and administrative expenses	5	2.9	less than 0.01	(2.9)
	Securities and financial products transactions	in actual amount	Inflow: 260,200 Outflow: 30,000	—	—
Hunan Valin Iron & Steel Group Co., Ltd.	Fee income	120	—	—	—
	Securities and financial products transactions	in actual amount	Outflow: 23,000	—	—

(3) *Other related party transactions*

Bareboat Charter Contract entered into between CITIC Global Trade and Shanghai CITIC Shipping Corporation Limited

Pursuant to the Bareboat Charter Contract entered into between CITIC Global Trade, a wholly-owned subsidiary of CITIC Securities Investment, the Company's wholly-owned subsidiary and Shanghai CITIC Shipping Corporation Limited, the rental income of the Company for 2016 amounted to RMB12.3077 million. For the approval of the above related party transaction, please see the 2014 Annual Report of the Company.

2. ***Matters which had not been disclosed in interim announcements***

(1) *Providing distribution services in respect of financial products of CITIC Trust*

According to the relevant regulatory requirements, the Company and CITIC Trust signed a distribution contract to rectify and collect the unpaid distribution fees of RMB253,400.03 (which were within the budget range of related party/connected transactions of previous years) for the distribution services provided during the period from 18 September 2013 to 19 June 2014 (the date on which the product was ended) in relation to CITIC Juxin Huijin Real Estate Fund I Collected Fund Trust Plan. CITIC Trust is a subsidiary of CITIC Corporation Limited, the Company's largest Shareholder, and hence is a related party/connected person of the Company. The above matter was approved by the independent non-executive Directors on 1 August 2016 and was filed with the SSE on the date of the resolution.

(2) *Jointly setting up a private equity investment fund with CNCB Investment*

CSI Partners Limited, a wholly-owned subsidiary of CSI, a wholly owned subsidiary of the Company, jointly set up a private equity investment fund (hereinafter referred to as the "Fund") with CNCB (Hong Kong) Investment Limited (hereinafter referred to as "CNCB Investment"). CSI and CNCB Investment each contributed USD25 million (approximately RMB173.425 million) as the initial capital contribution. The fund is managed by a general partner, which was established as a joint venture by CSI Partners Limited and CNCB Investment with each a contribution of USD24,500 (approximately RMB170,000). CNCB Investment is a subsidiary of China CITIC Bank, a subsidiary of CITIC Corporation Limited, the Company's largest Shareholder, and hence is a related party/connected person of the Company. The above matter was approved by the independent non-executive Directors on 25 August 2016 and was filed with the SSE on the date of the resolution.

(3) *Huamei Decoration contracting part of renovation project of the office building of the Company*

Beijing Huamei Decoration Engineering Co., Ltd. (hereinafter referred to as “**Huamei Decoration**”) and Beijing Guo’An Electric Co., Ltd (not a related party/connected person) jointly contracted the interior corridor renovation and 2-5F clean-up project of Beijing office building of the Company and entered into the Contract of Interior Corridor Renovation and 2-5F Clean-up Project of Beijing Office Building of CITIC Securities with the Company in May 2016. The total contract price was up to a cap fee of approximately RMB8 million, of which the fees of Huamei Decoration accounted for approximately RMB6 million, which were within the budget range of the three-year continuing related party/connected transactions of the Company. According to the follow-up construction needs, the Company and the construction parties entered into “Supplement Agreement I to the Contract of Interior Corridor Renovation And 2-5F Clean-up Project of Beijing Office Building of CITIC Securities” and paid the relevant construction costs of RMB3.015 million pursuant to the terms of the contract, of which the cost of Huamei Decoration accounted for approximately RMB2.165 million (extrabudgetary). Huamei Decoration is a subsidiary of CITIC Construction Co., Ltd., a subsidiary of CITIC Corporation Limited, the Company’s largest Shareholder, and hence is a related party/connected person of the Company. The above matter was approved by the independent non-executive Directors on 27 September 2016 and was filed with the SSE on the date of the resolution.

(4) *The stock-pledged repo transaction on exchange with Valin Iron & Steel Group*

The Company (as lender) and Hunan Valin Iron & Steel Group Limited (hereinafter referred to as “**Valin Iron & Steel Group**”, as borrower) proposed to conduct a stock-pledged repo transaction. The pledged stock was 97 million tradable A Shares of Hunan Valin Iron & Steel Co., Ltd (stock short name: Valin Iron & Steel, stock code: 000932), a subsidiary of Valin Iron & Steel Group, with an initial transaction amount of not more than RMB230 million, a repo rate of 5.8% per year and a trading period of six months. The above transaction was a standard stock-pledged repo transaction on the floor, with an interest rate not less than the average interest rate level of stock-pledged repo transactions of the Company with the same trading period during the last six months. Mr. ZHANG Youjun, Chairman of the Company served as a director of Valin Iron & Steel Group from January to July 2016. The resignation of Mr. ZHANG from such position does not exceed 12 months, and hence, according to the SSE Listing Rules, Valin Iron & Steel Group is a related party of the Company. The above matter was approved by the independent non-executive Directors on 28 November 2016 and was filed with the SSE on the date of resolution.

(5) *Providing securities brokerage service to POWER CORPORATION OF CANADA*

The Company provided securities brokerage service to POWER CORPORATION OF CANADA and the fee income for 2016 amounted to RMB1,117,500. POWER CORPORATION OF CANADA holds more than 10% of equity interest in China Asset Management Co., Ltd., a major subsidiary of the Company, and hence, it is a related party/connected person of the Company. The above matter was approved by the independent non-executive Directors on 6 March 2017 and was filed with the SSE on the date of resolution.

6.6.2 Related party/non-exempt connected transactions in relation to purchase and sale of assets or equity interests

1. *Waiver of exercise of the right of first refusal*

On 28 October 2016, relevant resolution was considered and passed at the seventh meeting of the Sixth Session of the Board to approve the transfer of 10% of equity interest in China AMC held by Shandong Province Rural Economic Development Investment Company (hereinafter referred to as “**Shandong Rural Investment**”). It was consented that on the condition of the bidding price not less than RMB24 billion (corresponding to the value of the whole equity interest of China AMC), the Company agreed to waive the exercise of the right of first refusal. Currently, the bidding process in Shandong Property Rights Exchange Center in respect of the equity interest held by Shandong Rural Investment was completed on 22 December 2016 and it was confirmed that the transferee was Mackenzie Financial Corporation. The parties have entered into an equity transfer agreement on 29 December 2016, at a consideration of RMB2,400 million. The transfer of equity interest held by Shandong Rural Investment has been submitted to CSRC for approval. Shandong Rural Investment held 10% of equity interest in a major subsidiary of the Company (China AMC) and hence, was a related party/connected person of the Company. The above transaction constituted a related party transaction under the SSE Listing Rules (but did not constitute a connected transaction under the Hong Kong Listing Rules). For details of approval of the above transaction, please refer to the announcement of the Company dated 29 October 2016.

2. *Disposal of 1.325% equity interest in CITIC Real Estate by Goldstone Investment*

On 8 January 2016, GoldStone Investment, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CITIC Corporation Limited, a substantial shareholder of the Company. Pursuant to the Equity Transfer Agreement, GoldStone Investment agreed to transfer, subject to certain conditions, 90,000,000 shares of CITIC Real Estate, representing approximately 1.325% equity interest in CITIC Real Estate, held by it to CITIC Corporation Limited, at a consideration of RMB344,965,586.55 to be paid by CITIC Corporation Limited in cash. Upon completion of the equity transfer, GoldStone Investment would no longer hold any equity interest in CITIC Real Estate.

CITIC Corporation Limited is the largest Shareholder and a connected person of the Company. Accordingly, the entering into of the Equity Transfer Agreement between GoldStone Investment, a wholly-owned subsidiary of the Company, and CITIC Corporation Limited constitutes a connected transaction of the Company. As the highest of the applicable size test percentage ratios in respect of the Equity Transfer is more than 0.1% but less than 5%, pursuant to Chapter 14A of the Hong Kong Listing Rules, the entering into of the Equity Transfer Agreement between GoldStone Investment and CITIC Corporation Limited is subject to the reporting and announcement requirements, but is exempt from the independent Shareholders’ approval requirement.

The original main purpose of the investment by GoldStone Investment in the shares of CITIC Real Estate was to obtain returns through exit after the listing of CITIC Real Estate. However, upon the listing of CITIC Limited on the Hong Kong Stock Exchange in September 2014, and according to the relevant requirements of the Hong Kong Listing Rules, CITIC Real Estate, as an indirect subsidiary of CITIC Limited, will have difficulties to be spun-off and separately listed. In addition, having considered factors from the perspectives of investment income, opportunity cost of capital, and increasing the efficiency in the use of capital of GoldStone Investment etc., it is proposed that the investment made by GoldStone Investment in the shares of CITIC Real Estate should be withdrawn through the Equity Transfer and the capital recovered therefrom should be invested in other projects of GoldStone Investment.

For details of the above transactions, please see the relevant announcement of the Company dated 8 January 2016.

6.6.3 Debts of related/connected parties

In RMB yuan

Related/connected party	Relationship	Funds provided to related/connected parties by the listed company			Funds provided to the listed company by related/connected parties		
		Balance at the beginning of the period	Amount provided	Balance at the end of the period	Balance at the beginning of the period	Amount provided	Balance at the end of the period
China CITIC Bank Corporation Limited	Subsidiary of the Shareholder	711,126.75	-522,624.00	188,502.75	1,568,201.34	4,368,712.08	5,936,913.42
China CITIC Bank Corporation Limited	Subsidiary of the Shareholder	1,813.85	297,518.41	299,332.26	353,350.09	79,549.38	432,899.47
CITIC Pacific Limited	Subsidiary of the Shareholder	335,108.49	553,000.00	888,108.49	—	366,218.76	366,218.76
CITIC Industrial Investment Group Corp., Ltd.	Subsidiary of the Shareholder	292,244.58	—	292,244.58	—	—	—
CITIC Construction Co., Ltd.	Subsidiary of the Shareholder	519,423.60	-519,423.60	—	—	250,657.37	250,657.37
Beijing CITIC Investment Company	Subsidiary of the Shareholder	—	—	—	145,118.58	-77,118.58	68,000.00
Total		<u>1,859,717.27</u>	<u>-191,529.19</u>	<u>1,668,188.08</u>	<u>2,066,670.01</u>	<u>4,988,019.01</u>	<u>7,054,689.02</u>
Reasons for the debt relationship with related/connected parties	Mainly property rental deposit; custody fee due to related/connected parties by the Company.						
Impact of debts of related/connected parties on the Company	No adverse impact.						

6.6.4 Guarantees provided by related/connected parties to the Company

In 2006, the Company issued RMB corporate bonds in an amount of RMB1,500 million for a term of 15 years, which are guaranteed by CITIC Group. The guarantee was inherited by CITIC Corporation Limited according to the reorganization agreement of CITIC Group. As at the end of the Reporting Period, the guarantee provided by CITIC Corporation Limited to the Company amounted to a total of RMB1,500 million.

6.6.5 Opinions of independent Directors

The aforesaid related party/connected transactions were conducted at market prices based on pricing principles that are reasonable and fair. Such transactions are not prejudicial to the interests of the non-related/connected Shareholders and do not have any adverse effect on the independence of the Company.

The independent non-executive Directors have confirmed to the Board that they have reviewed the above-mentioned non-exempt continuing connected transactions and considered that the transactions were:

- conducted in the ordinary course of business of the Group;
- on normal commercial terms, or if there is no comparable transaction to determine whether the terms of the transaction are on normal commercial terms, on terms no less favorable to the Group than those available from or to (as the case may be) independent third parties;
- conducted according to the terms set out in the agreement of the relevant transaction, which were fair and reasonable and in the interests of the Shareholders as a whole.

During the Reporting Period, there were no other related party/connected transactions relating to the disposal or acquisition of the Group's assets, nor any other related party/connected transaction related to joint external investment. Save as disclosed above, there is no related party transaction or continuing related party transaction set out in Note 52 to the Consolidated Financial Statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transaction and continuing connected transactions of the Company.

6.7 Guarantees

During the Reporting Period, the total amount provided for guarantees to subsidiaries by the Company and its subsidiaries was RMB224 million. As at the end of the Reporting Period, the total balance of guarantees provided to subsidiaries by the Company and its subsidiaries was RMB28,222 million. The balance of guarantees provided by the Company (including guarantees provided to its subsidiaries) was RMB34,480 million, representing 24.16% of the Company's equity attributable to Shareholders of the parent company for the year 2016.

6.7.1 Guarantees provided by the Company

In 2013, according to the resolution of the 12th meeting of the Fifth Session of the Board, the Company agreed to provide a counter guarantee in favour of Bank of China Limited in relation to the standby letter of credit issued by Bank of China Macau Branch in respect of the first tranche of offshore bonds issued by the Company's subsidiary, CITIC Securities Finance 2013, for an amount of the counter guarantee of USD902 million (equivalent to approximately RMB6,257 million), covering the principal, interest and related fees of the bonds. The guarantee is a joint liability guarantee, which will expire at the end of six months from the expiration date of the standby letter of credit.

In 2014, according to the resolution of the 2013 Annual General Meeting, the duly authorized small group approved the provision of an unconditional and irrevocable guarantee on a joint and several basis for repayment obligations under each batch of notes to be issued pursuant to an overseas medium-term notes program set up by CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company. The scope of the guarantee includes the principal, interest and other contingent payables. On 30 October 2014, CITIC Securities Finance MTN made its first drawdown and issuance of this medium-term notes program in the amount of USD650 million which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. In 2015, CITIC Securities Finance MTN made eight drawdowns under the medium-term notes program with an issue size amounting to USD439.68 million in aggregate, which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis.

During the Reporting Period, CITIC Securities Finance MTN made no drawdown under the medium-term notes program.

In 2015, the Company provided security guarantee in favor of GoldStone ZeXin, its indirect wholly-owned subsidiary, in its application for fixed asset loans and the amount of guarantee was RMB5,000 million.

6.7.2 Guarantees provided by subsidiaries

During the Reporting Period, among all the subsidiaries of the Company, only CSI and its wholly-owned subsidiary CITIC CLSA Limited had provided guarantees. All those guarantees were provided in favour of their relevant subsidiaries for their business operations, such guarantees mainly included loan guarantees, guarantees for medium-term notes, guarantees for property leasing, guarantees for transactions involving the execution of framework agreements for International Swaps and Derivatives Association (the "ISDA Agreements") and Global Master Securities Lending Agreements (the "GMSL Agreements") with counterparties. As at the end of the Reporting Period, the amount of guarantee was approximately RMB15,663 million.

6.8 Other Significant Events and Subsequent Events

6.8.1 Changes to securities business outlets

The Company

During the Reporting Period, the Company established 33 new securities outlets and completed same city relocation of 25 securities outlets and 3 branch offices, transformed nine securities outlets into branch offices by changing Tianjin Youyi Road Securities outlet into Tianjin Branch office, Chengdu Tianfu Avenue Securities outlet into Chengdu Branch office, Xi'an Keji Road Securities outlet into Shaanxi Branch office, Kunming Huancheng West Road Securities outlet into Yunnan Branch office, Taiyuan Yingze West Street Securities outlet into Shanxi Branch office, Hefei Suixi Road Securities outlet into Anhui office, Hohhot Ruyihe Street Securities outlet into Inner Mongolia Branch office, Shijiazhuang Northern Jianshe Street Securities outlet into Hebei Branch office and Changsha Furong Road Securities outlet into Hunan Branch office.

Currently, the Company has 218 securities outlets and 22 branch offices. At this point, the establishment of 33 securities outlets approved in 2016 has been completed. Details of new securities branches are as follows:

No.	Name of New Securities Outlets	Address of New Securities Outlets
1	Beijing Dongzhimen Securities Outlet	04-Commercial-05, Level 4, Block 1, No. 48, Dongzhimenwai Avenue, Dongcheng District, Beijing
2	Shenzhen Houhai Securities Outlet	Level 1, China Railway South Headquarters Building, No. 3333 Zhongxin Road, Yuehai Street, Nanshan District, Shenzhen
3	Hangzhou Binsheng Road Securities Outlet	Room C, Level 26, Xiaohong Building, No. 1777, Binsheng Road, Binjiang District, Hangzhou
4	Shaoxing South Zhongxing Road Securities Outlet	Levels 1-2, No. 97, Zhongxing South Road (Zhongxing Commercial Building), Shaoxing
5	Shenyang Fengtian Street Securities Outlet	(335) 335 Fengtian Street, Shenhe District, Shenyang
6	Jilin Jilin Avenue Securities Outlet	No. 5, 8th Hotel, World Trade Square, No. 2 Jiangwan Road, Changyi District, Jilin
7	Baotou Gangtie Avenue Securities Outlet	11-A1808, Wanda Plaza, No. 26, Qingnian Road, Qingshan District, Baotou
8	Taiyuan Nanzhonghuan Street Securities Outlet	Rooms 1911-1913, Level 19, Block B, Qingkong Innovation Base, No. 529, Nanzhonghuan Street, Gaoxin District, Taiyuan
9	Langfang Yuhua Road Securities Outlet	No. 19, 20, 21, Level 1, Unit 6, Block 12, Wanxiang City, Guangyang District, Langfang
10	Luqiao Fushi Road Securities Outlet	No. 148, Fushi Road, Luqiao Subdistrict, Luqiao District, Taizhou
11	Ningbo Heyi Road Securities Outlet	Room (6-1), No. 168, Heyi Road, Haishu District, Ningbo
12	Shanghai Xinsong Road Securities Outlet	Room 302, Level 3, Block 6, No. 58, Xinsong Road, Minhang District, Shanghai
13	Shanghai New Gonghe Road Securities Outlet	Levels 1-2, No. 5-3, Lane 2395, Gonghe New Road, Jing'an District, Shanghai
14	Shenzhen Futian South Securities Outlet	Level 2, Fuminjiayuan, No. 9, Fumin Road, Futian Subdistrict, Futian District, Shenzhen
15	Shenzhen Bao'an Securities Outlet	Level 1, Xinhua Bookstore Building, No. 78, Jian'an First Road, Xin'an Street, Bao'an District, Shenzhen
16	Nanjing Shuanglong Avenue Securities Outlet	No. 1351, Shuanglong Avenue, Jiangning District, Nanjing
17	Taizhou Gulou South Road Securities Outlet	No. 318, Gulou South Road, Hailing District, Taizhou
18	Hefei Xiyou Road Securities Outlet	101-102, Block 2, Xihuhuayuan, Xiyou Road, Zhengwu District, Hefei
19	Guangzhou Guangzhou Avenue Central Securities Outlet	1405 & 1406, No. 307, Guangzhou Avenue Central, Yuexiu District, Guangzhou
20	Guangzhou Huacheng Avenue Securities Outlet	Unit 02, Level 23, Meilin Jiye Building, No. 667, Huacheng Avenue, Tianhe District, Guangzhou
21	Guangzhou Dongfeng East Road Securities Outlet	Unit 07, Level 13, No. 761, Dongfeng East Road, Yuexiu District, Guangzhou
22	Jiangmen Yingbin Avenue Securities Outlet	No. 1502, 1503, Level 15, No. 131, Yingbin Avenue Central, Pengjiang District, Jiangmen
23	Zhuhai Jingshan Road Securities Outlet	Room 301A, No. 91, Jingshan Road, Xiangzhou District, Zhuhai
24	Dongguan Songshan Lake Securities Outlet	Unit 901, Main building of Rongyi Building, No. 5, Xinxi Road, High and New Tech Development Zone, Songshan Lake, Dongguan
25	Fuzhou Hudong Road Securities Outlet	Unit 02, Level 8, Hengli Finance Center, No. 6, Guanfengting Street, Gudong Subdistrict, Gulou District, Fuzhou
26	Tianjin Dagu North Road Securities Outlet	A2, Level 26, Xinhua International Finance Center, No. 76, Dagu North Road, Xiaobailou Street, Heping District, Tianjin
27	Chengdu Jinyang Road Securities Outlet	No. 25, Level 1, Block 11, No. 172, Jinyang Road, Qingyang District, Chengdu
28	Xi'an Jinye Road Securities Outlet	No. 10201, Level 2, Unit 1, Block 3, Lvdi Central Plaza Zhihai, Southside of Jinye Road, Gaoxin District, Xi'an
29	Baoji Gongyuan Road Securities Outlet	Level 3, Block B, Phase 2, Complex Building, Shaanxi Construction Installation Group First Engineering Corporation, No. 1, Garden Road, Weibin District, Baoji

No.	Name of New Securities Outlets	Address of New Securities Outlets
30	Shijiazhuang Huailing Road Securities Outlet	Rooms 0102-0103, Unit 00, No. B1-1 Commercial and Residential Building, No. 31, Huailing Road, Yuhua District, Shijiazhuang
31	Beijing Yuanda Road Securities Outlet	Room J-1042, Level 1, No. 1, Yuanda Road, Haidian District, Beijing
32	Wuhan South Taizi Lake Securities Outlet	Levels 3 and 4, Block B1, Taizi Lake Cultural and Digital Creative Industry Park, No. 18, Shenlong Road, Wuhan Economic and Technological Development Zone, Wuhan
33	Chongqing Jiefangbei Securities Outlet	Unit 6, Level 50, No. 188, Minzu Road, Yuzhong District, Chongqing

Details of same city relocation of branch offices and securities outlets are as follows:

No.	Name Before Relocation	Name After Relocation	Address After Relocation
1	Beijing Hujialou Securities Outlet	Beijing Hujialou Securities Outlet	Room 125, Level 1, and Room 226, Level 2, Block 9, Guanghua Road, Chaoyang District, Beijing
2	Beijing Jianguo Road Securities Outlet	Beijing Haoyun Street Securities Outlet	Units 15-18 in Room 802, Level 8, Block 1, Jia 40 Liangmaqiao Road, Chaoyang District, Beijing
3	Beijing Wangjing Securities Outlet	Beijing Wangjing Securities Outlet	102 (Ground Floor), Building T2, Poly International Plaza, Area 7, Wangjingdongyuan, Chaoyang District, Beijing
4	Shanghai Pudong Avenue Securities Outlet	Shanghai Lianyang Securities Outlet	Rooms 1801-1804, Block 1, 868 Yinghua Road, Pudong New Area, Shanghai
5	Shanghai Pilot Free Trade Zone Securities Outlet	Shanghai Loushguan Road Securities Outlet	Rooms 2006-2007, Level 20, 555 Loushguan Road, Changning District, Shanghai
6	Shenzhen Qianhai Securities Outlet	Shenzhen Binhai Avenue Securities Outlet	Unit 37, Level 1, Podium Building, Block 2, Shenzhen Software Industry Base, Nanshan District, Shenzhen, Guangdong
7	Shenzhen Wanghai Road Securities Outlet	Shenzhen Qianhai Free Trade Zone Securities Outlet	Counters 08 & 09, Level 1, Unit A and, Unit A, Level 3, Block 11, Qianhai Qiye Gongguan, No. 63, Qianwan First Road, Qianhai Shengang Cooperation Area, Shenzhen, Guangdong
8	Jiangyin Hebei Street Securities Outlet	Jiangyin Xiheng Street Securities Outlet	23, 24, 25, 26, No. 51, Xiheng Street, Jiangyin
9	Yancheng Rrenmin South Road Securities Outlet	Yancheng Yingbin South Road Securities Outlet	Room 111-1 and Room 111, Block 8, North Area, Qianjiang Fangzhou Community, Huanghai Street, Chengnan New District, Yancheng, Jiangsu
10	Dongguan Hongfu Road Securities Outlet	Dongguan Dongcheng Road Securities Outlet	Rooms 1705, 1706, 1707 and 1708, Level 17, portion of Level 1, Yujing Building, Gangbei Dongcheng Road, Dongcheng Subdistrict, Dongguan, Guangdong
11	Foshan Jihua Five Road Securities Outlet	Foshan Guilan Middle Road Securities Outlet	1501-2, Block 2, Tower 10, Vanke Jinyu International Garden, No. 23, Guilan Middle Road, Guicheng Subdistrict, Nanhai District, Foshan
12	Anshan Shengli Road Securities Outlet	Anshan Shengli Road Securities Outlet	No. 18 Qianshan Road, Tiedong District, Anshan, Liaoning
13	Pinghu Renmin East Road Securities Outlet	Pinghu Jianguo North Road Securities Outlet	Block 5, Songfengtai Building, Danghu Subdistrict, Pinghu, Zhejiang
14	Fuyang Yingbin Road Securities Outlet	Hangzhou Guihua West Road Securities Outlet	Level 6, eastern portion of 101 Building, 715 Suo, No. 82 Guihua West Road, Fuyang, Zhejiang
15	Fenghua Qiaodong'an Road Securities Outlet	Fenghua Nanshan Road Securities Outlet	Levels 1 & 9, Aiyimei Wealth Centre, No. 172 Nanshan Road, Fenghua, Zhejiang
16	Hangzhou Xintang Road Securities Outlet	Hangzhou Fengqi East Road Securities Outlet	No. 159 Fengqi East Road, Jianggan District, Hangzhou

No.	Name Before Relocation	Name After Relocation	Address After Relocation
17	Leqing Mingyang Road Securities Outlet	Leqing Bole East Road Securities Outlet	Room 202, Level 2, Caifu Xintiandi, No. 6 Bole East Road, Chengnan Subdistrict, Leqing, Zhejiang
18	Dalian Renmin East Road Securities Outlet	Dalian Wuwu Road Securities Outlet	Level 7, Tianjin Technology Building, No. 23 Youyi Road, Hexi District, Tianjin
19	Guangzhou Panyu Guanghua South Road Securities Outlet	Guangzhou Panyu Wanda Plaza Securities Outlet	Rooms 01-08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou
20	Shenzhen Longgang Huangge Road Securities Outlet	Shenzhen Futian Jintian Road Securities Outlet	Level 30, No. 286 Qingnian Avenue, Heping District, Shenyang
21	Taizhou Shifu Avenue Securities Outlet	Taizhou Fuzhong Road Securities Outlet	Room 2801, Level 28, Lianfa Plaza, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi
22	Hangzhou Gudun Road Securities Outlet	Hangzhou Gudun Road Securities Outlet	Room 111, Block 4, Zhejiang Trader Weath Center, Gudun Road, Xihu District, Hangzhou
23	Ningbo Zhongshan East Road Securities Outlet	Ningbo Yongjiang Avenue Securities Outlet	(4-2)(104), Block 8, No. 26-27, Block 4, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang
24	Tianjin Youyi Road Branch Office	Tianjin Branch Office	Level 7, Tianjin Science & Technology Building, No. 23 Youyi Road, Hexi District, Tianjin
25	Shijiazhuang Northern Jianshe Street Branch Office	Hebei Branch Office	Room 3501-3504, 35/F, Block B, Letai Center, No. 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei
26	Guangdong Branch Branch Office	Guangdong Branch Office	Rooms 01-08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou
27	Dongbei Branch Office	Dongbei Branch Office	Level 30, No. 286 Qingnian Street, Heping District, Shenyang
28	Jiangxi Branch Office	Jiangxi Branch Office	Room 2801, 28/F, Lianfa Plaza, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi

CITIC Securities (Shandong)

During the Reporting Period, CITIC Securities (Shandong) established 1 new branch office by Yantai South Street Securities Outlet into Yanwei Branch Office and 4 new securities outlets, i.e., Zhengzhou Qinling Road Securities Branch, Liaocheng Development Zone Huangshan Road Securities outlets, Jinan Huizhan West Road Securities Outlet and Shouguang Bohai Road Securities Outlet. Currently, CITIC Securities (Shandong) has 65 securities outlet and 4 branch offices.

CITIC Futures

During the Reporting Period, CITIC Futures has no new securities outlet and has closed down 1 securities outlet, i.e., Liuzhou Securities Outlet. It changed Suzhou Securities Outlet into Suzhou Branch Office, Wuhan Securities Outlet into Central South Branch Office, Xi'an Securities Outlet into West Branch Office; Jinan Securities Outlet was relocated to Room 811, 8/F, CITIC Plaza Main Tower, No. 150 Luoyuan Street, Lixia District, Jinan. Changsha Securities Outlet was relocated to No. 198-201 second section of Furong Middle Road, Tianxin District, Changsha, Hunan. Nanchang Securities Outlet was relocated to Room 101 (Level 1-2), C2 Commercial Residential Building, Section C, Greenland Central Plaza, No. 998 Honggu Middle Avenue, Gonggutan New District, Nanchang. Currently, CITIC Futures has 36 securities outlets and 7 branch offices.

CSI

During the Reporting Period, there were no changes in the branches of CSI. Currently, CSI has four branches.

6.8.2 Subsequent progress of matters previously published and significant subsequent events

1. *Transfer of 11.11% equity interest in Xiamen Cross-strait Equity Exchange*

To optimize resources, strength investment management, and adjust asset allocation, on 1 August 2016, the fifth meeting of the Sixth Session of the Board considered and approved the Proposal in Relation to the Equity Transfer of Xiamen Cross-strait Equity Exchange Co., Ltd. to transfer 11.11% equity interest held by the Company in Xiamen Cross-strait Equity Exchange through public bidding process (hereinafter referred to as the “**Transfer**”). Upon completion of the Transfer, the Company will no longer hold any equity interest in Xiamen Cross-strait Equity Exchange. Such equity interest was listed on Beijing Equity Exchange and the transfer was completed at the price of RMB10.10 million in November 2016. As of the date of this results announcement, the change in business registration is in process.

2. *Transfer of 12.7399% equity interest in Qianhai Equity Exchange (Shenzhen)*

On 17 February 2017, the eighth meeting of the Sixth Session of the Board considered and approved the Proposal in Relation to the Transfer of 12.7399% Equity Interest in Qianhai Equity Exchange (Shenzhen) CO., Ltd. to transfer all 12.7399% equity interest held by the Company in Qianhai Equity Exchange (Shenzhen) through public bidding process. Upon completion of the transfer, the Company will no longer hold any equity interest in Qianhai Equity Exchange (Shenzhen). Relevant equity transfer information has been published by the Company at Beijing Equity Exchange on 13 March 2017.

3. *Transfer of 4.5657% equity interest in ECT held by the Company and its subsidiaries*

On 17 February 2017, the Resolution on Transfer of 4.5657% Equity Interest in E-Capital Transfer Co., Ltd. Held by the Company and its Subsidiaries was considered and approved at the eighth meeting of the sixth session of the Board, whereby the Board approved to transfer the 4.5657% equity interest in ECT held by the Company, China AMC and CITIC Futures (both a subsidiary of the Company) through public bidding process. Upon completion of such equity transfer, the Company and its subsidiary will no longer hold any equity interest in ECT. The audit and asset evaluation in relation to the equity transfer has been completed and submitted to CITIC Corporation Limited, the Company’s largest Shareholder, on 19 January 2017. It is currently undergoing economic behavior approval and asset evaluation filing process.

4. *Capital increase in CITIC Securities Investment Limited*

On 17 February 2017, the eighth meeting of the Sixth Session of the Board considered and approved the Resolution on the Capital Increase in CITIC Securities Investment Limited, agreeing to increase the capital of CITIC Securities Investment Limited, a wholly-owned subsidiary of the Company, by RMB11 billion, which will mainly be used to enhance the capital strength of CITIC Securities Investment Limited, expand its scale of business and repay the debts at maturity. As of the date of this results announcement, the Company has completed investment and the change in business registration is in process.

5. *Others*

On 30 October 2014, the Board of the Company resolved to transfer all equity interest held in Kington Securities. Due to the adjustment in operation strategy, the relevant work was suspended temporarily.

During the Reporting Period, the Company made adjustment to CITIC Securities Information and Quantitative Service (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, and the relevant business was transfer back to the parent company. CITIC Securities Information and Quantitative Service (Shenzhen) Company Limited currently is not in a status as going concern.

7. CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

7.1 The share capital structure of the Company as at 31 December 2016 was as follows:

Name of Shareholders	Type of Shares	Number of Shares (Shares)	Percentage of the total number of Shares (%)
CITIC Group ^{Note}	A Shares	2,018,602,746	16.66
Public holders of A Shares	A Shares	7,819,977,954	64.54
Public holders of H Shares	H Shares	2,278,327,700	18.80
Total	—	12,116,908,400	100.00

Note: CITIC Group holds such A Shares indirectly through its subsidiaries, including CITIC Limited and CITIC Corporation Limited, etc.

7.2 During the Reporting Period, there were no changes in the total number of ordinary Shares or the share capital structure of the Company.

7.3 Issue and Listing of Securities

Unit: RMB

Type of shares and derivative securities	Date of issue	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Closing date of trading
Convertible corporate bonds, warrant bonds, corporate bonds						
RMB bonds	26 October 2016	3.10%	2 billion	7 November 2016	2 billion	27 April 2017
RMB bonds	15 November 2016	3.26%	12.5 billion	28 November 2016	12.5 billion	17 November 2019
RMB bonds	15 November 2016	3.38%	2.5 billion	28 November 2016	2.5 billion	17 November 2021

Description of issue of securities during the Reporting Period:

The Company issued a non-public RMB bonds on 26 October 2016, with a size of RMB2 billion and a nominal interest rate of 3.1% for a period of 182 days, which was listed on the SSE on 7 November 2016. The Company issued a public RMB bonds on 15 November 2016, which was listed on the SSE on 28 November 2016 and consists of two types of products. Among which, the 3-year type has a size of RMB12.5 billion and a nominal interest rate of 3.26% and the 5-year type has a size of RMB2.5 billion and a nominal interest rate of 3.38%.

7.4 Information on Shareholders

Total number of Shareholders as at 31 December 2016: 583,524 Shareholders, including 583,360 A Shareholders and 164 registered H Shareholders.

Total number of Shareholders as at the end of the previous month (28 February 2017) before the date of this results announcement: 563,612 Shareholders, including 563,449 A Shareholders and 163 registered H Shareholders.

7.4.1 Shareholdings of the top 10 Shareholders as at 31 December 2016

Unit: Shares

Full name of Shareholder	Shareholdings of the top 10 Shareholders						Nature of the Shareholder
	Change during the Reporting Period	Number of Shares held as at the end of the period	Percentage (%)	Number of Shares held subject to trading moratorium	Shares pledged or frozen	Status	
HKSCC Nominees Limited ^{Note 1}	-587,430	2,277,156,208	18.79	—	Nil	—	Foreign legal persons
CITIC Corporation Limited ^{Note 2}	110,936,871	1,999,695,746	16.50	—	Nil	—	State-owned legal persons
China Securities Finance Corporation Limited	-4,762,993	345,038,689	2.85	—	Nil	—	Unknown
China Life Insurance Company Limited ^{Note 3}	-19,957,281	311,102,718	2.57	—	Nil	—	Domestic non-state-owned legal persons
Central Huijin Investment Company Limited	—	198,709,100	1.64	—	Nil	—	State-owned legal persons
HKSCC ^{Note 4}	53,509,052	123,931,708	1.02	—	Nil	—	Foreign legal persons
Bank of China Co., Ltd. – China Merchants Securities Company All Index Securities Company Index Classified Securities Investment Fund	90,427,178	115,186,880	0.95	—	Nil	—	Domestic non-state-owned legal persons
China Academy of Launch Vehicle Technology	—	106,478,308	0.88	—	Nil	—	State-owned legal persons
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
EFund – Agricultural Bank – EFund China Securities and Financial	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program	15,383,100	104,950,500	0.87	—	Nil	—	Unknown

Note 1: HKSCC Nominees Limited is the nominal holder of the Shares held by non-registered H Shareholders.

Note 2: The shareholding listed here is extracted from the register of members of the Company as at 31 December 2016.

Note 3: The Shares held by China Life Insurance Company Limited are held in two security accounts, namely “China Life Insurance Company Limited – Traditional – General Insurance Products – 005L – CT001Hu” and “China Life Insurance Company Limited – Bonus – Individual Bonus – 005L – FH002Hu”, which held 310,054,938 Shares and 1,047,780 Shares, respectively.

Note 4: The Shares held by HKSCC refer to Shares held by non-registered Shareholders of Shanghai-Hong Kong Stock Connect.

Note 5: Nature of A Shareholders represents the nature of account held by A Shareholders with the Shanghai branch of CSDCC.

Note 6: As the Shares could be used as underlying securities for margin financing and securities lending, the shareholdings of the Shareholders are the aggregate of all the Shares and interests held in ordinary securities accounts and credit securities accounts.

7.4.2 Shareholdings of the top 10 holders of tradable Shares not subject to trading moratorium as at 31 December 2016

Name of Shareholder	Number of tradable Shares held not subject to trading moratorium (Shares)	Class (A Shares, B Shares, H Shares or others)
HKSCC Nominees Limited	2,277,156,208	H Shares
CITIC Corporation Limited	1,999,695,746	A Shares
China Securities Finance Corporation Limited	345,038,689	A Shares
China Life Insurance Company Limited	311,102,718	A Shares
Central Huijin Investment Company Limited	198,709,100	A Shares
HKSCC	123,931,708	A Shares
Bank of China Co., Ltd. – China Merchants Securities Company All Index Securities Company Index Classified Securities Investment Fund	115,186,880	A Shares
China Academy of Launch Vehicle Technology	106,478,308	A Shares
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program	104,950,500	A Shares
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program	104,950,500	A Shares
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	104,950,500	A Shares
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program	104,950,500	A Shares
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	104,950,500	A Shares
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	104,950,500	A Shares
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program	104,950,500	A Shares
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	104,950,500	A Shares
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program	104,950,500	A Shares
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program	104,950,500	A Shares

7.4.3 Shareholdings of the holders of tradable Shares subject to trading moratorium as at 31 December 2016

Unit: Shares

No	Name of Shareholders subject to trading moratorium	Number of Shares held subject to trading moratorium (Shares)	Listing and trading of Shares subject to trading moratorium		Terms of trading moratorium
			Date of listing and trading	Number of increased Shares eligible to be listed and traded	
1	Incentive shares held under custody and others	23,919,000	To be determined after the implementation of the incentive share arrangement	—	To be determined after the implementation of the incentive share arrangement

7.4.4 Information on substantial Shareholders of the Company

Largest shareholder

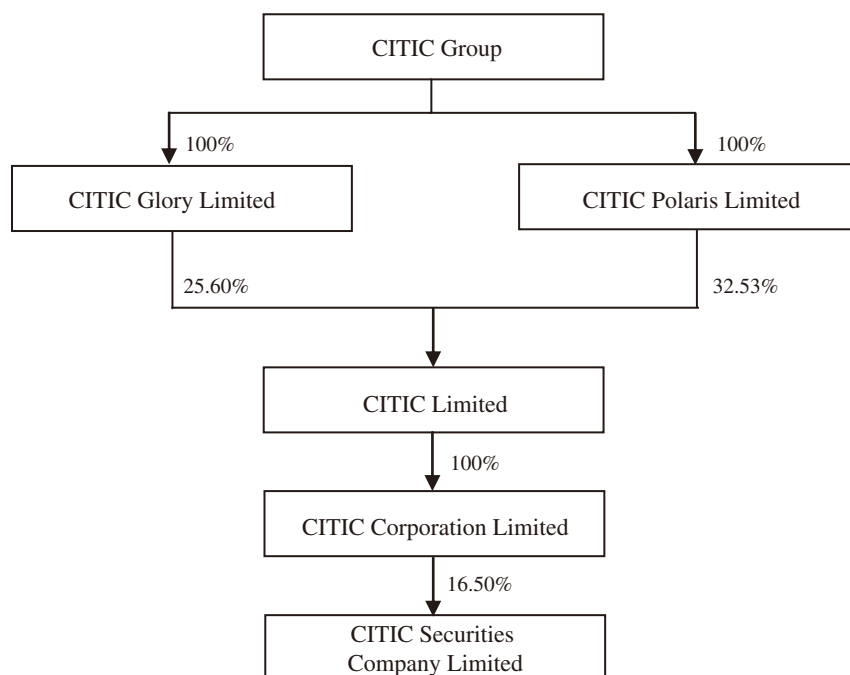
The largest Shareholder of the Company is CITIC Corporation Limited. As at 31 December 2016, it directly held 16.50% Shares in the Company.

As at 31 December 2016, there was only one Shareholder who held more than 10% Shares, namely CITIC Corporation Limited, the largest Shareholder of the Company. Details are as follows:

CITIC Corporation Limited was established on 27 December 2011, the existing legal representative is Mr. CHANG Zhenming and the general manager is Mr. WANG Jiong. Its registered capital is RMB139 billion and the united social credibility code is 91110000717831709271. It is principally engaged in: 1. investment and management in financial sectors, including investment and management of domestic and foreign banks, securities, insurance, trust, asset management, futures, leasing, funds, credit card and other financial enterprises and related industries; 2. investment and management in non-financial sectors, including (1) energy, transport and other infrastructure; (2) mining, exploration of timber and other resources and raw material industry; (3) machinery manufacturing; (4) real estate development; (5) information industry: information system infrastructure, basic telecommunication and value-added telecommunication business; (6) commerce and trade services and other industries: environmental protection; medicine, bio-engineering as well as new materials; aviation, transportation, warehousing, hotel, tourism; international trade and domestic trade, import and export business, commerce; education, publishing, media, culture and sports; consultant service; 3. granting shareholder loans to its international and domestic subsidiaries; capital operation; asset management; domestic and overseas engineering design, constructions, contracting and sub-contracting, export of labor service, and other approved businesses. (The entity was changed from a domestic enterprise to a foreign-funded enterprise on 22 July 2014; as for projects which require approval in accordance with the law, it shall conduct operational activities within the scope approved by the competent authorities).

CITIC Group, the de facto controller of CITIC Corporation Limited, was founded in 1979, the existing legal representative is Mr. CHANG Zhenming and the general manager is Mr. WANG Jiong. Its registered capital is RMB184,198,156,859.03 and the united social credibility code is 91110000717831709271. Its principal businesses are as follows: the information service business under the second category of value-added telecom services (only internet information services, which exclude news, publishing, education, healthcare, medicine and medical equipment and include electronic bulletin services, and are valid until 9 January 2019); external deployment of staff required to implement overseas projects suitable for its capabilities, scale and results performance; investment and management of domestic and foreign banks, securities, insurance, trust, asset management, futures, leasing, funds, credit card financial enterprises and related industries, energy, transport infrastructure, mining, exploration of timber resources and raw material industry, machinery manufacturing, real estate development, information system infrastructure, basic telecommunication and value-added telecommunication business, environmental protection, medicine, bio-engineering as well as new materials, aviation, transportation, warehousing, hotel, tourism, international trade and domestic trade, commerce, education, publishing, media, culture and sports, overseas and domestic engineering design, construction, contracting and sub-contracting, industry investment; project tendering, surveying, design, construction, supervision, contracting and subcontracting, consultant service industry; asset management; capital operation; import and export business. (As for projects which require approval in accordance with the law, prior approvals of the competent authorities shall be obtained before operational activities are conducted.)

As at the end of the Reporting Period, the Shareholder structure of the Company is as follows:



Note: CITIC Glory Limited and CITIC Polaris Limited were incorporated in the British Virgin Islands and are wholly-owned subsidiaries of CITIC Group. CITIC Corporation Limited directly holds 16.50% of the Shares of the Company. Besides, CITIC Corporation Limited also holds certain Shares of the Company through its wholly-owned subsidiaries.

As at 31 December 2016, information of other major listed companies controlled or invested, directly or indirectly by CITIC Limited or CITIC Corporation Limited is as follows:

No.	Name of Listed Companies	Stock Code	Shareholding Percentage	Name of Shareholder
1	China CITIC Bank Corporation Limited	601998.SH 998.HK	65.97%	CITIC Corporation Limited 65.37% Extra Yield International Ltd 0.02% Metal Link Limited 0.58%
2	CITIC Heavy Industries Co., Ltd.	601608.SH	67.27%	CITIC Corporation Limited 60.49% CITIC Automobiles Limited 2.26% CITIC Investment Holdings Limited 4.52%
3	CITIC Offshore Helicopter Co., Ltd.	000099.SZ	38.63%	CITIC Offshore Helicopter Limited Liabilities Company 38.63%
4	CITIC Resources Holdings Limited	1205.HK	59.50%	Keentech Group Ltd 49.57% CITIC Australia Pty Limited 9.55% Extra Yield International Ltd. 0.38%
5	Asia Satellite Telecommunications Holdings Limited	1135.HK	74.43%	Bowenvale Ltd 74.43%
6	CITIC Dameng Holdings Limited	1091.HK	43.46%	Highkeen Resources Limited 34.39% Apexhill Investments Limited 9.07%
7	CITIC Telecom International Holdings Limited	1883.HK	60.24%	Richtone Enterprises Inc. 3.81% Ease Action Investments Corp. 35.13% Silver Log Holdings Ltd 17.29% Perfect New Holdings Limited 4.01%
8	Dah Chong Hong Holdings Limited	1828.HK	56.07%	Certain subsidiaries of CITIC Pacific Limited 56.07% in aggregate
9	Daye Special Steel Co., Ltd.	000708.SZ	58.13%	CITIC Pacific (China) Investment Limited 28.18% Hubei Xinye Steel Limited 29.95%
10	CITIC Envirotech Ltd	U19.SG	63.72%	CKM (Cayman) Company Limited 63.72%
11	Yuan Long Ping High-Tech Agriculture Co., Ltd.	000998.SZ	18.79%	CITICS Industrial Investment Group Corp., Ltd 8.71% CITIC Construction Co., Ltd. 6.72% Shenzhen Xinnong Investment Center LP 3.36%
12	China Overseas Land & Investment LTD.	688.HK	10%	Complete Noble Investments Limited 10%

In addition to those set out in the above table, as at 31 December 2016, major listed companies controlled or invested by CITIC Group are as follows:

Name of Listed Companies Invested	Stock Code	Shareholding Percentage	Shareholder
CITIC Limited	0267.HK	58.13%	CITIC Polaris Limited 32.53% CITIC Glory Limited 25.60%

Note 1: The table only lists the major listed subsidiaries controlled or invested by CITIC Group.

Note 2: The shareholding percentages listed in the table are direct interest.

As at 31 December 2016, there was no other Shareholder directly holding more than 5% Shares in the Company. The Shares held by HKSCC Nominees Limited are for the non-registered holders of H Shares.

7.5.5 Interest and short positions of substantial Shareholders

Pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), substantial Shareholders are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed threshold. The following table is derived from the latest interest information disclosed by the substantial Shareholders on the HKExnews website of HKEx as at 31 December 2016. As they are only required to disclose the change of their interests when it reaches certain prescribed threshold, the information set out in the following table may be inconsistent with their actual interests as at 31 December 2016.

Name of Shareholder	Capacity	Class of Shares	Number of Shares (Shares)/ Type of Shares Held	Percentage of the Number of A Shares/H Shares as at 31 December 2016 (%) ^{Note 4}	Percentage of Total Shares of the Company as at 31 December 2016 (%)
CITIC Group	Interest of controlled corporation ^{Note 1}	A Shares	2,018,602,746/Long positions	20.52	16.66
National Council for Social Security Fund	Beneficial owner	H Shares	690,359,200 ^{Note 2} /Long positions	30.30	5.70
BlackRock, Inc.	Interest of controlled corporation ^{Note 3}	H Shares	123,446,196/Long positions 674,500/Short positions	5.42 0.03	1.02 0.006

Note 1: As of the date of this results announcement, CITIC Group indirectly holds 2,018,602,746 A Shares of the Company through its controlled corporations including CITIC Corporation Limited and CITIC Limited.

Note 2: According to the notices of disclosure of interests on the HKEXnews website, the National Council for Social Security Fund held equity interest in the Company in a total of 690,359,200 H Shares, including an aggregate of interests in shares in 640,000,000 H Shares proposed to be subscribed by it through ICBC Credit Suisse Asset Management (International) Company Limited and through Bosera Asset Management Co. Limited and Bosera Asset Management (International) Co. Limited pursuant to two subscription agreements dated 8 June 2015 entered with the Company for the subscription of shares. The above private placement of H Shares was considered and approved at the second extraordinary general meeting of the Company in 2015, but is yet to take place. Such resolution was expired on 24 August 2016.

Note 3: BlackRock, Inc. indirectly held the relevant interests and short positions through its controlled corporations.

Note 4: The relevant percentages are calculated based on the total number of 2,278,327,700 H Shares of the Company or the total number of 9,838,580,700 A Shares in issue as at 31 December 2016.

Note 5: According to the notices of disclosure of interests on the HKEXnews website, Lazard Asset Management LLC, Barco BTG Pactual S.A. and Capital Research and Management Company were shown as substantial Shareholders holding 5% or more of the total issued H Shares of the Company. Upon completion of the non-public issuance of H Shares by the Company in June 2015, the interests held by these three Shareholders should have been reduced to less than 5% of the total issued H Shares and they are accordingly not shown as substantial Shareholders in the table above.

Saved as disclosed above, as at 31 December 2016, our Directors were not aware of any other persons (other than Directors, Supervisors and the Chief Executive Officer) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under sector 336 of the Securities and Futures Ordinance.

8. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

8.1 Basic Information of Directors, Supervisors and Senior Management

8.1.1 Changes in the Shares held and information on remuneration (the order of independent non-executive Directors is arranged according to the number of strokes of their Chinese surnames)

Unit: Shares

Name	Position ^(Note)	Gender	Age	Term of office commencing from	Term of office ending on	Shares held at the beginning of the year (Shares)	Shares held at the end of the year (Shares)	Change (increase/decrease) in shareholding during the year	Reasons for change (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether received remuneration from the Company's related parties or not
ZHANG Youjun	Executive Director, Chairman	Male	51	2016.1.19	2019.1.18	374	374	—	—	280.29	No
YANG Minghui	Executive Director, President	Male	52	2016.1.19	2019.1.18	—	—	—	—	721.66	No
CHEN Zhong	Non-executive Director	Male	44	2016.11.14	2019.1.18	—	—	—	—	—	Yes
LIU Ke	Independent non-executive Director	Male	58	2016.1.19	2019.1.18	—	—	—	—	16.5	No
HE Jia	Independent non-executive Director	Male	62	2016.3.23	2019.1.18	—	—	—	—	11.85	No
CHAN, Charles Sheung Wai	Independent non-executive Director	Male	63	2016.5.9	2019.1.18	—	—	—	—	10	No
LI Fang	Supervisor, Chairman of the Supervisory Committee	Male	59	2016.1.19	2019.1.18	—	—	—	—	109.92	No
GUO Zhao	Supervisor	Male	60	1999.9.26	2019.1.18	—	—	—	—	10	Yes
RAO Geping	Supervisor	Male	69	2016.3.23	2019.1.18	—	—	—	—	7.5	No
LEI Yong	Employee representative Supervisor	Male	49	2002.5.30	2019.1.18	483,285	483,285	—	—	278.57	No
YANG Zhenyu	Employee representative Supervisor	Male	46	2005.12.16	2019.1.18	81,000	81,000	—	—	228.46	No
Ge Xiaobo	Chief Financial Officer	Male	46	2017.3.3	2019.1.18	870,000	870,000	—	—	—	No
ZHANG Guoming	Compliance Officer	Male	53	2013.9.10	2019.1.18	—	—	—	—	276.9	No
CAI Jian	Chief Risk Management Officer	Male	58	2016.1.19	2019.1.18	—	—	—	—	283.64	No
ZHENG Jing	Secretary to the Board, Company Secretary	Female	44	2011.4.21	2019.1.18	—	—	—	—	269.84	No
YIN Ke	Former Executive Director	Male	53	2009.6.30	2017.3.22	—	—	—	—	HK\$13.505 million	No
FANG Jun	Former executive Director	Male	48	2012.6.20	2016.11.14	—	—	—	—	—	Yes
LEE Kong Wai, Conway	Former independent non-executive Director	Male	62	2011.11.14	2016.5.9	—	—	—	—	5.9	No
RAO Geping	Former independent non-executive Director	Male	69	2011.8.11	2016.3.23	—	—	—	—	4.65	No
Total	—	—	—	—	—	1,434,659	1,434,659	—	—	Approximately 3,723.72	—

Note 1: Where a person has more than one position under the “Position” column, the “term of office” will only show the term of office of the first position held by that person in that column; the “term of office” of a re-elected Director or Supervisor begins from the date of his/her first appointment as a Director or Supervisor of the Company; the “term of office” of a re-elected member of the Senior Management begins from the date of his/her first appointment as a member of the Senior Management by the Board.

Note 2: According to the resolution at the 2011 Annual General Meeting, since July 2012, the Company shall pay an allowance of RMB100,000 per year (tax inclusive) to each of the non-executive Directors and Supervisors, an allowance of RMB150,000 per year (tax inclusive) to each of the independent non-executive Directors, and a subsidy of RMB3,000 per person to each Director who attends a meeting of the Board’s special committee on-site. Please refer to the China Securities Journal, Shanghai Securities News and Securities Times dated 21 June 2012 for details of the resolution. In addition, Mr. YIN Ke, the former executive Director, only received his remuneration from CSI, a wholly-owned subsidiary of the Company, instead of the Company; Mr. CHEN Zhong, the non-executive Director, and Mr. FANG Jun, the former non-executive Director, have not received any remuneration or allowance from the Company. The remuneration received by each of independent non-executive Directors, Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai and each of Supervisors, Mr. RAO Geping and Mr. GUO Zhao, was the Director’s/Supervisor’s allowance received by each of them from the Company in 2016. The remuneration of Mr. LEE Kong Wai, Conway, a former independent non-executive Director, was the Director’s allowance received by him from the Company between January and April 2016; the remuneration of Mr. RAO Geping, a former independent non-executive Director, was the Director’s allowance received by him from the Company between January and March 2016.

Note 3: Shares held by Directors, Supervisors and Senior Management are all A Shares, which include incentive shares initially granted upon the implementation of the share incentive scheme, the placing shares and the capitalization issue of bonus shares.

Note 4: On 31 December 2016, the A Share closed at RMB16.06 and the H Share closed at HKD15.76.

Note 5: During the Reporting Period, there was re-election of the Board and the Supervisory Committee. Mr. WANG Dongming, former executive Director and Chairman of the Board, and Ms. NI Jun, former Chairman of the Supervisory Committee, received remuneration from the Company in the amount of RMB165,670 and RMB83,090, respectively; while other former Directors and former Supervisors didn’t receive remuneration from the Company (except for those listed in the above table) during the Reporting Period.

Note 6: On 3 March 2017, the Resolution on Appointment of Person in Charge of Accounting Affairs of the Company was considered and approved on the ninth meeting of the Sixth Session of the Board of the Company to appoint Mr. GE Xiaobo as the person in charge of accounting affairs of the Company. His remuneration will be disclosed from 2017.

Note 7: In 2016, Mr. YANG Minghui, an Executive Director and the President of the Company, received remuneration in the amount of RMB1,546.3 thousand from the Company and remuneration in the amount of RMB5,670.4 thousand from China AMC, a subsidiary of the Company.

Note 8: Before the 11th meeting of the Sixth Session of the Board held on 22 March 2017, Mr. YIN Ke submitted the resignation letter to the Board to resign from his positions as an executive Director and members of relevant special committees under the Board. The resignation of Mr. XIN Ke came into effect when his resignation letter was served to the Board. During 2016, Mr. YIN Ke received remuneration in the amount of HK\$13,505.0 thousand (equivalent to approximately RMB12,080.4 thousand) from CSI.

8.1.2 Current positions held by Directors or Supervisors in Shareholders

Name	Name of Shareholder	Position held in Shareholders	Term of office commencing from	Term of office until
ZHANG Youjun	CITIC Corporation Limited	Assistant to the General Manager	2015.11	Until expiry of term
CHEN Zhong	China Life Insurance (Group) Company	General Manager of Investment Management Department	2016.2	Until expiry of term
Description on the positions held in Shareholders	Mr. ZHANG Youjun is also an assistant to the general manager of CITIC Group and an assistant to the general manager of CITIC Limited.			

8.1.3 Current positions held by Directors or Supervisors in other entities

Name	Names of other entities	Positions held in the entities	Terms of office commencing from	Terms of office until
YANG Minghui	China AMC	Chairman	2013.11	Until expiry of term
LIU Ke	Business School of Beijing Language and Culture University	Professor	2001.6	Until expiry of term
HE Jia	Southern University of Science and Technology	Leading Professor	2014.5	Until expiry of term
RAO Geping	Peking University	Professor of the Law School, Ph.D. Candidate Supervisor	1994.8	Until expiry of term
Description on the positions held in other entities	Nil			

8.1.4 Major working experience of the current Directors, Supervisors and Senior Management

Executive Directors (2 individuals)

Mr. ZHANG Youjun, serves as an executive Director, Chairman of the company, and deputy secretary to the Communist Party Committee of the Company. Mr. ZHANG joined the Company at the time of the establishment of the Company in 1995, and was appointed as Director of the Company on 19 January 2016. During the same term, he was elected as the Chairman of the Company. Mr. ZHANG also acts as the assistant to the general manager of CITIC Group, the assistant to the general manager of CITIC Limited and CITIC Corporation Limited and the chairman of CSI. Mr. ZHANG had worked as a general manager of the trading department of the Company, an assistant manager and deputy general manager of the Company since 1995, and was appointed as a Director of the Company from September 1999 to June 2012 and the general manager of the Company from May 2002 to October 2005. Mr. ZHANG previously worked as the general manager of Changsheng Fund Management Co., Ltd. from 1998 to 2001; initially as the general manager and subsequently as the chairman of CSCL from 2005 to 2011; a director of the board office of CITIC Group from December 2011 to December 2015. Mr. ZHANG obtained a Bachelor's degree in economics (majoring in money and banking) in 1987 from Renmin University of China and a Master's degree in economics (majoring in money and banking) in 1990 from Central University of Finance and Economics.

Mr. YANG Minghui, serves as an executive Director, the President of the Company and a member of the Communist Party Committee of the Company. Mr. YANG joined the Company in 1995 when the Company was established and was appointed as a Director of the Company on 19 January 2016. Mr. YANG also serves as chairman of China AMC, chairman of China Asset Management (Hong Kong) Limited and chairman of China AMC Capital Management Limited. Mr. YANG served as a director, assistant manager and deputy general manager of the Company; Mr. YANG was a director and executive vice-president of CITIC Holdings and a director of CITIC Trust from 2002 to 2005; the chairman of CITIC-Prudential Fund Management Co., Ltd. from 2005 to 2007; and an executive director and the president of China Jianyin Investment Securities Company Limited from 2005 to 2011. Mr. YANG was granted the title of senior economist by China International Trust and Investment Corporation, the predecessor of CITIC Group, in October 1996. Mr. YANG obtained a Bachelor's degree in engineering (majoring in mechanical manufacturing technology and equipment) from the Department of Mechanical Engineering of East China Institute of Textile Science and Technology in 1982 and obtained a Master's degree in engineering (majoring in textile machinery) from the Department of Mechanical Engineering of East China Institute of Textile Science and Technology in 1985.

Non-executive Director (1 individual)

Mr. CHEN Zhong, serves as a non-executive Director of the Company. Mr. CHEN joined the Company in 2016 and was appointed as a Director on 28 June 2016. He formally took office on 14 November 2016 (upon approval by the regulatory authority on the qualification for serving as director). Mr. CHEN also acts as the General Manager of the Investment Management Department in China Life Insurance (Group) Company. Mr. CHEN is also concurrently a director of Shanghai Lujiazui Finance and Trade Zone United Development Co., Ltd. and a director of Hui Xian Holdings Limited. Mr. CHEN had previously worked in Industrial and Commercial Bank of China from 1997 to 2016, and since 2009 had served as assistant to President and as Vice President of Chongqing Branch, Deputy General Manager of Credit and Investment Management Department and Deputy General Manager of Credit Approval Department of the Head Office. In 2002, Mr. CHEN obtained a Ph.D. degree in Economics from the Institute of Industrial Economics of the Academy of Finance and Economics of the Chinese Academy of Social Sciences.

Independent non-executive Directors (3 individuals, and are presented in the order of the number of strokes of their Chinese surnames)

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

Mr. HE Jia, serves as an independent non-executive Director of the Company. Mr. HE joined the Company in 2016 and was appointed as a Director on 19 January 2016. He formally took office on 23 March 2016 (upon approval by the regulatory authority on the qualification for serving as independent director). Mr. HE also serves as a chair professor of Southern University of Science and Technology of China, Cheung Kong Visiting Chair Professor of the Ministry of Education and executive director and academic member of the China Society for Finance and Banking, and is also an independent director of Tongfang Co., Ltd. (a company listed on SSE), Shenzhen Xinguodu Technology Co., Ltd. (a company listed on ChiNext of SZSE), China Chengtong Development Group Limited (a company listed on Hong Kong Stock Exchange), OP Financial Investments Limited (a company listed on Hong Kong Stock Exchange), China Investment Securities Co., Ltd. and Tibet Huayu Mining Co., Ltd. Mr. HE was an assistant professor and associate professor (life tenure) of the University of Houston from August 1991 to August 1999, professor of the Department of Finance of The Chinese University of Hong Kong from August 1996 to July 2015, member of the Planning and Development Committee of the CSRC from June 2001 to July 2002 and the director of Shenzhen Stock Exchange Research Institute from June 2001 to October 2002. Mr. HE graduated from Heilongjiang University in 1978, majoring in mathematics (worker-peasant-soldier student), obtained a double Master's degree in computer science and decision science engineering from Shanghai Jiao Tong University in 1983 and obtained a Doctoral degree majoring in finance from the Wharton School of the University of Pennsylvania in 1988.

Mr. CHAN, Charles Sheung Wai, serves as an independent non-executive Director of the Company. Mr. CHAN joined the Company in 2016 and was appointed as a Director on 19 January 2016. He formally took office on 9 May 2016 (upon approval by the regulatory authority on the qualification for serving as independent director). Mr. CHAN also serves as an independent non-executive director of SRE Group Limited (a company listed on Hong Kong Stock Exchange) and an independent non-executive director of ChangYou.com Limited (a company listed on NASDAQ, USA). Mr. CHAN joined Arthur Andersen Canada in 1977 and became a global partner of Arthur Andersen in 1998. He joined Arthur Andersen China/Hong Kong in 1994 and served as head of audit department and business consulting department of Greater China region. He was a partner of the China/Hong Kong Office of PricewaterhouseCoopers and assumed senior management functions from July 2002 to June 2012. Mr. CHAN was an independent director of China Grand Auto Limited (a company listed on SSE) from October 2013 to August 2015. Mr. CHAN served as a member of the Listing Committee of Hong Kong Stock Exchange from 1998 to 2001 and served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Society of Certified Public Accountants, a member of the Accounting Standards Committee, a member of the Auditing Standards Committee and the chairman of the China Accounting Standards Committee. Mr. CHAN obtained his professional qualification as a Certified General Accountant in Canada in 1980 and became a certified public accountant in Hong Kong in 1995. Mr. CHAN obtained a Bachelor (with) Honour degree in Commerce from the University of Manitoba, Canada in 1977.

Supervisors (4 individuals)

Mr. LI Fang, serves as a Supervisor, chairman of the Supervisory Committee of the Company (since 20 July 2016) and a member of the Communist Party Committee of the Company. Mr. LI joined the Company in 2016, and was appointed as Supervisor of the Company on 19 January 2016. Mr. LI also serves as the secretary-general of the Council and director of the Planning and Research Department of NSSF and the non-executive director of The People's Insurance Company (Group) of China Limited (a company listed on Hong Kong Stock Exchange). Mr. LI served as a director of Jiangxi Science and Technology Development Centre and director of Jiangxi Institute of Computer Technology from 1991 to 1996; vice-president of Jiangxi Academy of Sciences from 1996 to 2000; president of Jiangxi Academy of Sciences from 2000 to 2004; deputy secretary and deputy mayor of Jiujiang City, Jiangxi Province from 2004 to 2006; party committee secretary of the Jiujiang Economic and Technological Development Zone of Jiangxi Province from January 2006 to November 2006; deputy secretary of the municipal party committee, acting mayor, mayor of Jingdezhen, Jiangxi Province from 2006 to 2010; and the director of the Office of the Council of NSSF from 2010 to 2011. Mr. LI graduated from Beijing Institute of Iron and Steel Engineering in 1980, majoring in metal physics and obtained a Master's degree in business administration from the School of Management of Huazhong University of Science and Technology in 2005.

Mr. GUO Zhao, serves as a Supervisor of the Company. Mr. GUO joined the Company in 1999 and was appointed as a Supervisor on 26 September 1999. Mr. GUO previously worked as the deputy chief accountant of Nanjing International Container Handling Co., Ltd. from 1988 to 1992, responsible for the financial affairs of the company; as the secretary to the board of directors of Nanjing Xingang High-Tech Co., Ltd. from 1992 to 2002, responsible for the board affairs and information disclosure of the company; and as director of Nanjing Chengong Pharmaceuticals Co., Ltd from January 2001 to January 2013; and vice president of Nanjing Gaoke Co., Ltd. from June 2003 to December 2016; and director and general manager of Nanjing Chengong Pharmaceuticals Co., Ltd. from January 2001 to January 2017. Mr. GUO is an accountant and obtained the accountant certificate in September 1993, which was granted by the Committee for Assessment of Academic Qualifications of the PRC Ministry of Transport. Mr. GUO obtained a college diploma in water transport finance and accounting in 1988 from Wuhan Heyun College.

Mr. RAO Geping, serves as a Supervisor of the Company. Mr. RAO formally took office of a Supervisor of the Company on 23 March 2016, when Mr. HE Jia formally took office of independent non-executive Director of the Company. Mr. RAO is also a professor and doctoral supervisor of the International Law Institution, head of the Center for Hong Kong and Macao Studies, head of the Center of Hong Kong, Macao and Taiwan Law Studies in Peking University. Mr. RAO also serves as member of 12th CPPCC National Committee and member of the Committee for the Basic Law of Hong Kong of the Standing Committee of the NPC; chairman of the Institute of Hong Kong and Macao Affairs of the Development Research Center of the State Council; member of the Law Specialty Committee on National Self-taught Higher Education Examinations; and independent supervisor of China TravelSky Holding Company. Mr. RAO previously served as an independent non-executive director of China National Biotech Group Company Limited, Yangguang Xinye Real Estate Co., Ltd. (a company listed on SZSE) and Poly Culture Corporation Limited (a company listed on Hong Kong Stock Exchange). Mr. RAO obtained a Master's degree in law in 1982 from Peking University and was a visiting scholar at the University of Washington, New York University, and Max Planck Institute of International Law.

Mr. LEI Yong, serves as a staff Supervisor and the general manager of Beijing Headquarter Securities outlet. Mr. LEI joined the Company in 1995 and was appointed as a Supervisor on 30 May 2002. Mr. LEI previously worked as the deputy general manager of the trading department of the Company, the general manager of the Beijing Beisanhuan Zhonglu Branch and the managing director of the brokerage business development and management committee of the Company, person-in-charge of Wealth Management Department and managing director of compliance department. He obtained a college diploma in industrial enterprise management in 1994 from Tianjin Management Institute.

Mr. YANG Zhenyu, serves as a staff Supervisor and the deputy general manager of Beijing Branch office. Mr. YANG joined the Company in 1997 and was appointed as a Supervisor on 16 December 2005. Mr. YANG previously worked as the deputy general manager of the general administration department of the Company, as senior vice president of the treasury operation department of the Company and as person-in-charge of the comprehensive management department. He obtained a Bachelor's degree in law in 1993 from People's Public Security University of China.

Other Senior Management (4 individuals)

Mr. GE Xiaobo, serves as Chief Financial Officer of the Company and a member of the Communist Party Committee of the Company. Mr. GE joined the Company in 1997 and previously worked as the manager and senior manager of the investment banking department, deputy director of the A-share listing office, deputy general manager and executive director of the risk control department, head of the trading and derivatives department, planning and finance department, risk management department, and international business and fixed income department, a member of the Executive Committee and the Chief Financial Officer of the Company and the person in charge of the Shanghai Pilot Free Trade Zone Branch of the Company. Mr. GE is concurrently the director of CSI, CLSA BV, GoldStone Investment, China AMC and CITIC Securities Investment, and the executive director of CITIC Global Trade. Mr. GE was awarded a National Finance May Day Labor Medal in 2007. He obtained a Bachelor's degree in engineering (majoring in fluid machinery and fluid engineering) in 1994 and a Master's degree in business administration (majoring in management engineering) in 1997 from Tsinghua University.

Mr. ZHANG Guoming, serves as compliance officer, administrative head of the compliance department, legal department and supervision department of the Company. Before joining in the Company in 2010, Mr. ZHANG worked as deputy chief judge, chief judge and a member of the Judge Committee of the High People's Court of Henan Province, and judge of the Supreme People's Court. Mr. ZHANG obtained his master's degree in law and doctor's degree in law from the Renmin University of China in 1994 and 2008, respectively.

Mr. CAI Jian, serves as Chief Risk Officer of the Company and administrator head of the risk management department of the Company. Mr. CAI joined the Company in 2013. He served as a teacher in Engineering Mechanics Department of Tsinghua University; a senior technical expert of Xerox Corporation; the venture capital corporate finance project manager in Xerox; the vice president of JP Morgan Chase, and the executive general manager of UBS Investment Bank. Mr. CAI obtained a master's degree in mechanical engineering from Tsinghua University in 1984, a master degree in chemical engineering from the University of Minnesota, US in 1994, and an MBA in finance from the University of Rochester, US in 2000. He is also a Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM).

Ms. ZHENG Jing, serves as the secretary to the Board of the Company, company secretary and administrative person in charge of the Board Office. Ms. ZHENG joined the Company in 1997. She worked as an assistant in the research department, the manager of the general administration department and a team member of the A Share Listing team. Upon the establishment of the Board Office, she joined the Board Office and has been the securities representative of the Company from 2003 to 2011. Ms. ZHENG obtained a Bachelor's degree of law in international politics in 1996 from Peking University, and has been approved by the Shenzhen Bureau of the CSRC to act as the secretary to the board of directors of a company in April 2011. Ms. ZHENG has been a joint member of The Hong Kong Institute of Chartered Secretaries since May 2011.

Note: The Board and the Supervisory Committee was re-elected on 19 January 2016. For details of former Directors, Supervisors and Senior Management, please refer to the 2015 Annual Report of the Company.

8.2 Changes of Directors, Supervisors and Senior Management

Name	Position	Change	Reason of change
ZHANG Youjun	Executive Director and Chairman of the Board	Being elected	elected at the Shareholders' general meeting and the Board meeting
YANG Minghui	Executive Director and President	Being elected	elected at the Shareholders' general meeting and appointed by the Board
FANG Jun	Non-executive Director	Resigned	Work adjustment
CHEN Zhong	Non-executive Director	Being elected	elected at the Shareholders' general meeting
LIU Ke	Independent non-executive Director	Being elected	elected at the Shareholders' general meeting
HE Jia	Independent non-executive Director	Being elected	elected at the Shareholders' general meeting
CHAN, Charles Sheung Wai	Independent non-executive Director	Being elected	elected at the Shareholders' general meeting
LI Fang	Supervisor and Chairman of the Supervisory Committee	Being elected	elected at the Shareholders' general meeting and the meeting of the Supervisory Committee
RAO Geping	Supervisor	Being elected	elected at the Shareholders' general meeting
YIN Ke	Executive Director	Resigned (22 March 2017)	Work adjustment

Note: The Board and the Supervisory Committee of the Company was re-elected on 19 January 2016. For details of former Directors, Supervisors and senior management, please refer to the 2015 Annual Report of the Company.

8.3 Relationships between Directors, Supervisors and Senior Management

There is no relationship among the Directors, Supervisors or Senior Management including relationships in terms of finance, business, family or other significant/relevant relationship.

8.4 Performance Appraisal and Remuneration of Directors, Supervisors and Senior Management

8.4.1 Performance appraisal of Directors and Supervisors

During the Reporting Period, the Directors and Supervisors of the Company strictly complied with the laws, administrative rules and Articles of Association and diligently and faithfully performed their responsibilities and obligations.

The Directors of the Company attended the Board meetings and specific committee meetings in accordance with the rules. During the meetings, the Directors prudently considered the resolutions proposed and explicitly put forward their views and suggestions. When the Board was not in meeting, the Directors kept themselves abreast of the operation and management of the Company by reading the various types of documents and reports provided by the Company.

The Executive Directors of the Company prudently performed the dual roles in decision making as well as policy implementation. They also actively implemented the decisions adopted by general meetings of shareholders and the Board meetings and played an effective role as a bridge between the Board and the management. By careful studies of the Company's development strategy and business strategy, the Non-executive Directors kept themselves abreast of the latest operation status of the Company through visits and inspections, presentations and communications, and made decisions in a scientific manner, thereby demonstrating a strong sense of responsibilities. Through site-visits and seminars, the Independent Non-executive Directors were in close contact with the Company, earnestly participated in the meetings of the Board and its committees, and persistently expressed independent and objective views, thereby actively protecting the interests of minority shareholders, and benefiting the Company with their professional skills and opinions for development.

Supervisors of the Company attended Supervisory Committee meetings in accordance with the rules and they also attended on-site Board meetings and general meetings of shareholders as observers. They inspected and monitored the overall compliance, material decision making, significant operation events and the financial conditions of the Company.

Details of the attendance and performance of Directors and Supervisors have been set forth in “Performance of Duties by Directors” and “Supervisors and The Supervisory Committee” in this results announcement.

8.4.2 Performance and appraisal of Senior Management

During the Reporting Period, the Company provided clear targets for the Senior Management within the scope of their duties and evaluated their performances by year end. In addition to evaluation of financial performances and completion of specified tasks, their appraisals were closely linked with the performance of the Company.

During the Reporting Period, the Senior Management conscientiously performed their duties and completed the tasks assigned to them by the Board and further enhanced the internal control and risk control mechanisms of the Company. Under the guidance of the Board, the Senior Management grasped the development opportunities, expedited innovations, optimized the operation structures, enhanced cooperation and deepened the Company’s strategic transformation and achieved relatively good operating results.

8.4.3 Remuneration of Directors, Supervisors and Senior Management for the year

Procedures for the determination of remuneration of the Directors, Supervisors and Senior Management: the Remuneration and Appraisal Committee of the Board is responsible for making recommendations to the Board on the remuneration policy and structure for all Directors and the Senior Management, as well as the establishment of formal and transparent procedures for the formulation of remuneration policy. The Board is responsible for decision making regarding the remuneration, reward and punishment issues for the Senior Management, whereas the remuneration of the Directors and Supervisors are determined by the general meetings.

Criteria for determination of the remuneration of the Directors, Supervisors and Senior Management: remuneration of the Directors, Supervisors and Senior Management are determined strictly in accordance with the Remuneration Management System of the Company, and are linked with their respective positions and performance.

Please refer to “8.1.1 Changes in the Shares held and information on remuneration” of this results announcement for further details of the remuneration of the current Directors, Supervisors and Senior Management for the year. Allowances for the independent Directors and Supervisors are calculated on a yearly basis, provided for on a monthly basis, and paid twice a year.

The Company will continue to improve the performance and compensation management system based on the relevant regulatory requirements and the Company’s conditions.

8.4.4 Share incentives of Directors, Supervisors and Senior Management

Implementation of share incentive scheme of the Company

The Company did not implement any new share incentive scheme during the Reporting Period. The current share incentive scheme implemented by the Company was adopted upon the approval at the 5th meeting of the Third Session of the Board on 6 September 2006 (Please refer to the Announcement of the Resolution Passed at the 5th Meeting of the 3rd Session of the Board of CITIC Securities Co., Ltd. on 7 September 2006). Among the incentive shares, 66,081,000 shares had been listed and traded on 6 September 2011. Please refer to “8.1.1 Changes in the Shares held and information on remuneration” of the announcement for details of shares held by Directors, Supervisors and Senior Management.

The Company had not revised the scope of eligible participants for share incentives during the Reporting Period.

8.5 Staff Information

8.5.1 Number and composition of staff

As at 31 December 2016, the Group had a total of 16,964 staff (including brokers and dispatched staff), of which 10,201 (including brokers and dispatched staff) were staff of the Company, and their compositions are set out below:

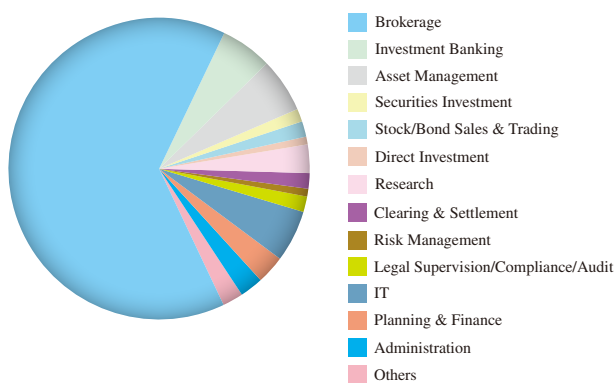
Unit: persons

Number of in-service staff of the Parent (including brokers and dispatched staff)	10,201
Number of in-service staff of principal subsidiaries (including brokers and dispatched staff)	6,763
Total number of in-service staff	16,964
Total number of retired staff for which the Parent and principal subsidiaries are responsible for their expenses	174

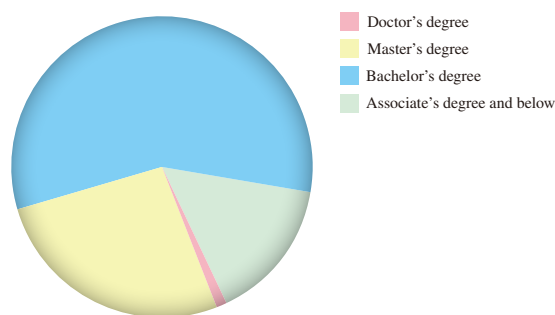
Composition by profession	
Types by profession	Number of staff
Brokerage	10,886
Investment Banking	985
Asset Management	962
Securities Investment	226
Stock/Bond Sales & Trading	301
Direct Investment	162
Research	480
Clearing & Settlement	323
Risk Management	141
Legal Supervision/Compliance/Audit	258
IT	928
Planning & Finance	546
Administration	422
Others	344
Total	16,964

Education Level	
Type of Education	Number of staff
Doctor's degree	222
Master's degree	4,484
Bachelor's degree	9,688
Associate's degree and below	2,570
Total	16,964

Composition by profession



Education Level



8.5.2 Remuneration policy

At CITIC Securities, employees' remuneration consists of base annual salary, performance-based annual salary, special rewards, insurance and other benefits. The base annual salary is the employee's basic annual income set forth in the remuneration standards in line with employees' positions and ranks. The remuneration standards are mainly based on factors such as the position's duties, responsibilities, importance, scale of operation, and industry practice. In order to strike a balance between business risks and financial goals, the Company adopts a performance based incentive remuneration system. Conditional and upon ascertaining that a business department is profitable, performance based incentive remuneration will be distributed "in favour of the business department, the profitable business sections and business with major innovation" while also recognizing the role and value of other support departments. The performance-based annual remuneration is based on the Company's operating results of the year. The total amount of performance-based remuneration is drawn from the Company's annual profits in accordance with the percentage approved at the Board meeting.

The Company has established a number of special rewards such as "Innovation Award", "Collaboration Award" and "Loyalty Award" to develop the Company's core competitiveness, to encourage innovation and team spirit, and to maintain the stability of the core human resources team.

The Company and its employees take part in various social insurance, enterprise annuity and housing fund programs following the ratios and other provisions of China's relevant regulations. The social insurance and housing fund programs are regulated in accordance with local policies.

In order to raise the level of employee's medical insurance, the Company sets up and maintains commercial complementary medical insurance and accident insurance, in addition of basic medical insurance, at its own expense for the employees.

The Company has not yet put in place any share option program.

Please refer to the Note 10 to the Consolidated Financial Statements of this results announcement for compensations received by employees from the Company during the Reporting Period.

8.5.3 Training program

The Company continues to develop and implement a training program with comprehensive planning, implementation by levels and outstanding focus.

1. To strengthen the training on leadership and managerial skills for senior-level employees, to broaden their international perspective and improve their management ability for change and transformation, strategy analysis, operation, business collaboration and risk management as well as their comprehensive corporate cultural competence.
2. To strengthen the training on execution and professional skills for middle-level employees, to improve their theoretical knowledge and ability in execution, organization development, and business innovation.
3. To popularize training on vocational and general skills for lower-level employees, to familiarize them with the Company's enterprise culture, operation system, workflow and administration system, as well as to improve their ability in professional communication, customer service, teamwork, and office operation.
4. To attach great importance to campus recruitment and provide outstanding graduates with development opportunities of trainee trainings and job rotations in brokerage business branches.

8.5.4 Information on brokers

As at 31 December 2016, the Company and CITIC Securities (Shandong) had a total of 774 brokers, of which 597 are engaged by the Company. The Company has established a comprehensive system for management of brokers and a confirmed organization system, practicing conditions, scope of authorities and standards of behavior as well as an established filing and inquiry systems for the brokers. Each broker of the Company has obtained a securities broker certificate before becoming a practitioner and would engage in activities such as customer solicitation, customer services and sales of products by relying on or through the marketing channels provided by the Company's securities business department. When engaging in his practice, the broker would, in accordance with the requirements, present his securities broker certificate to the customer to indicate his agency relationship with the Company, and shall carry out his work within the scope of agency authorities, agency period, practicing geographical location and scopes as specified in the agency contract. The Company has incorporated management of brokers into the front desk management system of its securities business department, and carries out daily supervision over the occupational behaviors of the brokers. The Company has established a comprehensive customer feedback system by regularly collecting feedbacks by telephone or other means from customers solicited and served by the brokers, and making complete records thereof. In addition, the Company has special regulations for brokers on issues such as compliance management and trainings.

9. CORPORATE GOVERNANCE REPORT

9.1 Overview of Corporate Governance

The Company is committed to excellence and strives to become global customers' most trustworthy PRC investment bank with leading position in the PRC and high ranking in the world. For details of the Company's corporate strategy and long-term operational model, please refer to "Management Discussion and Analysis" of this results announcement.

As a company listed in both the Mainland China and Hong Kong, the Company has operated its business in strict compliance with the requirements set forth in the laws, regulations and normative documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. The Company keeps improving its corporate governance structure according to the requirements of the Company Law, the Securities Law and relevant regulations of CSRC. The corporate governance of the Company complies with the requirements of the relevant laws and regulations by establishing a corporate governance structure characterized by checks and balances among general meeting, the Board, the Supervisory Committee and the operation management, with each of them being separated from the others and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring that all the operational activities of the Company are carried out according to the rules and regulations.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Hong Kong Listing Rules, and observed all the code provisions and satisfied the requirements of most recommended best practices in the Code.

9.2 Dealing in Securities by Directors, Supervisors and Relevant Employees

According to the domestic regulatory requirements, the 23rd Meeting of the Third Session of the Board considered and approved the Measures on the Management of the Holding and Changes in the Holding of the Shares of CITIC Securities Company Limited by the Directors, Supervisors and Senior Management (the "Management Measures") on 13 March 2008, to regulate the holding and dealing of the Company's Shares by Directors, Supervisors and Senior Management. The Management Measures are stricter than the compulsory provisions in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code"). Having made enquires, all Directors, Supervisors and Senior Management had confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period. For details about the shareholdings of the Directors, Supervisors and Senior Management in the Company, please refer to "8.1.1 Changes in the Shares held and information on remuneration" in this results announcement.

9.3 Shareholders and General Meetings

General meeting is the authority of the Company, and Shareholders can exercise their rights through the general meeting. The Company convenes and holds general meetings in strict compliance with the relevant regulations, so as to ensure all Shareholders, especially the minority Shareholders, are being treated equally and can fully exercise their rights. Following the guidance of the Articles of Association of the Company, the Company operates in an orderly manner and maintains healthy and stable development, thus effectively protecting the interests of the Company and all Shareholders.

Pursuant to Article 78 of the Articles of Association of the Company, Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company shall have the right to request in writing the Board to hold an extraordinary general meeting. The Board shall give a written response on whether or not it agrees to call such an extraordinary general meeting within 10 days after receipt of such request. If the Board agrees to hold an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after it has so resolved. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Board disagrees with the holding of an extraordinary general meeting or fails to give a response within 10 days after receipt of such request, Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company shall have the right to propose in writing the Supervisory Committee to hold an extraordinary general meeting. If the Supervisory Committee agrees to the holding of an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after receipt of such request. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice calling such meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and chair such meeting. Shareholder(s) that hold, individually or collectively, 10% or more of the Shares in the Company for 90 consecutive days or more may convene and chair such meeting on its or their own.

In addition, pursuant to Article 83 of the Articles of Association of the Company, the Board, the Supervisory Committee and Shareholder(s) that hold, individually or collectively, 3% or more of the Shares in the Company shall have the right to put forward proposals to the Company at the general meeting. Shareholder(s) that hold, individually or collectively, 3% or more of the Shares in the Company may submit extempore proposals in writing to the convener 10 days prior to the date of the general meeting. The convener shall, within two days after receipt of the proposal, issue a supplementary notice of the general meeting to announce the contents of such extempore proposal. Otherwise, the convener shall not, after the issuance of the notice of general meeting, make any change to the proposals set forth in such notice or add any new proposals.

The Company attaches great importance to the management of investor relations, and pursuant to the Management System for Information Disclosures and the Management System for Investor Relations, the Secretary to the Board is designated to handle information disclosure matters and to receive visits and enquiries from the Shareholders, thereby establishing an effective channel for better communication with the Company's Shareholders. In addition to the information disclosure channels prescribed in the laws and regulations, the Company mainly communicates with its investors through telephone, emails, online platform, receiving visits and investors meetings, to ensure that all shareholders, especially the minority shareholders, can fully exercise their rights (for ways to contact with the Company, please refer to "1.2 Contact Person and Methods" of this results announcement).

The Company fully respects and protects the lawful interests of the Shareholders, other creditors, employees, clients and other stakeholders, and involves them in a joint effort to promote the continuous and healthy development of the Company.

The largest Shareholder of the Company exercises its rights in accordance with the laws, regulations and the Articles of Association of the Company, and neither directly or indirectly intervened in the decisions and operations of the Company beyond the scope of general meeting nor appropriated any fund of the Company or requested the Company to provide guarantees for it or other parties.

During the Reporting Period, the Company held two general meetings in total, details of which are as follows:

1. The Company held the 2016 First Extraordinary General Meeting on 19 January 2016 at Kempinski Hotel Beijing, through a combination of on-site voting and online voting. Two ordinary resolutions were considered and approved at the 2016 First Extraordinary General Meeting. This general meeting was chaired by Mr. WANG Dongming, the Chairman of the Company, and Directors, chairmen of each specialized committees under the Board, Supervisors and Senior Management attended the meeting.
2. The Company held the 2015 Annual General Meeting on 28 June 2016 at Four Seasons Beijing, through a combination of on-site voting and online voting. One special resolution and nine ordinary resolutions were considered and approved at the meeting. The general meeting was chaired by Mr. ZHANG Youjun, Chairman of the Company, and Directors, chairmen of each specialized committees under the Board, Supervisions, and Senior Management attended the meeting.

Note: For details of the resolutions of the meetings mentioned above, please refer to the disclosures on the HKExnews website of HKEx published on the date of the meeting, and disclosures on the SSE website, China Securities Journal, Shanghai Securities News and Securities Times published on the following day.

During the Reporting Period, the attendances of Directors at the General Meetings are as follows:

Name of Director	Position	Attendance at general meetings held during the year		Of which:		Attendance rate
		Actual attendance	Of which: attendance in person	Of which: attendance by tele-communication		
ZHANG Youjun	Executive Director, Chairman of the Board	1	1	1	—	100%
YIN Ke	Executive Director (former)	2	2	—	2	100%
YANG Minghui	Executive Director, President	1	1	1	—	100%
FANG Jun	Non-executive Director (former)	2	2	2	—	100%
CHEN Zhong	Non-executive Director	—	—	—	—	100%
LIU Ke	Independent non-executive Director	1	1	1	—	100%

Name of Director	Position	Attendance at general meetings held during the year		Of which:		Attendance rate
		Actual attendance	Of which: attendance in person	Of which: attendance by tele-communication		
HE Jia	Independent non-executive Director	1	1	1	—	100%
CHAN, Charles Sheung Wai	Independent non-executive Director	1	1	1	—	100%
LEE Kong Wai, Conway	Independent non-executive Director (former)	1	1	—	1	100%
RAO Geping	Independent non-executive Director (former)	1	1	1	—	100%
WANG Dongming	Executive Director, Chairman of the Board (former)	1	1	1	—	100%
CHENG Boming	Executive Director, President (former)	1	0	—	—	0%
LIU Lefei	Executive Director, Vice Chairman of the Board (former)	1	1	—	1	100%
WU Xiaoqiu	Independent Non-Executive Director (former)	1	1	—	1	100%

Note 1: Mr. CHEN Zhong was officially appointed as the non-executive Director of the Company on 14 November 2016. During his term of office, the Company did not hold any general meeting.

Note 2: During the term of office of each of Mr. ZHANG Youjun, Mr. YANG Minghui, Mr. LIU Ke, Mr. LEE Kong Wai, Conway, Mr. RAO Geping, Mr. HE Jia, Mr. CHAN, Charles Sheung Wai, Mr. WANG Dongming, Mr. CHENG Boming, Mr. LIU Lefei and Mr. WU Xiaoqiu in 2016, the Company held one general meeting.

9.4 The Board and the Operating Management

9.4.1 Composition of the Board

The Company strictly complies with the requirements of the Article of Association of the Company for appointment and change of the Directors. The number and composition of the Board have been conformed to the requirements of the relevant laws and regulations. Besides, the Directors have also kept improving the rules of procedure of the Board. The convening, holding, as well as the voting procedures of all Board meetings were legitimate and valid. The independent non-executive Directors of the Company are able to protect the interests of minority Shareholders independently and objectively, and act as a counter balanced in decision-making of the Board.

As at the date of this results announcement, the Sixth Session of the Board currently comprises six Directors, including two executive Directors (Mr. ZHANG Youjun, Mr. YANG Minghui), one non-executive Director (Mr. CHEN Zhong) and three independent non-executive Directors (Mr. LIU Ke, Mr. HE Jia, Mr. CHAN, Charles Sheung Wai), and the number of independent non-executive Directors represents over 1/3 of the Board. Mr. ZHANG Youjun is the chairman of the Company.

Directors (including non-executive Directors and independent non-executive Directors) are elected by the general meeting for a term of three years per each term starting from the date on which their appointments are approved at the general meeting and their qualifications of being directors of securities companies are approved by CSRC. Directors are eligible for re-election upon the expiration of their terms. The terms of independent non-executive Directors are the same as the other Directors, but may not be re-elected for more than two consecutive sessions. In accordance with Rule 3.13 of the Hong Kong Listing Rules, the Company has received the annual written confirmation from each independent non-executive Director with regard to his independence. Based on these confirmations and the relevant information available to the Board, the Board continues to confirm their independence.

Pursuant to the authorization of the 2011 Fifth Extraordinary General Meeting, the Company has taken out liability insurance for the Directors, Supervisors and Senior Management, to protect them against the compensation liabilities that may arise from performing their duties and to encourage them to earnestly fulfill their duties and responsibilities.

9.4.2 Duties and responsibilities of the Board

The Board is the decision-making body of the Company and shall report its work to the General Meeting. The Board is principally responsible for the long-term strategy of the Group, as well as making decisions in respect of corporate governance, development strategy, risk management, financial operation and other aspects. The Board is also responsible for review and approval of all major financial and investment decisions and business strategy plans.

The Board shall exercise the following major functions and powers in accordance with the Articles of Association of the Company: to convene General Meeting, report to the general meeting and implement the resolutions of the general meeting; to decide on the business plans and investment plans (except those that require the approval of the general meeting in accordance with the Articles of Association of the Company); to formulate the profit distribution plan and loss recovering plan; to formulate proposals for the increase or reduction of the registered capital, the issuance of corporate bonds or other securities and the listing plan; to prepare plans for material acquisitions, purchase of the Company's shares, merger, separation, dissolution or change of the form of the Company; to decide on the external investment, acquisition and disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and related party/connected transactions within the scope of the authorization of the General Meeting; to decide on the establishment of the internal management structure; to appoint or dismiss the President, Chief Financial Officer, Compliance Officer, Chief Risk Officer and the Secretary to the Board and determine their remuneration, rewards and punishments; to appoint or dismiss Senior Management pursuant to the nominations by the Chairman or the President and determine their remuneration, rewards and punishments; to formulate the basic management system of the Company; to formulate proposals for the amendment to the Articles of Association of the Company; to manage information disclosures of the Company; to propose to the General Meeting on the engagement or replacement of the accounting firms of the Company; to review the work report prepared by the President of the Company and assess his work; and to formulate the basic compliance management system and other risk control systems.

9.4.3 Responsibilities of the operating management

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

During the Reporting Period, all management tasks of the Company made steady progress.

All aspects of management tasks achieved positive results: improved and revised compliance management system to facilitate vertical management of compliance of subsidiaries, established a comprehensive compliance check and monitoring mechanism to promptly identify and rectify compliance issues; improved the establishment of risk management system and carried out consolidated supervision to maintain an industry-leading level of risk management; provided legal support for business innovation, performed trademark management and trainings on legal knowledge; expanded the extent of internal audit, stressed the key point of audit, enhanced the guidance for subsidiaries on audit to exert more efforts in rectifying audit; adjusted the mindset for information technology management to ensure safe and reliable operation of the Company's information system; reduced the error rate of settlement and effectively supported the operation of business departments.

9.4.4 Performance of duties by Directors

9.4.4.1 Board meeting and attendance of Directors

During the Reporting Period, the Board held seven meetings:

- (1) During the First Meeting of the Sixth Session of the Board held on 19 January 2016 at Kempinski Hotel Beijing, the Board considered and approved unanimously the *Resolution on Election of Chairman of the Board of the Company*, the *Resolution on Election of Members of Specialized Committees under the Board of the Company* and the *Resolution on Appointment of Senior Management of the Company*.

- (2) During the Second Meeting of the Sixth Session of the Board of the Company held on 23 March 2016 at CITIC Securities Tower, Beijing, the Board considered and approved unanimously the *2015 Work Report of the Board*, the *Duty Performance Report of the Independent Non-executive Directors for 2015*, the *Proposal on Considering the 2015 Annual Report of the Company*, the *Proposal on Considering the 2015 Profit Distribution Plan of the Company*, the *Proposal on Re-appointment of Accounting Firms*, the *Proposal on the Estimated Investment Limit for Proprietary Business of the Company for 2016*, the *Proposal on Submission to General Meeting for Granting General Mandate to the Board for the Further Issuances of A Shares and H Shares of the Company*, the *Proposal on Considering the Total Remuneration of Directors of the Company for 2015*, the *Proposal on the Related Party/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2016*, the *Proposal on Review of the 2015 Corporate Governance Report of the Company*, the *Resolution on the Review of the 2015 Self-assessment Report on the Internal Control of the Company*, the *Resolution on the Review of the Auditor's Report on Internal Control of the Company*, the *Resolution on the Review of the 2015 Compliance Report of the Company*, the *Resolution on the Review of 2015 Audit Work Report of the Company*, the *Resolution on the Review of the 2015 Social Responsibility Report of the Company*, the *Resolution on the Review of the Total Remuneration of the Senior Management of the Company for 2015*, the *Resolution on the Adjustment of 2015 Audit and Review Expenses of the Company* and the *Resolution on Authorization of Convening the 2015 Annual General Meeting*.
- (3) During the Third Meeting of the Sixth Session of the Board of the Company held on 29 April 2016 by means of teleconference, the Board considered and approved unanimously the *Resolution on Review of 2016 First Quarterly Report of the Company*, the *Proposal on Change of Non-executive Directors of the Company*, the *Resolution on the Amendments on the Rules of Procedure of Certain Specialized Committees of the Company* and the *Resolution on the Review of the Comprehensive Risk Management System and Risk Preference Statement of the Company*.
- (4) During the Fourth Meeting of the Sixth Session of the Board of the Company held on 27 June 2016 at CITIC Securities Tower, Beijing, the Board considered and approved unanimously the *Resolution on the Appointment of the President of the Company*.
- (5) During the Fifth Meeting of the Sixth Session of the Board of the Company held on 1 August 2016 by means of teleconference, the Board considered and approved unanimously the *Resolution on the Transfer of Equity Interest in Xiamen Cross-strait Equity Exchange Co., Ltd.*
- (6) During the Sixth Meeting of the Sixth Session of the Board of the Company held on 24 August 2016 by means of teleconference, the Board considered and approved unanimously the *Resolution on Considering the 2016 Interim Report of the Company* and the *Resolution on Considering the 2016 Interim Compliance Report of the Company*.
- (7) During the Seventh Meeting of the Sixth Session of the Board of the Company held on 28 October 2016 by means of teleconference, the Board considered and approved unanimously the *Resolution on Review of the 2016 Third Quarterly Report of the Company*, the *Proposal on Renewal of Framework Agreement with CITIC Group for the Related Party/Connected Transactions in the Ordinary Course of Business*, the *Resolution on Waiving the Right of First Refusal on the 17.8% Equity Interest in China Asset Management Co., Ltd.*, the *Resolution on Waiving the Right of First Refusal on the 8.4933% Equity Interest in Qianhai Equity Exchange (Shenzhen) Co., Ltd.*, the *Resolution on Reviewing the Management System of Suspension and Exemption of Information Disclosure of the Company* and the *Resolution on the Authorisation of Convening the 2016 Second Extraordinary General Meeting of the Company* (the convention of such extraordinary general meeting was postponed to January 2017).

Note: For details of the resolutions of the Board and the regular reports considered and approved by the Board as mentioned above, please refer to the announcements published on the HKExnews website of HKEx on the dates of the meetings, and the announcements published on the SSE website, China Securities Journal, Shanghai Securities News and Securities Times on the following day.

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

Name of Director	Position	Scheduled attendance at Board meetings held during the year	Attendance of on-site meetings by other means				Attendance mode of on-site meeting
			Actual attendance	Attendance by proxy	Absence	Attendance by proxy	
ZHANG Youjun	Executive Director, Chairman	7	7	—	—	—	On-site
YIN Ke	Executive Director (Former)	7	6	2	1	—	Telephone
YANG Minghui	Executive Director, President	7	7	—	—	—	On-site
FANG Jun	Non-Executive Director (Former)	7	7	—	—	—	On-site
CHEN Zhong	Non-Executive Director	—	—	—	—	—	—
LEE Kong Wai, Conway	Independent Non-Executive Director (Former)	3	3	2	—	—	Telephone
RAO Geping	Independent Non-Executive Director (Former)	2	2	—	—	—	On-site
LIU Ke	Independent Non-Executive Director	7	7	—	—	—	On-site
HE Jia	Independent Non-Executive Director	5	5	1	—	—	Telephone
CHAN, Charles Sheung Wai	Independent Non-Executive Director	4	4	—	—	—	On-site
WANG Dongming	Executive Director, Chairman of the Board (former)	—	—	—	—	—	—
CHENG Boming	Executive Director, President (former)	—	—	—	—	—	—
LIU Lefei	Executive Director, Vice Chairman of the Board (former)	—	—	—	—	—	—
WU Xiaoqiu	Independent Non-Executive Director (former)	—	—	—	—	—	—
Board meetings held during the year: 7							
Among which, number of meetings on-site: 3							
Number of meetings held via communications: 4							
Number of meetings held by means of on-site combined with communications: —							

Note 1: On 27 June 2016, YIN Ke, a Director, appointed ZHANG Youjun, Chairman of the Board, as his proxy to vote on his behalf in respect of the matter being considered at the Fourth Meeting of the Sixth Session of the Board.

Note 2: Mr. CHEN Zhong was officially appointed as a non-executive Director of the Company on 14 November 2016. During his term of office, the Company did not hold any Board meeting.

Note 3: Mr. LEE Kong Wai, Conway resigned as an independent non-executive Director of the Company on 9 May 2016. During his term of office, the Company held three Board meetings.

Note 4: Mr. RAO Geping resigned as an independent non-executive Director of the Company on 23 March 2016. During his term of office, the Company held two Board meetings.

Note 5: Mr. HE Jia was officially appointed as an independent non-executive Director of the Company on 23 March 2016. During his term of office, the Company held five Board meetings.

Note 6: Mr. CHAN, Charles Sheung Wai was officially appointed as an independent non-executive Director of the Company on 9 May 2016. During his term of office, the Company held four Board meetings.

Note 7: During the term of office of Mr. WANG Dongming, Mr. CHENG Boming, Mr. LIU Lefei, and Mr. WU Xiaoqiu in 2016, the Company did not convene any Board meeting.

9.4.4.2 Implementation of resolutions approved at the general meetings by the Board

- On 19 June 2015, the *Resolution on Re-authorization of Issuances of Onshore and Offshore Corporate Debt Financing Instruments* was considered and approved at the 2014 Annual General Meeting of the Company. Pursuant to the resolution, the Company made a non-public issuance of a tranche of RMB bond on 26 October 2016 with an issuance size of RMB2.0 billion; a public issuance of a tranche of RMB bond on 15 November 2016. Of which, the issuance size of the three-year category was RMB12.5 billion and the issuance size of the five-year category was RMB2.5 billion; the Company issued 489 tranches of beneficiary certificates in 2016 with a total size of RMB46.009 billion.

- (2) On 28 June 2016, the *2015 Profit Distribution Plan* of the Company was considered and approved at the 2015 Annual General meeting of the Company. The cash dividend was denominated and declared in RMB and payable in RMB to the A Shareholders and in HKD to the H Shareholders. All cash dividends were fully paid on 19 August 2016.
- (3) On 28 June 2016, the *Resolution on Re-appointment of Accounting Firms* was considered and approved at the 2015 Annual General meeting of the Company. Pursuant to the resolution, the Company appointed PwC Zhong Tian and PwC Hong Kong as the external auditors of the Company for 2016 and PwC Zhong Tian as the auditor for the internal control of the Company in 2016. On 22 March 2017, PwC Zhong Tian issued standard unqualified audit reports and the Audit Report on the Internal Control for the Company.

9.4.4.3 Training of Directors

On-going training of Directors is a continuous program. The Company will arrange induction training for all new Directors according to their respective experiences and backgrounds. The Company will also provide relevant reading materials to new Directors to enhance their knowledge and understanding about the corporate culture and operation of the Group. The training and reading materials include brief information about the structure, business and corporate governance of the Group, as well as an introduction on the securities industry and investment banking business in China.

In addition, every Director will receive a guideline on code of conduct and other documents. During the Reporting Period, the Directors were periodically or occasionally provided with reporting information about the business operations of the Group, as well as brief information on changes and latest development of the legislative and regulatory environment. Besides, the Company also encourages all Directors to participate in relevant training courses at the cost of the Company. All Directors have provided regular training records to the Company.

During the Reporting Period, the Directors attached great importance to updating their professional knowledge and skills to cater for the needs for the Company's development, the methods and the details are as follows:

Name	Position	Methods and Details of the Training
ZHANG Youjun	Executive Director, Chairman	From January to February 2016, Mr. ZHANG Youjun participated in the online special class of "Study and Implement the Spirit of the Fifth Plenary Session of the Eighteenth Central Committee" organized by China E-learning Academy for Education Leadership And Administration of the Organization Department of the Central Committee of the PRC. From 14 to 23 June 2016, he participated in the Seminar of Construction of the CPC Work Style and Integrity of Central Enterprises organized by National School of Administration. In August 2016, he participated in the new employee training organized by the Company. In October 2016, he participated in the lecture of performance appraisal management organized by Deloitte.
YANG Minghui	Executive Director, President	In September 2016, Mr. YANG Minghui participated in the online securities practitioners follow-up training organized by SAC. In October 2016, he participated in the performance appraisal management lecture organized by Deloitte.
CHEN Zhong	Non-executive Director	In February 2016, Mr. CHEN Zhong participated in the seminar of "2016 Market Analysis, Asset Allocation Strategy and Liquidity Analysis" organized by Galaxy Securities. In June 2016, he participated in the lecture on the "Introduction to Eurizon Capital SGR Multi-Asset Portfolio Fund Products" organized by Eurizon Capital SGR. In August 2016, he participated in the Introduction Session of "Mezzanine Fund, Private Placement Bond Highbridge Principal Strategies-Mezzanine Partners III" of J.P. Morgan Asset Management. In October 2016, he attended a presentation given by Huang Weiping, a director of Department of International Economics of Renmin University of China, on "13th Five-Year Plan and Supply-Side Reform". In December 2016, he participated in the 2017 investment strategy training of China Life Insurance Company Limited.
LIU Ke	Independent Non-executive Director	In September 2016, Mr. LIU Ke participated in the 46th training session for independent director organized by SSE and he read more than ten books in relation to finance and corporate management all year round.
HE Jia	Independent Non-executive Director	In September 2016, Mr. HE Jia published a cover article entitled "Logic of Financial Regulation and Innovation in China". In December 2016, he attended the 21 st Century Financial Annual Conference and published the "Report on Competitiveness of Banks in Asia". In October 2016, he produced an academic report entitled "Financial Innovation and Regulation in China" in Tsinghua University. From June 2016 to June 2017, as the team leader, he was responsible for the study of Asian Development Bank's Internet financial development in China.

Name	Position	Methods and Details of the Training
CHAN, Charles Sheung Wai	Independent Non-executive Director	Mr. CHAN, Charles Sheung Wai participated in trainings organised by Protiviti in relation to internal control, risk management, IT management and control and listed company management in March, May and September 2016; In 2016, he read various kinds of books in relation to corporate governance and market management.
YIN Ke	Executive Director (Former)	In November 2016, Mr. YIN Ke participated in the Mandatory Online Financial Crime Training organized by CSI. On 5 December 2016, he participated in the seminar of ‘The Implication of China’s Belt and Road Initiative’ organized by Hong Kong Securities and Investment Institute. On 15 December 2016, he participated in the Lessons learned on recent SFC enforcement cases organized by Hong Kong Securities and Investment Institute.
FANG Jun	Non-executive Director (Former)	Mr. FANG Jun participated in trainings in relation to aspects of economy, finance and corporate governance organised by China Life more than ten times.
Lee Kong Wai, Conway	Independent Non-executive Director (Former)	Mr. LEE Kong Wai, Conway participated in the training of new accounting standards presided by PwC organized by the Tibet 5100 Water Resources on 1 June 2016. In December 2016, he participated in the continuous obligations and responsibility training of directors, supervisors and senior executives of Hong Kong listed companies, participated in the seminar on the latest requirements of Corporate Governance Code and Corporate Governance Report organised by the Risk Management Committee of WH Group.
RAO Geping	Independent Non-executive Director (Former)	From March to December 2016, Mr. RAO Geping gave around 20 lectures for senior civil servants of the Civil Service Bureau of Hong Kong Government on relevant topics on “One country, Two systems and the Hong Kong Basic Law”

9.5 Chairman

Mr. ZHANG Youjun serves as the Chairman of the Company. The Chairman is the Company’s legal representative, whose responsibilities are to take charge of the operation of the Board and to ensure that the Board acts in the best interest of the Company, that the Board operates effectively, fulfills its duties and considers all important and appropriate issues, and that the Directors can receive necessary information in an accurate, timely and clear manner.

9.6 President

Mr. YANG Minghui serves as the President of the Company. The President is responsible to lead the Company’s daily work, which mainly includes, to organize resources to carry out the Board’s resolutions, to organize the implementation of the Company’s annual business plan and investment plan, to formulate the Company’s basic management system, to formulate the specific rules and regulations of the Company, to draft plans for the establishment of the Company’s internal management structure, to propose the appointment or dismissal of senior management personnel other than President, Compliance Officer and Secretary to the Board, to decide on the appointment or dismissal of management personnel and staff other than those required to be appointed or dismissed by the Board; to executive the risk control system of the Company to ensure that the Company meets the requirements of the risk control indicators set by CSRC, to exercise other powers granted by the Articles of Association of the Company and the Board of the Company. The President shall be accountable to the Board and report his work to the Board.

9.7 Non-executive Directors

The Company currently has four non-executive Directors, of which three are independent non-executive Directors. For details about their terms of office, please refer to “8.1.1 Changes in the Shares held and information on remuneration” of this results announcement.

9.8 Specialized Committees under the Board

The Sixth Session of the Board has established the Strategic Planning Committee, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee and the Related Party Transactions Control Committee, which are to assist the Board to perform its duties from various aspects. During the Reporting Period, the specialized committees of the Board cordially performed their duties, actively discussed the changes in internal and external trends, participated in the collective decision-making of material matters of the Company, and provided a number of constructive and professional opinions and recommendations on the rapid and healthy development of the Company. They emphasized that the Company should formulate clearer strategic goals, put more efforts into internationalization process, improve business system and procedures, insist on the operation philosophy of regulated operation and strict risk control. The Company also should actively respond to the Belt and Road Initiative of the State by striving for contributions to the PRC’s economic and capital market development. During the Reporting Period, none of the committee members raised objection to the matters being considered.

9.8.1 Strategic Planning Committee

Details of members of the Strategic Planning Committee during the Reporting Period and as at the date of this results announcement, and their respective attendance of the meetings of the Strategic Planning Committee during the Reporting Period are as follow:

Name of Committee Member	Position	Actual Attendance/ Scheduled Attendance	Description
ZHANG Youjun	Executive Director, Chairman of Strategic Planning Committee	1/1	Mr. ZHANG Youjun officially serves as an executive Director from 19 January 2016.
CHEN Zhong	Non-executive Director	0/0	Mr. CHEN Zhong officially serves as a non-executive Director from 14 November 2016. During his term of office, the Strategic Planning Committee did not convene any meeting.
YANG Minghui	Executive Director	1/1	Mr. YANG Minghui officially serves as an executive Director from 19 January 2016.
LIU Ke	Independent Non-executive Director	1/1	Mr. LIU Ke officially serves as an independent non-executive Director from 19 January 2016.
WANG Dongming	Executive Director (former), Chairman of Strategic Planning Committee (former)	0/0	Mr. WANG Dongming ceased to serve as an executive Director from 19 January 2016. During his term of office, the Strategic Planning Committee did not convene any meeting.
CHENG Boming	Executive Director (former)	0/0	Mr. CHENG Boming ceased to serve as an executive Director from 19 January 2016. During his term of office, the Strategic Planning Committee did not convene any meeting.
YIN Ke	Executive Director (former)	1/1	Mr. YIN Ke resigned as an executive Director and a member of the Strategic Planning Committee on 22 March 2017.
FANG Jun	Non-executive Director (former)	1/1	Mr. FANG Jun ceased to serve as a non-executive Director from 14 November 2016.
WU Xiaoqiu	Independent Non-executive Director (former)	0/0	Mr. WU Xiaoqiu ceased to serve as an independent non-executive Director from 19 January 2019. During his term of office, the Strategic Planning Committee did not convene any meeting.

The primary responsibilities of the Strategic Planning Committee are to understand and master the overall operations of the Company; to understand, analyze and master the current conditions of the international and domestic markets; to understand and master relevant policies of the State; to research on the short-term, mid-term and long-term strategies of the Company and related issues; to advise on the long-term development strategy, major investments, reforms and other major decisions; to review and approve research reports on development strategies; and to issue routine research reports on a regular or irregular basis.

During the Reporting Period, the Strategic Planning Committee held one meeting on 19 January 2016, at which the *Resolution on Election of Chairman of the Strategic Planning Committee of the Sixth Session of the Board* was considered and approved.

9.8.2 Audit Committee

Details of members of the Audit Committee during the Reporting Period and as at the date of this results announcement, and their respective attendance of the meetings of the Audit Committee during the Reporting Period are as follows:

Name of Committee Member	Position	Actual Attendance/ Scheduled Attendance	Description
CHAN, Charles Sheung Wai	Independent Non-executive Director, Chairman of Audit Committee	1/1	Mr. CHAN, Charles Sheung Wai officially serves as an independent non-executive Director from 9 May 2016. During his term of office, 1 meeting of the Audit Committee was convened. He attended the meeting.
LIU Ke	Independent Non-executive Director	5/5	Mr. LIU Ke officially serves as an independent non-executive Director from 19 January 2016.
HE Jia	Independent Non-executive Director	2/2	Mr. HE Jia officially serves as an independent non-executive Director from 23 March 2016. During his term of office, 2 meetings of the Audit Committee were convened. He attended both meetings.
WU Xiaoqiu	Independent Non-executive Director (former)	0/0	Mr. WU Xiaoqiu ceased to serve as an independent non-executive Director from 19 January 2016. During his term of office, the Audit Committee did not convene any meeting.
RAO Geping	Independent Non-executive Director (former)	3/3	Mr. RAO Geping ceased to serve as an independent non-executive Director from 23 March 2016. During his term of office, 3 meetings of the Audit Committee were convened. He attended all meetings.
LEE Kong Wai, Conway	Independent Non-executive Director (former), Chairman of Audit Committee (former)	4/4	Mr. LEE Kong Wai, Conway ceased to serve as an independent non-executive Director of the Company from 9 May 2016. During his term of office, 4 meetings of the Audit Committee were convened. He attended all meetings.

The primary responsibilities of the Audit Committee are to make recommendations to the Board on the appointment and removal of the auditors of the Company; to approve the remuneration and terms of engagement for the auditors; to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audits procedures in accordance with applicable standards; to review the financial information of the Company and its disclosure; to review the financial control, internal control and risk management systems of the Company; and to review the financial and accounting policies and practices of the Company.

During the Reporting Period, the Audit Committee held five meetings. The Audit Committee convened its meetings to consider relevant matters and make decisions in accordance with the Rules of Procedure of the Audit Committee of the Board, and made efforts to enhance the efficiency of its work and the soundness of its decision-making. The Audit Committee diligently performed its duties, and actively participated in the compilation, audit and disclosure of annual financial reports according to the Working Procedures of the Audit Committee of the Board for annual reports. It ensured the independence of audit, enhanced the audit quality, and protected the overall interests of the Company and all Shareholders.

The Audit Committee and its members have fully played their roles of audit and supervision according to the relevant laws and regulations, diligently performed their duties and made great contributions to improving corporate governance structure and enhancing the audit quality.

The Audit Committee prudently reviewed the financial status of the Company and examined the financial statements prepared by the Company. It considered that the Company's financial system is under stable operation and the financial status is good. Besides, the Board, through the Audit Committee, also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Major accomplishments of the Audit Committee in 2016 included:

- reviewing periodic financial reports
- reviewing the summary of the internal audits and approving the annual internal audit scheme
- reviewing the major findings on the audits of the internal audit departments and external auditors, and responses of the management to the proposals on such audits
- reviewing the effectiveness of the internal control system and adequacy of accounting and financial reporting functions
- reviewing the statutory scope of review of the external auditors in 2016
- considering the remuneration for and appointment of the external auditors in 2016
- reviewing and monitoring the independence of the external auditors and the non-audit services they provided

Meetings of the Audit Committee during the Reporting Period and up to the date of this results announcement are as follows:

Date of Meeting	Resolutions Passed
19 January 2016	Resolution on Election of the Chairman of the Audit Committee of the Sixth Session of the Board
1 March 2016	Report of PwC Zhong Tian and PwC Hong Kong Regarding the Company's Preliminary Audit Result of 2015, Resolution on the Adjustment of 2015 Audit and Review Expenses of the Company, 2015 Audit Work Report of the Company and 2016 Audit Work Plan of the Company
21 March 2016	Summary Report of PwC, 2015 Annual Report of the Company, 2015 Self-assessment Report on Internal Control of the Company, Audit Report on the Internal Control of the Company and Performance Report of the Audit Committee for 2015
29 April 2016	2016 First Quarterly Report of the Company and Proposal on the Amendments to the Rules of Procedure of the Audit Committee under the Board of the Company
12 December 2016	Proposal on Review of 2016 Integrated Audit Plan of the Company
6 March 2017	Report of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Regarding the Company's Preliminary Audit Result of 2016, Proposal on the Adjustment of 2016 Audit and Review Expenses of the Company, Proposal on the Re-appointment of Accounting Firms, Audit Work Report of the Company for 2016, Audit Work Plan of the Company for 2016
20 March 2017	Audit Work Summary of PricewaterhouseCoopers, 2016 Annual Report of the Company, 2016 Self-assessment Report of Internal Control of the Company, Audit Report on the Internal Control of the Company, Performance Report of the Audit Committee for 2016

In addition, the Audit Committee reviewed the 2016 Interim Report of the Company on 24 August 2016 and the 2016 Third Quarterly Report of the Company on 29 October 2016, respectively.

During the Reporting Period, all members of the Audit Committee actively participated in all meetings. They carefully reviewed the relevant documents before the meetings and made full preparation for the performance of their duties. While considering the proposals at the meetings, each member gave pertinent advice based on his professional background and experience, and provided constructive guidance to the Company so that improvements can be made in the relevant area.

Overview of Audit Work of the Company:

PwC carried out the 2016 audit on the Company by two stages, the preliminary audit and year-end audit. PwC adopted the “Integrated Audit” method to complete the audit work in combination of the audit on financial statements and the audit on internal control. At the preliminary audit stage, PwC conducted the audit on internal control and carried out internal control testing at the entity level and the business process level under the Chinese Certified Public Accountants Auditing Standards, the Guidelines for Audit on Enterprise Internal Control and the Opinions on the Implementation of Audit on Enterprise Internal Control issued by the Chinese Institute of Certified Public Accountants. At the preliminary audit stage, the IT auditors of PwC also got to know and conducted testing on major computer systems used by the Company. At the year-end audit stage, PwC focused on significant accounting policies, critical accounting judgement and accounting estimation adopted by the Company. PwC conducted detailed testing such as external confirmations and re-calculation and substantive analytics to conduct audit on financial statements items.

In order to successfully complete the audit on the 2016 Annual Financial Report of the Company and procure PwC to issue relevant reports within the agreed period, the Audit Committee of the Sixth Session of the Board authorized the Planning and Financial Department of the Company to discuss with PwC about the planning of audit work, impairments of goodwill, valuation of financial instruments, impairments of financing business, impairments of financial instruments, scope of consolidation, audit progress, timing of initial draft and final draft of the audit report, etc. During the audited period, the Audit Committee made multiple rounds of supervision and convened the 2016 fifth meeting of the Audit Committee of the Sixth Session of the Board of the Company on 12 December 2016 in Beijing. The members participated in the meeting considered the resolution of 2016 Audit Plan of the Company and attended the presentation of PwC on the Company’s 2016 Audit Plan and made suggestions concerning the 2016 Audit Plan. On 22 March 2017, PwC issued the standard unqualified audit reports for the Company within the scheduled time.

In addition, the Audit Committee conducted an annual appraisal on PwC. In the appraisal, major considerations of the Audit Committee included applicable requirements of the laws and regulations of the Mainland China and Hong Kong and relevant professional provisions on the external auditors, and the external auditors’ compliance with such laws, regulations and provisions and their overall performance during the Reporting Period. The Audit Committee is also responsible for reviewing the independence of PwC to ensure that the reports issued are truly objective. The Audit Committee has received a written confirmation from PwC of their independence and objectivity prior to the audit of the Company’s 2016 financial statements. PwC shall not offer any other non-audit service unless otherwise approved to ensure that their judgment and independence in the audit are not undermined. The Audit Committee of the Company was of the opinion that PwC conducted its independent audit on the 2016 Financial Statements of the Company in a diligent, fair and objective manner, and successfully completed the annual audit work.

On 20 March 2017, the Audit Committee conducted a preliminary review on the 2016 Assessment Report on the Internal Control of the Company and Auditor’s Report on Internal Control of the Company, and was of the view that the internal control system of the Company was effective and performing well, such that the steady development of the Company is secured. For details of the Board’s evaluation of our internal control and relevant information, please refer to “9.16.4 Disclosure of appraisal report on the Company’s internal control” of this results announcement.

9.8.3 Remuneration and Appraisal Committee

Details of members of the Remuneration and Appraisal Committee during the Reporting Period and as at the date of this results announcement, and their respective attendance of the meetings of the Remuneration and Appraisal Committee during the Reporting Period are as follows:

Name of Committee Member	Position	Attendance in person/ Attendance	Description
LIU Ke	Independent Non-executive Director, Chairman of Remuneration and Appraisal Committee	5/5	Mr. LIU Ke officially serves as an independent non-executive Director from 19 January 2016.
CHAN, Charles Sheung Wai	Independent Non-executive Director	2/2	Mr. CHAN, Charles Sheung Wai officially serves as the independent non-executive Director from 9 May 2016. During his term of office, 2 meetings of the Remuneration and Appraisal Committee were convened. He attended both meetings.
HE Jia	Independent Non-executive Director	3/3	Mr. HE Jia officially serves as an independent non-executive Director from 23 March 2016. During his term of office, 3 meetings of the Remuneration and Appraisal Committee were convened. He attended all meetings.
WU Xiaoqiu	Independent Non-executive Director (former)	0/0	Mr. WU Xiaoqiu ceased to serve as an independent non-executive Director from 19 January 2016. During his term of office, the Remuneration and Appraisal Committee did not convene any meeting.
RAO Geping	Independent Non-executive Director (former), Chairman of Remuneration and Appraisal Committee (former)	2/2	Mr. RAO Geping ceased to serve as an independent non-executive Director from 23 March 2016. During his term of office, 2 meetings of the Remuneration and Appraisal Committee were convened. He attended both meetings.
LEE Kong Wai, Conway	Independent Non-executive Director (former)	3/3	Mr. LEE Kong Wai, Conway ceased to serve as an independent non-executive Director from 9 May 2016. During his term of office, 3 meetings of the Remuneration and Appraisal Committee were convened. He attended all meetings.

The primary responsibilities of the Remuneration and Appraisal Committee of the Board are to establish and implement the performance appraisal system that is adapt to the changing market, the remuneration policy that is competitive, and the reward and punishment measures that are linked to the operation and performance of the Company, and make recommendations to the Board on the remuneration structure of the Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the performance of the Directors and Senior Management members, carry out annual performance appraisals over them, and review and approve performance-based remuneration; and to monitor the implementation of the remuneration system of the Company.

Major accomplishments of the Remuneration and Appraisal Committee in 2016 included:

- reviewing the performance of the Directors and Senior Management, and carrying out annual performance appraisals over them
- reviewing the remuneration of Directors and Senior Management and recommending to the Board in this regard
- supervising the implementation of the remuneration system of the Company
- reviewing the implementation of the share incentive scheme

During the Reporting Period, the Remuneration and Appraisal Committee held five meetings, details of which are as follows:

Date of meeting	Resolutions passed
19 January 2016	Resolution on Election of the Chairman of Remuneration and Appraisal Committee of the Sixth Session of the Board
23 March 2016	Resolution on Reviewing the Report of the Remuneration and Appraisal Committee of the Fifth Session of the Board of the Company on the Performance of Duties in 2015; Proposal on Reviewing the Total Remuneration of the Directors of the Company for 2015 and Proposal on Reviewing the Total Remuneration of the Senior Management of the Company for 2015
25 April 2016	Resolution on Reviewing the Achievement of Performance Targets in 2015 and the Plan of Annual Performance Based Remuneration Policy for Senior Management; Resolution on Reviewing the Pre-distribution Plan of Senior Management Loyalty Award in 2015
12 December 2016	Resolution on Reviewing the Measures for the Administration of Loyalty Award of CITIC Securities Company Limited (Amended in 2016)
31 December 2016	Resolution on Recognition of Accruing Proportion of Loyalty Award

During the Reporting Period, the Remuneration and Appraisal Committee supervised the implementation of the remuneration policies. It was of the opinion that the Company duly implemented the remuneration policies established by the Board, and that the information about the remuneration of all Directors, Supervisors and Senior Management disclosed in the 2016 Annual Report was true, accurate and complete, and complied with the relevant requirements of the CSRC and the Hong Kong Stock Exchange.

Moreover, the Remuneration and Appraisal Committee reviewed the implementation of the share incentive scheme, with the opinion that the share incentive scheme has been in full compliance with the relevant regulations and implemented in strict accordance with the provisions of the scheme since its implementation in September 2006.

9.8.4 Nomination Committee

Details of members of the Nomination Committee during the Reporting Period and as at the date of this results announcement, and their respective attendance of the meetings of the Nomination Committee during the Reporting Period are as follows:

Name of Committee Member	Position	Actual Attendance/ Scheduled Attendance	Description
LIU Ke	Independent Non-executive Director, Chairman of Nomination Committee	3/3	Mr. LIU Ke officially serves as an independent non-executive Director from 19 January 2016.
ZHANG Youjun	Executive Director	3/3	Mr. ZHANG Youjun officially serves as an executive Director from 19 January 2016.
HE Jia	Independent Non-executive Director	2/2	Mr. HE Jia officially serves as an independent non-executive Director from 23 March 2016. During his term of office, 2 meetings of the Nomination Committee were convened. He attended both meetings.
CHAN, Charles Sheung Wai	Independent Non-executive Director	1/1	Mr. CHAN, Charles Sheung Wai officially serves as an independent non-executive Director from 9 May 2016. During his term of office, 1 meeting of the Nomination Committee was convened. He attended the meeting.
CHEN Zhong	Non-executive Director	0/0	Mr. CHEN Zhong officially serves as a non-executive Director from 14 November 2016. During his term of office, the Nomination Committee did not convene any meeting.
WANG Dongming	Executive Director (former)	0/0	Mr. WANG Dongming ceased to serve as an executive Director from 19 January 2016. During his term of office, the Nomination Committee did not convene any meeting.
FANG Jun	Non-executive Director (former)	3/3	Mr. FANG Jun ceased to serve as a non-executive Director from 14 November 2016.
WU Xiaoqiu	Independent Non-executive Director (former), Chairman of Nomination Committee (former)	0/0	Mr. WU Xiaoqiu ceased to serve as an independent non-executive Director from 19 January 2016. During his term of office, the Nomination Committee did not convene any meeting.
RAO Geping	Independent Non-executive Director (former)	1/1	Mr. RAO Geping ceased to serve as an independent non-executive Director from 23 March 2016. During his term of office, 1 meeting of the Nomination Committee was convened. He attended the meeting.
LEE Kong Wai, Conway	Independent Non-executive Director (former)	2/2	Mr. LEE Kong Wai ceased to serve as an independent non-executive Director from 9 May 2016. During his term of office, 2 meetings of the Nomination Committee were convened. He attended both meetings.

The primary responsibilities of the Nomination Committee are to review the structure, size and composition of the Board (including skills, knowledge, experience and diversity of the Board members), make recommendations on any proposed changes to the Board, if necessary, to complement the strategies of the Company; to study the selection criteria and procedures of the Directors and Senior Management and make recommendations to the Board; to ensure that the Board members possess relevant skills, experience and diversified views and perspectives required for the operation and development of the Company; to identify individuals suitably qualified to become the Directors and Senior Management members, and give the selection opinions and appointment suggestions; to assess the independence of the independent non-executive Directors; to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for directors; and to report its resolutions or recommendations to the Board.

To achieve diversity of the Board members, the Rules of Procedure of the Nomination Committee of the Board expressly stated that the Nomination Committee should select director candidates following objective standards, including but not limited to:

- considering a combination of factors, such as gender, age, cultural and educational background, as well as professional experience of director candidates
- considering the Company's business features and future development needs, etc

The Company shall provide the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may, if necessary, seek independent professional advice for the purpose of performing its duties at the Company's expense.

Major accomplishments of the Nomination Committee in 2016 included:

- nominating YANG Minghui as the President of the Company
- nominating CHEN Zhong as a non-executive director candidate of the Sixth Session of the Board of the Company
- reviewing and confirming the independence of the three independent non-executive Directors for the period as at the end of the Reporting Period

During the Reporting Period, the Nomination Committee held three meetings, details of which are as follows:

Date of meeting	Resolutions Passed
19 January 2016	Resolution on Election of Chairman of the Nomination Committee of the Sixth Session of the Board
29 April 2016	Proposal on Changing the Non-executive Director of the Company
26 June 2016	Resolution on Appointment of the President of the Company

All members of the Nomination Committee had attended the above meetings.

9.8.5 Risk Management Committee

Details of members of the Risk Management Committee during the Reporting Period and as at the date of this results announcement, and their respective attendance of the meetings of the Risk Management Committee during the Reporting Period are as follows:

Name of Committee Member	Position	Actual Attendance/ Scheduled Attendance	Description
YANG Minghui	Executive Director, Chairman of Risk Management Committee	4/4	Mr. YANG Minghui officially serves as an executive Director from 19 January 2016.
CHEN Zhong	Non-executive Director	0/0	Mr. CHEN Zhong officially serves as a non-executive Director from 14 November 2016. During his term of office, the Risk Management Committee did not convene any meeting.
HE Jia	Independent Non-executive Director	2/2	Mr. HE Jia officially serves as an independent non-executive Director from 23 March 2016. During his term of office, the Risk Management Committee convened 2 meetings. He attended both meetings.
CHAN, Charles Sheung Wai	Independent Non-executive Director	1/1	Mr. CHAN, Charles Sheung Wai officially serves as an independent non-executive Director from 9 May 2016. During his term of office, the Risk Management Committee convened 1 meeting. He attended the meeting.
CHENG Boming	Executive Director (former), Chairman of Risk Management Committee (former)	0/0	Mr. CHENG Boming ceased to serve as an executive Director from 19 January 2016. During his term of office, the Risk Management Committee did not convene any meeting.
YIN Ke	Executive Director (former), Chairman of Risk Management Committee (former)	4/4	Mr. YIN Ke resigned as an executive Director and Chairman of Risk Management Committee on 22 March 2017.
LIU Lefei	Executive Director (former)	0/0	Mr. LIU Lefei ceased to serve as an executive Director from 19 January 2016. During his term of office, the Risk Management Committee did not convene any meeting.
FANG Jun	Non-executive Director (former)	4/4	Mr. FANG Jun ceased to serve as a non-executive Director from 14 November 2016.
RAO Geping	Independent Non-executive Director (former)	2/2	Mr. RAO Geping ceased to serve as an independent non-executive Director from 23 March 2016. During his term of office, the Risk Management Committee convened 2 meetings. He attended both meetings.
LEE Kong Wai, Conway	Independent Non-executive Director (former)	3/3	Mr. LEE Kong Wai, Conway ceased to serve as an independent non-executive Director from 9 May 2016. During his term of office, the Risk Management Committee convened 3 meetings. He attended all meetings.

The primary responsibilities of the Risk Management Committee of the Board are: to develop the overall risk management policy for the Board's review; to define strategic structures and resources for the risk management of the Company, and align them with the internal risk management policy of the Company; to define the threshold of major risks; and to supervise, examine and make recommendations to the Board on the relevant risk management policies.

During the Reporting Period, the Risk Management Committee held four meetings to review and consider reports in relation to various risk control, compliance management and internal control and governance, details of which are as follows:

Date of meeting	Resolutions Passed
19 January 2016	Resolution on Election of Chairman of the Risk Management Committee of the Sixth Session of the Board
21 March 2016	Proposal on the Review of the 2015 Assessment Report on Internal Control of the Company; Proposal on the Review of the Audit Report on the Internal Control of the Company and Proposal on the Review of the 2015 Compliance Report of the Company
29 April 2016	Proposal on the Amendments on the Working Procedures of Risk Management Committee of the Board of the Company; Resolution on the Review of the Comprehensive Risk Management System and Risk Preference Statement of the Company
22 August 2016	2016 Interim Compliance Report of the Company

All members of Risk Management Committee had attended the above meetings.

9.8.6 Related Party Transactions Control Committee

Details of members of the Related Party Transactions Control Committee during the Reporting Period and as at the date of this results announcement, and their respective attendance of the meetings of the Related Party Transactions Control Committee during the Reporting Period are as follows:

Name of Committee Member	Position	Actual Attendance/ Scheduled Attendance	Description
HE Jia	Independent Non-executive Director, Chairman of Related Party Transactions Control Committee	1/1	Mr. HE Jia formally serves as an independent non-executive Director from 23 March 2016. During his term of office, 1 meeting of the Related Party Transactions Control Committee was held. He has attended the meeting.
LIU Ke	Independent Non-executive Director	3/3	Mr. LIU Ke formally serves as an independent non-executive Director from 19 January 2016. During his term of office, 3 meetings of the Related Party Transactions Control Committee were held. He has attended all of the meetings.
CHAN, Charles Sheung Wai	Independent Non-executive Director	1/1	Mr. CHAN, Charles Sheung Wai formally serves as an independent non-executive Director from 9 May 2016. During his term of office, 1 meeting of the Related Party Transactions Control Committee was held. He has attended the meeting.
WU Xiaoqiu	Independent Non-executive Director (former)	0/0	Mr. WU Xiaoqiu ceased to serve as an independent non-executive Director of the Company from 19 January 2016. During his term of office, no meeting of the Related Party Transactions Control Committee was held.
RAO Geping	Independent Non-executive Director (former), Chairman of Related Party Transactions Control Committee (former)	2/2	Mr. RAO Geping ceased to serve as an independent non-executive Director of the Company from 23 March 2016. During his term of office, 2 meetings of the Related Party Transactions Control Committee were held. He has attended both meetings.
LEE Kong Wai, Conway	Independent Non-Executive Director (former), Chairman of Related Party Transactions Control Committee (former)	2/2	Mr. LEE Kong Wai, Conway ceased to serve as an independent non-executive Director of the Company from 9 May 2016. During his term of office, 2 meetings of the Related Party Transactions Control Committee were held. He has attended both meetings.

The primary responsibilities of the Related Party Transactions Control Committee of the Board are: to establish and amend the related party/connected transactions management system of the Company and monitor its implementation; to identify the list of related/connected parties of the Company and report it timely to the Board and the Supervisory Committee; to classify the related party/connected transactions and define their approval procedures and standards; to review any contemplated major related party/connected transactions of the Company with any related/connected parties, form a written opinion to the Board for review and report the same to the Supervisory Committee; and to review the disclosure of any related party/connected transaction.

During the Reporting Period, the Related Party Transactions Control Committee held three meetings, details of which is as follows:

Date of meeting	Resolutions Passed
16 January 2016	Resolution on Election of Chairman of the Related Party Transactions Control Committee of the Sixth Session of the Board
21 March 2016	Proposal on the Related Party/Connected Transactions to be Contemplated in the Ordinary Course of Business of the Company in 2016
24 October 2016	Proposal on Renewal of Framework Agreement with CITIC Group for the Related Party/Connected Transactions in the Ordinary Course of Business; Resolution on Waiving the Right of First Refusal on the 17.8% Equity Interest of China Asset Management Co., Ltd.

All members of the Related Party Transactions Control Committee attended the above meetings.

During the Reporting Period, the major measures that the Board implemented in respect of corporate governance are as follows:

- (1) Corporate governance of the Company and related recommendations: faced with the global macro economies situation in 2016 and policy and environment changes in the industry regulatory level, which led to relatively great influences and challenges to the Company, the Board and the respective specialized committees carried out on-going understanding on the Company and the status of the market and regulatory requirements, with a view to further streamlining internal management processes, blocking risk leakage and enhancing internal control system.
- (2) Development of Directors and Senior Management: the Company provided special trainings for Directors and Senior Management to equip them with relevant materials of securities industry and the development news of the Company for the sake of their work.
- (3) Compliance management of laws and regulations: the Board made amendments to the Working Procedures of the Audit Committee of the Board and Working Procedures of the Risk Management Committee of the Board pursuant to relevant internal control provisions under the Code of Hong Kong Stock Exchange, with a view to enhance corporate governance.

Pursuant to the Norms for the Comprehensive Risk Management of Securities Companies issued by CSRC, in order to better ensure the effectiveness of risk management of the Company, taking into account the practical circumstances of the Company and with reference to relevant regulatory system and leading practical experience of other companies, the Board formulated the Comprehensive Risk Management System of the Company and published Risk Preference Statement. The above work explained the overall risk preference and risk tolerance of the Company.

In addition, pursuant to the Securities Law, the SSE Listing Rules, Suspension and Exemption of Information Disclosure of Listing Companies and other requirements, the Board formulated the Management System for Suspension and Exemption of Information Disclosure of CITIC Securities Company Limited. The system stipulates the conditions for suspension and exemption, defines state and commercial confidentiality and specifies the systems for internal approval procedures and filing information, with a view to ensuring the effectiveness of the Company's management system for suspension and exemption of information disclosure.

- (4) Corporate Governance Report: The Board reviewed the Corporate Governance Report set out in this results announcement prior to its publication, and the Board was of the view that the Corporate Governance Report complied with the relevant requirements of the Hong Kong Listing Rules.

9.9 Performance of Duties by Independent Non-executive Directors

9.9.1 Regular report of work

(1) *Compilation and review of 2015 Annual Report*

On 1 March 2016, during the 2016 2nd Meeting of the Audit Committee of the Sixth Session of the Board of the Company, the Board listened to the reports of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers on the result of preliminary review of 2015 Annual Report, conducted preliminary reviews on Proposal on the Adjustment of 2015 Audit and Review Expenses of the Company, conducted preliminary reviews on Audit Work Report of the Company for 2015 and considered and approved the Resolution on 2016 Audit Work Plan of the Company. All of the three members of the Audit Committee, were independent non-executive Directors. They reviewed and delivered their opinions on the 2015 audit plan in two different capacities, i.e. as members of the Audit Committee and as independent non-executive Directors.

On 14 March 2016, the 3rd Meeting of the Audit Committee of the Sixth Session of the Board in 2016 considered and approved the Resolution on Review of Audit Working Summary of PwC, Resolution on Review of 2015 Duty Performance Report of Audit Committee of the Board, and preliminarily reviewed the Proposal on Review of 2015 Annual Report of the Company, Proposal on Review of 2015 Self-assessment Report of Internal Control of the Company, Proposal on Review of Auditor's Report on Internal Control of the Company. All of the three members of the Audit Committee, were independent non-executive Directors. They pre-reviewed the 2015 Annual Report in two different capacities, i.e. as members of the Audit Committee and as independent non-executive Directors.

(2) *Compilation and review of 2016 Annual Report*

On 12 December 2016, the 5th Meeting of the Audit Committee of the Sixth Session of the Board in 2016 considered and approved the 2016 Audit Plan of CITIC Securities Company Limited. All of the three members of the Audit Committee, were independent non-executive Directors. They reviewed and delivered their opinions on the 2016 audit plan in two different capacities, i.e. as members of the Audit Committee and as independent non-executive Directors.

After considering and approving the 2016 Integrated Audit Plan of CITIC Securities Company Limited by the Audit Committee, the Company's person-in-charge of accounting affairs reported the same to the independent non-executed Directors in writing.

On 6 March 2017, the Company's independent non-executive Directors conducted on-site inspection and guidance and carefully listened to the report of operating management, the person-in-charge of accounting affairs and audit institutes on the operation, financial condition and audit of the Company in 2016. As members of the Audit Committee, all the independent non-executive Directors of the Company reviewed the Report of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers Hong Kong regarding the Company's Preliminary Audit Results of 2016 Annual Report and 2017 Audit Work Plan of the Company and conducted preliminary reviews on Audit Work Report for 2016 and Proposal on Adjustment of 2016 Audit and Review Expenses.

On 20 March 2017, all of the independent non-executive Directors of the Company, as members of the Audit Committee, reviewed the Working Summary of PwC and Annual Report of the Audit Committee on the Performance of Duties in 2016, and conducted a preliminary review on the 2016 Annual Report of the Company, 2016 Self-assessment Report of Internal Control of the Company and Auditor's Report on Internal Control of the Company.

9.9.2 Review and consideration on related party/connected transactions

- (1) On 1 August 2016, the independent non-executive Directors of the Company conducted a voting on a related party/connected transaction relating to a distribution agreement entered into by the Company and CITIC Trust Co., Ltd, where the former to receive Zhongxin-Juxin Huijin Property Fund No. 1 Collective Capital Trust Plan. This transaction was approved and the resolution was filed with the SSE for record on the same day.
- (2) On 25 August 2016, the independent non-executive Directors of the Company conducted a voting on a related party/connected transaction relating to the joint establishment of private equity investment fund by CSI Partners Limited, a wholly-owned subsidiary of CSI, and CNCB (Hong Kong) Investment Limited. This transaction was approved and the resolution was filed with the SSE for record on the same day.
- (3) On 27 September 2016, the independent non-executive Directors of the Company conducted a voting on a related party/connected transaction relating to the joint contracting of the Company's renovation by Beijing Huamei Decoration Engineering Co., Ltd. and Beijing Guo'an Electric Co., Ltd. This transaction was approved and the resolution was filed with the SSE for record on the same date.
- (4) On 28 November 2016, the independent non-executive Directors of the Company conducted a voting on a related party/connected transaction relating to the on exchange stock pledged repo transaction between the Company and Valin Iron and Steel Group. This transaction was approved and the resolution was filed with the SSE for record on the same date.

9.9.3 Other performance of duties

On 21 March 2016, the independent non-executive Directors of the Company reviewed and provided independent opinions on the 2015 Distribution plan of the Company.

On 23 March 2016, the independent non-executive Directors of the Company gave specific explanations and provided independent opinions on the 2015 accumulated and current guarantees according to the provisions and requirements of Zheng Jian Fa [2003] No. 56. They reviewed, among others, re-appointment of accounting firms, the total remuneration of Directors and Senior Management for 2015, the related party/connected transactions contemplated in the ordinary course of business in 2015 and related party/connected transactions to be contemplated in the ordinary course of business in 2016, and delivered their independent opinions.

On 26 June 2016, the independent non-executive Directors of the Company, in accordance with the information provided by the Company and on their enquiries, conducted review and delivered their independent opinions on the matters of candidates for the President of the Company.

On 24 October 2016, the independent non-executive Directors of the Company, in accordance with the information provided by the Company and on their enquiries, provided accreditation in advance and delivered their independent opinions on the matters in relation to the framework agreement renewed with CITIC Group regarding the related party/connected transactions contemplated in the ordinary course of business and waiving the right of first refusal of 10% equity interest of China AMC.

9.9.4 Establishment and improvement of working rules for independent non-executive Directors and performance of duties by independent Directors

In order to improve the corporate governance structure, promote the regulated operations, safeguard the overall interests of the Company and protect the lawful rights and interests of all shareholders, particularly the minority shareholders, the Working Rules for Independent Directors of the Company came into force on 28 July 2008 after it was considered and adopted at the 28th Meeting of the Third Session of the Board. The contents of the rules include: qualifications of independent Directors; nomination, election and replacement of independent Directors; special powers of independent Directors; independent opinions of independent Directors; necessary conditions provided for independent Directors; and working rules regarding the annual report.

During their term of office, all independent non-executive Directors complied with the laws, regulations and the Articles of Association of the Company, and had devoted sufficient time and energy to performing their duties. When making an independent judgment, the independent non-executive Directors were not affected by the substantial shareholders of the Company or any other entity or individual having an interest in the Company; and they endeavored to protect the interests of the Company and all minority shareholders.

The independent non-executive Directors actively participated in all the meetings of the Board. Among the members of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Related Party Transactions Control Committee of the Board, the Company has appointed the requisite number of independent non-executive Directors as required by their respective rules, and the office of chairman of each of the committees is assumed by an independent non-executive Director. All the chairmen of the committees convened the meetings according to the relevant terms of reference.

9.10 Supervisors and the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company and is accountable to the general meeting of Shareholders. According to the Company Law and the Articles of Association of the Company, the Supervisory Committee is responsible for overseeing the financial activities and internal control of the Company, and the legality and compliance of the Board, the operating management and its members in the performance of their responsibilities.

In 2016, the Supervisory Committee of the Company strictly complied with the provisions of the Company Law and the Articles of Association of the Company, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site meetings of the Board, made reports to the general meeting of Shareholders and submitted its working report and relevant proposals. Based on the principle of being accountable to all Shareholders, the Supervisory Committee effectively supervised the legality and compliance of the Company's finance and the performance of duties by the Board and the Operating Management of the Company.

9.10.1 Meetings of the Supervisory Committee and attendance of Supervisors during the Reporting Period

During the Reporting Period, the Supervisory Committee of the Company convened five meetings in total. Details of which are as follows:

1. During the First Meeting of the Sixth Session of the Supervisory Committee of the Company held on 19 January 2016 at Nanjing Room, 3/F, Kempinski Hotel Beijing, Lufthansa Center, No. 50 Liangmaqiao Road, Chaoyang District, Beijing, the committee considered and approved unanimously the Resolution on Election of Chairman of the Supervisory Committee of the Company.

2. During the Second Meeting of the Sixth Session of the Supervisory Committee of the Company held on 23 March 2016 at CITIC Securities Tower, Beijing, the committee considered and approved unanimously the 2015 Work Report of the Supervisory Committee, Proposal on the Review of the 2015 Annual Report of the Company, Proposal on the Review of the 2015 Annual Profit Distribution Plan, Proposal on the Review of the Total Remuneration of the Supervisors of the Company for 2015 and Resolution on the Review of 2015 Social Responsibility Report; and reviewed the 2015 Self-Assessment Report on Internal Control, the 2015 Annual Internal Auditing Report and the 2015 Annual Compliance Report of the Company.
3. During the Third Meeting of the Sixth Session of the Supervisory Committee of the Company held on 29 April 2016 by means of teleconference, the committee considered and approved unanimously the 2016 First Quarterly Report of the Company and issued written review opinions.
4. During the Fourth Meeting of the Sixth Session of the Supervisory Committee of the Company held on 25 August 2016 by means of teleconference, the committee considered and approved unanimously the 2016 Interim Report of the Company with written review opinions issued, and reviewed the 2016 Interim Compliance Report of the Company.
5. During the Fifth Meeting of the Sixth Session of the Supervisory Committee of the Company held on 29 October 2016 by means of teleconference, the committee considered and approved unanimously the 2016 Third Quarterly Report of the Company, and issued written review opinions.

For details of the resolutions of the Supervisory Committee and the regular reports considered and approved by the Supervisory Committee mentioned above, please refer to the announcements published on the HKExnews website of HKEx on the dates of the meetings, and the announcements published on the SSE website, China Securities Journal, Shanghai Securities News and Securities Times on the following day.

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

Name of Supervisor	Position	Scheduled attendance at supervisory meetings during the year	Actual attendance	Attendance at on-site meetings			Mode of attendance at on-site meetings
				by other means	Attendance by proxy	Absence	
LI Fang ^{Note}	Chairman of the Supervisory Committee	5	5	—	—	—	On-site
GUO Zhao	Supervisor	5	5	—	—	—	On-site
RAO Geping ^{Note}	Supervisor	3	3	—	—	—	On-site
LEI Yong	Employee Supervisor	5	5	—	—	—	On-site
YANG Zhenyu	Employee Supervisor	5	5	—	—	—	On-site
Meetings of the Supervisory Committee held during the year: 5							
Of which, number of meetings held on-site: 2							
Number of meetings held via communications: 3							
Number of meetings held by means of on-site combined with communications: —							

Note: During the 2016 First Extraordinary General Meeting of the Company held on 19 January 2016, the Shareholders considered and approved the resolution on re-election of Supervisors of the Company and Ms. NI Jun, former Chairman of the Supervisory Committee and Supervisor, resigned on the same day. At the meeting, Mr. LI Fang and Mr. RAO Gepin were appointed as Supervisors of the Company. Mr. LI Fang was elected as the Chairman of the Supervisory Committee at the first meeting the Sixth Session of the Supervisory Committee on the same day (Mr. LI Fang assumed the position of Chairman of the Supervisory Committee from 20 July 2016 after the approval on relevant qualification was obtained from Shenzhen Securities Regulatory Bureau); Mr. RAO Geping serves as the Company's external supervisor after Mr. HE Jia obtained the qualification of independent director (assumed from 23 March 2016).

9.10.2 Participating in the internal audit project of the Company and conducting on-site inspections

To ensure the Supervisors perform their supervision and management duties, during the Reporting Period, the Company arranged for the Supervisors to participate in the on-site opinion exchange sessions of three internal audit projects, conduct two activities of branch visiting, listen to the exchange of opinions and feedbacks from the internal audit project teams and the unit being audited, and obtain an understanding on the operational compliance and risk control of the unit being audited at the site. The details are shown below:

Date	Name of Supervisor	On-site inspection unit
29-30 March 2016	LI Fang, LEI Yong	Jiangxi Branch Office, Jiujiang Changhong Avenue securities outlet
17 May 2016	LI Fang, LEI Yong	CITIC Securities Data Recovery Center and Call Center; CITIC Securities (Shandong); Qingdao Blue Ocean Equity Exchange
24 May 2016	LI Fang	Hangzhou Dinganlu Branch
6 September 2016	LI Fang, GUO Zhao, RAO Geping, LEI Yong and YANG Zhenyu	GoldStone Investment (Qingdao GoldStone Haorui Investment Co., Ltd.)
2 December 2016	LI Fang, GUO Zhao, RAO Geping	CITIC Securities Headquarter Information Technology Center

Through on-site inspections, the experiences of the Supervisors in performing their duties were further enriched, which effectively enhanced the capabilities of the Supervisory Committee of the Company to supervise and manage the operation and management activities of the Company.

9.10.3 Independent opinion of the Supervisory Committee

During the Reporting Period, the Supervisors sit in all on-site meetings of the Directors and general meetings. They supervised and inspected the compliance of the operation, major decision-making procedure, major business activities and the financial position of the Company. On the basis of the above, the following independent opinions were given:

- (1) The Company operated in strict compliance with the Company Law, the Securities Law, the Articles of Association of the Company and the relevant rules and regulations of China, and the decision-making procedure of the Company was legal. The Company was able to continuously improve its internal control system, and none of the Directors and Senior Management personnel was involved in any default or other acts that may harm the interest of the Company when performing their duties for company affairs. The Supervisory Committee of the Company had no disagreement with any supervisory matters during the Reporting Period.
- (2) The financial position of the Company was satisfactory. The financial statements for 2016 had been audited by PwC. Both accountants had issued their respective auditor's reports with standard and unqualified opinions, and the financial statements gave a true and fair view of the financial position and the financial performance of the Company.
- (3) During the Reporting Period, the Company issued a public RMB bonds, of which: the 3-year type had a size of RMB12.5 billion and the 5-year type had a size of RMB2.5 billion. The Company issued a non-public corporate bonds, with a size of RMB2 billion. The Company issued 7 tranches of commercial papers and 489 tranches of beneficiary certificates. The proceeds were applied to supplement the operating capital and liquidity of the Company and the uses of proceeds were in line with the disclosure in the prospectuses.
- (4) Acquisitions or disposals of assets were made by the Company at reasonable prices. No insider dealings were found, nor was there any act which may jeopardize the interests of part of the Shareholders or cause any loss to the Company's assets.
- (5) The relevant related party/connected transactions were fair and were in compliance with laws and not prejudicial to the interests of the Company.
- (6) The Secretary to the Board is responsible for information disclosure as well as incoming calls, visits and enquiries from investors. The Company has designated China Securities Journal, Shanghai Securities News and Securities Times as the newspapers for information disclosure, and the website of the SSE at <http://www.sse.com.cn> and the HKExnews website of HKEx at <http://www.hkexnews.hk> as the websites for information disclosure. The Company had been in strict compliance with Information Disclosure Management System and the relevant laws and regulations and ensured the truth, accuracy, timeliness and completeness as to the information disclosed, and that all Shareholders were given equal opportunities to be informed of the relevant information.

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

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

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

Contents and format of the annual report were in compliance with the relevant regulatory requirements, and information disclosed therein in every aspect reflected the actual operational and financial conditions of the Company for the year; and

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

- (8) The Supervisory Committee of the Company reviewed the 2016 Annual Profit Distribution Plan of the Company and considered the 2016 Annual Profit Distribution Plan formulated by the Board was in compliance with the requirements of the relevant laws, regulations and the regulatory documents of the Company and strictly performed the cash dividend decision-making procedure. The 2016 Annual Profit Distribution Plan of the Company had given full consideration to the Company's internal and external factors, current status, development plan, future capital requirements and was in the long-term interest of the shareholders as a whole. Consent has been given to submit this plan to the General Meeting for consideration.
- (9) The Supervisory Committee of the Company reviewed the 2016 Assessment Report on Internal Control, the 2016 Annual Internal Auditing Report and the 2016 Annual Compliance Report of the Company, and it had no disagreement with the contents therein.

9.10.4 Description of the risks which the Supervisory Committee has discovered in the Company

The Supervisory Committee of the Company had no disagreement with any supervisory matters during the Reporting Period.

9.11 Appointment of Auditors

Please refer to "6.2 Appointment or Termination of Service of Accounting Firms".

The Directors are responsible for the preparation of the accounts and the auditors are responsible for the issuance of audit opinions on the financial statements based on their audit work.

9.12 Non-audit Work

During the Reporting Period, the Company engaged PricewaterhouseCoopers Zhong Tian to provide capital verification services in relation to the wealth management products launched by the Company, the relevant fees for capital verification were paid by the wealth management products.

9.13 Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this results announcement. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm that they have the responsibilities to compile the financial statements which can truly reflect the business results of the Company in each financial year. To the best knowledge of all Directors, there are no material and uncertain events or situations which may cause any material impact on the ongoing operations of the Company.

9.14 Company Secretary

Ms. ZHENG Jing, Secretary to the Board, serves as the Company Secretary. The Company Secretary is accountable to the Board, and ensures that various meetings of the Board are convened according to the correct procedures; advises and recommends on issues related to corporate governance of the Company; and promotes the effective communication among members of the Board, and among the Directors, Shareholders and operating management of the Company.

The Company Secretary circulates the agenda on corporate governance to the Chairman, and provides sufficient explanation and information to the Board in a timely manner, especially the plans of annual Board meetings and meetings of the specialized committees thereunder; regularly provides weekly information and monthly management to the Board and the Supervisory Committee to keep the Board and the Supervisory Committee abreast of the latest development. The Company Secretary provides sufficient bases and recommendations on corporate governance, Board meeting procedures, non-executive Directors' involvement in the internal management meetings, and non-executive Directors' visits to the Company and other matters for the Board's review. The Directors are entitled to obtain the Company Secretary's opinion, recommendation and related services. During the Reporting Period, the Company Secretary duly performed her duties in ensuring that the respective meetings of the Board are properly convened; promoted the effective communication among members of the Board, and among the Directors, Shareholders and operating management of the Company.

During the Reporting Period, in order to better perform her duties and in accordance with the requirements of the Hong Kong Listing Rules, Ms. ZHENG Jing received a total of 25 hours of professional training, so as to update her professional knowledge. These trainings include: The 41st Session of training for company secretaries organized by the Hong Kong Institute of Chartered Secretaries (primarily in relation to the latest policies, regulations and cases analysis of M & A of listed companies); the webinar on the topics of: Interpretation of the consultation document on the risk management and internal control issued by the Hong Kong Stock Exchange; Discussion on technology, risk management and board of directors; Presentation on environment, society and governance reports; Interpretation of the update of Hong Kong Listing Rules; Automatic exchange of financial account information; 2016 Overview of A+H general meetings and Sharing of related regulations and notes, organized by Computershare Hong Kong Investor Services Limited; induction training of Directors and Supervisors organized by Linklaters.

9.15 Investor Relations

9.15.1 During the Reporting Period, there was no amendment to the articles of association of the Company.

9.15.2 Work conducted related to investor relations during the Reporting Period

The Board of the Company and the operation management highly value the investor relations and push the hard-working and creative atmosphere into the works of corporate governance and investor relations.

In 2016, the Company upheld its principle to be open and fair in pursuit of an active and proactive management strategy in investor relations, and ensured the truthfulness, accuracy and completeness of the information disclosed, which improved the communication with investors.

In 2016, the Company organized various activities for investors and analysts in accordance with the regulatory requirements and the needs for business development including: two shareholders' general meetings were held to consider the re-election of the Board and the Supervisory Committee and important issues such as the 2015 Profit Distribution Plan, with the presence of the Directors, Supervisors, Senior Management and heads of the relevant business divisions of the Company, to explain matters to be discussed at the meetings, introduce the latest development of the Company and answer the Shareholders' inquiries, through which the Company was able to achieve satisfactory communication with the Shareholders. The 2015 annual results briefing and 2016 interim results publication conference call were held along with the publication of regular reports; we visited local investors and regulatory authorities in Hong Kong and Macau to promote in-depth knowledge of the investors on the operations and results of the Company; coordination with the Company strategy and business development, the management of the Company actively communicated with investors, thereby enhancing the investors' understanding of the investment values of the Company, advertising the advantage of the Company's business development and leading the market expectations effectively. In addition, our investor relations team maintained smooth and effective communication with analysts and investors, and timely exchanged their views on hot topics in the market as well as regular policies. The Company also continuously maintained the answering rate of investor hotline, optimized the function of the mailbox and company website, continuously update the content of Shanghai Stock Exchanges Interactive Platform to provide its investors with a convenient, quick, timely and comprehensive method to know about the development of the Company.

In 2017, the Company will continue to improve its investor relations service to a higher level and deepen its communication with investors to give the investors a better understanding of the Company and the industry, raise the awareness and recognition of the Company among investors and create a wider range of investor relations activities in order to improve the services delivered by the Company to investors and analysts.

9.16 Internal Control

9.16.1 Statement of the Board regarding the responsibility of internal control

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

The internal control of the Company is aimed to provide reasonable assurance for the legal compliance of operation and management, safety of assets, true and complete financial report and relevant information, improvement of operational efficiency and effectiveness so as to facilitate the realization of development strategies. Due to its inherent limitations, internal control can only provide reasonable assurance for the achievement of the above objectives. Moreover, changes in circumstances may render the internal control inappropriate, or reduce the degree of control over the compliance with policies and procedures, predicting effectiveness of internal control in future according to the appraisal results of internal control may involve certain risks.

During the Reporting Period, the Board completed the review of the effectiveness of the Group's risk management and internal control systems through the Audit Committee, covering all material controls, including financial, operational and compliance controls. There were no significant internal monitoring issues found during the review. The Board was of the view that the existing risk management and internal control systems were effective and sufficient during the year under review and as of the date of this results announcement.

9.16.2 Basis of internal control in the financial report

During the Reporting Period, the Company further established and improved internal control over financial reports in accordance with the Guidelines on Internal Control for Enterprises and its implementation guidance, the Guidance for the Internal Control of Securities Companies, the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange and other relevant laws, rules and regulations, combining the specific situation of the Company.

According to the criteria for determining material defects, major defects and general defects as defined in the laws and regulations mentioned above, and in light of its scale, industry-specific features and risk level, the Company studied and defined the criteria suitable for the determination of defects in the internal control of the Company and kept it consistent with the criteria of the previous years.

“Material defect” refers to one defect or a combination of defects that may cause the enterprise to materially deviate from the objectives of internal control. “Major defect” refers to one defect or a combination of defects that leads to less severity and less severe economic consequences than a material defect, but may still cause the enterprise to deviate from the objectives of internal control. “General defect” refers to any defect other than a material defect or a major defect.

According to the criteria outlined above, and based on the findings of routine supervision and special supervision, it is concluded that the Company had a sound internal control system and mechanism during the Reporting Period. The Company effectively implemented its internal control system and mechanism in its work, and no material and major defects were found in internal control over the financial report of the Company.

9.16.3 Overall view on building of the internal control system

The Company has attached great importance to the development of the internal rules and regulations and the management systems since the Company was established. After the Guidelines on Internal Control for Enterprises, the Guidance for the Internal Control of Securities Companies, and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange were promulgated, the Company has further improved its internal control according to the relevant requirements, and made a consistent effort to improve internal control in every aspect of its business development.

In 2011, as a key company designated to carry out the pilot in the Shenzhen Bureau of the CSRC administrative area, the Company, from the prospective of a listed company, had duly conducted the pilot of regulation on internal control and appointed an external consulting institution for assistance, and adopted the best practice and methodology on internal control from the external consulting institution. In 2012, the Company, from the prospective of a securities company, started and successfully completed an internal control campaign in accordance with the Notice on Conducting Internal Control Activities among Securities Companies in Shenzhen Administrative Area, and further improved its internal control system. Since 2012, with the authorization of the Board, the Compliance Department of the Company has led the establishment of the internal control self-assessment team of the Company to conduct the internal control self-assessment independently. Leveraging on the experience accumulated over years, the Company has established a relatively stable system of division of responsibilities and cultivated the internal control self-assessment procedures and mechanism which are in line with the actual situations of the Company, thereby enabling the assessment results to reflect a true and accurate picture of the Company's internal control.

As at the end of the Reporting Period, the Company had established an internal control system in line with the business nature, scale and complexity, ensured the legality and compliance of the Company's operations and management, safety of assets, truthfulness and integrity of the financial reports and relevant information, and achieved significant results in the enhancement of business efficiency and effectiveness.

As at the end of the Reporting Period, the Company had effectively put in place an internal monitoring and control system, and the procedures and internal monitoring and control measures for processing and issuing price-sensitive information, and clearly defined the frequency of reviews on internal control and the standards adopted by directors to appraise the effectiveness of the internal monitoring and control system.

The Company had established, improved and implemented a set of management systems, including the information segregation wall, the registration system of persons informed of undisclosed information and the registration and administration system for persons informed of inside information, according to the regulatory requirements. It effectively prevented the improper use and dissemination of sensitive information. Furthermore, the Company disclosed the relevant information in a true, accurate, complete and timely manner in strict compliance with the laws, regulations and the Articles of Association of the Company, and ensured that all investors have equal opportunities to promptly receive the Company's information.

9.16.4 Disclosure of appraisal report on the Company's internal control

As a company concurrently listed domestically and abroad, the Company has disclosed the 2016 Annual Appraisal Report on Internal Control together with this results announcement. Pursuant to the Guidelines on Internal Control for Enterprises and ancillary guidelines, Rule No. 21 for Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public – General Rules of Annual Report on Internal Control Evaluation and other relevant laws and regulations, the Company conducted a self-appraisal on the effectiveness of internal control design and operation as at the end of the Reporting Period. In respect of the business and matters included in the appraisal scope, the Company has established and effectively implemented an internal control system which has achieved the objectives of the Company's internal control and without material or major defect. The Company disclosed the Audit Report of Internal Control at the same time when disclosing this results announcement.

9.16.5 Establishment and implementation of the registration and administration system for persons informed of inside information

In pursuit of a more comprehensive management system for information disclosures, upon consideration and approval by the Board, the Registration System for Persons Informed of Inside Information of the Company became effective from 29 September 2009. During the Reporting Period, the Company managed to achieve the due performance of inside information management and registration of persons informed of inside information in accordance with the requirements of the Registration System for Persons Informed of Inside Information. The Company also maintained the relevant documents for inspection by the Company itself and relevant regulatory bodies, including a true and complete list of persons informed of inside information in various processes such as reporting, circulation, preparation, audit and disclosure prior to dissemination of such inside information, and the substance and time of such information being known by such persons. During the Reporting Period, the Company was not aware of any non-compliance with the Registration System for Persons Informed of Inside Information.

In addition, the Company set up the Registration System of Persons Informed of Undisclosed Information from the perspective of a securities company and established the mechanism and work flow for delivery of information of persons informed of undisclosed information for various departments/business lines, specifying the main responsibilities of the management personnel of the compliance department and other departments/business lines, administrators of various departments/business lines and persons informed of undisclosed information pursuant to the requirements of the Notice Regarding Reinforcement of the Management of Persons Informed of Undisclosed Information by Securities Companies (Shen Zheng Ju Ji Gou Zi [2010] No. 126) issued by the Shenzhen Bureau of CSRC. During the Reporting Period, in strict compliance with the Registration System of Persons Informed of Undisclosed Information, the Company launched its registration of persons informed of undisclosed information quarterly, issued the Notice on Further Strengthening of Management of Persons Informed of Undisclosed Insider Information and submitted timely the Registration Form of Persons Informed of Undisclosed Information to the Shenzhen Bureau of the CSRC.

9.16.6 Implementation of the Company's accountability system for material errors in information disclosure in annual report

In order to further improve the Company's internal control system and reinforce the financial accountability system, the Board developed the Accountability System for Material Errors in Information Disclosure in the Annual Report of CITIC Securities Company Limited, and this system became effective on 29 March 2010.

During the Reporting Period, the system had been implemented satisfactorily, and there had been no material accounting error, material omission of information which needed to be supplemented, or correction of the preliminary announcement of results.

9.16.7 Other matters of report

Establishment of the compliance management system

According to the regulatory requirements, the Company has established a comprehensive and multi-level organizational structure for compliance management. The compliance management is led by the Board, supervised by the Supervisory Committee and implemented by the Compliance Officer and the Compliance Department. The Operating Management, heads of each department/business line and the Compliance Supervisors of each department/business line, perform their duties of compliance management within their own scope of authorities. The Company has established and improved the Compliance Management Provisions as the basic system, and adopts the Staff Compliance Code, Compliance Consulting and Review System, Compliance Inspecting and Monitoring System, Customer Complaints Reporting and Handling System, Compliance Report System, Compliance Appraisal System, Information Segregation Wall System and its ancillary measures, Anti-money Laundering Working System, Internal Working System of the Compliance Department, relevant departments/business lines and Compliance System for Branches as the working system for specific tasks to form a more comprehensive compliance management system.

During the Reporting Period, in respect of the basic system of compliance management, the Company developed (revised) the Policy for the Management of the Employees' Securities Investment Activities, the System of Self-evaluation of the Risks of Money-laundering, the Policy for the Management of the Application of Weibo and Wechat as well as the System for Compliance Test (Trial). Through establishment of systems, the standardized construction of management of compliance has been further improved.

As of the end of the Reporting Period, the Company had effectively put in place a organizational structure for compliance management system.

Internal audit

During the Reporting Period, in order to keep up with the Company's business development, the audit department continued to carry out its internal audit work by focusing on risks and mainly enhanced the audit on the headquarters, branches, domestic and overseas subsidiaries and the high-risk businesses concerned by the regulatory authorities.

During the Reporting Period, the audit department completed routine audits, separation audits and compulsory leaving audits for the head of branch in 108 projects, involving nine departments/business lines at the headquarters (including 14 projects), 87 branches and five subsidiaries (including seven projects), details of which are as follows:

- 14 audit projects at the headquarters, including routine audits on the industry teams under the Investment Banking Management Committee, the Investment Project Recommendation Team and the Debt Capital Market Department, New OCT Market Business, Equity Derivatives division, Securities and Finance division, Equity Sales & Trading Department, IT Center, the Unified Customer Contact Center and Asset Management Department; separation audits on the former heads of Planning & Finance Department and other departments;
- 87 audit projects in the securities branches, including compulsory post audits on the general managers of 45 securities branches and separation post audits on the general managers of 42 securities branches.
- seven audit projects in five subsidiaries, including routine audits on the investment banking business of subsidiaries, including Qingdao GoldStone Haorui Investment Co., Ltd., CITIC GoldStone Fund Management Co., Ltd. and CLSA Limited; routine audits on CSI and its subsidiaries which are engaged in brokerage, futures, asset management and proprietary businesses; separation post audits on the former head of division in CITIC Buyout Fund Management Co., Ltd.

Through the internal audits mentioned above, the audit department evaluated the soundness and effectiveness of internal control in the audited units and played an important role in improving the internal control of front desk department, efficiently preventing business risks and improving the risk management of the Company.

The status of the establishment of the risk control indicator monitoring and replenishment mechanism of the Company

Since its establishment, the Company has attached great importance to the construction of the risk control mechanism so as to achieve regular operations and steady development while maintaining high quality of the assets. All financial and business risk indicators have satisfied the relevant requirements under the Measures for the Administration of the Risk Control Indicators of Securities Companies promulgated by CSRC.

Pursuant to the requirements of the Measures for the Administration of the Risk Control Indicators of Securities Companies, the Company has established a dynamic risk control indicator monitoring system to realize immediate, dynamic monitoring and automatic warning of risk control indicators.

The Company has established the net capital replenishment mechanism to ensure continued compliance of risk control indicators such as net capital with the requirements of the securities regulatory authorities. As at the end of the Reporting Period, the net capital of the Company was RMB93,504 million and all types of risk control indicators complied with the relevant regulatory requirements.

In accordance with the Notice on Submitting the Work Plan for Implementation of Comprehensive Risk Management Requirements Issued by Shenzhen Bureau of the CSRC, the 10th Meeting of the Sixth Session of the Board of the Company examined and adopted the Work Plan for Implementation of Comprehensive Risk Management Requirements on 14 March 2017.

Account regulation of the Company

In 2016, the Company continued to strengthen its day-to-day account regulation, such as the account regulation of CSDC Unified Account Platform accounts, opening accounts with real names and self-checking the usage of real name. As for the account innovation business newly appeared in the industry, the Company established a comprehensive system to regulate the relevant business procedures. The Company provided special trainings to each securities branch of the Company, in order to eliminate the occurrence of non-regulated accounts. In 2016, Kington Securities, a wholly-owned subsidiary of the Company operated normally and its account system and management requirements was in line with its parent company.

As at the end of the Reporting Period, the Company's brokerage customers had 12,384,706 securities accounts, of which 11,208,547 were qualified securities accounts, representing 90.50% of the total; 1,174,903 were dormant securities accounts, representing 9.49% of the total; 1,256 were unqualified securities accounts, representing 0.01% of the total, and there was no securities account which was frozen by a judicial order nor risk disposition securities account. As at the end of the Reporting Period, the Company's brokerage customers had 8,080,735 capital accounts, of which 7,058,732 were qualified capital accounts, representing 87.35% of the total; 1,020,514 were dormant capital accounts, representing 12.629% of the total; 1,462 were unqualified capital accounts, representing 0.0181% of the total; 27 were unqualified capital accounts frozen by judicial orders, representing 0.0003% of the total and there was no risk disposition capital account.

The account regulation condition above is also disclosed in the 2016 Annual Appraisal Report on Internal Control of the Company.

Self-assessment on the implementation of the Management Measures on Information Disclosure by the Board

During the Reporting Period, the Company disclosed the relevant information in a manner that is true, accurate and complete in strict compliance with the laws, regulations, the Articles of Association of the Company and the Management Measures on Information Disclosure and ensured the timely and fair disclosure of information.

In 2016, the Management Measures on Information Disclosure and other relevant policies were effectively implemented. The Company further regulated information disclosure, and improved the management and quality of information disclosure. At the same time, the Management Measures on Information Disclosure and other internal policies of the Company are well-developed, containing clear provisions on the reporting, delivery, reviewing and disclosing procedures for major events. All these policies were effectively implemented.

Capital movement between the Company and the related parties

In accordance with the Notice of the CSRC on the Regulation of Several Issues Concerning the Capital Movement Between Listed Companies and their Related Parties and the External Guarantees Provided by Listed Companies (Zheng Jian Fa [2003] No. 56) and the Notice on Strengthening Information Disclosure Concerning Appropriation of Funds and Unlawful Provision of Guarantees by Listed Companies of Shenzhen Securities Regulatory Bureau (Shen Zheng Ju Fa Zi [2004] No. 338), PricewaterhouseCoopers Zhong Tian LLP issued the Special Statement Regarding the Appropriation of Funds of CITIC Securities Company Limited by Its Largest Shareholder and Other Related Parties (Pricewaterhouse Coopers Zhong Tian Te Shen Zi (2017 [0453])), stating that there was no appropriation of funds by the largest shareholder or other related parties of the Company in 2016.

Guarantees for external parties

In accordance with the Notice of the CSRC on the Regulation of Several Issues Concerning the Capital Movement Between Listed Companies and their Related Parties and the External Guarantees Provided by Listed Companies (Zheng Jian Fa [2003] No. 56), and based on their inquiries and investigations about the situations of the Company and the information disclosed by the Company, the independent non-executive Directors made statements and independent opinions regarding the aggregate and current external guarantees.

There are no overdue debts for the Company.

10. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

10.1. Enhanced Environmental Awareness, Energy Conservation, Supporting Green Development

As the principal lead underwriter, CITIC Securities Company Limited (“CITIC Securities” or the “Company”) facilitated the issuance of green bonds by State Grid Corporation of China as the lead underwriter. Such bonds were the first corporate green bond issued by central state-owned enterprises, and set the standard for issuance of corporate green bond by central state-owned enterprises, which was in compliance with the national strategy of green development.

As the principal lead underwriter, the Company facilitated China Three Gorges Corporation in the issuance of corporate green bonds with the largest size in the PRC. The proceeds from such issuance of green bonds will be used in three large hydroelectric power plant projects in Xiluodu, Xiangjiaba and Wudongde with the function of flood control, irrigation and power generation, which are of great importance to the economy, the society and environmental protection and will benefit the national economy and people’s livelihood.

According to the “Green Ranking (綠色公益榜)” issued by Securities Association of China, in 2016, the total issuance size of green bonds (including asset securitization products) through the Company reached an amount of RMB3 billion (unless otherwise stated, amounts are presented in RMB for this report), and CITIC Securities ranked the second among green bonds lead underwriters and green asset securitization products managers.

In 2016, the Company actively protected the health and safety of employees. In terms of the working environment, the Company: (1) chooses environmental indicators qualified products for construction materials with strict procedures of admission inspection and acceptance inspection; and (2) selects environmental indicators qualified products for furniture, and setting higher environmental standards for major materials such as plates and clothes.

The Company continued to call on employees to establish environment-friendly and low-carbon awareness to vigorously support energy-saving emission reduction and environmental protection public-interest undertakings. In terms of daily office work: (1) to transform the cooling mode of power distribution room and reduce the running time of air conditioners; (2) to adjust the number of electrical equipment facilities running during the weekends, for example, reducing the numbers of direct drinking water machines and elevators in operation; (3) to increase the frequency of automatic turnoff of lighting at office during the night; (4) to establish weekend overtime application system to reasonably control the running time of air conditioners during the weekends; (5) to transform the underground grease separation equipment of the Company so that the quality of wastewater drained from the staff canteen is better than that of the national standard. After testing, the suspended solids in water amounted to 182 mg/L (the national industry standard is 400mg/L) and the animal and vegetable oil amounted to 52.2 mg/L (the national industry standard is 100 mg/L); (6) to reduce the use of paper, encourage employees to save water and electricity, travel in low-carbon means and promote rational consumption to avoid waste. The Company continued to attach importance to environmental protection and continued to strengthen environmental control. In 2016, there were no environmental pollution accidents occurred in the Company or environmental pollution complaints, fines or sanctions brought against the Company.

In 2016, CSI continued to adopt the 3R environmental protection concept, reducing use of paper, classifying the wastes for recycling and using electric appliance with energy label.

Most of the branch offices of CLSA Limited obtained the certificates of ISO14001:2004 international environment management system, focused on reduction of wastage, reuse and recycling of resources, and conducted assessment on the suppliers based on such focuses and required the suppliers to provide information on their respective environmental protection initiatives. The major office paper of CLSA Limited continued to decrease from 650 reams per month in 2007 to 391 reams per month in 2016; the electricity consumption decreased from 153,000 KWh per month in 2007 to 142,000 KWh per month.

10.2. Responsible for the Employees

The Company focused on making full use of the knowledge, skills, talent and professionalism of all staff through improving the management system, optimizing the working environment and emphasizing the humanistic care and other ways to help staff to develop.

10.2.1 Diversified employee structure

The Company considers a diversified employee structure as one of the key elements to maintaining its competitive strengths in the long run. A company with a wide diversity of cultures should be inclusive of employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualities in order to achieve the most suitable composition and balance.

The Company adopts a market-oriented talent recruitment mechanism, concerns about the diversity of talents and recruited talents at home and abroad through the campus recruitment and recruitment of people with job experience. The Company established a standardized and rigorous recruitment process and conducts an open, fair and impartial recruitment by releasing recruitment information, selecting resumes, organizing written tests and interviews. Candidates who have the required knowledge and skills, experience, ability and quality will be hired. In recent years, the Company has introduced a large number of talents through recruitment and they have played an important role in the development of the Company's innovative business.

The Board of Directors also takes full account of the skills, knowledge, experience and diversity of Board members in terms of structure, number of people and composition, in order to ensure that the Board members have the skills, experience and diverse views and perspectives that are appropriate for the Company's business development and can advise on the Company's development strategy.

10.2.2 Remuneration policy

At CITIC Securities, employees' remuneration consists of basic annual salary, performance-based annual salary, special rewards, insurance and other benefits. The basic annual salary is the employee's basic annual income set forth in the remuneration standards in line with employees' positions and ranks. The remuneration standards are mainly based on factors such as the position's duties, responsibilities, importance, scale of operation, and industrial level. In order to strike a balance between business risks and financial goals, the Company adopts a performance based incentive remuneration principle with a sharing system. Ascertaining that a business department is profitable, performance based incentive remuneration will be distributed "in favour of the business department, the profitable business sections and business with major innovation" Meanwhile, we fully recognize the role and value of the middle office and back office. The performance-based annual remuneration is linked to the Company's operating results of the year. The total amount of performance-based remuneration is drawn from the Company's annual profits in accordance with the percentage approved at the Board meeting.

The Company has established a number of special rewards such as "Innovation Award", "Collaboration Award" and "Loyalty Award" to develop the Company's core competitiveness, to encourage innovation and team spirit, and to maintain the stability of the core human resources team.

The Company and its employees take part in various social insurance, enterprise annuity and housing fund programs pursuant to China's relevant regulations. The social insurance and housing fund programs are regulated in accordance with local policies.

In order to raise the level of employee's medical insurance, the Company sets up and maintains commercial complementary medical insurance and accident insurance, in addition of basic medical insurance, at its own expense for the employees.

10.2.3 Employment and labor guidelines

The Company has established a standardized staff recruitment and resignation process and dealt with issues regarding termination of employment in compliance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the relevant provisions of the labor contract and the applicable labor laws and regulations. Employees should sign a labor contract with the Company when they take office and their working hours should be in line with the relevant requirements. The Company prohibits the employment of child labor and prohibits forced labor. Employees who decide to leave their office for personal reasons can submit the application for resignation. Upon completion of the resignation procedures, they may leave the Company. When the Company takes the initiative to terminate or suspend the labor relationship with any employee, the Company will perform the obligation of advance notice and bear the corresponding compensation pursuant to the requirements of the relevant laws and regulations.

The company attaches importance to the promotion and development of employees and established the MD grading system reflecting characteristics of investment banks and the auxiliary performance appraisal and promotion systems. Through the annual performance appraisal and promotion and selection, employees get the opportunities to get ranked up and achieve their personal career development.

The Company has established Attendance Management Approach to manage various types of leaves which employees are entitled to. The various leaves include national statutory holidays, paid annual leave (referred to as **annual leave**), casual leave, sick leave, work injury leave, marriage leave, funeral leave, maternity leave, fertility reward leave, paternity leave, birth control leave and breastfeeding leave. Every year, the Company organizes regular health checkup for all employees to protect the health and safety of them.

In 2016, the Company revised Measures for the Management of Performance Appraisal and Management System of Rank System and optimized the recruitment process. In accordance with the principle of being lawful, fair, equal, voluntary and honest, the Company can better protect the rights and interests of employees.

In 2016, the Company was not aware of any material non-compliance of the rules and regulations relating to business operation and employee systems (including but not limited to compensation and remuneration, recruitment, dismissal, hours of work, equal opportunities, health and safety, child labor and forced labor).

10.2.4 Training program

The Company continues to develop and implement a training program implemented by levels with comprehensive planning and outstanding focuses.

We strengthen the training on leadership and managerial skills for senior-level employees, to broaden their international perspective and improve their management ability for transformation, strategy analysis, operation, business collaboration and risk management as well as their comprehensive corporate cultural competence, so as to make them high-quality corporate operating managers.

We strengthen the training on execution and professional skills for middle-level employees, to improve their theoretical knowledge and ability in execution, organization development, and business innovation.

We popularize training on vocational and general skills for lower-level employees, to familiarize them with the Company's enterprise culture, operation system, workflow and administration system, as well as to improve their ability in professional communication, customer service, teamwork, and office operation.

We attach great importance to campus recruitment and provide outstanding graduates with development opportunities of trainee trainings and job rotations in brokerage business branches. 240 people in the headquarter are recruited from the campus and 970 people received new staff trainings in the headquarter and brokerage business.

10.2.5 Various cultural and sports activities

In 2016, CITIC Securities systematically organized and held a variety of cultural and sports activities including sports competitions, photography and painting exhibitions and parties, to build a cross-company, cross-departmental communication platform and to strengthen the interaction among employees.

The Company organized the essay contest of "I and CITIC Securities", in which the majority of employees have participated. We collected a total of nearly 700 articles, which showed the cultural quality of our employees and their love to the Company.

The departments at headquarter, branches and securities divisions organized climbing, hiking and other outdoor activities, which enriched spare time life, enhanced understanding and improved cohesion.

During the 21st anniversary of the Company, the Company held the 8th Sports Games in 21 cities in China and abroad, with more than 11,000 employees and customers participating in. For the first time, the Company achieved real-time interaction and communication through the Company's internal network and WeChat official account.

The headquarter set up various clubs in Beijing, Shanghai, Shenzhen and other cities, to provide a more professional platform for cultural and sports activities. The tennis club of Beijing won the second prize in team category of CITIC Tennis Friendship Tournament. The basket ball club won the third prize at CITIC Youth Cup Basketball Games. The football club won the fourth prize at CITIC Zongying Cup of Five-man Soccer Match. The badminton club participated in the CITIC Group Badminton Invitational Tournament and achieved a good result.

The gym at headquarter received a total of more than 15,000 employees during 2016, organized a series of lectures and more than 10 sessions of LESMILLS open class and arranged all kinds of gymnastics classes for nearly 400 hours.

CITIC Securities (Shandong) organized the New Year Gala, held a healthy walking event of "Meet in the Spring and Walk Together", in which nearly 800 employees participated in.

CITIC Futures carried out outdoor development training in Shenzhen, Beijing, Shanghai, Hangzhou and other staff concentrated areas, with a total of more than 600 people attended.

China AMC carried out hiking, stretching training, climbing, marathon and other activities, to promote the team building with physical training.

10.2.6 Care for the employees' families and life

The Company has been committed to creating a company with harmonious labor relations, to doing practical and good things for the staff, to sending warmth and blessings to the staff families and to solving problems in work and life for the staff, in order to constantly enhance corporate cohesion and employees' sense of belonging.

In 2016, the Company continued to do visiting works during major festivals, marriage and childbearing and to sick workers. The Company investigated and recorded the situation of poor employees, in order to better know their family and health situation and provide timely assistance. The Company leaders visited poor and sick employees for many times and sent consolation money of RMB247,000 before the Spring Festival. The headquarter organized youth dating events for single employees and set up a platform for marriage for them. In areas where haze continues to affect, the Company has distributed masks for more than 2,000 employees working in Beijing. China AMC has prepared masks at the reception desk for the employees. Central ventilation system was installed in the building of the headquarter, which greatly improved the air quality of office area.

The Company requested employees to participate in a comprehensive physical examination and take injection for influenza and hepatitis B vaccine. In view of the extensive and prominent employee health problems, we organized various health talks, inviting medical experts to talk about related knowledge on common diseases prevention and control and daily health care.

For the prevention and control of common diseases of the office which the staff most concern about (cervical, shoulder, waist, pelvis, knee and other diseases), CITIC Futures invited experts and held five sessions of serial lecture of "Prevention and Care of Occupational Diseases", which gave the staff opportunities to consult and diagnose during the lectures. CITIC Futures also invited experts to carry out a series of women's health talks to prevent female diseases.

CITIC Securities (Shandong) and CITIC Futures held a women's forum during Women's Day to send letters of greetings and give out movie tickets. They also organized gynecological examination for female employees.

China AMC organized female self-defense courses for female employees with zero knowledge to quickly gain defense skills; invited professionals to provide training class on "skin care and cosmetic makeup" for female employees; and held lectures of "social etiquette and dressing" specially for male and female employees, respectively.

The Company organized a variety of parent-child activities. The headquarters organized employees to participate in the events of “CITIC Angel”, “Parent-child Event on Children’s Day” and “Tegang Tour” and other activities organized by CITIC Group; organized employees and their families to carry out picking cherry and grape activities. China AMC conducted experience farming and parent-child events on Children’s Day, with more than 400 people attended.

CITIC Securities (Shandong) set up mutual assistant funds with the strengths of employees and sent out mutual assistant funds of RMB320,000 in aggregate to 6 employees in 2016, which effectively prevent the employees from becoming poor because of illness and other problems and relieve the worries of employees. CITIC Securities Qingdao Training Centre launched fund-raising activities with online platform for the employees whose families were seriously ill, which was responded positively by the colleagues of the Company and the Group and friends from all walks of life and raised more than RMB200,000 within 20 hours.

10.3 Investor Education and Customer Services were Optimised

10.3.1 Investor education were improved

Investor education is an important mean to protect the interests of investors, promote the fundamental work for a healthy and stable development in the capital market, and to perform by the Company its social responsibilities. During the past years, the Company has persistently committed to this work, and actively participated in various activities of investor education and protection held by regulatory authorities and self-discipline organizations such as CSRC, Shenzhen Bureau of CSRC, Shanghai and Shenzhen Stock Exchanges, Securities Association of China and China Securities Investor Protection Fund Corporation Limited. We adopted a number of means in order to penetrate financial knowledge through the public as well as to perform activities in education and protection for investors.

1. We had proactively participated in the “Fair Trade Always Be With You”, an investor protection activity organized by CSRC, as well as the “Blue Sky Project” and investor protection and education activities on private equity funds organized by Shenzhen Bureau of CSRC. There was a section in the official website of the Company for the “Blue Sky Project in Shenzhen – Investor Protection”. Posters and private equity fund brochures were printed for the “Blue Sky Project in Shenzhen – Investor Protection”. Branches conducted investor education activities on site regarding the “Blue Sky Project” and the respective education activities on the protection of investors’ rights for private equity funds investors.
2. We had actively participated in the activities organized by China Securities Investor Protection Fund Co., Ltd on “Not To Engage in Illegal Securities Activities and To Dissimilate Positive Energy” on tackling illegal activities for a month. There was a section in the official website of the Company for the “Tackling Illegal Activities”, which provided information on “Fair Trade Always Be With You – Frequently Answered Questions”, one of the books published for the series about investor protection written by CSRC. The WeChat official account of the Company published series of activities for the month of “Tackling Illegal Activities”. Different departments of the Company organized their employees and investors to participate in the online activity of running throughout the country for the “Not To Engage in Illegal Securities Activities and To Dissimilate Positive Energy” campaign, which was ranked second in terms of the number of participants and ranked fifth in terms of the accumulated total mileage. In addition, we also actively participated in activities on investor protection organized by Securities Association of China, and promoted activities such as the building of fidelity.
3. We had proactively participated in the survey activities on individual and institutional investors as carried out by China Securities Investor Protection Fund Co., Ltd. and the due diligence work on the confidence level of managers in the securities department. The Company received the title of “Distinguished Securities Firm for Investor Survey” as awarded by China Securities Investor Protection Fund Co., Ltd. The securities department of the Company at Hengfeng Road, Shanghai received the title of “Distinguished Securities Department for Investor Survey”.
4. We had actively participated in a series of activities of “Becoming A Rational Investor” as organized by Shanghai Stock Exchange. The activities included “An Open Class by A Chief Economist”, “A Short Film”, “Sharing of My Investment Story”, organizing investors to visit listed companies, etc..
5. We had actively participated in the investor education campaign “I am a shareholder — minority investors to visit listed companies” organized by Shanghai Stock Exchange, and the investors open day activities “A Visit to Listed Companies” organized by Shenzhen Stock Exchange. Through the visit of listed companies, and participation in media interviews, the awareness as shareholders was strengthened among the investors, and the concept of rational investment value was established with them.

6. We had actively participated in the “Voice of Investors”, which was a research and survey activity organized by Shanghai Stock Exchange, as well as the “Voice of Investors” activity as organized by Shenzhen Stock Exchange. Five distributions of from securities companies operating at Anwai Street, Beijing, were selected as pilot demonstration units for the event, and organized investors to participate in the questionnaire surveys under different themes of the “Voice of Investors” campaign.
7. By leveraging on business innovation, investor education and its respective administration works were conducted through different channels and in different forms. By closely adhering to the innovative business features and relevant knowledge on Shenzhen-Hong Kong Connection, through publication of information, SMS reminders, telephone communication, on-site visits, special lectures, daily services, specific services, emphasis had been placed on promotion of such innovative business and its complementary services, according to the characteristics of customer distribution.

10.3.2 Administration and servicing of customers

The Company has always insisted on the concepts of creating value for customers and growth with customers. Different businesses under the Company closely cooperated with each other to meet the diverse needs of customers and custom personalized products. The Company had established a unified customer management system so as to achieve the comprehensive management of institutional customers. In terms of customer privacy and personal information protection, the Company had formulated a series of systems and procedures such as “Regulations and Operation Guidance for Customer Account” according to the requirements of CSRC on Strengthening the Management of Securities Brokerage Business, and had built an integrated system preventing leakage of customer information. Through unified access to real-name authentication, entity-level authorization, command-level control, operation content playback, tracking of downloaded files, log audit and other measures, we imposed strict limitations on access to customer information and had audited various of operations.

The Company is an investment bank that is engaged in the provision of comprehensive financial services. Hence, supply chain management is not a main area to promote its sustainable development. However the Company will require its suppliers to maintain shared business values with the Company, so as to maintain our corporate reputation. Through the adoption of “corporate procurement management practices”, the Company set out clearly the criteria for the selection of partners at the frontline. On the one hand, we require suppliers to have a good business reputation, no illegal business activities recorded in the past three years, no record on breach of rules and major legal disputes. On the other hand, the suppliers shall have the abilities, experiences, qualifications, reputation, financial status, quality assurance system and other specific criteria for effective due diligence to be conducted.

In 2016, the Company was not aware of any key strategic customers or major suppliers that had significant practical or potential negative impact in terms of business ethics and environmental protection.

10.4 Poverty Alleviation and Scholarship Donation

The Company’s employees continued to voluntarily donate the “Employee Social Public Welfare Donation Fund”, the proceeds of which were applied to various public benefit activities. Over the years, the Company has provided sustainable funds for impoverished students in the first senior high school of Guyuan, Hebei with an aggregate donation of RMB300,000 in 2016. The Company funded the construction of the third and fourth kindergartens in Shenzha County, Tibet, effectively solving and improving the nursery problems of the local pre-school children. China AMC donated money to improve the teaching conditions in Shenzha County No. 2 Primary School and Mantouying Primary School in Zhangbei County, Hebei Province. CITIC Futures invested at least RMB200,000 to establish the “CITIC Futures Targeted Poverty Alleviation and Education Support Fund” with the supporting target of students in universities, middle schools and primary schools in the registered poverty families in Beizhuang Village.

The Company donated RMB200,000 to the Chicken Farming Cooperative in Baijiatan Village, Tianchidian Town, Loufan County, Shanxi Province to facilitate the local industry development and help the farmers out of poverty. The investment banking business lines of the Company focused on promising enterprises in national level impoverished counties and facilitated the listing of relevant projects in Huichang County, Ganzhou, and the Ganzhou Branch planned to establish a new branch in Huichang County. In order to support the China Western Development, the investment banking business continued to supervise the projects in Xinjiang and Tibet during 2016, and there were a total of 12 completed and implementing projects.

CITIC Futures paired with Poyang County in Jiangxi Province under the “One Company One County” Poverty Alleviation Project. On 28 December 2016, the signing ceremony of the targeted poverty alleviation cooperation between CITIC Futures and Poyang County was held in Poyang County. CITIC Futures planned to invest supporting fund of RMB1 million to support Poyang County in achieving the poverty alleviation target as planned through a series of measures such as poverty alleviation through industry development, social welfare, education, employment and other special projects. CITIC Futures donated RMB200,000 at the ceremony to support the construction of the irrigation dam project in Nanban Village, Guxiandu Town (an impoverished village under the 13th Five-Year Plan), which will directly solve the irrigation problem of nearly 500 mu of paddy field and indirectly benefit over 1,000 mu of paddy field.

CSI was awarded the “Caring Company” logo by the Hong Kong Council of Social Services for the eleventh consecutive year in year 2016/17 to recognize its contributions to caring the community and formation of a harmonious society. The “Chairman Trust Fund” of CLSA Limited financed 27 charity organizations in the world with an aggregate charitable sum of HK\$14,650,000.

The training institutions and service departments under the Company were trying to hire appropriate employees from impoverished areas or impoverished families for labor intensive servicing positions, as employment is the most direct help to impoverished people.

10.5 Integrity, Self-discipline and Anti-corruption were Advocated to Explore the Construction of an Integrity and Risk Control System

10.5.1 The Company has been advocated integrity and self-discipline practice of employees and formulated specific requirements and guidelines in many company documents and systems. In the Staff Manual of the Company, “integrity and self-discipline” is one of the codes of conduct that employees must adhere to. The Provisions for Compliance Management and the Staff Compliance Code clearly stipulate that “honesty, integrity and law-abiding” is the code of conduct of employees and the professional ethics that employees should uphold. In the Compliance Inspection and Monitoring System, employee integrity is one of the monitoring content, the Company monitored employee’s investment in securities, part-time jobs and etc., and gave warning or other punishments according to regulations against breaches of the law, investments in breach of undertakings and part-time behaviors through the system.

In 2016, the Company issued the “Journal of Integrity Building” published by Shenzhen Bureau of CSRC and required all departments and staff to learn it. A dedicated chapter of the new employee training for the year 2016 emphasized on integrity and other relevant requirements. Cases of violation of the integrity were publicized through international and domestic regulatory updates on electronic journals and corporate intranets. Compliance tests including integrity requirements have been carried out on all employees in the headquarter via E-Learning system of the Company.

10.5.2 In 2016, the Company strived to explore the construction of an integrity and risk control system, formulated policies and regulations for preventing bribery, extortion, fraud and money laundering, and handled all kinds of violations of disciplines and regulations in a serious manner, achieving remarkable results. Firstly, rules and regulations including the Measures for the Handling of Violations of Disciplines and Rules of Employees of CITIC Securities Company Limited (for Trial Implementation) was enacted and strictly enforced to form an effective deterrent and warning; Secondly, systems in relation to supervision and management of recruitment and employment were formulated to allow the supervision department of the Company to conduct an integrity check on proposed candidates; Thirdly, greater efforts have been made to promote publicity and education. Through the preaching of the “Situations and Requirements on Integrity”, activity of the “100 Q&As about Integrity”, and the signing of the “Undertakings on Integrity” by senior management as well as other forms, the Company has initially created an atmosphere of knowing the laws, clearing the boundaries, understanding the rules and advocating the integrity.

10.5.3 On 18 January 2016, the Company issued the Self-Assessment System of Money Laundering Risk to include all of its products and businesses into the assessment of money laundering risk. For the anti-money laundering of the brokerage business, the Guidelines on the Operation of Anti-Money Laundering Blacklist Filtration System were drafted, and the Company's Guidelines on Anti-Money Laundering of Brokerage Business was revised in the light of the inspection key points of the regulatory authorities for daily anti-money laundering works in subsidiaries and branches of the Company. In terms of the customer identification of non-brokerage business, the procedure of customer identification was optimized so as to form a more comprehensive operation guideline on customer identification of non-brokerage business. The Company launched a series of publicity activities for the "10th Anniversary of Anti-Money Laundering Law" and organized a total of six special trainings about anti-money laundering. Anti-money laundering trainings and tests have been carried out through multiple ways including the Company's training system, the E-Learning system, as well as the new employee training. In 2016, the Company investigated and screened a total of 3,352 suspicious transactions.

In 2016, such systems have played a sound control and prevention role on advocating integrity and self-discipline, anti-corruption and other management of the Company. No material defect has been found during the year.

CITIC Securities Company Limited
22 March 2017

11. FINANCIAL REPORT

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Independent Auditor’s Report

To the Shareholders of CITIC Securities Company Limited
(Incorporated in People’s Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of CITIC Securities Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 142 to 230, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- 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.

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:

- Goodwill impairment assessment
- Consolidation of structured entities
- Valuation of financial instruments held at fair value classified under Level 3 financial instruments
- Impairment assessment of margin accounts
- Impairment assessment of available-for-sale financial assets

Key Audit Matter

Goodwill impairment assessment

Refer to note 19 to the consolidated financial statements.

As at 31 December 2016, the carrying amount of goodwill was RMB10,406 million, primarily resulting from the acquisition of China Asset Management Co., Ltd (“China AMC”) (RMB7,419 million) and CITIC Securities International Company Limited’s acquisition of CLSA B.V. (“CLSA”) (RMB2,042 million). As at 31 December 2016, the Group’s accumulated impairment on goodwill was RMB381 million.

Goodwill impairment assessment is performed annually. The impairment assessment relied on the calculation of recoverable amount for each of the cash generating units (“CGUs”). Management considers China AMC and CLSA as separate CGUs.

Based on the public announcement in December 2016 by third party investors, certain China AMC’s non-controlling interests agreed with these third parties to sell a 10% interest in China AMC for approximately RMB2.4 billion. In assessing the impairment assessment of the goodwill attributable to China AMC, management used fair value less costs of disposal approach (“FVLCD”). The assessment of China AMC’s recoverable amount was based on the consideration to be paid in the above transaction, after deducting an estimation of costs of disposal.

Management used the value in use approach (“VIU”) to assess CLSA’s recoverable amount by applying a discounted cash flow model (“DCF”) based on key assumptions including revenue growth rate, terminal growth rate and discount rate.

Significant management judgement was involved to select the appropriate key assumptions used in the estimation of each CGU’s recoverable amount, and the amount of any goodwill impairment that may be required.

How our audit addressed the Key Audit Matter

We involved our internal valuation specialist to assess the fair value of China AMC by taking into account the said amount to be paid as stated in the public announcement and the reasonableness of estimated costs of disposal.

With respect to CLSA, we compared the input data used in the cash flow forecast against the historical figures, the approved budget and CLSA’s business plans. We also tested the mathematical accuracy of calculation of the cash flow forecast. We involved our internal valuation specialist to assess the reasonableness of the discount rate and terminal growth rate used in the DCF model. Our assessment was based on our knowledge of the business and industry.

Based on the results of our procedures, we found the key assumptions used in the estimation of each CGU’s recoverable amount acceptable.

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation of structured entities

Refer to note 21(c) to the consolidated financial statements.

The Group acts as asset manager for or invested in a number of structured entities.

Management makes significant judgment on whether the Group controls and therefore should consolidate these structured entities.

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 were RMB5,405 million as at 31 December 2016.

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.

Valuation of financial instruments held at fair value classified under Level 3 Financial Instruments

Refer to note 53 to the consolidated financial statements.

As at 31 December 2016, the Group's financial instruments include those classified under Level 3 in the fair value hierarchy ("Level 3 Financial Instruments"), which were measured using valuation techniques that involve significant inputs that are not based on observable market data ("unobservable inputs"). Such inputs included liquidity discount and price to book ratio. The amounts of Level 3 financial assets and financial liabilities were RMB8,752 million and RMB4,712 million, respectively.

Valuation of the Level 3 Financial Instruments was a key area of audit focus due to the size of their amounts and the selection of unobservable inputs used in the valuation process which involves significant judgement.

We obtained and read the contracts from the Group's asset management/investment portfolio on a sample basis to assess the extent of power the Group has over its structured entities, the Group's exposure or rights to variable returns from its involvement with its structured entities and the link between the Group's power and returns with respect to structured entities.

We checked the data used in the calculation of the Group's exposure 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 exposure or rights to variable returns.

Based on the procedures performed above, we found management's consolidation judgment relating to these structured entities acceptable.

We evaluated the design and tested the operating effectiveness of Group's controls over data inputs to the valuation models.

We evaluated the appropriateness of the models used by management for the valuation of Level 3 Financial Instruments by using our knowledge of those used in current industry practice.

We also evaluated on a sample basis the reasonableness and appropriateness of the unobservable and observable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data.

We performed an independent valuation of the Level 3 Financial Instruments on a sample basis.

Based on the results of our procedures performed above, we found the models used and inputs adopted acceptable.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of margin accounts

Refer to note 28 to the consolidated financial statements.

As at 31 December 2016, the Group had margin accounts totalling RMB65,222 million, with cumulative impairment losses assessed by management of RMB201 million.

Management assessed whether objective evidence of impairment existed for margin accounts 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. They were included in one group of financial assets because of their similar credit risk characteristics.

Impairment assessment of margin accounts was considered to be a key audit area due to the size of the balance and the significant management judgement involved in assessing impairment.

Impairment assessment of available-for-sale financial assets

Refer to note 23 to the consolidated financial statements.

As at 31 December 2016, the Group had available-for-sale financial assets totalling RMB84,879 million with cumulative impairment losses assessed by management of RMB2,586 million.

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.

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.

We evaluated the design and tested the operating effectiveness of controls over management's identification of impaired margin accounts including their regular monitoring of the collateral values.

For impaired margin accounts, we assessed the market prices of the collateral used for determining the impairment losses.

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.

Based on the results of our procedures performed above, we found the models used and inputs adopted acceptable.

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.

With respect to available-for-sale equity instruments, we evaluated management's judgement of the occurrence of the impairment event by referring to the market data including market price or financial information of the investees. We also evaluated the appropriateness of the criteria applied by management in their assessment of whether the decline in fair value was "significant" or "prolonged" by reference to market practice.

For impaired instruments, we tested the cumulative impairment losses made by evaluating the models and inputs used including market price, financial information of the investees and comparable market parameters.

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 cumulative impairment losses acceptable.

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.

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.
- 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 Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

	Notes	2016	2015
Revenue			
Fee and commission income		25,774,772	34,252,523
Interest income	7	11,232,779	15,621,547
Investment income	8	8,265,068	19,510,014
		45,272,619	69,384,084
Other income	9	4,793,901	3,539,811
Total revenue and other income		50,066,520	72,923,895
Fee and commission expenses	10	3,331,110	4,621,076
Finance costs	10	8,884,626	12,830,544
Staff costs	10	11,507,497	14,797,624
Depreciation		412,933	284,926
Tax and surcharges		796,683	2,767,980
Other operating expenses and costs	10	9,285,133	8,498,901
Impairment losses	13	1,935,390	2,481,231
Total operating expenses		36,153,372	46,282,282
Operating profit		13,913,148	26,641,613
Share of profits and losses of:			
Associates		349,849	664,352
Joint ventures		(438)	(18,821)
Profit before income tax		14,262,559	27,287,144
Income tax expense	14	3,281,419	6,926,800
Profit for the year		10,981,140	20,360,344
Attributable to:			
Owners of the Parent		10,365,169	19,799,793
Non-controlling interests		615,971	560,551
		10,981,140	20,360,344
Earnings per share attributable to Owners of the Parent (in RMB yuan)			
— Basic	17	0.86	1.71
— Diluted	17	0.86	1.71

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

	2016	2015
Profit for the year	10,981,140	20,360,344
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets:		
Changes in fair value	(18,628)	4,091,585
Income tax effect on changes in fair value	(265,111)	(993,413)
Gains transferred included in the consolidated income statement, net	(1,635,521)	(1,707,484)
	<u>(1,919,260)</u>	<u>1,390,688</u>
Share of other comprehensive income of associates and joint ventures	2,760	40
Exchange differences on translation of foreign operations	1,097,164	944,845
Other	653	(1,340)
	<u>(818,683)</u>	<u>2,334,233</u>
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods	<u>—</u>	<u>—</u>
Other comprehensive income for the year, net of tax	<u>(818,683)</u>	<u>2,334,233</u>
Total comprehensive income for the year	<u>10,162,457</u>	<u>22,694,577</u>
Attributable to:		
Owners of the Parent	9,599,527	22,063,367
Non-controlling interests	562,930	631,210
	<u>10,162,457</u>	<u>22,694,577</u>

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

	Notes	31 December 2016	2015
Non-current assets			
Property, plant and equipment	18	3,923,261	3,856,121
Investment properties		68,148	70,921
Goodwill	19	10,406,169	10,265,277
Land-use rights and intangible assets	20	3,819,579	3,985,413
Investments in associates	22	3,974,954	4,480,218
Investments in joint ventures	22	(1,103)	3,946
Available-for-sale financial assets	23	32,555,328	12,154,939
Financial assets designated as at fair value through profit or loss	24	6,420,607	353,524
Refundable deposits	25	1,600,050	3,463,395
Deferred income tax assets	26	2,810,853	3,141,288
Other non-current assets	27	3,721,505	3,634,339
Total non-current assets		69,299,351	45,409,381
Current assets			
Fee and commission receivables		1,373,917	1,158,753
Margin accounts	28	65,021,193	75,523,403
Available-for-sale financial assets	23	52,323,177	79,980,146
Financial assets held for trading	29	146,281,767	126,438,796
Financial assets designated as at fair value through profit or loss	24	6,916,578	10,000,078
Derivative financial assets	30	3,780,358	11,594,613
Reverse repurchase agreements	31	59,175,083	36,770,724
Other current assets	32	26,677,603	16,771,559
Cash held on behalf of customers	33	129,876,778	143,553,897
Cash and bank balances	34	36,713,034	68,906,892
Total current assets		528,139,488	570,698,861
Current liabilities			
Customer brokerage deposits	35	134,397,672	150,456,676
Derivative financial liabilities	30	2,576,591	4,765,284
Financial liabilities held for trading	36	3,978,222	3,456,175
Financial liabilities designated as at fair value through profit or loss	37	20,371,974	21,342,602
Repurchase agreements	38	121,414,243	127,788,537
Due to banks and other financial institutions		19,550,000	18,033,000
Taxes payable	39	2,432,708	4,618,751
Short-term loans	40	3,479,478	4,721,632
Short-term financing instruments payable	41	21,346,230	12,848,079
Other current liabilities	42	42,396,333	52,182,331
Total current liabilities		371,943,451	400,213,067
Net current assets		156,196,037	170,485,794
Total assets less current liabilities		225,495,388	215,895,175

	<i>Notes</i>	31 December 2016	2015
Non-current liabilities			
Debt instruments issued	43	69,752,175	67,835,803
Deferred income tax liabilities	26	1,565,744	2,542,466
Long-term loans	44	1,114,188	2,345,210
Financial liabilities designated as at fair value through profit or loss	37	6,868,128	1,140,679
Other non-current liabilities	45	406,483	293,919
		<hr/>	<hr/>
Total non-current liabilities		79,706,718	74,158,077
		<hr/>	<hr/>
Net assets		145,788,670	141,737,098
		<hr/>	<hr/>
Equity			
Equity attributable to Owners of the Parent			
Share capital	46	12,116,908	12,116,908
Reserves	47	83,386,746	82,233,809
Retained earnings		47,192,292	44,787,070
		<hr/>	<hr/>
		142,695,946	139,137,787
Non-controlling interests		3,092,724	2,599,311
		<hr/>	<hr/>
Total equity		145,788,670	141,737,098
		<hr/>	<hr/>

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 22 March 2017.

ZHANG Youjun

Chairman

YANG Minghui

Executive Director and President

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the Parent										
	Share capital	Capital reserve	Surplus reserves	Reserves			Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
				General reserves	Investment revaluation reserve						
At 1 January 2016	12,116,908	54,453,478	7,524,925	17,174,481	3,100,360	(19,435)	44,787,070	139,137,787	2,599,311	141,737,098	
Profit for the year	—	—	—	—	—	—	10,365,169	10,365,169	615,971	10,981,140	
Other comprehensive income for the year	—	—	—	—	(1,885,170)	1,119,528	—	(765,642)	(53,041)	(818,683)	
Total comprehensive income for the year	—	—	—	—	(1,885,170)	1,119,528	10,365,169	9,599,527	562,930	10,162,457	
Dividend — 2015	—	—	—	—	—	—	(6,058,454)	(6,058,454)	—	(6,058,454)	
Appropriation to surplus reserve	—	—	287,786	—	—	—	(287,786)	—	—	—	
Appropriation to general reserve	—	—	—	1,821,842	—	—	(1,821,842)	—	—	—	
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	102,331	102,331	
— Capital contribution by equity holders	—	—	—	—	—	—	—	—	102,331	102,331	
— Others	—	8,573	—	—	—	—	8,513	17,086	(11,033)	6,053	
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(160,815)	(160,815)	
Others	—	—	—	(199,622)	—	—	199,622	—	—	—	
At 31 December 2016	12,116,908	54,462,051	7,812,711	18,796,701	1,215,190	1,100,093	47,192,292	142,695,946	3,092,724	145,788,670	

	Attributable to owners of the Parent										
	Share capital	Capital reserve	Surplus reserves	Reserves			Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
				General reserves	Investment revaluation reserve						
At 1 January 2015	11,016,908	34,122,744	7,092,744	13,338,581	1,778,526	(961,175)	32,710,342	99,098,670	2,032,815	101,131,485	
Profit for the year	—	—	—	—	—	—	19,799,793	19,799,793	560,551	20,360,344	
Other comprehensive income for the year	—	—	—	—	1,321,834	941,740	—	2,263,574	70,659	2,334,233	
Total comprehensive income for the year	—	—	—	—	1,321,834	941,740	19,799,793	22,063,367	631,210	22,694,577	
Dividend — 2014	—	—	—	—	—	—	(3,415,242)	(3,415,242)	—	(3,415,242)	
Appropriation to surplus reserves	—	—	432,181	—	—	—	(432,181)	—	—	—	
Appropriation to general reserve	—	—	—	3,835,900	—	—	(3,835,900)	—	—	—	
Capital increase/(decrease) by equity holders	—	—	—	—	—	—	—	—	39,130	21,375,854	
— Capital contribution by equity holders	1,100,000	20,236,724	—	—	—	—	—	21,336,724	39,130	21,375,854	
— Others	—	94,010	—	—	—	—	(39,742)	54,268	14,865	69,133	
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(118,709)	(118,709)	
At 31 December 2015	12,116,908	54,453,478	7,524,925	17,174,481	3,100,360	(19,435)	44,787,070	139,137,787	2,599,311	141,737,098	

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

	2016	2015
Cash flows from operating activities		
Profit before income tax	14,262,559	27,287,144
Adjustments for:		
Financing interest expense	4,154,711	4,850,905
Share of profits and losses of associates and joint ventures	(349,411)	(645,531)
Dividend income and interest income from available-for-sale financial assets	(2,657,596)	(1,283,832)
Net gains on disposal of available-for-sale financial assets	(4,036,298)	(5,448,837)
Net gains on disposal of property, plant and equipment and other assets	1,575	27,470
Gains on disposal of subsidiaries	—	(3)
Gains on disposal of associates and joint ventures	(87,261)	—
Fair value gains on financial instruments measured at fair value through profit or loss	1,413,026	(1,354,760)
Depreciation	415,706	287,699
Amortisation	476,258	397,403
Impairment on available-for-sale financial assets	1,624,307	1,624,890
Impairment on other assets	311,083	856,341
	<u>15,528,659</u>	<u>26,598,889</u>
Net decrease/(increase) in operating assets		
Financial assets held for trading	(23,550,316)	(15,984,147)
Cash held on behalf of customers	13,677,118	(46,713,208)
Other assets	(10,015,618)	(3,770,164)
	<u>(19,888,816)</u>	<u>(66,467,519)</u>
Net increase/(decrease) in operating liabilities		
Customer brokerage deposits	(17,107,022)	50,007,851
Repurchase agreements	(6,374,293)	2,874,091
Other liabilities	(2,164,214)	32,917,370
	<u>(25,645,529)</u>	<u>85,799,312</u>
Net cash inflow/(outflow) from operating activities before tax	<u>(30,005,686)</u>	45,930,682
Income tax paid	(5,709,486)	(6,397,663)
Net cash inflow/(outflow) from operating activities	<u><u>(35,715,172)</u></u>	<u><u>39,533,019</u></u>

	<i>Notes</i>	2016	2015
Cash flows from investing activities			
Dividend income and interest income received from available-for-sale financial assets		2,680,213	1,362,010
Net cash flow from purchases, leases and sales of items of property, plant and equipment and other assets		(574,497)	(4,278,817)
Net cash flow from disposal of subsidiaries		—	922,251
Net cash flow from business combination	21(d)	—	(275,787)
Net cash flow from investments in associates and joint ventures		469,467	419,570
Net cash flow from disposal or purchase of available-for-sale financial assets		7,363,233	(35,881,279)
Other cash flows from investing activities		(761)	(178,205)
Net cash inflow/(outflow) from investing activities		<u>9,937,655</u>	<u>(37,910,257)</u>
Cash flows from financing activities			
Cash inflows from financing activities		1,778,008	21,472,198
Cash inflows from borrowing activities		4,431,532	2,649,528
Cash inflows from issuing bonds		83,556,014	124,348,404
Payment of debts		(86,887,050)	(107,262,316)
Dividends and interest expense		(10,832,718)	(7,970,267)
Other cash outflows from financing activities		(44,324)	(5,928,390)
Net cash (outflow)/inflow from financing activities		<u>(7,998,538)</u>	<u>27,309,157</u>
Net (decrease)/increase in cash and cash equivalents		(33,776,055)	28,931,919
Cash and cash equivalents at the beginning of the year		65,670,756	35,568,511
Effect of exchange rate changes on cash and cash equivalents		1,335,654	1,170,326
Cash and cash equivalents at the end of the year	48	<u>33,230,355</u>	<u>65,670,756</u>
Cash and bank balances	34	36,713,034	68,906,892
Less: Restricted funds	34	3,482,679	3,236,136
Cash and cash equivalents		<u>33,230,355</u>	<u>65,670,756</u>

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

1 CORPORATE INFORMATION

CITIC Securities Company Limited (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC” or “Mainland China”, which excludes for the purpose of the financial statements, the Hong Kong Special Administrative Region of the PRC or “Hong Kong”, the Macau Special Administrative Region of the PRC or “Macau”, and Taiwan) on 25 October 1995. Pursuant to approval by the China Securities Regulatory Commission (the “CSRC”), the Company was restructured as a joint stock limited company in 1999. The Company’s common stock was listed on the PRC domestic A-share market in 2003. The registered office of the Company is located at North Tower, Excellence Times Plaza II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, PRC.

According to a resolution relating to the issue and listing of H Shares in Hong Kong passed in the first extraordinary general meeting of shareholders in 2011, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities” (CSRC [2011] No. 1366) issued by the CSRC, the Company conducted its initial public offering of overseas-listed foreign shares (“H shares”) from September to October 2011. Under this offering, the Company offered a total of 1,071,207,000 H shares (including over-allotment of 75,907,000 H shares) with a nominal value of RMB1.00 per share. As at 31 December 2011, the total share capital of the Company increased to RMB11,016,908,400. The capital increase has been verified by Ernst & Young Hua Ming according to the capital verification report of Ernst & Young Hua Ming Yan Zi (2011) 60469435_A09.

According to a resolution relating to the additional issuance and listing of H shares in Hong Kong passed in the first extraordinary general meeting of the shareholders in 2015, along with the “Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities the Approval relating to Additional Issuance of Overseas Listed Foreign Shares of CITIC Securities Company Limited (CSRC [2015] No. 936)” issued by the CSRC, on 23 June 2015, the Company completed its additional issuance and listing of H shares in Hong Kong. Under this offering, the Company offered a total of 1,100,000,000 H shares with offering price of HKD24.60 per share. As at 31 December 2015, the total share capital of the Company increased to RMB12,116,908,400. The capital increase has been verified by PricewaterhouseCoopers Zhong Tian Yan Zi (2015) No. 748.

The Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- Securities and futures brokerage;
- Securities investment fund distribution and introducing brokerage business for futures companies;
- Agency sale of financial products;
- Securities underwriting and sponsorship;
- Investment advisory and consultancy services;
- Proprietary securities activities;
- Asset management and fund management;
- Margin financing and securities lending; and
- Stock option market-making.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622) for this financial year and the comparative period.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated as at fair value through profit or loss and available-for-sale financial assets (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Standards, amendments and interpretations effective in 2016

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

- | | | |
|-----|---|--|
| (1) | Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception |
| (2) | Amendments to IFRS 11 | Acquisition of Interests in Joint Operations |
| (3) | Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortization |
| (4) | Amendments to IFRSs | Annual Improvements to IFRSs 2012–2014 cycle |
| (5) | Amendments to IAS1 | Disclosure Initiative |

(1) 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 IFRS 12 clarify an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 shall present the disclosures relating to investment entities required by IFRS 12.

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.

(2) 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.

(3) 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.

(4) 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.

(5) Amendments to IAS1: 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.

The adoption of these amendments effective in 2016 does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

		Effective for annual periods beginning on or after	
(1)	IFRS 9	Financial Instruments	1 January 2018
(2)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(3)	IFRS 16	Leases	1 January 2019
(4)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	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.
(5)	Amendments to IAS 12	Income Taxes	1 January 2017
(6)	Amendments to IAS 7	Statement of Cash Flows	1 January 2017
(7)	Amendments to IFRS 2	Share-based Payment	1 January 2018
(8)	Amendments to IFRS 12	IASB Annual Improvements 2014–2016 cycle	1 January 2017
(9)	Amendments to IAS 28	IASB Annual Improvements 2014–2016 cycle	1 January 2018

(1) 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: amortized 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 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 new general hedge accounting requirements retain the types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an equity’s risk management activities have also been introduced.

The Group is analyzing its business models and financial instruments’ contract terms 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 Group’s operations, it is expected to have an impact on the classification of financial instruments, the calculation, amount and timing of its allowances for impairment losses for financial assets as well as the nature and extend of financial instruments disclosure. Implementation of IFRS 9 will also have an impact on the risk management organization, process and key functions, budgeting and performance review, as well as the Information Technology systems. The Group is starting 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.

The Group has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impact on the Group’s operating results and financial position has not yet been quantified.

(2) *IFRS 15: Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize 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. The Group anticipates that the adoption of this new standard will not have a significant impact on the Group’s consolidated financial statements.

(3) *IFRS 16: Leases*

IFRS 16 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. The standard replaces IAS 17 ‘Leases’, and related interpretations.

IFRS 16 now requires lessees to recognize 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 or the lease is short-term, in the consolidated statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the consolidated statement of comprehensive income, 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.

The standard will affect primarily the accounting for group’s operating leases when group as a lessee. As at the reporting date, the group has non-cancellable operating lease commitments of RMB3,786 million, see note 51 (b). 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.

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. The Group expects that, as a lessor, there will be no significant impact on the financial information.

(4) *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 recognized when a transaction involves a business. A partial gain or loss is recognized 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 the amendments will not have a significant impact on the Group’s consolidated financial statements.

(5) *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 unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(6) *Amendments to IAS 7 — Statement of cash flows*

The IASB has issued an amendment to IAS 7 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 the amendments will not have a significant impact on the Group’s consolidated financial statements.

(7) *Amendments to IFRS 2 — Share-based Payment*

On 20 June 2016, 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 is 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 the amendments will not have a significant impact on the Group’s consolidated financial statements.

(8) *Amendments to IFRS 12: IASB Annual Improvements 2014–2016 cycle*

The IASB Annual Improvements 2014–2016 Cycle include the amendments to IFRS 12 — Disclosure of Interest in Other Entities. These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarised financial information for subsidiaries, joint ventures and associates, apply to an entity’s interests which are classified as held for sale, as held for distribution to owners in their capacity as owners or as discontinued operations in accordance with IFRS 5. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(9) *Amendments to IAS 28: IASB Annual Improvements 2014–2016 cycle*

The IASB Annual Improvements 2014–2016 Cycle include the amendments to IAS 28 — Investments in Associates and Joint Ventures. These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Company (also referred to as the “Parent”), using consistent accounting policies.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group’s share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statements of financial position separately from the equity attributable to owners of the parent. An acquisition of non-controlling interests is accounted for as an equity transaction.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) *Cash and cash equivalents*

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(2) *Foreign currency transactions and foreign currency translation*

The financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. All differences are taken to the statement of profit or loss.

For the financial statements prepared in US dollars, foreign currencies other than the US dollar are translated into US dollars using the central parity rate published by the People's Bank of China or other authorities as at the end of the reporting period. For the financial statements prepared in RMB, foreign currencies are translated into RMB using the spot exchange rates published by the People's Bank of China or other authorities as at the end of the reporting period. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve.

(3) *Financial instruments*

Financial instruments are contracts which become one enterprise's financial assets, at the same time become other enterprises' financial liabilities or equity instruments.

(a) *Initial recognition and derecognition of financial instruments*

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

A financial instrument (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised, which means to write off a financial asset or financial liability from the account and statement of financial position of the Group when:

- (i) the rights to receive cash flows from the assets have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset; or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and (a) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

All regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Trade date is the date that the Group commits to purchase or sell the financial instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

When the Group has made substantial modifications to a part of the contract terms of an existing financial liability, the relevant portion of the existing financial liability is derecognised, while the financial liability under modified terms is recognised as a new financial liability.

On derecognition of a financial liability in its entirety or partially, the difference between the carrying amount and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) shall be recognised in profit or loss.

If the Group repurchases a part of a financial liability, the Group shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the part derecognised shall be recognised in profit or loss.

(b) *Classification and measurement of financial instruments*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities at fair value through profit or loss are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement of financial instruments depends on their classification as follows:

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include financial assets and financial liabilities held for trading, and financial assets and financial liabilities designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is acquired for the purpose of sale or repurchase in the near term. Derivatives are also classified as held for trading except for the derivative that is a financial guarantee contract or a designated effective hedging instrument.

Such financial instruments are subsequently measured at fair value. Gains or losses arising from the difference between fair value and previous carrying amount are recognised in profit or loss as investment income or losses. Realised gains or losses upon disposal of held-for-trading financial assets are recognised as investment income or losses. Dividends and interest accrued during the holding period from financial assets measured at fair value through profit or loss are recognised as investment income.

Financial assets or financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the following criteria are satisfied:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on different bases;
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to key management personnel;
- Hybrid instruments containing one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear with little or no analysis that the embedded derivative(s) would not be separately recorded;
- Hybrid instruments containing embedded derivatives which need to be separated but cannot be separately measured on acquisition date or subsequent balance sheet date.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, quoted in active markets, with fixed or determinable payments and a fixed maturity, which the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates or coupon rates and effective interest rates, held-to-maturity investments are measured at amortised cost using the contractual interest rates or coupon rates.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. If there are no significant differences between the contractual interest rates and effective interest rates, loans and receivables are measured at amortised cost using the contractual interest rates. When loans and receivables are collected, differences between the amount received and the carrying amount are recognised as profit or loss in the consolidated statement of profit or loss.

(iv) 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. Available-for-sale financial assets are subsequently measured at fair value. When the fair value of an equity investment classified as available-for-sale financial assets cannot be reliably measured, they are carried at cost. When available-for-sale financial assets are disposed of, the difference between the consideration received plus cumulative gains or losses previously recorded in OCI and accumulated in equity arising from changes of fair value and the carrying amount are recognised as investment income or losses.

(v) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified or designated as financial liabilities at fair value through profit or loss. Other liabilities are subsequently measured at amortised cost using the effective interest rate method.

(vi) Reclassification of financial assets

When the Group changes its intention over the held-to-maturity investments, they are reclassified as available-for-sale financial assets. If the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, it shall reclassify any remaining held-to-maturity investments as available-for-sale financial assets, and shall not classify any financial assets as held to maturity during the current and the two subsequent financial years.

(c) *Fair value of financial instruments*

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. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, the Group uses observable inputs. Unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to assess.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(d) *Impairment of financial assets*

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired and impairment allowance shall be made. The objective evidence of impairment is a result of one or more events that occurred after the initial recognition of financial assets and has an impact on the estimated future cash flows of the financial assets that can be reliably measured.

(i) Financial assets carried at amortised cost

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The loss is recognised in profit or loss. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition), and the value of collaterals should be considered.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence of impairment, the impairment loss is recognised in the profit or loss. The Group performs a collective assessment for impairment for all other financial assets that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account and recognising the decrease in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

(ii) Available-for-sale financial assets

If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss recognised in other comprehensive income is reclassified from OCI to the profit or loss and is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Generally, a significant or prolonged decline in the fair value of an equity instrument is an indicator of impairment in such investments where a decline in the fair value of equity instrument below its initial cost by 50% or more; or fair value below cost for one year or longer, upon which circumstances impairment loss is recognised.

For the Company's specific investment managed by China Securities Finance Corporation Limited, considering the purpose and special feature of this investment, including the investment and divestment decision-making processes, and with reference to the industry practice, the decline is considered significant or prolonged when a decline in the fair value of such investment is below its initial cost by 50% or more; or fair value is below cost for 36 months or longer, upon which circumstances an impairment loss is recognized.

Impairment losses of available-for-sale equity instruments are not reversed through profit or loss. Increases of their fair value after the impairment are recognised directly in other comprehensive income.

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 previously recognised impairment loss is reversed through the consolidated statement of profit or loss.

If there is objective evidence that an available-for-sale equity investment which is measured at cost is impaired, the difference between the carrying amount of a financial asset and the present value of the future cash flows discounted at the prevailing market rate of return for a similar financial asset, is recognised as an impairment loss through profit or loss. Such impairment losses are not reversed once recognised.

(e) *Derivative financial instruments*

The Group uses derivatives, such as foreign currency contracts, interest rate swaps, contracts of stock index and contracts for difference to hedge its foreign currency risk, interest rate risk and stock price risk, respectively. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including the discounted cash flow analysis and option pricing models, as appropriate. Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group itself, respectively.

(f) *Convertible bonds*

The Group determines whether the convertible bonds comprise both liability and equity components on issuance according to the terms and conditions. Convertible bonds issued comprising both liability and equity components shall present liability and equity components separately at initial recognition. When presenting separately, the fair value of the liability component should be determined firstly as initially recognised amount, and then the equity component is initially recognised as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Transaction costs are apportioned between the liability and equity components of the convertible bond based on the relatively fair values of the liability and equity components. The liability component is classified as liability and is subsequently measured at amortised cost until it is cancelled, reversed or redeemed. The equity component is classified as equity that is not re-measured subsequently.

(g) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(4) Allowance for doubtful accounts

(a) *Individual significant accounts receivable that assess allowance on an individual basis*

The allowances for significant accounts receivables are assessed individually. Impairment loss is recognised in profit or loss when there is objective evidence that an account receivable is impaired.

(b) *Accounts receivable that assess allowance on a collective basis*

The Group categories accounts receivable into different portfolios with ageing as similar credit risk characteristic and collectively assesses them for impairment. Allowance for accounts receivables and other receivables is recognised based on aging analysis and historical loss experience.

(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.

The Group recognises margin accounts at initial recognition, and recognises interest income accordingly. Securities lent are not derecognised, but still accounted for as the original financial assets, and interest income is recognised accordingly.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(6) *Fiduciary wealth management*

The Group's fiduciary wealth management business comprises targeted asset management, collective asset management and specified asset management. The Group keeps separate off balance sheet accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(7) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable.

(8) *Associates*

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of profit or loss and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

The results of associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates are stated at cost less any impairment losses.

(9) *Joint ventures*

Joint ventures are all entities over which the Group has joint control. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of post-acquisition results and reserves of joint ventures is included in the consolidated statement of profit or loss and reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures.

The results of joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in joint ventures are stated at cost less any impairment losses.

(10) *Investment properties*

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including land use rights and buildings that have been leased.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment. The land use rights are accounted for using the same amortisation method as those for intangible assets.

(11) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment comprise buildings, transportation vehicles and electronic devices (including battery, display screen and “NoDisk”, etc.) that the Group expects to use for more than one year and other tangible assets that are expected to be used for more than one year and the unit costs of which are greater than RMB2,000.

(b) Property, plant and equipment initially measured at cost

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees. The cost of a self-constructed asset comprises all costs incurred before the asset is ready for its intended use.

Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance expenditure are recognised in profit or loss as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis.

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment are as follows:

Types of property, plant and equipment	Estimated useful life	Monthly depreciation rate	Estimated residual value
Properties and buildings	35 years	0.2262%	5%
Electronic devices	2–5 years	1.667%–4.167%	—
Transportation vehicles*	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	—
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

* Among transportation vehicles, the estimated useful life of cargo vessel is 20 years, and the estimated residual value is determined based on the expected steel scrap price upon disposal; the estimated useful life of aircraft is 25 years with a monthly depreciation rate of 0.283%, and the estimated residual value is 15% of its original cost.

The years that property, plant and equipment were already in use upon purchase were excluded when determining the estimated useful lives of these types of property, plant and equipment. The estimated useful life, the estimated residual value and the depreciation method of each type of property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

(c) Construction in progress

Costs of construction in progress are determined based on the actual expenditure incurred which include all necessary expenditure incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

(12) Land-use rights and intangible assets

(a) Land-use rights

Land-use rights acquired by the Group are amortised over the period that is confirmed by the land use permit; and the land-use rights that are used for rental earning or capital appreciation are regarded as investment properties (amortisation is recorded into other operating costs); if the costs between the self-used land-use rights and related buildings cannot be reliably separated, the land-use rights shall be recognised as property, plant and equipment.

(b) Intangible assets

Intangible assets are 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 shall be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognised as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortised on a straight-line basis over the useful period. The useful lives and amortisation method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Software acquired by outsourcing shall be amortised over 5 years. The self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets shall be amortised over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

The internal research and development expenses are classified as research phase expense and development phase expense. Expenditure on research phase of an internal project shall be recognised as an expense when it is incurred. Development phase expense can be capitalised only an entity can demonstrate all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) its intention to complete the intangible asset and use or sell it.
- (iii) its ability to use or sell the intangible asset.
- (iv) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The development phase expenses that do not meet above conditions shall be recognised in profit or loss when incurred.

(13) Revenue

Revenue from underwriting services is recognised when the outcome of the underwriting services provided can be reliably estimated and reasonably recognised. The revenue is usually carried over upon completion of the offering.

Revenue from the securities brokerage services is recognised on the date of the securities transaction.

Revenue from asset management services is recognised when management services are provided in accordance with the asset management contract.

Interest income from the Group's interest-earning financial assets is recognised as "Interest income" in the profit of loss by using the effective interest method. Contractual interest rates will be applied if there are no significant differences between the effective interest rates and the contractual interest rates.

Dividend income is recognised when the Group's right to receive payment has been established.

Revenues from other businesses are recognised on the basis of when the contractual obligations are fulfilled and when the service fees and commissions are actually received.

(14) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using balance sheet liability method according to the temporary difference between the carrying amount of an asset or liability at the end of the reporting period and its tax base, and the temporary difference between the carrying amount of an item not recognised as an asset or liability at the end of the reporting period and its tax base.

All taxable temporary differences are recognised as deferred income tax liabilities, except:

- (i) The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) The deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

(15) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the discounting effect of the benefits payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

In accordance with the applicable laws and regulations, Mainland China employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. Contributions to these schemes are recognised in profit or loss as incurred.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

(16) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognised at nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods regulated in government documents are recognised as government grants related to assets. Judgments should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the rest as government grants related to income.

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released to profit or loss during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognised into profit or loss directly. Government grants related to assets are recognised as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded into profit or loss directly.

(17) Impairment of assets other than deferred tax assets and financial assets

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is objective evidence that assets are impaired. Where there is objective evidence, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units to which the asset belongs will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group decreases the carrying amount to recoverable amount. The decreased amounts are recognised in profit or loss and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognises relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

(18) Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(19) Provisions and contingencies

The obligation pertinent to contingencies shall be recognised as provisions when the following conditions are satisfied concurrently:

- (a) the obligation is a present obligation of the Group;
- (b) the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and
- (c) the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at the end of the reporting period. If there is substantial evidence that the amount of provisions cannot actually reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that rises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

(20) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. In addition, with the approval from the Annual General Meeting, the Company may set aside 5%-10% of after-tax profit for a discretionary reserve after setting aside the funds for the various statutory reserve funds. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve funds has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

General risk reserve and transaction risk reserve set aside by the Company are included in general reserves and used to make up for any losses arising from securities transaction. The Company's reserve funds are used to make up for any losses of the Company or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory reserve funds cannot be less than 25% of the Company's registered capital.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require an adjustment to the carrying amounts of the assets or liabilities.

Classification of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group is required to reclassify any remaining held-to-maturity investments as available-for-sale financial assets and cannot classify any financial assets as held to maturity during the current and two subsequent financial years.

Impairment losses of available-for-sale financial assets

In determining whether there is any objective evidence that impairment losses have occurred on available-for-sale financial assets, the Group assesses periodically whether objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, price volatility as well as operating and financing cash flows. A significant or prolonged decline in the fair value of the equity investments below its cost is also an objective evidence of impairment for available-for-sale equity investments. This requires a significant level of management judgement which would affect the amount of impairment losses.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, which includes significant judgement. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The recoverable amount is the higher of the cash-generating units' fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the cash-generating units.

Impairment of financial assets arising from financing business (including margin financing and securities lending, stock repo, stock-pledged repo)

Based on the clients' credit standing, collateral securities, collateral ratio, solvency ability and willingness and other factors, the Group determines whether there is any indication of impairment of financial assets arising from financing business.

- (a) Such financial assets with indications of impairment are subject to individual impairment assessment and special allowance for bad debts.
- (b) The remaining of such financial assets are subject to collective impairment assessment.

Impairment of non-current assets other than financial assets and goodwill

The Group assesses at each financial reporting date whether there is objective evidence that non-current financial assets other than financial assets and goodwill are impaired. Impairment occurred if the carrying amount of an asset or asset group exceeds its recoverable amount as recognized from impairment testing. When estimating the value in use, management should estimate the expected future cash flows and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining provisions for income tax requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and provides for taxes accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation of the tax treatments of certain transactions and also significant assessment of the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Consolidation of structured entities

The management makes significant judgment on whether the Group controls and therefore is required to consolidate its structured entities. The decision outcome impacts the financial and operational results of the Group.

When assessing control, the Group considers: 1) the level of power of the Group over the investee; 2) variable returns gained through participation of relevant activities of the investee; and 3) the ability of the Group in using its power over the investee to affect its return.

When assessing the level of power over the structured entities, the Group considers the following four aspects:

- 1) the degree of participation when establishing the structured entities;
- 2) contractual arrangements;
- 3) activities that take place only at special occasions or occurring events;
- 4) commitments made to the investee from the Group.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

5 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Company is currently subject are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The income tax rate applicable to the Company is 25%.

(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), the “Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46), the “Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions” (Cai Shui [2016] No. 70) and “Circular regarding Clarification of the VAT Policy Applicable to the Financial Sector, Real Estate Development and Education Assistance and Other Services” (Cai Shui [2016] No. 140) 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.

(3) **Business tax**

The Company’s computation and payment of business tax were governed by the “Implementation Rules for the Interim Regulations of the PRC on Business Tax” (Ministry of Finance Order [2011] No. 65), the “Announcement of the State Administration of Taxation Regarding the Business Tax Regulation of the transfer of Financial Items” (Guo Shui [2013] No. 63), the “Notice of the Ministry of Finance and the State Administration of Taxation on the Business Tax Policies for Capital Markets” (Cai Shui [2004] No. 203) and other relevant policies. Business tax of financial institutions was generally calculated and paid at the rate of 5% of relevant taxable revenue.

According to the “Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Business Tax Related to the Securities Investor Protection Fund” (Cai Shui [2006] No. 172), securities companies were allowed to deduct their investor protection fund contributions from their taxable business income.

(4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

(5) Urban maintenance and construction taxes, education surcharges and local education surcharges are levied at 7%, 3% and 2%, respectively, of the payable amount of relevant turnover taxes.

6 OPERATING SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group’s operating segments represents a strategic business engaged in the following activities, which are subject to risks and returns that are different from the other operating segments.

Investment Banking — Securities placement and underwriting activities, and financial advisory services;

Brokerage — Securities and futures dealing and brokerage, as well as the sale of financial products as agent;

Trading — Equity, fixed income and derivatives trading and market-making, margin financing and securities lending and alternative investment activities;

Asset Management — Asset management services to collective assets management, directive assets management, special assets management, fund management and other investment account management; and

Others — Private equity investment, principal investment and other financial activities.

Management monitors the results of the Group’s operating segments for the purposes of resource allocation and operating decision-making. Operating segment performance is measured consistently, and on the same basis as, operating profit or loss in the Group’s consolidated financial statements.

Income taxes are managed as a whole and are not allocated to operating segments.

2016	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	5,470,917	12,574,497	407,164	6,860,180	462,014	25,774,772
Interest income	89	2,917,642	7,755,811	157,491	401,746	11,232,779
Investment income	—	5,753	4,437,334	446,499	3,375,482	8,265,068
Other income	5,132	13,520	188,005	64,766	4,522,478	4,793,901
Subtotal	5,476,138	15,511,412	12,788,314	7,528,936	8,761,720	50,066,520
Operating expenses	3,001,319	9,808,547	11,525,534	4,171,886	7,646,086	36,153,372
Including: Finance costs	73	433,806	7,880,887	94,941	474,919	8,884,626
Impairment losses	—	11,583	1,459,829	96,868	367,110	1,935,390
Operating profit	2,474,819	5,702,865	1,262,780	3,357,050	1,115,634	13,913,148
Share of profits and losses of associates and joint ventures	—	—	—	—	349,411	349,411
Profit before income tax	2,474,819	5,702,865	1,262,780	3,357,050	1,465,045	14,262,559
Income tax expenses						3,281,419
Net profit for the period						10,981,140
Other segment information:						
Depreciation and amortisation	6,752	246,208	11,566	42,810	584,628	891,964
Capital expenditure	33,585	361,482	15,693	123,813	62,691	597,264

2015	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	4,563,090	22,713,891	287,057	6,449,325	239,160	34,252,523
Interest income	286	4,022,561	11,184,513	168,028	246,159	15,621,547
Investment income	—	(21,082)	17,567,082	1,197,103	766,911	19,510,014
Other income	43,081	100,603	214,793	24,219	3,157,115	3,539,811
Subtotal	4,606,457	26,815,973	29,253,445	7,838,675	4,409,345	72,923,895
Operating expenses	1,879,576	13,125,286	20,853,575	3,918,011	6,505,834	46,282,282
Including: Finance costs	30	677,788	11,592,251	69,403	491,072	12,830,544
Impairment losses	2,963	1,255	1,703,721	61,760	711,532	2,481,231
Operating profit	2,726,881	13,690,687	8,399,870	3,920,664	(2,096,489)	26,641,613
Share of profits and losses of associates and joint ventures	—	—	—	—	645,531	645,531
Profit before income tax	2,726,881	13,690,687	8,399,870	3,920,664	(1,450,958)	27,287,144
Income tax expenses						6,926,800
Net profit for the period						20,360,344
Other segment information:						
Depreciation and amortisation	6,233	196,694	19,248	25,064	437,864	685,103
Capital expenditure	514,364	392,137	304,356	235,906	2,840,825	4,287,588

7 INTEREST INCOME

	2016	2015
Interest income on margin and other financing	7,198,189	10,293,652
Bank interest income	3,963,216	5,288,412
Others	71,374	39,483
Total	11,232,779	15,621,547

8 INVESTMENT INCOME

	2016	2015
Net (losses)/gains from financial assets held for trading	(1,544,400)	14,537,117
Net gains from disposal of available-for-sale financial assets	4,036,298	5,448,837
Dividend and interest income from available-for-sale financial assets	2,657,596	1,283,832
Net (losses)/gains from financial instruments designated as at fair value through profit or loss	(60,937)	268,503
Net (losses)/gains from financial liabilities held for trading	(37,902)	53,209
Net gains/(losses) from derivatives and others	3,214,413	(2,081,484)
Total	<u>8,265,068</u>	<u>19,510,014</u>

9 OTHER INCOME

	2016	2015
Gains on disposal of property, plant and equipment	1,748	2,226
Others (i)	4,792,153	3,537,585
Total	<u>4,793,901</u>	<u>3,539,811</u>

(i) For the year ended 31 December 2016, others mainly represented income from bulk commodity trading of RMB4,061 million (2015: RMB3,007 million).

10 OPERATING EXPENSES

	2016	2015
Fee and commission expenses:		
— Commission expense	3,268,666	4,470,216
— Others	62,444	150,860
Total	<u>3,331,110</u>	<u>4,621,076</u>

	2016	2015
Finance costs:		
— Due to banks and other financial institutions	3,689,895	6,341,068
— Debt instruments issued and short-term financing instruments payable	3,933,326	4,483,119
— Customer brokerage deposits	420,486	668,168
— Others	840,919	1,338,189
Total	<u>8,884,626</u>	<u>12,830,544</u>

	2016	2015
Staff costs (including directors', supervisors' and senior executives' remuneration):		
— Salaries and bonuses	9,956,250	13,351,034
— Staff benefits	984,073	955,727
— Contributions to defined contribution schemes (i)	567,174	490,863
Total	<u>11,507,497</u>	<u>14,797,624</u>

(i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to the government related to these government-sponsored retirement plans for active employees. The Group has no obligation for post-retirement benefits beyond these contributions, which are expensed as incurred.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

	2016	2015
Other operating expenses and costs:		
— Leasing expenses	1,190,952	1,076,430
— Electronic device operating costs	564,522	572,380
— Amortisation of intangible assets	373,618	312,667
— Fund distribution and administration expenses	325,155	475,225
— Investor protection fund	319,250	248,002
— Postal and communication expenses	309,670	307,035
— Business travel expenses	296,100	287,001
— Business publicity expenses	245,156	244,280
— Business entertainment expenses	174,298	200,897
— Advisory service fee expense	174,092	417,454
— Auditors' remuneration (i)	25,960	31,104
— Others (ii)	5,286,360	4,326,426
Total	<u>9,285,133</u>	<u>8,498,901</u>

(i) Which include audit service fees of RMB20 million (2015: RMB22 million).

(ii) Others mainly include cost of bulk commodity trading, which amount was RMB4,076 million for the year ended 2016 (2015: RMB2,995 million).

11. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION

Details of the directors', supervisors' and senior executives' remuneration before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance, are as follows:

Name	Position	2016				Total remuneration before tax (5)=(1)+(2)+(3)+(4)
		Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	
Zhang Youjun	Executive Director, Chairman	2,068	600	—	135	2,803
Yang Minghui	Executive Director, President	2,419	4,637	—	161	7,217
Chen Zhong	Non-executive Director	—	—	—	—	—
Liu Ke	Independent Non-executive Director	—	—	165	—	165
He Jia	Independent Non-executive Director	—	—	119	—	119
Chen Shangwei	Independent Non-executive Director	—	—	100	—	100
Li Fang	Supervisor, Chairman of the Supervisory Committee	1,013	—	—	86	1,099
Guo Zhao	Supervisor	—	—	100	—	100
Rao Geping	Supervisor, Former Independent Non-executive Director	—	—	122	—	122
Lei Yong	Employee Supervisor	1,020	1,671	—	94	2,785
Yang Zhenyu	Employee Supervisor	844	1,354	—	86	2,284
Zhang Guoming	Compliance Officer	1,020	1,655	—	94	2,769
Cai Jian	Chief Risk Management Officer	990	1,800	—	47	2,837
Zheng Jing	Secretary to the Board, Company Secretary	799	1,817	—	83	2,699
Yin Ke	Former Executive Director	3,220	8,538	—	322	12,080
Fang Jun	Former Non-executive Director	—	—	—	—	—
Lee Kong Wai, Conway	Former Independent Non-executive Director	—	—	59	—	59
		<u>13,393</u>	<u>22,072</u>	<u>664</u>	<u>1,108</u>	<u>37,237</u>

During the year of 2016, the Group's Non-executive Director Mr. Liu Lefei and former Non-executive Director Mr. Fang Jun waived their remuneration arrangements. During the year of 2016, no special emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. There were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' or supervisors' services.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. In addition, the Group did not provide any the guarantees or securities to certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loan, quasi-loans or credit transactions.

* During the reporting period, there was re-election of the Board and the Supervisory Committee, Mr. Wang Dongming, former executive Director and Chairman of the Board, and Ms. Ni Jun, former Chairman of the Supervisory Committee, received remuneration from the Company in the amount of RMB166 thousand and RMB83 thousand, respectively; while other former Directors and former Supervisors didn't receive remuneration from the Company (except for those listed in the above table).

Name	Position	2015				Total remuneration before tax (5)=(1)+(2)+(3)+(4)
		Salaries and allowances (1)	Discretionary bonuses (2)	Fees (3)	Contribution to retirement benefit schemes (4)	
Wang Dongming	Former Chairman, Executive Director, Member of the Executive Committee (ceased to be a Chairman)	2,085	3,127	—	185	5,397
Cheng Boming	Former Executive Director, President, Member of the Executive Committee (ceased to be an Executive Director)	1,672	4,010	—	156	5,838
Yin Ke	Vice Chairman, Executive Director, Member of the Executive Committee	3,011	4,505	—	301	7,817
Liu Lefei	Former Executive Director, Vice Chairman (ceased to be an Executive Director)	—	—	—	—	—
Ju Weimin	Former Non-executive Director (ceased to be a Non-Executive Director)	—	—	36	—	36
Fang Jun	Non-executive Director	—	—	—	—	—
Wu Xiaoqiu	Former Independent Non-executive Director (ceased to be an Independent Non-executive Director)	—	—	153	—	153
Lee Kong Wai, Conway	Independent Non-executive Director	—	—	153	—	153
Rao Geping	Independent Non-executive Director	—	—	156	—	156
Ni Jun	Former Chairman of the Supervisory Committee (ceased to be a Chairman)	1,094	4,611	—	115	5,820
Guo Zhao	Supervisor	—	—	100	—	100
He Dexu	Former Supervisor (ceased to be a Supervisor)	—	—	50	—	50
Lei Yong	Supervisor	1,022	3,089	—	110	4,221
Yang Zhenyu	Supervisor	839	2,356	—	97	3,292
Xu Gang	Former member of the Executive Committee (ceased to be an Executive Director)	1,124	4,060	—	133	5,317
Ge Xiaobo	Former member of the Executive Committee (ceased to be an Executive Director)	1,333	4,066	—	133	5,532
Liu Wei	Former member of the Executive Committee (ceased to be an Executive Director)	1,035	6,326	—	128	7,489
Chen Jun	Former member of the Executive Committee (ceased to be an Executive Director)	1,235	4,060	—	128	5,423
Yan Jianlin	Former member of the Executive Committee (ceased to be an Executive Director)	1,871	5,002	—	112	6,985
Zhang Guoming	Executive of Compliance	997	2,292	—	105	3,394
Zheng Jing	Secretary of the Board of Directors, Company Secretary	749	3,259	—	92	4,100
		<u>18,067</u>	<u>50,763</u>	<u>648</u>	<u>1,795</u>	<u>71,273</u>

During the year of 2015, the Group's Executive Director Mr. Liu Lefei and Non-executive Director Mr. Fang Jun waived their remuneration arrangements. During the year of 2015, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. FIVE HIGHEST PAID EMPLOYEES

The Group's five highest paid employees during the year not included directors (2015: none). Details of the remuneration of the five (2015: five) non-director and non-supervisor highest paid employees for the year are as follows:

	2016	2015
Salaries and allowances	15,465	13,930
Discretionary bonuses	64,692	59,241
Termination compensation	511	—
Total	<u>80,668</u>	<u>73,171</u>

The number of these individuals whose remuneration fell within the following bands is set out below:

	Number of employees	
	2016	2015
RMB13,500,001 to RMB14,500,000	—	2
RMB14,500,001 to RMB15,500,000	2	2
RMB15,500,001 to RMB16,500,000	2	1
RMB16,500,001 to RMB17,500,000	—	—
RMB17,500,001 to RMB18,500,000	1	—
Total	<u>5</u>	<u>5</u>

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group.

13. IMPAIRMENT LOSSES

	2016	2015
Available-for-sale financial assets	1,624,307	1,624,890
Goodwill	—	382,610
Margin accounts	(21,128)	221,939
Reverse repurchase agreements	28,738	90,388
Others	303,473	161,404
Total	<u>1,935,390</u>	<u>2,481,231</u>

14 INCOME TAX EXPENSE

(a) Income tax

	2016	2015
Current income tax expense	3,784,729	7,983,850
Mainland China	3,639,257	7,694,673
Outside Mainland China	145,472	289,177
Deferred income tax expense	(503,310)	(1,057,050)
Total	<u>3,281,419</u>	<u>6,926,800</u>

(b) Reconciliation between income tax and accounting profit

The PRC income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2016	2015
Profit before income tax	<u>14,262,559</u>	<u>27,287,144</u>
Tax at the PRC statutory income tax rate	3,565,640	6,821,786
Effects of different applicable rates of tax prevailing in various regions	36,372	133,247
Non-deductible expenses	264,466	374,357
Non-taxable income	(819,859)	(550,369)
Adjustments in respect of current and deferred income tax of prior years	(150,180)	(56,697)
Others	<u>384,980</u>	<u>204,476</u>
Tax expense at the Group's effective income tax rate	<u>3,281,419</u>	<u>6,926,800</u>

15. PROFIT ATTRIBUTABLE TO THE COMPANY

The consolidated profit attributable to the company for the year ended 31 December 2016 includes a profit of approximately RMB7,525 million (2015: RMB15,098 million), which has been dealt with in the financial statements of the Company (note 56).

16 DIVIDENDS

	2016	2015
Proposed dividends on ordinary shares	<u>4,240,918</u>	<u>6,058,454</u>
Dividends on ordinary shares paid	<u>6,058,454</u>	<u>3,415,242</u>

Dividends on ordinary shares proposed for approval were RMB0.35 yuan per share for the year ended 31 December 2016 (2015: RMB0.5 yuan per share).

Dividends proposed by the directors are not deducted from equity, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

17 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculations of basic and diluted earnings per share are based on:

	2016	2015
Earnings:		
Profit attributable to owners of the parent	<u><u>10,365,169</u></u>	<u><u>19,799,793</u></u>
Shares:		
Weighted average number of ordinary shares in issue (thousand)	<u><u>12,116,908</u></u>	<u><u>11,592,525</u></u>
Basic and diluted earnings per share (in RMB yuan)	<u><u>0.86</u></u>	<u><u>1.71</u></u>

Basic earnings per share was calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding.

There were no dilutive events during the year ended 31 December 2016 (2015: None).

18 PROPERTY, PLANT AND EQUIPMENT

	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
31 December 2016										
Cost										
31 December 2015	718,858	67,476	241,558	2,381,301	4,860	2,150,755	82,299	5,647,107	536,440	6,183,547
Increases	242,100	3,434	57,881	945	2,825	339,517	11,326	658,028	149,761	807,789
Decreases	(3,076)	(597)	(16,549)	(5,529)	(631)	(191,682)	(5,169)	(223,233)	(422,410)	(645,643)
Effect of exchange rate change	6,435	3,386	3,409	151,363	—	65,619	3,789	234,001	—	234,001
31 December 2016	964,317	73,699	286,299	2,528,080	7,054	2,364,209	92,245	6,315,903	263,791	6,579,694
Accumulated depreciation										
31 December 2015	258,008	40,076	200,938	61,708	4,241	1,689,906	72,549	2,327,426	—	2,327,426
Increases	31,099	11,434	47,274	85,667	255	250,424	7,844	433,997	—	433,997
Decreases	(72)	(376)	(13,637)	(5,206)	(578)	(139,574)	(17,545)	(176,988)	—	(176,988)
Effect of exchange rate change	5,447	1,786	3,051	4,659	—	53,159	3,151	71,253	—	71,253
31 December 2016	294,482	52,920	237,626	146,828	3,918	1,853,915	65,999	2,655,688	—	2,655,688
Allowances for impairment										
31 December 2015	—	—	—	—	—	—	—	—	—	—
Increases	—	—	239	—	—	506	—	745	—	745
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—	—	—	—	—
31 December 2016	—	—	239	—	—	506	—	745	—	745
Net carrying amount										
31 December 2016	669,835	20,779	48,434	2,381,252	3,136	509,788	26,246	3,659,470	263,791	3,923,261
31 December 2015	460,850	27,400	40,620	2,319,593	619	460,849	9,750	3,319,681	536,440	3,856,121

	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
31 December 2015										
Cost										
31 December 2014	622,600	67,431	219,773	187,727	5,497	1,993,657	80,589	3,177,274	239,826	3,417,100
Increases	103,641	3,600	33,193	2,214,224	203	294,379	8,985	2,658,225	500,922	3,159,147
Decreases	(9,497)	(5,870)	(11,386)	(20,726)	(840)	(182,616)	(8,751)	(239,686)	(204,308)	(443,994)
Effect of exchange rate change	2,114	2,315	(22)	76	—	45,335	1,476	51,294	—	51,294
31 December 2015	718,858	67,476	241,558	2,381,301	4,860	2,150,755	82,299	5,647,107	536,440	6,183,547
Accumulated depreciation										
31 December 2014	232,785	30,857	190,781	52,248	4,663	1,615,559	67,883	2,194,776	—	2,194,776
Increases	24,476	11,239	20,863	28,261	331	212,647	12,176	309,993	—	309,993
Decreases	(1,044)	(3,530)	(10,494)	(18,864)	(753)	(175,797)	(8,469)	(218,951)	—	(218,951)
Effect of exchange rate change	1,791	1,510	(212)	63	—	37,497	959	41,608	—	41,608
31 December 2015	258,008	40,076	200,938	61,708	4,241	1,689,906	72,549	2,327,426	—	2,327,426
Allowances for impairment										
31 December 2014	—	—	—	—	—	—	—	—	—	—
Increases	—	—	—	—	—	—	—	—	—	—
Decreases	—	—	—	—	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—	—	—	—	—
31 December 2015	—	—	—	—	—	—	—	—	—	—
Net carrying amount										
31 December 2015	460,850	27,400	40,620	2,319,593	619	460,849	9,750	3,319,681	536,440	3,856,121
31 December 2014	389,815	36,574	28,992	135,479	834	378,098	12,706	982,498	239,826	1,222,324

	31 December	
	2016	2015
Carrying amount at the beginning of the year:		
Cost	10,622,420	10,075,152
Accumulated impairment	357,143	—
Net carrying amount	10,265,277	10,075,152
Movement during the year:		
Additions and effect of exchange rate changes	165,230	547,268
Impairment and effect of exchange rate changes	24,338	357,143
Carrying amount at the end of the year:		
Cost	10,787,650	10,622,420
Accumulated impairment	381,481	357,143
Net carrying amount	10,406,169	10,265,277

	31 December	
	2016	2015
China Asset Management Co., Ltd.	7,418,587	7,418,587
CITIC Securities International Company Limited	2,222,344	2,085,994
CITIC Securities Overseas Investment Company Limited	434,695	434,695
CITIC Futures Co., Ltd.	193,826	193,826
CITIC Securities (Shandong) Co., Ltd.	88,675	88,675
CITIC Securities Company Limited	43,500	43,500
Xin Jiang Equity Exchange	4,542	—
Total	10,406,169	10,265,277

Based on the public announcement in December 2016 by third party investors, certain China AMC's non-controlling interests agreed with these third parties to sell a 10% interest in China AMC for approximately RMB2.4 billion. In assessing the impairment assessment of the goodwill attributable to China AMC, management used fair value less costs of disposal approach ("FVLCD"). The assessment of China AMC's recoverable amount was based on the consideration to be paid in the above transaction, after deducting an estimation of costs of disposal.

As at 31 December 2016, the net carrying amount of the goodwill arising from CITIC Securities International Company Limited's acquisition of CLSA was RMB2,042 million. (2015: RMB1,912 million).

As for the goodwill for other cash-generating units ("CGU"), management performed impairment assessments by using future cash flow method. Based on the approved 5-year budget, projections made for the cash flows over a 5-year period and weighted average cost according to the experiences and market trend analysis. If the recoverable amount was lower than the carrying amount, the related impairment was recognised.

	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-use Rights	Total
31 December 2016						
Cost						
31 December 2015	123,957	1,103,489	1,224,319	275,976	2,251,043	4,978,784
Increases	3,218	102,042	21,502	387	10,390	137,539
Decreases	(2,028)	(3,430)	—	—	—	(5,458)
Effect of exchange rate change	2,863	39,070	74,779	18,805	—	135,517
31 December 2016	128,010	1,241,171	1,320,600	295,168	2,261,433	5,246,382
Accumulated amortisation						
31 December 2015	97,496	587,467	277,898	—	30,510	993,371
Increases	353	190,980	137,147	—	60,151	388,631
Decreases	(14)	(2,974)	—	—	—	(2,988)
Effect of exchange rate change	1,144	23,084	23,377	—	—	47,605
31 December 2016	98,979	798,557	438,422	—	90,661	1,426,619
Allowance for impairment						
31 December 2015	—	—	—	—	—	—
Increases	—	184	—	—	—	184
Decreases	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—
31 December 2016	—	184	—	—	—	184
Net carrying amount						
31 December 2016	29,031	442,430	882,178	295,168	2,170,772	3,819,579
31 December 2015	26,461	516,022	946,421	275,976	2,220,533	3,985,413

The Company and its wholly owned subsidiary GoldStone ZeXin Investment Management Co., Ltd. (hereinafter referred to as “GoldStone Zexin”) jointly bid for a piece of land-use right in Shenzhen in January 2014. GoldStone ZeXin is engaged in, among other business activities, real estate development. The Company and GoldStone Zexin obtained the land-use right certificate in August, 2015. GoldStone Zexin obtained a bank loan in September 2015, which is secured over the land-use right held by the Company and GoldStone Zexin and guaranteed by GoldStone Investment Co., Ltd., the holding company of GoldStone ZeXin.

The portion of the land-use right attributable to GoldStone ZeXin for real estate development is classified under Other Non-Current Assets (Note 27), and the portion attributable to the Company is classified under land-use rights.

	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-use Rights	Total
31 December 2015						
Cost						
31 December 2014	124,274	934,124	1,160,812	260,005	55,081	2,534,296
Increases	600	139,098	—	—	2,197,212	2,336,910
Decreases	(1,000)	(1,023)	—	—	(1,250)	(3,273)
Effect of exchange rate change	83	31,290	63,507	15,971	—	110,851
31 December 2015	<u>123,957</u>	<u>1,103,489</u>	<u>1,224,319</u>	<u>275,976</u>	<u>2,251,043</u>	<u>4,978,784</u>
Accumulated amortisation						
31 December 2014	94,788	403,667	143,176	—	5,390	647,021
Increases	2,136	178,818	122,432	—	25,120	328,506
Decreases	—	(695)	—	—	—	(695)
Effect of exchange rate change	572	5,677	12,290	—	—	18,539
31 December 2015	<u>97,496</u>	<u>587,467</u>	<u>277,898</u>	<u>—</u>	<u>30,510</u>	<u>993,371</u>
Allowance for impairment						
31 December 2014	—	—	—	—	—	—
Increases	—	—	—	—	—	—
Decreases	—	—	—	—	—	—
Effect of exchange rate change	—	—	—	—	—	—
31 December 2015	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net carrying amount						
31 December 2015	<u>26,461</u>	<u>516,022</u>	<u>946,421</u>	<u>275,976</u>	<u>2,220,533</u>	<u>3,985,413</u>
31 December 2014	<u>29,486</u>	<u>530,457</u>	<u>1,017,636</u>	<u>260,005</u>	<u>49,691</u>	<u>1,887,275</u>

21. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2016	2015
Unlisted shares, at cost	<u>24,190,078</u>	<u>24,238,594</u>

Particulars of the Company's principal subsidiaries are as follows:

(a) *Principal subsidiaries acquired through establishment or investment*

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest	
					Direct	Indirect
GoldStone Investment Co., Ltd. (金石投資有限公司)	Mainland China	RMB7.2 billion	Direct investment, investment advisory, management	RMB5.9 billion	100%	—
Qingdao GoldStone Storm Investment Consulting Company Limited (青島金石暴風投資諮詢有限公司)	Mainland China	RMB50.1 million	Investment management, advisory services	RMB968.89 million	—	100%
Shanghai CITIC GoldStone Equity Investment Management Company Limited (上海中信金石股權投資管理有限公司)	Mainland China	RMB15 million	Equity investment, advisory services	RMB15 million	—	100%
CITIC Buyout Fund Management Company Limited (中信併購基金管理有限公司)	Mainland China	RMB100 million	Investment management, advisory services	RMB100 million	—	100%
CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (中信併購投資基金(深圳)合夥企業(有限合夥))	Mainland China	Not applicable	Investment, advisory services	RMB1.07673 billion	—	26.07% (i)
Qingdao GoldStone Runhui Investment Management Company Limited (青島金石潤匯投資管理有限公司)	Mainland China	RMB10.1 million	Investment management, advisory services, investment with self-owned capital	RMB10.1 million	—	100%
Qingdao GoldStone Haorui Investment Company Limited (青島金石灝納投資有限公司)	Mainland China	RMB805 million	Investment management, advisory services, investment with self-owned capital	RMB2,000 million	—	100%
Jinjin Investment (Tianjin) Co., Ltd. (金津投資(天津)有限公司)	Mainland China	RMB100 million	Investment	RMB490.42 million	—	100%
CITIC GoldStone Fund Management Company Limited (中信金石基金管理有限公司)	Mainland China	RMB100 million	Investment	RMB100 million	—	100%

(i) In accordance with contract, the Company considers it has control over this entity.

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest	
					Direct	Indirect
GoldStone ZeXin Investment Management Co., Ltd. (金石澤信投資管理有限公司)	Mainland China	RMB1,000 million	Investment management, investment advisory, investment consultancy, fiduciary management, equity investment, fund, real estate.	RMB1,000 million	—	100%
Qingdao GoldStone Blue Ocean Investment Management Co., Ltd. (青島金石藍海投資管理有限公司)	Mainland China	RMB5 million	Investment	RMB0.3 million	—	100%
Qingdao GoldStone Xincheng Investment Management Co., Ltd. (青島金石信城投資管理有限公司)	Mainland China	RMB5 million	Investment	RMB1 million	—	100%
Goldenston Boxin Investment Management Co., Ltd. (金石博信投資管理有限公司)	Mainland China	RMB500 million	Investment	—	—	100%
Jinfeng (Shenzhen) Investment Co., Ltd. (金豐(深圳)投資有限公司)	Mainland China	RMB15 million	Investment management	RMB7.5 million	—	100%
Jinfeng (Beijing) Investment Co., Ltd. (金豐(北京)投資有限公司)	Mainland China	RMB500 million	Investment management	RMB15 million	—	100%
Three Gorges Goldstone Investment Management Co., Ltd. (三峽金石投資管理有限公司)	Mainland China	RMB100 million	Investment management	RMB60 million	—	60%
Shenzhen Xinneng Investment Co., Ltd (深圳市芯能投資有限公司)	Mainland China	RMB10 million	Investment	RMB0.2 million	—	100%
Shenzhen Xinli Investment Co., Ltd. (深圳市芯力投資有限公司)	Mainland China	RMB10 million	Investment	RMB0.2 million	—	100%
GoldStone Mezzanine Capital Management Co., Ltd. (金石夾層資本管理有限公司)	Mainland China	RMB50 million	Investment management	RMB10 million	—	100%
Jinshi Fengrui Investment Management (Hangzhou) Co., Ltd (金石豐潤投資管理(杭州)有限公司)	Mainland China	RMB30 million	Investment management	—	—	100%
CITIC Securities Qingdao Training Centre (青島中信證券培訓中心)	Mainland China	RMB1 million	Business training	RMB1 million	70%	30%
CITIC Securities Investment Ltd. (中信證券投資有限公司)	Mainland China	RMB3.0 billion	Financial product investment, securities investment, investment advisory	RMB3.0 billion	100%	—
CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿(上海)有限公司)	Mainland China	RMB500 million	Trade and trade agents, storage and their own equipment leasing	RMB400 million	—	100%
Hongming (Shanghai) Investment Management Co., Ltd. (宏明(上海)投資管理有限公司)	Mainland China	RMB13 million	Investment management, investment consulting	RMB13 million	—	100%
CITIC Securities (Qingdao) Training Centre Hotel Management Co., Ltd. (中信證券(青島)培訓中心酒店管理有限公司)	Mainland China	RMB10 million	Catering; Accommodation; Convention, Exhibition	RMB2 million	—	100%
Zhongzheng Asset Management (Shenzhen) Company Limited (中證資本管理(深圳)有限公司)	Mainland China	RMB200 million	Investment and asset management	RMB200 million	—	93.47%

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest	
					Direct	Indirect
CITIC Wings Asset Management Co., Ltd. (中信盈時資產管理有限公司)	Mainland China	RMB200 million	Asset Management	RMB100 million	—	93.47%
CITIC Futures International Co., Ltd. (中信期貨國際有限公司)	Hong Kong	HK\$100 million	Futures brokerage	HK\$100 million	—	93.47%
Qingdao Jindingxin Micro Financing Co., Ltd. (青島金鼎信小額貸款股份有限公司)	Mainland China	RMB300 million	Micro financing	RMB300 million	—	100%
CITIC Securities Information and Quantitative Service (Shenzhen) Limited Liability Company (中信證券信息與量化服務(深圳)有限責任公司)	Mainland China	RMB10 million	Computer hardware and software technology development; Technical consulting; Technical services; System integration and sales; Data processing (excluding restricted items)	RMB10 million	100%	—
Jintong Securities Co., Ltd. (金通證券有限責任公司)	Mainland China	RMB100 million	Securities brokerage	—	100%	—
CITIC Zhongzheng Investment Service Co., Ltd. (中信中證投資服務有限責任公司)	Mainland China	RMB100 million	Investment management; Advisory service; Finance outsourcing service	RMB100 million	100%	—
China Wealth Investment management Limited Company (上海華夏財富投資管理有限公司)	Mainland China	RMB20 million	Sales of securities & fund and other business permitted by CSRC	RMB20 million	—	62.20%
CITIC Securities Overseas Investment Company Limited (中信證券海外投資有限公司)	Hong Kong	HK\$0.01 million	Holding; Investment	HK\$0.01 million	100%	—
CITIC Securities International Company Limited (中信證券國際有限公司)	Hong Kong	Not applicable	Holding, investment	HK\$6,516.05 million	100%	—
CITIC Securities Brokerage (HK) Limited (中信證券經紀(香港)有限公司)	Hong Kong	Not applicable	Securities brokerage	HK\$650 million	—	100%
CITIC Securities Futures (HK) Limited (中信證券期貨(香港)有限公司)	Hong Kong	Not applicable	Futures brokerage	HK\$50 million	—	100%
CITIC Securities International Asset Management Limited (中信證券國際資產管理有限公司)	BVI	Not applicable	Asset management holding	US\$1	—	100%
Xin Jiang Equity Exchange Limited (新疆股權交易中心有限公司)	Mainland China	RMB110 million	Finance	RMB60 million	54.545%	—

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest	
					Direct	Indirect
Dragon Stream Investments Limited	Hong Kong	Not applicable	Proprietary trading	HK\$10 million	—	100%
CSI Capital Management Limited	BVI	Not applicable	Proprietary trading	US\$50 million	—	100%
CSI Global Markets Limited	Hong Kong	Not applicable	Investment holding	HK\$10 million	—	100%
CITIC Securities Equity Trading Company Limited	Cayman Islands	Not applicable	Proprietary trading	US\$2 million	—	100%
CITIC Securities International Partners, Ltd.	Cayman Islands	Not applicable	Holding company	Approximately US\$11 million	—	72%
August Sky Holdings Limited	BVI	Not applicable	Direct investment	US\$1	—	100%
CSI REITs Investment Management Company Limited	BVI	Not applicable	Investment holding	US\$1	—	100%
CSI Direct Investments Limited	BVI	Not applicable	Investment holding	US\$39.26 million	—	100%
CSI USA Securities Holdings, Inc.	Delaware	Not applicable	Holding company	US\$31.1 million	—	100%
GMMC Limited	Hong Kong	Not applicable	Not in operation	HK\$1	—	100%
CSI Finance Limited	Hong Kong	Not applicable	Financing	HK\$0.01 million	—	100%
CSIAMC Company Limited	Hong Kong	Not applicable	Investment service	HK\$1	—	100%
CITIC Securities Finance 2013 Co., Ltd.	BVI	Not applicable	Bond issuance	US\$1	—	100%
CITICS Global Absolute Return Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$141.03 million	95.50%	4.50%
CITICS Pan-Asian Multi-Strategy Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$235.96 million	100%	—
CITICS Global Special Situation Fund	Cayman Islands	Not applicable	Offshore portfolio hedge fund, investment fund	US\$48.89 million	100%	—
CITIC Securities Finance MTN Co., Ltd.	BVI	Not applicable	Bond issuance	US\$1	—	100%
CSI Partners Limited	BVI	Not applicable	Private fund management	US\$1	—	100%
CSI Partners Investments Limited	BVI	Not applicable	Private fund management	US\$1	—	100%
CITIC Securities Corporate Finance (HK) Limited	Hong Kong	Not applicable	Investment holding	HK\$380 million	—	100%

(b) *Principal subsidiaries acquired from business combination*

Name of subsidiaries	Place of incorporation/ registration and operations	Registered share capital	Principal activities	Amount invested by the company	Attributable equity interest	
					Direct	Indirect
Shenzhen CITIC United Venture Capital Investment Co., Ltd. (深圳市中信聯合創業投資有限公司)	Mainland China	RMB70 million	Direct investment, investment advisory	RMB125.32 million	—	92.07%
CITIC Securities (Shandong) Co., Ltd. (中信証券(山東)有限責任公司)	Mainland China	RMB2,500 million	Securities business	RMB1,151.94 million	100%	—
CITIC Futures Co., Ltd. (中信期貨有限公司)	Mainland China	RMB1.6 billion	Futures brokerage, asset management, fund distribution	RMB1.5 billion	93.47%	—
Jinshang (Tianjin) Investment Management Co., Ltd. (金尚(天津)投資管理有限公司)	Mainland China	RMB12.5 million	Investment management, advisory service	RMB18.59 million	—	100%
China Asset Management Co., Ltd. (華夏基金管理有限公司)	Mainland China	RMB238 million	Fund investment	RMB2,663.95 million	62.20%	—
China Asset Management (Hong Kong) Limited (華夏基金(香港)有限公司)	Hong Kong	HK\$200 million	Asset management	HK\$200 million	—	62.20%
China AMC Capital Management Limited (華夏資本管理有限公司)	Mainland China	RMB50 million	Asset management, financial advisory	RMB50 million	—	62.20%
CLSA B.V.(里昂證券)	Netherlands	Not applicable	Investment, holding	US\$1,090.30 million	—	100%
KVB Kunlun Financial Group Limited (昆侖國際金融集團有限公司)	Cayman Island	Not applicable	Leveraged foreign exchange transactions and other transactions, cash transactions, other services	HK\$780.2 million	—	59.03%

(c) *Structured entities included in the consolidated financial statement*

The Group acts as asset manager for or invested in a number of structured entities. Management makes significant judgment on whether the Group controls and therefore should consolidate these structured entities.

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. 21 of the controlled structured entities have been consolidated as at 31 December 2016, of which 12 were consolidated by the Company and 9 were consolidated by the Company's wholly owned subsidiary CITIC Futures Co., Ltd. (9 structured entities were consolidated as at 31 December 2015, all of which were consolidated by the Company).

The fair value and book value of identifiable assets and liabilities of the structured entities listed above are as follows:

	Fair value as at 31 December 2016	Book value as at 31 December 2016
Current assets	5,323,969	5,323,969
Non-current assets	<u>80,890</u>	<u>80,890</u>
Total asset	<u>5,404,859</u>	<u>5,404,859</u>
Current liabilities	14,625	14,625
Non-current liabilities	<u>—</u>	<u>—</u>
Total liabilities	<u>14,625</u>	<u>14,625</u>

The operating results and cash flows of the structured entities listed above for the year 2016 are as follows:

	2016
Revenue	126,023
Profit	60,634
Net increase in cash and cash equivalents	189,459

(d) *Net cash flows from acquisition of subsidiaries*

	2016	2015
Total consideration	—	(746,778)
Cash and cash equivalents paid	—	(746,778)
Cash and cash equivalents in the subsidiaries acquired	<u>—</u>	<u>470,991</u>
Net cash (outflow)/inflow from acquisition of subsidiaries	<u>—</u>	<u>(275,787)</u>

(e) *Details of the Group's subsidiary with material non-controlling interests is set out below:*

China AMC

	31 December 2016	2015
Percentage of equity interest held by non-controlling interests	37.80%	37.80%
Dividends paid to non-controlling interests	117,043	108,922
Accumulated balances of non-controlling interests	2,531,024	2,117,668
Profit for the year allocated to non-controlling interests	<u>551,002</u>	<u>545,848</u>

The following tables illustrate the summarised financial information of the above subsidiary:

China AMC

	2016	2015
Revenue	4,339,570	4,212,490
Profit for the year from continuing operations	1,457,677	1,413,759
Total comprehensive income for the year	1,403,173	1,609,437
Net cash flows from operating activities	1,167,860	1,439,268
Net cash flows from investing activities	(780,244)	(1,569,999)
Net cash flows from in financing activities	(309,638)	(274,943)
Net increase/(decrease) in cash and cash equivalents	<u>103,177</u>	<u>(397,800)</u>

	31 December 2016	2015
Current assets	7,819,068	6,908,483
Non-current assets	734,606	615,169
Current liabilities	1,388,758	1,537,905
Non-current liabilities	<u>469,084</u>	<u>383,452</u>

(f) As at 31 December 2016, there were no significant restrictions on the ability of the Group to access or use the assets and settle the liabilities of these subsidiaries of the Group (2015: Nil).

22. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2016	2015
Associates	3,974,954	4,480,218
Joint ventures	<u>(1,103)</u>	<u>3,946</u>
	<u>3,973,851</u>	<u>4,484,164</u>

(a) Particulars of the Group's principal associates and joint ventures are as follows

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Associates:					
CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司)	Mainland China	RMB1.8 billion	Investment fund management	35%	35%
Qianhai Equity Exchange (Shenzhen) Company Limited (前海股權交易中心(深圳)有限公司)	Mainland China	RMB1,177.4 million	Equity trading	12.74%	12.74%
Qingdao Blue Ocean Equity Exchange Limited (青島藍海股權交易中心有限責任公司)	Mainland China	RMB50 million	Equity trading	40%	40%
Shenzhen Nanbo Display Device Science Company Limited (深圳南玻顯示器件科技有限公司)	Mainland China	RMB143 million	Production and operation of new display devices, etc., goods and technology import and export business	35.15%	35.15%
Beijing Agricultural Investment Fund (Limited Partnership) (北京農業產業投資基金(有限合夥))	Mainland China	RMB620 million	Investment	32.26%	32.26%
Beijing GoldStone Agricultural Investment Fund Management Center (Limited Partnership) (北京金石農業投資基金管理中心(有限合夥))	Mainland China	RMB30 million	Fund management	33%	33%
Chengdu Wenxuan Equity Investment Fund Management Co., Ltd (成都文軒股權投資基金管理有限公司)	Mainland China	RMB17.6 million	Entrusted management of equity investment entities, investment management and relevant consulting services	34.09%	34.09%
Shenzhen Qianhai Zhongzheng Urban Development And Management Co., Ltd (深圳市前海中證城市發展管理有限公司)	Mainland China	RMB50 million	Investment management	35%	35%
Zhongzheng Fund Management Co., Ltd (中證基金管理有限公司)	Mainland China	RMB50 million	Investment management	35%	35%
Xinrong Customer Services Club Co., Ltd. (深圳市信融客戶服務俱樂部有限公司)	Mainland China	RMB10 million	Financial Services	25%	25%
Qianhai Infrastructure Investments Fund Management Co., Ltd. (深圳前海基礎設施投資基金管理有限公司)	Mainland China	RMB100 million	Fund management	17.50%	17.50%
Taifu GoldStone (Tianjin) Fund Management Co., Ltd. (泰富金石(天津)基金管理有限公司)	Mainland China	RMB50 million	Entrusted management of equity investment entities, investment management and relevant consulting services	40%	40%
Suning GoldStone (Tianjin) Fund Management Co., Ltd. (蘇寧金石(天津)基金管理有限公司)	Mainland China	RMB50 million	Entrusted management of equity investment entities, investment management and relevant consulting services	40%	40%

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Xi'an Future Aerospace Industry Co., Ltd. (西安明日宇航工業有限責任公司)	Mainland China	RMB50 million	Aerospace components and ground equipment manufacturing; sheet metal components manufacturing	35%	35%
CITIC PE Holdings Limited	BVI	Not applicable	Investment holding	35%	Not applicable
World Deluxe Enterprise Limited	BVI	Not applicable	Investment holding	40%	Not applicable
Aria Investment Partners III, L.P.	Cayman Islands	Not applicable	Direct investment fund	14.68%	14.68% ⁽ⁱ⁾
Aria Investment Partners IV, L.P.	Cayman Islands	Not applicable	Direct investment fund	39.23%	39.23%
Clean Resources Asia Growth Fund L.P.	Cayman Islands	Not applicable	Direct investment fund	17.59%	17.59% ⁽ⁱ⁾
Fudo Capital L.P.	Cayman Islands	Not applicable	Direct investment fund	0.35%	0.35% ⁽ⁱ⁾
Fudo Capital L.P. II	Cayman Islands	Not applicable	Direct investment fund	6.13%	6.13% ⁽ⁱ⁾
Fudo Capital L.P. III	Cayman Islands	Not applicable	Direct investment fund	5.00%	5.00% ⁽ⁱ⁾
Sunrise Capital L.P. II	Cayman Islands	Not applicable	Direct investment fund	27.70%	27.70%
CLSA Aviation Private Equity Fund I	Korea	Not applicable	Direct investment fund	7.00%	7.00% ⁽ⁱ⁾
CLSA Aviation Private Equity Fund II	Korea	Not applicable	Direct investment fund	0.09%	0.09% ⁽ⁱ⁾
CLSA Aviation II Investments (Cayman) Limited	Cayman Islands	Not applicable	Direct investment fund	10.38%	10.38%
CT CLSA Holdings Limited	Sri Lanka	LKR500 million	Investment holding	25%	25%
Enhanced Investment Products Limited	Hong Kong	Not applicable	Asset management	49%	49%

Name	Place of incorporation/ registration	Registered share capital	Principal activities	Percentage of equity interest	Percentage of voting rights
Joint Ventures:					
CSOBOR Fund, L.P.	Cayman Islands	US\$52 million	Private equity fund	48%	33.33%
Guojing Taifu Investment Co., Ltd (國經泰富投資有限公司)	Mainland China	RMB50 million	Investments to set up industries (specific projects to be applied); investment management (exclusive of prohibited projects); investment consulting (exclusive of prohibitive projects); fiduciary asset management; enterprises management advisor	50%	50%
CITIC Standard and Poor's Information Service (Beijing) Co., Ltd. (中標普指數信息服務(北京)有限公司)	Mainland China	RMB8.027 million	Financial services	50%	50%
Double Nitrogen Fund GP Limited	Cayman Islands	USD100	Investment management	48%	50% (ii)
Investment in Euro Co-Ventures Ltd	United Kingdom	GBP 0.02 million	Asset management	50%	50%

(i) The Group has a significant influence over these funds as it holds non-voting shares and also acts as the fund manager of these funds.

(ii) The Group has joint control over this entity with other parties through contractual arrangement.

(b) *The following table illustrates the summarised financial information of the Group's material associates*

(i) CITIC Private Equity Funds Management Co., Ltd., as a major associate of the Group, is primarily engaged in investment fund management, and is accounted for using the equity method. The financial information is as follows:

	31 December	
	2016	2015
Current assets	6,851,681	5,972,769
Non-current assets	127,734	204,204
Current liabilities	1,471,451	736,637
Non-current liabilities	972,770	1,025,012
Revenue	910,880	2,262,659
Profit from continuing operations	410,205	1,273,778
Total comprehensive income	410,205	1,273,778

- (ii) Shenzhen Nanbo Display Device Science Company Limited, as a major associate of the Group, is primarily engaged in production and operation of new display devices, etc., goods and technology import and export business, and is accounted for using the equity method. The financial information is as follows:

	31 December	
	2016	2015
Current assets	217,826	760,928
Non-current assets	1,328,630	1,423,577
Current liabilities	534,821	1,276,022
Non-current liabilities	281,012	222,153
Revenue	384,147	513,161
Profit from continuing operations	47,278	5,141
Total comprehensive income	47,278	5,141

- (c) The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material.

	31 December	
	2016	2015
Profit from continuing operations	428,221	1,166,359
Other comprehensive income	(10,011)	2,251
Total comprehensive income	418,210	1,168,610

- (d) As at 31 December 2016, there was no commitment to the joint ventures (31 December 2015: Nil).
- (e) There were no significant restrictions on the ability of the Group's associates and joint ventures to transfer funds to the Group in form of cash dividends or to repay any liability owed to the Group (2015: Nil).

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	31 December	
	2016	2015
At fair value:		
Equity investments	751,961	402,288
Other (i)	19,812,742	—
At cost:		
Equity investments	12,600,238	12,367,452
	33,164,941	12,769,740
Less: impairment losses	609,613	614,801
Total	32,555,328	12,154,939
Analysed into:		
Listed	20,564,703	402,288
Unlisted	11,990,625	11,752,651
	32,555,328	12,154,939

	31 December	
	2016	2015
At fair value:		
Debt securities	21,685,514	33,192,595
Equity investments	17,281,085	14,004,989
Others	15,333,023	34,521,099
	54,299,622	81,718,683
Less: impairment losses	1,976,445	1,738,537
Total	52,323,177	79,980,146
Analysed into:		
Listed	18,544,290	44,654,277
Unlisted	33,778,887	35,325,869
	52,323,177	79,980,146

- (i) On 6 July 2015 and 1 September 2015, the Company made investment jointly with other securities companies to a listed investment portfolio managed by China Securities Finance Corporation Limited (“CSF”). The Company’s share of the cost of this listed investment portfolio was RMB21.1 billion. Under the investment agreement, the Company and other joint investors share the income/loss based on contribution proportion. As at 31 December 2016, based on the investment report provided by CSF, the fair value of the Company’s investment managed by CSF was RMB19,813 million (2015: RMB20,065 million).

24 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2016	2015
Non-current		
Equity investments	6,098,362	147,533
Debt securities	100,000	—
Others	222,245	205,991
	<u>6,420,607</u>	<u>353,524</u>
Analysed into:		
Listed	1,587,605	—
Unlisted	4,833,002	353,524
	<u>6,420,607</u>	<u>353,524</u>
Current		
Equity investments	6,827,856	9,352,528
Others	88,722	647,550
	<u>6,916,578</u>	<u>10,000,078</u>
Analysed into:		
Listed	6,826,914	7,183,636
Unlisted	89,664	2,816,442
	<u>6,916,578</u>	<u>10,000,078</u>

25 REFUNDABLE DEPOSITS

	31 December	
	2016	2015
Margin trading deposits	1,067,015	3,027,976
Credit deposits	237,909	368,615
Performance bonds	295,126	66,804
Total	<u>1,600,050</u>	<u>3,463,395</u>

Deferred income tax assets:	Depreciation allowance	Change in fair value of financial assets measured at fair value through profit or loss	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Salaries, bonuses, and allowances payable	Others	Total
31 December 2015	23,835	908	514,701	518,016	1,953,541	130,287	3,141,288
Credited/(debited) to the statement of profit or loss	14,410	407	50,835	(517,787)	(46,886)	141,657	(357,364)
Credited to other comprehensive income	2,315	—	—	—	433	24,181	26,929
Others	—	—	—	—	—	—	—
31 December 2016	<u>40,560</u>	<u>1,315</u>	<u>565,536</u>	<u>229</u>	<u>1,907,088</u>	<u>296,125</u>	<u>2,810,853</u>

Deferred income tax assets:	Depreciation allowance	Change in fair value of financial assets measured at fair value through profit or loss	Allowance for impairment losses on available-for-sale financial assets	Change in fair value of derivatives	Salaries, bonuses, and allowances payable	Others	Total
31 December 2014	35,842	—	150,928	1,368,203	993,845	47,467	2,596,285
Credited/(debited) to the statement of profit or loss	(13,417)	908	363,773	(850,187)	1,001,361	36,956	539,394
Credited/(debited) to other comprehensive income	1,410	—	—	—	(41,936)	45,434	4,908
Others	—	—	—	—	271	430	701
31 December 2015	<u>23,835</u>	<u>908</u>	<u>514,701</u>	<u>518,016</u>	<u>1,953,541</u>	<u>130,287</u>	<u>3,141,288</u>

Deferred income tax liabilities:	Amortisation allowance	Change in fair value of financial assets measured at fair value through profit or loss	Change in fair value of available-for-sale financial assets	Change in fair value of financial liabilities measured at fair value through profit or loss	Change in the fair value of derivatives	Others	Total
31 December 2015	512,785	927,645	1,020,822	34,347	42	46,825	2,542,466
Debited/(credited) to the statement of profit or loss	(82,468)	(782,844)	(24,157)	(34,112)	69,955	(7,051)	(860,677)
Debited/(credited) to other comprehensive income	31,449	247	(148,268)	—	—	527	(116,045)
Others	—	—	—	—	—	—	—
31 December 2016	<u>461,766</u>	<u>145,048</u>	<u>848,397</u>	<u>235</u>	<u>69,997</u>	<u>40,301</u>	<u>1,565,744</u>

Deferred income tax liabilities:	Amortisation allowance	Change in fair value of financial assets measured at fair value through profit or loss	Change in fair value of available-for-sale financial assets	Change in fair value of financial liabilities measured at fair value through profit or loss	Change in the fair value of derivatives	Others	Total
31 December 2014	555,138	1,450,136	573,508	5,977	—	25,695	2,610,454
Debited/(credited) to the statement of profit or loss	(72,689)	(522,491)	9,959	28,370	42	19,601	(537,208)
Debited to other comprehensive income	30,336	—	437,355	—	—	1,010	468,701
Others	—	—	—	—	—	519	519
31 December 2015	<u>512,785</u>	<u>927,645</u>	<u>1,020,822</u>	<u>34,347</u>	<u>42</u>	<u>46,825</u>	<u>2,542,466</u>

27 OTHER NON-CURRENT ASSETS

	31 December	
	2016	2015
Project investment Note 20	1,605,965	1,568,335
Receivables and others	2,115,540	2,066,004
Total	<u>3,721,505</u>	<u>3,634,339</u>

28 MARGIN ACCOUNTS

	31 December	
	2016	2015
Margin accounts	65,222,343	75,745,319
Less: impairment loss	201,150	221,916
Total	<u>65,021,193</u>	<u>75,523,403</u>

Margin accounts are funds that the Group lends to the customers for margin financing business.

As at 31 December 2016, the Group received collateral with fair value amounted to RMB226,265 million (31 December 2015: RMB273,669 million), in connection with its margin financing business.

29 FINANCIAL ASSETS HELD FOR TRADING

	31 December	
	2016	2015
Debt securities	97,288,951	66,766,316
Equity investments(i)	43,542,594	56,461,175
Others	5,450,222	3,211,305
Total	<u>146,281,767</u>	<u>126,438,796</u>
Analysed into:		
Listed	110,687,203	103,045,025
Unlisted	35,594,564	23,393,771
	<u>146,281,767</u>	<u>126,438,796</u>

- (i) Includes RMB15 million of securities lent out under securities lending arrangements as at 31 December 2016 (31 December 2015: RMB28 million).

30 DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	591,937	679,801	472,655	677,513
Currency derivatives	303,638	234,260	415,342	116,180
Equity derivatives	2,611,586	1,408,546	10,530,910	3,943,703
Credit derivatives	168,270	251,243	—	358
Others	104,927	2,741	175,706	27,530
Total	<u>3,780,358</u>	<u>2,576,591</u>	<u>11,594,613</u>	<u>4,765,284</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures were settled daily and the corresponding payments or receipts were included in "cash and bank balances" as at 31 December 2016. Accordingly, the amount of mark-to-market gain or loss of unexpired stock index futures contracts included in derivative financial instruments above was Nil.

31 REVERSE REPURCHASE AGREEMENTS

	31 December	
	2016	2015
Analysed by collateral:		
Securities	39,708,451	30,129,245
Debts	18,900,442	6,731,852
Others	685,315	15
Less: impairment loss	119,125	90,388
Total	59,175,083	36,770,724
Analysed by counterparty:		
Banks	6,695,094	5,476,491
Non-bank financial institutions	8,460,303	487,031
Others	44,138,811	30,897,590
Less: impairment loss	119,125	90,388
Total	59,175,083	36,770,724

As at 31 December 2016, the Group received collateral amounted to RMB128,257 million (31 December 2015: RMB138,549 million), in connection with its reverse repurchase agreements.

As part of the reverse repurchase agreements, the Group received securities allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

As at 31 December 2016, the fair value of the above collateral allowed to be re-pledged was RMB16,783 million (31 December 2015: RMB810 million), and the fair value of the collateral re-pledged was RMB10,916 million (31 December 2015: Nil).

32 OTHER CURRENT ASSETS

	31 December	
	2016	2015
Accounts due from clients	9,604,877	6,302,988
Interest receivable	4,005,822	3,663,622
Accounts due from brokers	3,165,205	2,891,244
Settlement deposits receivable	3,713,437	2,428,775
Deferred expenses	250,121	312,632
Dividends receivable	1,102	21,767
Bulk commodity trading inventory and others	6,274,334	1,299,111
Less: Impairment loss	337,295	148,580
Total	26,677,603	16,771,559

33 CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 35). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the “Securities and Futures (Client Money) Rules” implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by authorised institutions.

34 CASH AND BANK BALANCES

	31 December 2016	2015
Cash on hand	389	348
Deposits in banks	<u>36,712,645</u>	<u>68,906,544</u>
Total	<u><u>36,713,034</u></u>	<u><u>68,906,892</u></u>

As at 31 December 2016, the Group had restricted funds of RMB3,482.68 million (31 December 2015: RMB3,236.14 million).

35 CUSTOMER BROKERAGE DEPOSITS

	31 December 2016	2015
Customer brokerage deposits	<u><u>134,397,672</u></u>	<u><u>150,456,676</u></u>

Customer brokerage deposits represent the amounts received from and repayable to clients arising from the ordinary course of the Group’s securities brokerage business. For more details, please refer to Note 33 “Cash held on behalf of customers”.

36 FINANCIAL LIABILITIES HELD FOR TRADING

	31 December 2016	2015
Current		
Debt securities	2,581,914	879,246
Equity	1,387,367	1,239,769
Others	<u>8,941</u>	<u>1,337,160</u>
Total	<u><u>3,978,222</u></u>	<u><u>3,456,175</u></u>

37 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2016	2015
Non-current		
Equity linked notes and others	<u>6,868,128</u>	<u>1,140,679</u>
Current		
Minority interests of consolidated structured entities	<u>4,089,446</u>	<u>2,216,078</u>
Structured notes and others	<u>16,282,528</u>	<u>19,126,524</u>
Total	<u><u>20,371,974</u></u>	<u><u>21,342,602</u></u>

38 REPURCHASE AGREEMENTS

	31 December	
	2016	2015
Analysed by collateral:		
Securities	<u>691,456</u>	<u>847,587</u>
Debts	<u>75,495,731</u>	<u>41,659,266</u>
Gold	<u>22,746,733</u>	<u>26,659,564</u>
Others	<u>22,480,323</u>	<u>58,622,120</u>
Total	<u><u>121,414,243</u></u>	<u><u>127,788,537</u></u>
Analysed by counterparty:		
Banks	<u>39,916,605</u>	<u>85,049,527</u>
Non-bank financial institutions	<u>11,897,943</u>	<u>9,702,108</u>
Others	<u>69,599,695</u>	<u>33,036,902</u>
Total	<u><u>121,414,243</u></u>	<u><u>127,788,537</u></u>

As at 31 December 2016, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB 136,205 million (31 December 2015: RMB 135,774 million).

39 TAXES PAYABLE

	31 December	
	2016	2015
Enterprise income tax	1,485,494	3,710,157
Individual income tax	771,178	453,031
Business tax	19,819	395,661
Value added tax	118,286	—
Others	37,931	59,902
	<u>2,432,708</u>	<u>4,618,751</u>
Total	<u><u>2,432,708</u></u>	<u><u>4,618,751</u></u>

40 SHORT-TERM LOANS

	31 December	
	2016	2015
Analysed by nature:		
Credit loans	2,103,822	4,721,632
Mortgage loans	1,083,740	—
Pledge loans	291,916	—
	<u>3,479,478</u>	<u>4,721,632</u>
Total	<u><u>3,479,478</u></u>	<u><u>4,721,632</u></u>
Analysed by term:		
Maturity within one year	<u>3,479,478</u>	<u>4,721,632</u>

As at 31 December 2016, the annual interest rates on the short-term loans were in the range of 1.42% to 4.35% (31 December 2015: 1.07% to 2.39%).

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE
2016

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending Balance
15 CITIC D1	27/10/2015	27/10/2016	3.90%	7,993,011	6,989	8,000,000	—
16 CITIC CP001	27/01/2016	27/04/2016	2.89%	—	3,001,081	3,001,081	—
16 CITIC CP002	15/04/2016	15/07/2016	2.83%	—	5,002,238	5,002,238	—
16 CITIC CP003	09/05/2016	08/08/2016	2.85%	—	5,001,357	5,001,357	—
16 CITIC CP004	25/05/2016	24/08/2016	2.83%	—	3,001,369	3,001,369	—
16 CITIC CP005	17/06/2016	14/09/2016	2.91%	—	5,001,690	5,001,690	—
16 CITIC CP006	14/07/2016	13/10/2016	2.64%	—	5,001,671	5,001,671	—
16 CITIC CP007	04/08/2016	03/11/2016	2.58%	—	5,001,671	5,001,671	—
16 CITIC 01	27/10/2016	27/04/2017	3.10%	—	2,000,199	561	1,999,638
	22/01/2015–	22/01/2016–	1.84%–				
Structured notes	30/12/2016	27/09/2017	7.00%	4,855,068	27,725,092	13,233,568	19,346,592
Total				12,848,079	60,743,357	52,245,206	21,346,230

2015

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending Balance
14 CITIC CP009	15/10/2014	14/01/2015	4.40%	4,999,743	257	5,000,000	—
14 CITIC CP010	03/12/2014	04/03/2015	4.50%	4,998,777	1,223	5,000,000	—
14 CITIC D1	15/12/2014	15/12/2015	5.50%	7,999,138	862	8,000,000	—
15 CITIC CP001	12/01/2015	13/04/2015	4.93%	—	5,001,792	5,001,792	—
15 CITIC CP002	05/02/2015	07/05/2015	5.10%	—	5,001,793	5,001,793	—
15 CITIC CP003	06/03/2015	05/06/2015	4.90%	—	5,001,792	5,001,792	—
15 CITIC CP004	03/04/2015	03/07/2015	5.00%	—	5,001,812	5,001,812	—
15 CITIC CP005	22/04/2015	22/07/2015	4.00%	—	5,802,326	5,802,326	—
15 CITIC CP006	14/05/2015	13/08/2015	3.09%	—	5,001,792	5,001,792	—
15 CITIC CP007	12/06/2015	11/09/2015	3.25%	—	5,001,792	5,001,792	—
15 CITIC CP008	10/07/2015	09/10/2015	3.20%	—	5,001,792	5,001,792	—
15 CITIC D1	27/10/2015	27/10/2016	3.90%	—	8,001,507	8,496	7,993,011
	26/09/2014–	15/04/2015–	3.95%–				
Structured notes	21/10/2015	20/07/2016	6.20%	—	9,329,441	4,474,373	4,855,068
Total				17,997,658	58,148,181	63,297,760	12,848,079

As at 31 December 2016, short-term financing instruments payable comprised of short-term corporate bonds and structured notes with an original tenor of less than one year.

As at 31 December 2016, there was no default related to any short-term financing instruments payable issued (31 December 2015: Nil).

42 OTHER CURRENT LIABILITIES

	31 December	
	2016	2015
Settlement deposits payable	19,384,353	23,551,103
Salaries, bonuses and allowances payable	9,536,566	9,686,036
Accounts due to brokers	5,193,189	4,118,956
Interest payable	2,423,119	3,242,288
Other non-current liabilities due within one year	807,000	5,564,395
Accrued liabilities(i)	436,352	436,352
Fee and commissions payable	300,584	403,099
Funds payable to securities holders	184,701	184,287
Funds payable to securities issuers	134,171	61,651
Dividends payable	2,049	2,049
Others	3,994,249	4,932,115
Total	<u>42,396,333</u>	<u>52,182,331</u>

- (i) The Company made a provision of RMB435.67 million with reference to the margin trading accounts during the investigation by CSRC in 2015.

At the date of this report, the Company had yet to receive other information beyond the above investigation scope, the amount of related liabilities under this contingency and its impact on the financial statements cannot be measured and assessed with sufficient reliability. The final result and the corresponding penalties are subject to the final conclusion to be issued by the CSRC.

43 DEBT INSTRUMENTS ISSUED

By category		31 December	
		2016	2015
Bonds and medium term notes issued	(a)	69,451,668	60,762,803
Structured notes issued	(b)	300,507	7,073,000
		<u>69,752,175</u>	<u>67,835,803</u>

By maturity		31 December	
		2016	2015
Maturity within five years		55,274,246	51,860,681
Maturity over five years		14,477,929	15,975,122
		<u>69,752,175</u>	<u>67,835,803</u>

As at 31 December 2016, there was no default related to any issued debt instruments (31 December 2015: Nil).

(a) *Bonds and medium term notes issued*

		31 December	
		2016	2015
Item			
06 CITICS Bond	(i)	1,500,000	1,500,000
13 CITICS 01	(ii)	2,997,699	2,996,176
13 CITICS 02	(iii)	11,978,707	11,975,972
14 CITICS C2	(iv)	—	6,999,712
CITIC SEC B1805	(v)	5,485,029	5,092,149
15 CITICS 01	(vi)	5,498,772	5,498,453
15 CITICS 02	(vii)	2,499,222	2,499,150
15 CITICS C1	(viii)	11,499,624	11,499,329
15 CITICS C2	(ix)	8,499,568	8,499,303
CITIC SEC MTN	(x)	4,494,564	4,202,559
16 CITICS G1	(xi)	12,498,648	—
16 CITICS G2	(xii)	2,499,835	—
		<u>69,451,668</u>	<u>60,762,803</u>
Carrying amount			

- (i) Pursuant to the approval by the CSRC, the Company issued a 15-year bond with a face value of RMB1.5 billion from 25 May to 2 June 2006, which was guaranteed by CITIC Corporation Limited. The coupon rate of the bond is 4.25% and the maturity date is 31 May 2021.
- (ii) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB3 billion from 7 June to 14 June 2013. The coupon rate of the bond is 4.65% and the maturity date is 7 June 2018.
- (iii) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB12 billion from 7 June to 14 June 2013. The coupon rate of the bond is 5.05% and the maturity date is 7 June 2023.
- (iv) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed subordinated bond with a face value of RMB7 billion on 24 October 2014. The coupon rate of the bond was 5.65% and the maturity date was 24 October 2019. The Company exercised its option to redeem all of the bonds at their face value on 24 October 2016.
- (v) CITIC Securities Finance 2013 Co., Ltd. issued a 5-year bond with a face value of USD0.8 billion (equivalent to RMB5.485 billion) from 25 April to 3 May 2013, which was guaranteed by Bank of China (Macau Branch). The Company provides a counter-guarantee to Bank of China Limited. The coupon rate of the bond is 2.50% and the maturity date is 3 May 2018.
- (vi) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB5.5 billion from 24 June to 25 June 2015. The coupon rate is 4.60% and the maturity date is 25 June 2020.
- (vii) Pursuant to the approval by the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB2.5 billion from 24 June to 25 June 2015. The coupon rate is 5.10% and the maturity date is 25 June 2025.

- (viii) The Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB11.5 billion on 16 March 2015. The coupon rate of the bond is 5.50% and the maturity date is 16 March 2020. The Company has an option to redeem all of the bonds at their face value at their third anniversary. If the Company did not exercise the option, the coupon rate of the bond would increase to 8.50%.
- (ix) The Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB8.5 billion on 16 July 2015. The coupon rate of the bond is 5.00% and the maturity date is 16 July 2020. The Company has an option to redeem all of the bonds at their face value at their third anniversary. If the Company did not exercise the option, the coupon rate of the bond would increase by 300 basis points.
- (x) Pursuant to the resolution of re-Authorising on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders Meeting in 2013 and approval of relevant Regulatory, CITIC Securities Finance MTN Co., Ltd. established a USD3 billion (or other equivalents) Medium Term Note Programme on 17 October 2014. During the year of 2014, CITIC Securities Finance MTN Co., Ltd. had its first drawdown under the Programme to issue notes with a face value of USD650 million. During the year of 2015, CITIC Securities Finance MTN Co., Ltd. had eight drawdowns under the Programme to issue notes with an aggregate face value of USD439.68 million, all of which had been settled upon maturity in 2015. These Medium Term Notes are guaranteed by the Company with no counter-guarantee arrangement.
- (xi) Pursuant to the approval by the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB12.5 billion from 16 November to 17 November 2016. The coupon rate of the bond is 3.26% and the maturity date is 17 November 2019.
- (xii) Pursuant to the approval by the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.5 billion from 16 November to 17 November 2016. The coupon rate of the bond is 3.38% and the maturity date is 17 November 2021.

(b) Structured notes issued

As at 31 December 2016, the structured notes, with original tenors greater than one year, issued by the Company amounted to RMB300.51 million(31 December 2015: RMB7.07 billion), with coupon rates ranging from 2.50% to 4.50% (31 December 2015: 2.60% to 5.50%).

44 LONG-TERM LOANS

	31 December 2016	2015
Analysed by nature:		
Credit loans	533,000	996,149
Mortgage loans	543,900	595,823
Pledge loans	37,288	753,238
	<u>1,114,188</u>	<u>2,345,210</u>
Total	<u>1,114,188</u>	<u>2,345,210</u>
Analysed by maturity:		
Maturity within five years	<u>1,114,188</u>	<u>2,345,210</u>

As at 31 December 2016, the interest rates on the long-term loans were in the range of 4.60% to 5.50% (31 December 2015: 2.56% to 10.00%).

45 OTHER NON-CURRENT LIABILITIES

	31 December	
	2016	2015
Regulatory risk provision payables	388,503	275,939
Others	17,980	17,980
Total	406,483	293,919

46 ISSUED SHARE CAPITAL

Ordinary Shares	31 December			
	2016		2015	
	Number of shares (Thousand)	Nominal Value	Number of shares (Thousand)	Nominal Value
Registered, issued and fully paid:				
A shares of RMB1 each	9,838,580	9,838,580	9,838,580	9,838,580
H shares of RMB1 each	2,278,328	2,278,328	2,278,328	2,278,328
	12,116,908	12,116,908	12,116,908	12,116,908

47 RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve and other non-discretionary surplus reserves, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards, to its discretionary surplus reserve upon approval by the equity holders in a general meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(c) *General reserves*

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its after-tax profit for the year for the general risk reserve and 10% for the transaction risk reserve. These reserves may be used to offset accumulated losses of the Company but shall not be declared as dividends or converted into share capital. General reserves also include reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside of Mainland China in accordance with the regulatory requirements in their respective territories are also included herein. These regulatory reserves are not available for distribution.

(d) *Investment revaluation reserve*

Investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

(e) *Foreign currency translation reserve*

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.

(f) *Distributable profits*

The Company's distributable profits are based on the retained profits of the Company as determined under China Accounting Standards and IFRSs, whichever is lower.

48 CASH AND CASH EQUIVALENTS

	31 December 2016	2015
Cash on hand	389	348
Deposits in banks	<u>33,229,966</u>	<u>65,670,408</u>
Total	<u><u>33,230,355</u></u>	<u><u>65,670,756</u></u>

49. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in these unconsolidated structured entities are set out as below:

Structured entities sponsored by the Group:

Unconsolidated structured entities sponsored by the Group mainly include investment funds and asset management plans sponsored by the Group. The nature and aim of the structured entities is to manage investors' assets and collect management fees. Financing is sustained through investment products issued to investors. The interests held by the Group in these unconsolidated structured entities mainly involve management fees and performance fees collected from managed structured entities.

In addition, the Group also held certain interests in structured entities sponsored by the Group. In 2016, The Group obtained management fee, commission and performance fee amounting to RMB2,677 million from unconsolidated structured entities sponsored by the Group, for which the Group held no interest in as at the balance sheet date (2015: RMB3,089.82 million).

The maximum exposure and the book value of relevant balance sheet items of the Group rising from these unconsolidated structured entities sponsored by the Group were set out as below:

	31 December 2016	
	Carrying amount	Maximum exposure
Financial assets designated as at fair value through profit or loss	1,321,335	1,321,335
Available-for-sale financial assets	4,323,055	4,323,055

Structured entities sponsored by third party financial institutions:

The maximum exposure and the book value of relevant balance sheet items of the Group rising from the interest held of directly invested structured entities that are sponsored by third party financial institutions were set out as below:

	31 December 2016	
	Carrying amount	Maximum exposure
Financial assets designated as at fair value through profit or loss	2,771,012	2,771,012
Available-for-sale financial assets	11,464,312	11,464,312

50. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. A financial liability is recognised for cash received.

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances require to pay additional collateral or be required to return a portion of the collateral. The Group has determined 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 above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition 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 agreements	17,478,014	17,208,926	16,528,873	18,137,709
Securities lending	15,260	—	28,100	—
Total	<u>17,493,274</u>	<u>17,208,926</u>	<u>16,556,973</u>	<u>18,137,709</u>

51 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	31 December 2016	2015
Contracted, but not provided for	<u>178,860</u>	<u>194,367</u>

The above-mentioned capital commitments are mainly in respect of the construction of properties and purchase of equipment of the Group.

(b) Operating lease commitments

(i) Operating lease commitments — as a lessee

At the end of the reporting year, the Group leased certain office properties under operating lease arrangements. The total future minimum lease payments of the Group under irrevocable operating lease arrangements are summarized below.

	31 December 2016	2015
Within one year	1,078,223	985,364
After one year but not more than two years	993,491	896,690
After two years but not more than three years	860,982	788,415
After three years	<u>866,124</u>	<u>1,268,278</u>
Total	<u>3,798,820</u>	<u>3,938,747</u>

(ii) *Operating lease commitments — as a lessor*

At the end of the reporting year, the future minimum lease receivables of the Group as lessor under significantly irrevocable operating lease arrangements are summarized below.

	31 December	
	2016	2015
Within one year	292,088	233,964
After one year but not more than two years	273,126	233,964
After two years but not more than three years	258,859	233,964
After three years	1,577,073	1,755,656
Total	2,401,146	2,457,548

(c) *Legal proceedings*

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2016, the Group was not involved in any material legal, or arbitration that if adversely determined, the Group would expect materially adversely affect its financial position or results of operations.

52 RELATED PARTY DISCLOSURES

(1) *Largest equity holder of the Company*

Name of the shareholder	Relationship	Enterprise type	Place of registration and operations	Legal representative	Principal activities	Registered share capital	Percentage of equity interest	Voting rights	Uniform Social Credit Code
CITIC Corporation Limited	Largest equity holder	State-controlled	Beijing	Zhenming Chang	Financial, industrial and other services	RMB139 billion	16.50%	16.50%	911100007178317092

(2) *Related party transactions*

(a) *Largest equity holder of the Company – CITIC Corporation Limited*

Transactions during the year

	2016	2015
Income from providing services	—	1

Guarantees between related parties

During the period from 25 May 2006 to 2 June 2006, the Company issued a 15-year bond with an aggregate face value of RMB1.5 billion. The bond was guaranteed by CITIC Corporation Limited. As at 31 December 2016, the total guarantees provided by CITIC Corporation Limited amounted to RMB1.5 billion (31 December 2015: RMB1.5 billion).

(b) *Subsidiaries*

Transactions during the year

	2016	2015
Interest income	348,707	1,077,821
Investment income	118,030	187,754
Income from providing services	41,411	14,776
Lease fees received	2,647	2,608
Interest expense	103,380	275,415
Expense from receiving services	15,267	124,078
Impairment loss	6,225	63,299

Balances at the end of the year

	31 December 2016	2015
Other current assets	13,254,366	12,546,953
Available-for-sale financial assets	11,968,536	8,825,950
Reverse repurchase agreements	4,144,033	1,896,000
Deposits for investments — Stock index futures	1,262,516	7,349,462
Refundable deposits	434,933	90,596
Derivative financial assets	103,283	173,103
Cash held on behalf of customers	69,763	—
Financial assets held for trading	2,320	—
Other current liabilities	4,694,828	4,528,976
Short-term financing instrument payables	1,795,000	—
Derivative financial liabilities	1,429,219	1,493,467
Debt instruments issued	365,000	—
Customer brokerage deposits	34,642	34,115

Significant balances and transactions between subsidiaries set out above have been eliminated in the consolidated financial statements.

(c) *Subsidiaries and joint ventures of the largest equity holder of the Company*

Transactions during the year

	2016	2015
Interest income	499,453	770,136
Income from providing services	98,885	57,722
Investment income	(19,142)	(12,055)
Lease fees received	3,359	6,122
Expense from receiving services	207,733	101,814
Interest expense	35,754	49,980
Lease expenses paid	11,449	11,462
Equity transfer	<u>344,966</u>	<u>31,360</u>

Balances at the end of the year

	31 December 2016	2015
Cash held on behalf of customers (i)	17,197,429	23,612,248
Cash and bank balances (i)	1,882,268	6,704,326
Other current assets	780	1,525
Other current liabilities	<u>6,620</u>	<u>1,922</u>

(i) Represents deposits placed with financial institutions, which are the subsidiaries of the largest equity holder of the Company.

(d) *Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries*

Transactions during the year

	2016	2015
Income from providing services	605,803	29,597
Lease fees received	850	—
Lease expenses paid	38,345	29,465
Interest expense	4,496	5
Expense from receiving services	<u>3,814</u>	<u>6,062</u>

Balances at the end of the year

	31 December 2016	2015
Other current assets	888	335
Other current liabilities	<u>434</u>	<u>145</u>

(e) *Associates*

Transactions during the year

	2016	2015
Income from providing services	4,450	2,568
Interest expenses	<u>4</u>	<u>67</u>

(f) *Other transactions during the year*

As at 31 December 2016, the collective asset management plan managed by the Company and held by the Company and its subsidiaries amounted to RMB1,096 million (31 December 2015: RMB1,954 million).

53 FAIR VALUE AND FAIR VALUE HIERARCHY

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.

The fair values of refundable deposits, reverse repurchase agreements, cash held on behalf of customers, cash and bank balances, fee and commission receivables, margin accounts, due from banks and other financial institutions, customer brokerage deposits, repurchase agreements, short-term loans, due to banks and other financial institutions and short-term financing instruments payable approximate to their carrying amounts, largely due to the remaining maturities of these instruments generally being less than one year.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets, in which the Group principally trades, for identical financial assets or financial liabilities at the measurement date.

Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the financial asset or financial liability, either directly or indirectly.

Level 3: Valuation techniques using inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The Group uses valuation techniques or counterparty quotations to determine fair value when it is unable to obtain market quotation in active markets.

The major parameters used in valuation techniques include underlying securities prices, interest rates, foreign exchange rates, volatilities, correlations and counterparty credit spreads and others, which are all observable and obtainable from an active market.

For certain unlisted or thinly traded equity securities, unlisted funds, and certain over-the-counter derivatives transactions, management obtains valuation quotations from counterparties or uses valuation techniques to determine fair value, including discounted cash flow analysis and price to book ratio approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs may have impact on the valuation include liquidity discount, and price to book ratio. As at 31 December 2016, fair value changes resulting from changes in the unobservable inputs were not significant. The Group has implemented internal control procedures to control the Group's exposure to such financial instruments within specified limits.

(a) *Financial instruments recorded at fair value*

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
— Debt securities	51,384,438	45,584,219	320,294	97,288,951
— Equity investments	42,364,376	884,426	293,792	43,542,594
— Others	1,203,553	4,246,669	—	5,450,222
Subtotal	94,952,367	50,715,314	614,086	146,281,767
Financial assets designated as at fair value through profit or loss	7,213,138	1,221,283	4,902,764	13,337,185
Derivative financial assets	56,864	3,723,494	—	3,780,358
Available-for-sale financial assets				
— Debt securities	1,345,304	19,946,518	—	21,291,822
— Equity investments	11,547,572	1,994,687	3,234,911	16,777,170
— Others	563,062	34,255,826	—	34,818,888
Subtotal	13,455,938	56,197,031	3,234,911	72,887,880
Total	115,678,307	111,857,122	8,751,761	236,287,190
Financial liabilities:				
Financial liabilities held for trading	3,875,269	96,480	6,473	3,978,222
Financial liabilities designated as at fair value through profit or loss	—	22,534,280	4,705,822	27,240,102
Derivative financial liabilities	50,144	2,526,447	—	2,576,591
Total	3,925,413	25,157,207	4,712,295	33,794,915

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
— Debt securities	18,371,880	48,094,785	299,651	66,766,316
— Equity investments	54,770,639	646,014	1,044,522	56,461,175
— Others	188,392	3,022,913	—	3,211,305
Subtotal	<u>73,330,911</u>	<u>51,763,712</u>	<u>1,344,173</u>	<u>126,438,796</u>
Financial assets designated as at fair value through profit or loss	<u>7,311,357</u>	<u>956,103</u>	<u>2,086,142</u>	<u>10,353,602</u>
Derivative financial assets	<u>2,832</u>	<u>11,591,781</u>	<u>—</u>	<u>11,594,613</u>
Available-for-sale financial assets				
— Debt securities	1,160,825	31,987,770	—	33,148,595
— Equity investments	8,456,245	3,948,751	417,627	12,822,623
— Others	330,000	34,081,216	—	34,411,216
Subtotal	<u>9,947,070</u>	<u>70,017,737</u>	<u>417,627</u>	<u>80,382,434</u>
Total	<u>90,592,170</u>	<u>134,329,333</u>	<u>3,847,942</u>	<u>228,769,445</u>
Financial liabilities:				
Financial liabilities held for trading	1,246,433	2,209,742	—	3,456,175
Financial liabilities designated as at fair value through profit or loss	—	19,225,286	3,257,995	22,483,281
Derivative financial liabilities	<u>15,849</u>	<u>4,749,435</u>	<u>—</u>	<u>4,765,284</u>
Total	<u>1,262,282</u>	<u>26,184,463</u>	<u>3,257,995</u>	<u>30,704,740</u>

(b) *Movements in Level 3 financial instruments measured at fair value*

The reconciliations of the opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value are presented below:

	As at 1 January 2016	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2016
Financial assets:									
Financial assets held for trading									
— Debt securities	299,651	13,167	—	305,140	297,664	—	—	—	320,294
— Equity investments	1,044,522	(213,695)	—	87,931	225,623	126,337	525,680	—	293,792
Financial assets designated as at fair value through profit or loss	2,086,142	334,411	14,163	2,301,311	14,342	383,320	—	202,241	4,902,764
Available-for-sale financial assets									
— Equity investments	417,627	7,848	1,874,766	793,800	4,799	209,088	63,419	—	3,234,911
Financial liabilities:									
Financial liabilities designated as at fair value through profit or loss	3,257,995	39,040	—	1,408,787	—	—	—	—	4,705,822
Financial liabilities held for trading	—	(251)	—	6,724	—	—	—	—	6,473

	As at 1 January 2015	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2015
Financial assets:									
Financial assets held for trading									
— Debt securities	—	10,878	—	288,773	—	—	—	—	299,651
— Equity investments	1,633,703	170,453	—	858,280	83,243	—	1,534,281	390	1,044,522
Financial assets designated as at fair value through profit or loss	139,817	121,100	—	1,739,961	177,177	262,441	—	—	2,086,142
Available-for-sale financial assets									
— Equity investments	5,698,102	(4,468)	(1,633,943)	52,155	15,989	—	3,620,810	57,420	417,627
Financial liabilities:									
Financial liabilities designated as at fair value through profit or loss	21,218	221,990	172	652,235	10,000	2,372,380	—	—	3,257,995

Gains on Level 3 financial instruments included in profit or loss are summarized below:

	Realised	2016 Unrealised	Total
Total gains for the year	<u>12,942</u>	<u>90,000</u>	<u>102,942</u>

	Realised	2015 Unrealised	Total
Total gains/(losses) for the year	<u>(137,173)</u>	<u>213,146</u>	<u>75,973</u>

(c) *Transfers between Level 1 and Level 2*

During the year ended 31 December 2016, there were no transfers of fair value measurement between Level 1 and Level 2 (2015: Nil).

(d) *Financial instruments not measured at fair value*

The recorded amounts and fair values of debt instruments issued on the date of financial reporting are summarized below.

	Carrying amount		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Debt instruments issued	<u>69,752,175</u>	<u>67,835,803</u>	<u>71,039,299</u>	<u>71,891,209</u>

At the end of the reporting year, except for the debt instruments issued, the fair value of the Group's other financial assets and liabilities not measured at fair value are not significantly different from their carrying amounts.

54 FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

In the opinion of the Company, effective risk management and internal control are critical to the Company's successful operation. The Company has implemented comprehensive risk management and internal control processes, through which the Company monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in its business activities, and implements vertical risk management of its subsidiaries through different models including business guidance, operational support and decision-making management. The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's General Meeting of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law, and the Articles of Association. By strengthening the relevant internal control arrangements and improving the Company's control environment and internal control structures, the Board has now incorporated internal control and risk management as essential elements in the Company's decision-making processes.

Structure of Risk Management

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, the related professional committees under the Operation Management, the relevant internal control departments and business departments/business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making among the respective committees, and close cooperation between internal control departments and business departments/business lines, and manages risks through review, decision, execution and supervision.

Level 1: Board of Directors

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, the related professional committees under the Operation Management, the relevant internal control departments and business departments/business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making among the respective committees, and close cooperation between internal control departments and business departments/business lines, and manages risks through review, decision, execution and supervision.

Level 2: Operation Management

The Company has established the Assets and Liabilities Management Committee. Within the authority delegated by the Board and Operation Management of the Company, the committee makes decisions on and reviews major issues and related systems involving application of the Company's proprietary capital. For the purpose of ensuring the Company's capital security, the committee optimizes assets allocation and improves the efficiency of the capital application via a scientific, standardized and prudent approach under strict control and management over risk exposures.

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and reviews on capital commitment of the underwriting business within the authority delegated by the Board and Operation Management of the Company. All corporate finance activities involving application of capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate finance activities and security of capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and Operation Management of the Company, and is responsible for monitoring and managing the daily risks of the Company within its designated authority, deciding on and approving material matters related to risk management and relevant system and setting limits for risk. The Risk Management Committee comprises a risk management sub-working group and a reputation risk management sub-working group. The risk management sub-working group is the main body responsible for the daily monitoring and management of the financial risks over the buy-side business and facilitating the execution of the decisions made by the Risk Management Committee. With regular working meeting, the Risk Management Committee has set up specific working groups led by specific risk management control experts with the involvement of related business departments/business lines separately in accordance with market risks, credit risks, liquidity risks and operational risks to respond to matters from daily monitoring or decisions made by the higher authorities in a timely manner through the establishment of coordination on implementation level. The reputation risk management sub-working group is the daily management body of reputation risks and is responsible for establishing relevant rules and management mechanisms, preventing and identifying reputation risks, responding to and tackling reputation events in a proactive and effective manner and mitigating any negative effect to the largest extent.

The Company has established the Product Committee. Under the authority of the Board and Operation Management, the Product Committee uniformly coordinates and manages the Company's business related to private financial products and conducts planning, coordination, decision making and review on the Company's issuance and sales of private financial products.

The Product Committee manages relevant risks through effective control of core segment such as qualification examination of the product principal, due diligence investigation of products, risk evaluation of products, internal filing of products, appropriateness management of investors, duration management, risk disposal, product issuance or sales approval. Under the renewed working framework, the Product Committee has set up risk evaluation units to review the qualification of the principal which entrusted the Company to sell products as well as internal filing, risk evaluation and supervision and guidance services during the period of its existence on the products. Extensive and in-depth analysis of proposed products is conducted through the convening of product evaluation meetings with the participation of the risk evaluation units, the product launch department and product sales department, providing a comprehensive and appropriated evaluation.

Level 3: Division/Business Units

At the division and business line level, the Company has segregated the roles and responsibilities of the front office, middle office and back office to ensure the establishment of a system of “checks and balances”.

Front-office business departments/business lines of the Company are the first line of defense of risk management. Such departments establish business management systems and risk management systems for the respective businesses and perform supervision, assessment and reporting on the business risks and contain such risks within limits.

The Risk Management Department of the Company performs risk identification, measurement, analysis, monitoring, reporting and management. The department analyzes and assesses the overall risks of the Company and each of its business line and recommends on optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the operation management, and regularly discloses the general risk portfolio of the Company and makes recommendations on risk management; establishes a comprehensive stress test mechanism as a basis for major decision making and daily operational adjustment and fulfillment of regulatory requirements; performs pre-risk assessment and control over new products and businesses.

The Audit Department of the Company has the overall responsibility for internal audit, planning and implementing internal audit of all departments/business lines of the Company, its subsidiaries and branches, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of emergency events.

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance policy of the Company, provides compliance advice to management, departments/business lines and branches of the Company, monitors lawful compliance of management and operating activities; supervises and instructs the business departments/business lines and branches to assess, develop, modify and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on new internal management policies, important decisions, new products, new businesses and key business activities launched by the Company; and fulfills the regular and non-regular obligations of reporting to regulatory authorities.

The Legal Department of the Company is responsible for oversight of the legal risks of the Company and its relevant businesses.

The Office of the Board of the Company promotes the management over the reputation risk of the Company in conjunction with the Office of the CEO, Risk Management Department, Compliance Department, Human Resources Department and other relevant departments.

(a) Credit risk

Credit risk is the risk in respect of loss arising from inability of a borrower, counterparty or issuer of financial positions held to meet its obligations or whose credit qualifications deteriorate.

The credit risk of the Group mostly arises from four aspects: firstly, brokerage business in respect of securities dealing and futures trading on behalf of clients, if the Group does not require the clients to pay sufficient margin deposits in advance according to the laws, the Group may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors on the settlement date, and accordingly resulting in losses; secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock repo, stock-pledged repo, which refers to the Group’s exposure to losses caused by clients’ failure to perform the contracts; thirdly, default risk from credit product investment, which refers to the risk of the Group’s asset losses and change in yield by reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products the Group invested; and fourthly, counterparty default risk in over-the-counter (“OTC”) derivative transactions such as interest rate swap, equity swap, OTC option and forwards, i.e. the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the mature dates.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating systems, measures its credit risk by means of stress test and sensitivity analysis, and manages such credit risk based on these results through credit approval system. Meanwhile, the Company uses its information management systems to monitor its credit risk on a real time basis, keeps track of the credit risk of its business products and transaction counterparties, provides analysis and pre-warning reports, and adjust its credit limits in a timely manner.

Securities brokerage business transactions in Mainland China are all required to be settled in full by security deposit, as a result of which the settlement risk associated with brokerage business has been largely controlled.

Credit risk arising from the securities financing business primarily includes clients’ provision of false information, failure to make full repayment on time, contractual breach of portfolio limits and compositions, violation of regulatory requirements, and provision of collateral encumbered with legal disputes. Credit risk arising from this type of businesses is mainly managed through client education, credit reference checks, credit approval, daily mark to market, risk reminders to clients, forced liquidation of clients’ positions, judicial recourse and other means.

For credit products investment, in respect of private equity investment, the Company has established the entrance levels and investment caps for its products and will manage its credit risk through risk assessment, risk reminders and judicial recourse, and in respect of public offering investments, through the counterparty credit approval policy, the Company has developed certain investment restrictions based on the credit ratings.

The counterparties in OTC derivative transactions are mainly financial institutions and other professional institutions and the main risks are their failure to make payments on time, their failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties. The Company sets certain proportions for the security deposits of counterparties and restrictions on the transaction size, controls the credit risk exposure of counterparties through daily mark to market, margin calls and forced liquidation of clients' positions, and carries out recourse through judicial procedures upon the forced liquidation of clients' positions and the occurrence of losses.

(i) *Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

The maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is presented below:

	31 December	
	2016	2015
Available-for-sale financial assets	42,347,197	48,477,150
Refundable deposits	1,600,050	3,463,395
Margin accounts	65,021,193	75,523,403
Financial assets held for trading	121,554,981	84,916,621
Derivative financial assets	3,780,358	11,594,613
Reverse repurchase agreements	59,175,083	36,770,724
Cash held on behalf of customers	129,876,778	143,553,897
Bank balances	36,712,645	68,906,544
Others	28,374,384	18,156,481
	<u>488,442,669</u>	<u>491,362,828</u>
Total maximum credit risk exposure	<u>488,442,669</u>	<u>491,362,828</u>

(ii) *Risk concentrations*

The breakdown of the Group's maximum credit risk exposure, without taking account of any collateral or other credit enhancements, as categorised by geographical area are summarized below.

31 December 2016	By geographical area		
	Mainland China	Outside Mainland China	Total
Available-for-sale financial assets	42,254,887	92,310	42,347,197
Refundable deposits	1,555,512	44,538	1,600,050
Margin accounts	62,447,940	2,573,253	65,021,193
Financial assets held for trading	93,162,254	28,392,727	121,554,981
Derivative financial assets	940,119	2,840,239	3,780,358
Reverse repurchase agreements	58,413,714	761,369	59,175,083
Cash held on behalf of customers	124,760,013	5,116,765	129,876,778
Bank balances	27,209,895	9,502,750	36,712,645
Others	9,357,249	19,017,135	28,374,384
	<u>420,101,583</u>	<u>68,341,086</u>	<u>488,442,669</u>
Total maximum credit risk exposure	<u>420,101,583</u>	<u>68,341,086</u>	<u>488,442,669</u>

31 December 2015	By geographical area		Total
	Mainland China	Outside Mainland China	
Available-for-sale financial assets	48,477,150	—	48,477,150
Refundable deposits	3,404,150	59,245	3,463,395
Margin accounts	73,749,966	1,773,437	75,523,403
Financial assets held for trading	70,185,973	14,730,648	84,916,621
Derivative financial assets	1,658,577	9,936,036	11,594,613
Reverse repurchase agreements	36,283,708	487,016	36,770,724
Cash held on behalf of customers	139,155,292	4,398,605	143,553,897
Bank balances	55,245,587	13,660,957	68,906,544
Others	6,677,619	11,478,862	18,156,481
Total maximum credit risk exposure	<u>434,838,022</u>	<u>56,524,806</u>	<u>491,362,828</u>

(b) Liquidity risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a time manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to a unified liquidity management and operation policy and set up a liquidity risk management sub-working group responsible for continuously strengthening its liquidity management system. The responsibilities for centralized management of fund allocation lie within the Treasury Department. In respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases, which enable the Company to maintain its overall liquidity at a relatively secured level.

In addition, the Risk Management Department independently monitors and assesses the fund and debt positions of the Company over a future time span on a daily basis. On the one hand, it measures the solvency of the Company via analysis of matching between assets and liabilities within specified point in time and time period and indicators such as liquidity coverage ratio, and on the other hand, it assesses the intra-day settlement risk of the Company through indicators such as intra-day fund multiples. The Risk Management Department releases a liquidity risk report on a daily basis, and monitors and reports the status of payment risks and settlement risks pursuant to such report. The Company also sets threshold values for relevant indicators, and once exceeded, the Risk Management Department will warn the relevant responsible officers of the operation management of the Company and relevant departments of such risks through independent pathways, and appropriate actions will be taken by the relevant competent departments to adjust the liquidity risks exposed to a level within the permitted ranges.

The Group actively monitored the liquidity supervisory indicators, closely tracked liquidity risk profile, continuously carried out liquidity stress tests and evaluations and took corresponding measures in advance to ensure secured liquidity of the Company.

The maturity profile of the Group's financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows:

	31 December 2016						Total
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
Non-derivative financial liabilities:							
Customer brokerage deposits	125,612,683	8,785,052	—	—	—	—	134,397,735
Financial liabilities held for trading	—	2,484,002	13,149	97,591	107,929	1,379,684	4,082,355
Financial liabilities designated as at fair value through profit or loss	3,841,400	4,027,361	6,730,543	1,506,777	—	11,351,097	27,457,178
Repurchase agreements	—	91,405,888	30,806,573	—	—	—	122,212,461
Due to banks and other financial institutions	—	19,663,856	—	—	—	—	19,663,856
Short-term loans	—	3,082,348	420,054	—	—	—	3,502,402
Short-term financing instruments payable	—	15,636,968	5,930,165	—	—	—	21,567,133
Debt instruments issued	—	632,500	2,324,398	62,212,917	16,222,000	—	81,391,815
Long-term loans	—	6,799	20,396	1,250,307	—	—	1,277,502
Others	23,845,799	3,388,886	1,268,791	273,983	6,186	173,317	28,956,962
Total	153,299,882	149,113,660	47,514,069	65,341,575	16,336,115	12,904,098	444,509,399
Cash flows from derivative financial liabilities settled on a net basis	2,907	573,230	644,337	688,146	44,476	593,122	2,546,218
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(1,230,000)	(305,336)	—	—	(235,000)	(1,770,336)
Contractual amounts payable	—	1,260,491	314,293	—	—	236,170	1,810,954
	—	30,491	8,957	—	—	1,170	40,618

	31 December 2015						Total
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	
Non-derivative financial liabilities:							
Customer brokerage deposits	150,456,676	—	—	—	—	—	150,456,676
Financial liabilities held for trading	—	1,380,806	85,653	306,919	804,909	1,239,769	3,818,056
Financial liabilities designated as at fair value through profit or loss	2,216,078	2,400,295	2,361,058	1,141,111	—	14,364,738	22,483,280
Repurchase agreements	219,510	74,925,768	45,227,723	9,817,776	—	—	130,190,777
Due to banks and other financial institutions	—	18,014,252	34,040	—	—	—	18,048,292
Short-term loans	22,951	4,698,680	—	—	—	—	4,721,631
Short-term financing instruments payable	—	5,074,236	8,378,711	—	—	—	13,452,947
Debt instruments issued	—	632,500	2,280,359	64,631,955	18,519,250	—	86,064,064
Long-term loans	—	996	3,519	2,588,850	—	—	2,593,365
Others	30,831,047	2,879,904	5,946,174	13,420	—	417	39,670,962
Total	183,746,262	110,007,437	64,317,237	78,500,031	19,324,159	15,604,924	471,500,050
Cash flows from derivative financial liabilities settled on a net basis	5,505	635,393	1,879,057	1,451,627	17,106	608,149	4,596,837
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	—	(6,081,979)	(1,070,000)	—	—	(6,048,198)	(13,200,177)
Contractual amounts payable	—	6,256,084	1,088,260	—	—	6,114,691	13,459,035
	—	174,105	18,260	—	—	66,493	258,858

(c) **Market risk**

Market risks represent potential losses due to movement in market prices of financial positions held. Financial positions held are derived from the proprietary investment, market-making business and other investment activities. Movements in the financial positions held primarily originated from instructions received from the customers and the relevant strategies of proprietary investment.

Market risks primarily include equity price risk, interest rate risk, commodity price risk and foreign exchange rate risk. Equity price risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. Interest rate risk primarily arises from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads. Commodity price risk arises from adverse price movements of various commodities. Exchange rate risk represents exposures arising from changes in non-local currency rates.

The Company has established a top-down risk prevention measure, which is formed by the Risk Management Committee of the Board, Risk Management Committee of the Company and all business departments/business lines and internal control departments. Through allocating the overall risk of the Company to different business departments/business lines, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within an acceptable level.

The Company assesses, monitors and manages its overall market risks through a risk management department, which is independent of the business departments/business lines, and its assessments and testings are reported to the respective business departments/business lines, the operation management of the Company and the Risk Management Committee. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for risk management and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures to reduce or hedge against such risks when the exposures are high. The relevant monitoring personnel from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments/business lines with regard to information on risk exposures, and discuss the status of risk portfolios and the losses in extreme situations.

The Risk Management Department estimates possible losses arising from market risks through series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk portfolios and its changes in each of the business departments/business lines. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers of the business departments/business lines and the operation management of the Company.

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company upon occurrence of a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macro-economic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management. Through stress tests, the Company could focus on the possible losses to the Company, analyse its risk return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits.

The Company sets limits for its respective business departments/business lines to control fluctuations in profit or loss and market exposures. The risk limits are monitored by the Risk Management Department on a daily basis. When risk level is approaching or exceeds the threshold values, the Risk Management Department will warn the relevant management officers in advance, discuss with the respective business management officers, and in accordance with the opinion reached through discussions, the business departments/business lines will reduce the exposures to the risk limits, or may apply for a temporary or permanent upgrade in the limits, subject to approval by the relevant committees.

The Company continues to modify the risk limits system, and is building up a more comprehensive system with different levels of risk limit indicators for the Company, its respective business departments/business lines and investment accounts, with a view to formulating substantive rules or guidelines for its risk management system.

In respect of foreign assets, in order to ensure the availability of funds required for foreign business expansion, the Company implemented centralised management toward its exchange risk. The Company keeps track of the risk by closely monitoring the value of the assets in the account on a daily basis. It monitors the exchange risk from different angles, such as assets limit, VaR, sensibility analysis and stress test, and to manage exchange risk exposure through methods such as adjusting foreign currency position, using forward exchange contract/option hedging, currency swap contracts, etc.

The Group closely kept track of market and business changes, promptly identified the latest market risk profile and maintained good communication with relevant regulatory authorities and shareholders, with a view to timely control exposure to market risks.

(i) *VaR*

VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

The calculation is based on the historical data of the Group's VaR (confidence level of 95% and a holding period of one trading day).

The Group's VaR analysis by risk categories is summarised as follows:

	31 December	
	2016	2015
Stock price-sensitive financial instruments	146,100	394,669
Interest rate-sensitive financial instruments	80,719	27,569
Exchange rate-sensitive financial instruments	35,459	16,174
Total portfolio VaR	176,543	393,429

(ii) *Interest rate risk*

The Group's interest rate risk is the risk of fluctuation in the fair value of one or more financial instruments arising from adverse movements in interest rates. The Group's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Group which are sensitive to the interest rate risk, resulting from market interest rate's negative fluctuation.

The Group uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Group's total income and shareholders' equity when interest rates fluctuate reasonably and possibly.

Assuming a parallel shift in the market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on revenue and shareholders' equity based on an interest rate sensitivity analysis of the Group is as follows:

Sensitivity of revenue

	2016	2015
Change in basis points		
+25 basis points	(165,137)	(162,821)
-25 basis points	167,217	164,461

Sensitivity of equity

	December 31	2015
	2016	
Change in basis points		
+25 basis points	(60,450)	(62,506)
-25 basis points	61,047	62,858

(iii) *Currency risk*

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements 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 Group's functional currency, and its net investment in foreign subsidiaries.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on revenue and equity. A negative amount in the table reflects a potential net reduction in revenue or equity, while a positive amount reflects a potential net increase.

Sensitivity of revenue

Currency	Change in currency rate	December 31	
		2016	2015
USD	-3%	(185,977)	(149,368)
HKD	-3%	77,285	217,652

Sensitivity of equity

Currency	Change in currency rate	December 31	
		2016	2015
USD	-3%	(173,035)	(197,073)
HKD	-3%	(220,900)	(216,776)

While the table above indicates the effect on revenue and equity of 3% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2016 and 31 December 2015. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorised by the original currencies.

	As at 31 December 2016				Total
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	<u>120,067,651</u>	<u>8,496,047</u>	<u>10,174,860</u>	<u>7,050,112</u>	<u>145,788,670</u>

	As at 31 December 2015				Total
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	
Net on-balance sheet position	<u>121,701,679</u>	<u>8,617,553</u>	<u>4,128,033</u>	<u>7,289,833</u>	<u>141,737,098</u>

(iv) Price risk

Price risk is the risk that the fair value of equity securities decreases due to the variance between the stock index level and individual share values. If this occurs, market price fluctuations of financial instruments held for trading will impact the Group's profit; and market price fluctuations of financial instruments classified as available for sale will impact shareholders' equity for the Group.

As at 31 December 2016, the proportion of the Group's equity investment to total assets further decreased. The equity investment classified as the financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for approximately 8.70% of the total assets as at 31 December 2016 with a decrease of 1.54 percentage points as compared to 31 December 2015, while the equity investment classified as available-for-sale financial assets accounted for approximately 2.81% of the total assets with an increase of 0.73 percentage points.

	31 December 2016	2015
Non-current assets		
Property, plant and equipment	828,186	879,285
Investment properties	68,148	70,921
Goodwill	43,500	43,500
Land-use rights and intangible assets	2,315,944	2,375,294
Investments in subsidiaries	24,190,078	24,238,594
Investments in associates	1,849,651	1,850,458
Available-for-sale financial assets	21,292,645	1,633,093
Refundable deposits	1,709,825	3,179,001
Deferred income tax assets	1,791,412	2,375,716
Other non-current assets	172,619	158,817
Total non-current assets	54,262,008	36,804,679
Current assets		
Fee and commission receivables	643,515	515,538
Margin accounts	56,453,567	65,707,613
Available-for-sale financial assets	46,937,265	74,967,601
Financial assets held for trading	107,592,243	100,013,495
Derivative financial assets	2,786,057	3,297,018
Reverse repurchase agreements	61,702,010	38,171,793
Other current assets	18,099,302	16,545,910
Cash held on behalf of customers	83,397,327	99,012,603
Cash and bank balances	19,737,190	49,089,350
Total current assets	397,348,476	447,320,921
Current liabilities		
Customer brokerage deposits	79,999,306	100,429,992
Derivative financial liabilities	3,001,014	5,378,094
Financial liabilities held for trading	2,398,458	2,147,596
Financial liabilities designated as at fair value through profit or loss	3,418,518	855,770
Repurchase agreements	111,479,750	121,360,801
Due to banks and other financial institutions	18,050,000	18,000,000
Tax payable	1,825,285	3,800,727
Short-term financing instrument payables	20,017,237	12,848,079
Other current liabilities	32,007,071	43,578,557
Total current liabilities	272,196,639	308,399,616
Net current assets	125,151,837	138,921,305
Total assets less current liabilities	179,413,845	175,725,984

	31 December	
	2016	2015
Non-current liabilities		
Debt instruments issued	59,937,075	58,541,095
Deferred income tax liabilities	607,226	977,268
Total non-current liabilities	60,544,301	59,518,363
Net assets	118,869,544	116,207,621
Equity		
Issued share capital	12,116,908	12,116,908
Reserves	79,067,978	76,367,653
Retained profits	27,684,658	27,723,060
Total equity	118,869,544	116,207,621

56 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Reserves					Sub-total	Retained earnings
	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve			
At 1 January 2016	54,536,934	6,263,770	15,514,336	52,613		76,367,653	27,723,060
Profit for the year	—	—	—	—		—	7,525,065
Other comprehensive income	—	—	—	1,189,681		1,189,681	—
Total comprehensive income	—	—	—	1,189,681		1,189,681	7,525,065
Dividend — 2015	—	—	—	—		—	(6,058,454)
Appropriation to surplus reserves	—	—	—	—		—	—
Appropriation to general reserve	—	—	1,505,013	—		1,505,013	(1,505,013)
Capital increase by equity holders							
— Capital contribution by equity holders	—	—	—	—		—	—
— Others	5,631	—	—	—		5,631	—
At 31 December 2016	<u>54,542,565</u>	<u>6,263,770</u>	<u>17,019,349</u>	<u>1,242,294</u>		<u>79,067,978</u>	<u>27,684,658</u>

	Reserves				Sub-total	Retained earnings
	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve		
At 1 January 2015	34,415,560	5,713,770	11,105,583	1,149,927	52,384,840	15,282,637
Profit for the year	—	—	—	—	—	15,097,565
Other comprehensive income	—	—	—	(1,097,314)	(1,097,314)	—
Total comprehensive income	—	—	—	(1,097,314)	(1,097,314)	15,097,565
Dividend — 2014	—	—	—	—	—	(3,415,242)
Appropriation to surplus reserves	—	135,953	—	—	135,953	(135,953)
Appropriation to general reserve	—	—	3,380,843	—	3,380,843	(3,380,843)
Capital increase by equity holders						
— Capital contribution by equity holders	20,019,690	—	—	—	20,019,690	—
— Others	101,684	414,047	1,027,910	—	1,543,641	4,274,896
At 31 December 2015	<u>54,536,934</u>	<u>6,263,770</u>	<u>15,514,336</u>	<u>52,613</u>	<u>76,367,653</u>	<u>27,723,060</u>

57 EVENTS AFTER THE REPORTING PERIOD

Capital increase of CITIC Securities Investment Ltd

According to the board resolution passed in the Eighth Conference of the Sixth Session of the Board of Directors, the Company agreed to inject additional capital of RMB11 billion to CITIC Securities Investment Ltd (a wholly owned subsidiary) on 17 February 2017. Related capital is used for enhancing capital base, enlarging business scope, as well as for repayment of maturing debts of the subsidiary.

Issuance of corporate bond

Pursuant to the approval by the [2016] 2390 Article of CSRC, and the 2014 General Meeting of Shareholders of the Company, the Company was authorized to issue corporate bonds, the face value of which shall not exceed RMB27 billion. On 17 February 2017, the Company completed its first issuance of corporate bonds in 2017. The bonds are listed and comprise 2 tranches: (i) a 3-year bond with face value of RMB10 billion at coupon rate of 4.20%; (ii) a 5-year bond with face value of RMB2 billion at coupon rate of 4.40%.

Proposed profit distribution after the reporting period

According to the board resolution passed in the Board of Directors' meeting of the Company held on 22 March 2017, the Company made the following resolution based on the profit for the year ended 31 December 2016: (i) appropriation of a total of RMB752,507 thousand to the general risk reserve calculated on the basis of 10% of the profit for the year ended 31 December 2016; (ii) appropriation of a total of RMB752,507 thousand to the transaction risk reserve calculated on the basis of 10% of the profit for the year ended 31 December 2016; (iii) no statutory surplus reserve would be appropriated because the accumulated amount had reached 50% of the registered capital of the Company; (iv) proposed cash dividend for the year ended 31 December 2016 of RMB3.50 yuan for every 10 shares (pre-tax), totalled approximately RMB4,240,918 thousand (pre-tax). This proposed dividend is subject to the approval of the General Meeting of Shareholders of the Company.

58 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements was approved and authorised for issue by the Board of Directors on 22 March 2017.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Financial statements with the signatures and seals of the Company's responsible person, financial officer and financial department manager.

The original copy of the audit report with signatures and seals of the accounting firm and CPAs.

The original copies of the documents and announcements of the Company published during the Reporting Period in the media designated by the CSRC for information disclosures.

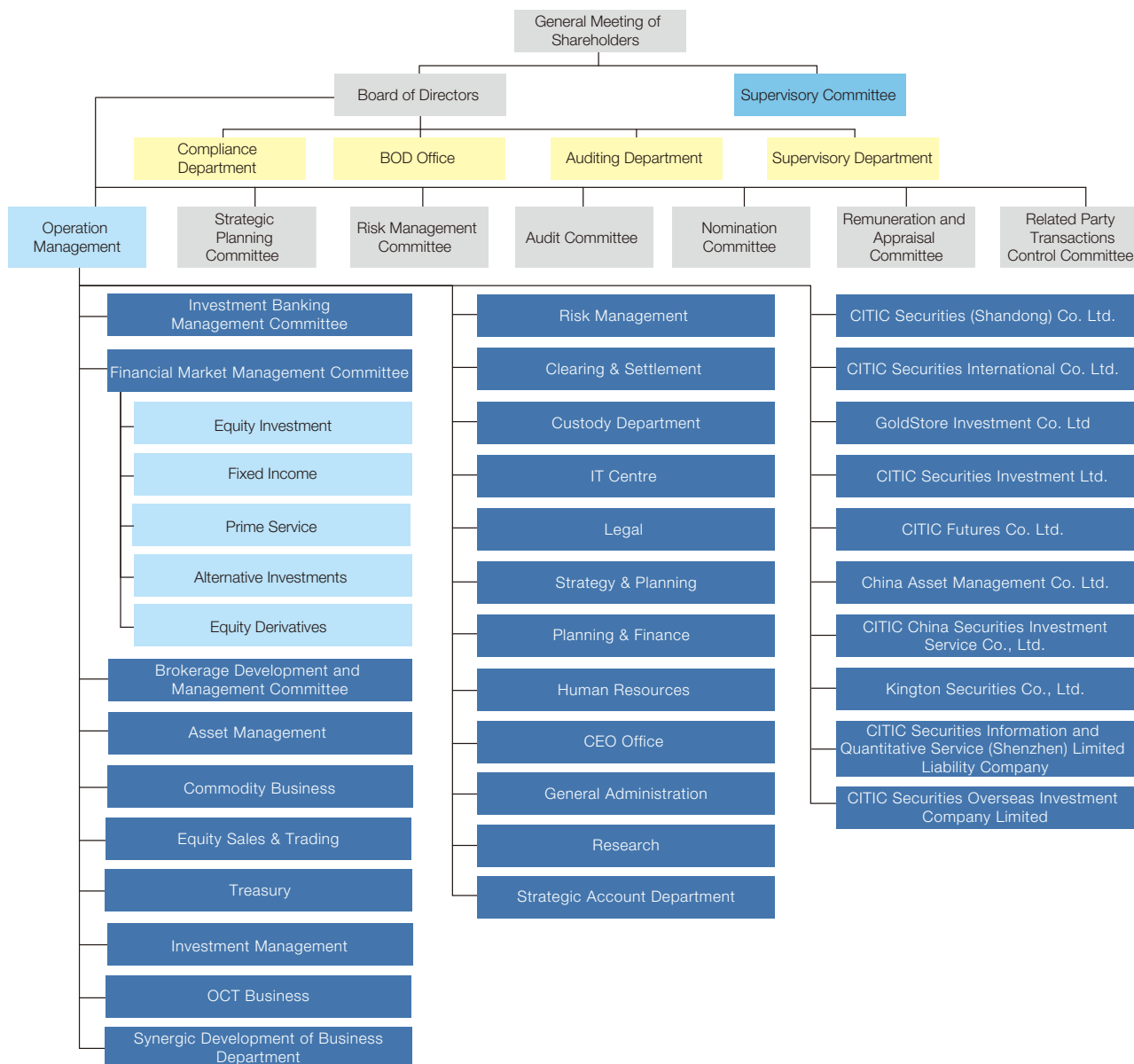
Annual reports posted on other stock exchanges.

The Articles of Association of the Company.

By order of the Board
CITIC Securities Company Limited
ZHANG Youjun
Chairman
Beijing, the PRC
22 March 2017

As at the date of this announcement, the executive Directors are Mr. ZHANG Youjun and Mr. YANG Minghui; the non-executive Directors is Mr. CHEN Zhong; and the independent non-executive Directors are Mr. LIU Ke, Mr. HE Jia and Mr. CHAN, Charles Sheung Wai.

APPENDIX 1: ORGANIZATION CHART



Note 1: The Investment Banking Management Committee comprised the Financial Industry Team, the Energy and Chemical Industry Team, the Infrastructure and Real Estate Industry Team, the Equipment Manufacture Industry Team, the Telecom, Internet, Media and Entertainment Team, the Pharmaceutical Team, Investment Banking (Zhejiang) Branch, Investment Banking (Shandong) Branch, Investment Banking (Jiangsu) Branch, Investment Banking (Guangdong) Branch, Investment Banking (Hubei) Branch, Investment Banking (Hunan) Branch, Investment Banking (Henan) Branch, the Merger & Acquisition Division, the Bonds Underwriting Division, the Asset Securitization Division, the Equity Capital Market Department, the Debt Capital Market Department, the Investment Project Recommendation Team, the Quality Control Team, the Human Resource Pool, the Integrated IBS Team, the Operation Department and other departments/business lines. The Brokerage Development and Management Committee comprised departments such as the Individual Account Department, the Wealth Management Department, the Institutional Account Department, the Financial Product Department, the Market Research Development, the Operation Management Department and the Human Resources Department, as well as Beijing Branch, Shanghai Branch, Jiangsu Branch, Anhui Branch, Hebei Branch, Hunan Branch, Guangdong Branch, Shenzhen Branch, Northeast Branch, Zhejiang Branch, Fujian Branch, Jiangxi Branch, Yunnan Branch, Shaanxi Branch, Sichuan Branch, Tianjin Branch, Inner Mongolia Branch, Shanxi Branch and Hebei Branch.

Note 2: In 2017, The Investment Banking Management Committee comprises newly established Investment Banking (Sichuan) Branch, Investment Banking (Fujian) Branch and Investment Banking (Shaanxi) Branch.

Note 3: Only some first-tier subsidiaries of the Company are presented on the above.

APPENDIX 2: INDEX OF INFORMATION DISCLOSURE

Information disclosures made by the Company in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE (<http://www.sse.com.cn>) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2016-1-5	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2015
2	2016-1-9	Announcement on the Resolutions Passed at the 47th Meeting of the 5th Session of the Board
3	2016-1-12	Financial Data briefing for December 2015
4	2016-1-13	Change of Venue of the 2016 First Extraordinary General Meeting
5	2016-1-20	Announcement on the Resolutions Passed at the 1st Meeting of the 6th Session of the Board; Announcement on the Resolutions Passed at the 1st Meeting of the 6th Session of the Supervisory Committee; Announcement of Resolutions Passed at the 2016 First Extraordinary General Meeting; Legal Opinion of the 2016 First Extraordinary General Meeting
6	2016-1-26	Announcement on the Change of Legal Representative of the Company
7	2016-1-28	Announcement on the Results of Issuance of Tranche 1 of Commercial Papers in 2016
8	2016-1-29	Preliminary Financial Data for the Year of 2015
9	2016-2-3	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2016
10	2016-2-5	Announcement on the Financial Data for January 2016; Announcement – Further Updates on Our Employees' Assisting of Investigations by Public Security Department
11	2016-3-1	Announcement on the Increase of Shareholding in the Company by the Largest Shareholder
12	2016-3-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2016
13	2016-3-5	Announcement on the Financial Data for February 2016; Indicative Announcement on the Increase of Shareholding in the Company by the Largest Shareholder
14	2016-3-10	Announcement on Interest Payment in 2016 for 2015 First Tranche of Sub-ordinated Bonds; H Share Announcement – Notification of Board Meeting
15	2016-3-24	2015 Annual Report and its Summary; Announcement on the Resolutions Passed at the 2nd Meeting of the 6th Session of the Board; Announcement on the Resolutions Passed at the 2nd Meeting of the 6th Session of the Supervisory Committee; Announcement on Related Party/Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2016; 2015 Annual Financial Statements and Audit Report; 2015 Annual Internal Control Evaluation Report; 2015 Annual Audit Report on Internal Control; Special Statement Regarding the Appropriation of the Company's Funds by the Largest Shareholder and Other Related Parties; 2015 CSR Report; 2015 Work Reports of the Independent Non-executive Directors; Annual Report of the Audit Committee on the Performance of Duties in 2015; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the 6th Session of the Board on Relevant Matters at the 2nd Meeting of the 6th Session of the Board
16	2016-3-29	Announcement – Mr. HE Jia formally acts as an independent non-executive director of the Company
17	2016-4-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2016
18	2016-4-12	Announcement on the Financial Data for March 2016
19	2016-4-16	Announcement on the Results of Issuance of Tranche 2 of Commercial Papers in 2016
20	2016-4-20	H Share Announcement – Notification of Board Meeting
21	2016-4-25	Announcement on Approval of the Establishment of 33 Securities Branches
22	2016-4-26	Announcement on Follow-up Rating Results of the 13 CITICS 01, 13 CITICS 02, 13 CITICS 03 and 15 CITICS 01; Follow-up Rating Report on the 2015 Corporate Bonds (2016); Trustee Report for 2015 Corporate Bonds (2015); Announcement on Trustee Report for the Corporate Bonds (Tranche 1) in 2013 (2015); Follow-up Rating Report for the Corporate Bonds (Tranche 1) in 2013 (2016); Announcement on Trustee Report for the Corporate Bonds (Tranche 2) in 2013 (2015); Follow-up Rating Report for the Corporate Bonds (Tranche 2) in 2013 (2016)
23	2016-4-30	2016 First Quarterly Report; Announcement on the Resolutions Passed at the 3rd Meeting of the 6th Session of the Board; Rules of Procedure of the Risk Management Committee of the Board of Directors; Rules of Procedure of the Audit Committee of the Board; Comprehensive Risk Management Systems

No.	Date of Publication	Subject Matter
24	2016-5-4	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2016
25	2016-5-7	Announcement on the Financial Data for April 2016
26	2016-5-10	Announcement on the Results of Issuance of Tranche 3 of Commercial Papers in 2016
27	2016-5-11	Announcement – Mr. CHAN, Charles Sheung Wai formally acts as an independent non-executive director of the Company
28	2016-5-13	Notice of the 2015 Annual General Meeting; Documents of the 2015 Annual General Meeting
29	2016-5-26	Announcement on the Results of Issuance of Tranche 4 of Commercial Papers in 2016
30	2016-6-1	Announcement on Interest Payment in 2016 for the Corporate Bonds (Tranche 1) in 2013
31	2016-6-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2016
32	2016-6-7	Announcement on the Financial Data for May 2016
33	2016-6-8	Second Notice of the 2015 Annual General Meeting
34	2016-6-18	Announcement on the Results of Issuance of Tranche 5 of Commercial Papers in 2016
35	2016-6-21	Announcement on Interest Payment in 2016 for the Corporate Bonds in 2015
36	2016-6-28	Announcement on the Resolutions Passed at the 4th Meeting of the 6th Session of the Board
37	2016-6-29	Announcement on the Resolutions Passed at the 2015 Annual General Meeting; Legal Opinion of the 2015 Annual General Meeting
38	2016-7-5	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2016
39	2016-7-9	Announcement on the Financial Data for June 2016
40	2016-7-15	Announcement on the Results of Issuance of Tranche 6 of Commercial Papers in 2016
41	2016-7-22	Announcement – Mr. LI Fang formally acts as chairman of Supervisory Committee of the Company; Announcement on Preliminary Financial Data for the Half Year of 2016
42	2016-7-28	Principal and Interest Payment for the Corporate Bonds (Tranche 2) in 2013 and Delisting Announcement
43	2016-8-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2016; Announcement on the Resolutions Passed at the 5th Meeting of the 6th Session of the Board
44	2016-8-5	Announcement on the Financial Data for July 2016; Announcement on the Results of Issuance of Tranche 7 of Commercial Papers in 2016
45	2016-8-11	H Share Announcement – Notification of Board Meeting
46	2016-8-12	Announcement on the Distribution of the 2015 Dividend for A Shares
47	2016-8-25	2016 Semi-annual Report and its Summary; Announcement on the Resolutions Passed at the 6th Meeting of the 6th Session of the Board
48	2016-9-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2016
49	2016-9-7	Announcement on the Financial Data for August 2016
50	2016-10-1	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2016
51	2016-10-14	Announcement on the Financial Data for September 2016
52	2016-10-15	H Share Announcement – Notification of Board Meeting
53	2016-10-28	Announcement on the CSRC Approval in relation to Public Issuance of Corporate Bonds to the Qualified Investors
54	2016-10-29	2016 Third Quarterly Report; Announcement on the Resolutions Passed at the 7th Meeting of the 6th Session of the Board; Announcement on the Prior Approval and Independent Opinion of Waiver of Right of First Refusal of 10% of Interest Equity of China Asset Management Company Limited and Related Party Transaction the Independent Non-executive Directors of the 6th Session of the Board; Announcement on the Waiver of Right of First Refusal of 10% of Interest Equity of China Asset Management Company Limited and the Related Party Transaction; Announcement on Suspension and Exemption of Information Disclosure Management System
55	2016-10-31	The Prior Approval and the Independent Advices of the Independent Non-executive Directors of the 6th Session of the Board of the Renewal Continuing Related/Connected Transaction Framework Agreement with CITIC Group; Announcement on the Continuing Related/Connected Transaction
56	2016-11-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2016

No.	Date of Publication	Subject Matter
57	2016-11-4	Announcement on the Listing of Non-public Issuance of Corporation Bonds (Tranche 1) on Shanghai Stock Exchange
58	2016-11-5	Announcement on the Financial Data for October 2016
59	2016-11-14	Announcement on Public Issuance of the 2016 Corporate Bonds (Tranche 1) to the Qualified Investors; Prospectus and its Summary; Credit Rating Report
60	2016-11-15	Announcement – Mr. CHEN, Zhong formally acts as non-executive Director of the Company
61	2016-11-16	Announcement on the Coupon Interest Rate of the 2016 Corporate Bonds (Tranche 1) Publicly Issued to the Qualified Investors
62	2016-11-18	Announcement on the Results of Issuance of the 2016 Corporate Bonds (Tranche 1) Publicly Issued to the Qualified Investors
63	2016-11-25	Announcement on the Listing of 2016 Corporation Bonds (Tranche 1) Publicly Issued to the Qualified Investors on Shanghai Stock Exchange, Announcement in relation to entrusting the Shanghai Branch of China Securities Depository and Clearing Corporation Limited in handling bond conversion and payment of dividends
64	2016-12-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2016
65	2016-12-3	Notice of the 2017 First Extraordinary General Meeting; Documents of the 2017 First Extraordinary General Meeting
66	2016-12-7	Announcement on the Financial Data for November 2016
67	2016-12-31	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2016; Second Notice of the 2017 First Extraordinary General Meeting

Note: The dates set out in the above table under the column entitled “Date of Publication” are dates on which the relevant announcements were published in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the Shanghai Stock Exchange. Each of these announcements was published on the HKExnews website of HKEx in the morning on its respective “Date of Publication” or in the evening on the immediately preceding date.

Information disclosures made by the Company on the HKExnews websites of HKEx (<http://www.hkexnews.hk>) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2016-1-4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2015
2	2016-1-8	Connected Transaction – Disposal of 1.325% Equity Interest in CITIC Real Estate by Goldstone Investment
3	2016-1-11	Announcement on the Financial Data for December 2015
4	2016-1-12	Change of Venue of the 2016 First Extraordinary General Meeting
5	2016-1-19	List of Directors and Their Roles and Functions; Poll Results of the 2016 First Extraordinary General Meeting; Re-election and Appointments of Chairman of the Board and Members of Special Committees of the Board; Appointment of Chairman of the Supervisory Committee; Appointment of Senior Management
6	2016-1-25	Announcement on the Change of Legal Representative
7	2016-1-27	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 1 of Commercial Papers in 2016
8	2016-1-28	Preliminary Financial Data for the Year of 2015
9	2016-2-2	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2016
10	2016-2-4	Announcement on the Financial Data for January 2016; Voluntary Announcement – Further Updates on Our Employees’ Assisting with Investigations by Public Security Department
11	2016-2-29	Announcement – Change in Shareholding
12	2016-3-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 29 February 2016
13	2016-3-4	Announcement on the Financial Data for February 2016; Indicative Announcement on Changes in Shareholding
14	2016-3-9	Notification of Board Meeting; Overseas Regulatory Announcement – Announcement on Interest Payment in 2016 for 2015 First Tranche of Sub-ordinated Bonds
15	2016-3-23	2015 Annual Results Announcement; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 2nd Meeting of the Sixth Session of the Board; Announcement on the Resolutions Passed at the 2nd Meeting of the Sixth Session of the Supervisory Committee; Announcement on Related Party/Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2016; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the 2nd Meeting of the Sixth Session of the Board; 2015 Work Reports of the Independent Non-executive Directors; 2015 Annual Internal Control Evaluation Report; 2015 Annual Audit Report on Internal Control; Special Statement Regarding the Appropriation of the Company’s Funds by the Largest Shareholder and Other Related Parties; 2015 CSR Report; Annual Report of the Audit Committee under the Sixth Session of the Board on the Performance of Duties in 2015
16	2016-3-28	Voluntary Announcement – Mr. HE Jia formally acts as an independent non-executive director of the Company
17	2016-3-30	List of Directors and their Roles and Functions
18	2016-4-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2016
19	2016-4-11	Announcement on the Financial Data for March 2016
20	2016-4-15	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 2 of Commercial Papers in 2016
21	2016-4-19	Notification of Board Meeting
22	2016-4-24	Overseas Regulatory Announcement – Announcement on Approval of the Establishment of 33 Securities Branches
23	2016-4-25	Overseas Regulatory Announcement – Announcement on Trustee Report for the Corporate Bonds (Tranche 1) in 2013; Announcement on Trustee Report for the Corporate Bonds (Tranche 2) in 2013; Announcement on Trustee Report for 2015 Corporate Bonds
24	2016-4-26	Overseas Regulatory Announcement – Announcement on Follow-up Rating Results of the 13 CITICS 01, 13 CITICS 02, 13 CITICS 03 and 15 CITICS 01

No.	Date of Publication	Subject Matter
25	2016-4-29	2015 Annual Report; 2016 First Quarterly Results; Proposed Change of Non-executive Director; Rules of Procedure of the Audit Committee of the Board; Rules of Procedure of the Risk Management Committee of the Board; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 3rd Meeting of the Sixth Session of the Board; Comprehensive Risk Management Systems
26	2016-5-3	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2016
27	2016-5-6	Announcement on the Financial Data for April 2016
28	2016-5-9	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 3 of Commercial Papers in 2016
29	2016-5-10	Announcement – Mr. CHAN, Charles Sheung Wai formally acts as an independent non-executive director of the Company; List of Directors and their Roles and Functions
30	2016-5-12	Notice of Annual General Meeting; Reply Slip; Proxy Form; Circulars
31	2016-5-25	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 4 of Commercial Papers in 2016
32	2016-5-31	Overseas Regulatory Announcement – Announcement on Interest Payment in 2016 for the Corporate Bonds (Tranche 1) in 2013
33	2016-6-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2016
34	2016-6-6	Announcement on the Financial Data for May 2016
35	2016-6-7	Second Notice of the 2015 Annual General Meeting
36	2016-6-17	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 5 of Commercial Papers in 2016
37	2016-6-20	Overseas Regulatory Announcement – Announcement on Interest Payment in 2016 for the Corporate Bonds in 2015
38	2016-6-27	Announcement – Mr. YANG Minghui formally acts as President of the Company
39	2016-6-28	Poll Results of the 2015 AGM and Distribution of the 2015 Final Dividend
40	2016-7-4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2016
41	2016-7-8	Announcement on the Financial Data for June 2016
42	2016-7-14	Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 6 of Commercial Papers in 2016
43	2016-7-21	Announcement on Preliminary Financial Data for the Half Year of 2016; Announcement – Mr. LI Fang formally acts as chairman of Supervisory Committee of the Company
44	2016-7-27	Overseas Regulatory Announcement – Announcement on Principal and Interest Payment for the Corporate Bonds (Tranche 2) and Delisting Announcement
45	2016-8-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2016; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 5th Meeting of the Sixth Session of the Board
46	2016-8-4	Announcement on the Financial Information for July 2016; Overseas Regulatory Announcement – Announcement on the Results of Issuance of Tranche 7 of Commercial Papers in 2016
47	2016-8-10	Notification of Board Meeting
48	2016-8-11	Overseas Regulatory Announcement – Announcement on Distribution of the 2015 Dividend for A Shares
49	2016-8-24	2016 Interim Results Announcement; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 6th Meeting of the Sixth Session of the Board
50	2016-9-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2016
51	2016-9-6	Announcement on the Financial Data for August 2016
52	2016-9-23	2016 Interim Report
53	2016-9-30	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2016
54	2016-10-13	Announcement on the Financial Data for September 2016
55	2016-10-14	Notification of Board Meeting
56	2016-10-27	Overseas Regulatory Announcement – Announcement on the CSRC Approval in relation to Public Issuance of Corporate Bonds to the Qualified Investors

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57	2016-10-28	2016 Third Quarterly Results; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the 7th Meeting of the Sixth Session of the Board; Announcement on Suspension and Exemption of Information Disclosure Management System of CITIC Securities; Announcement on the Waiver of Right of First Refusal of 10% of Interest Equity of China Asset Management Company Limited and the Related Party Transaction
58	2016-10-30	Announcement – Renewal of Continuing Connected Transactions
59	2016-11-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2016
60	2016-11-4	Announcement on the Financial Data for October 2016
61	2016-11-14	Announcement – Mr. CHEN, Zhong formally acts as non-executive Director of the Company; List of Directors and their Roles and Functions
62	2016-12-1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2016
63	2016-12-2	Announcement on Renewal of Continuing Connected Transactions and Notice of the Extraordinary General Meeting; Notice of Extraordinary General Meeting; Proxy Form; Reply Slip
64	2016-12-6	Announcement on the Financial Data for November 2016
65	2016-12-30	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2016; Second Notice of the 2017 First Extraordinary General Meeting