2016 Annual Report

CICC
中金公司

China International Capital Corporation Limited

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

Stock code : 3908

Core Values

People-oriented with Nation in Mind
以人為本 以國為懷

People are our most valuable resource. We make great efforts to attract, cultivate and retain the best people. "Acting as the international investment bank of China" has been our historical mission since the inception of CICC. We always regard promoting and servicing the reform of the national economic system and the development of the Chinese capital market as our due responsibilities.

Diligent and Professional
勤奮專業

We develop business with the highest professional standards, and have nurtured a team of high quality financial talents with international vision, who are diligent, responsible and agree with our corporate culture.

Active and Enterprising
積極進取

Innovation is the driving force for the sustainable development of CICC. With excellent talents, panoramic vision, close cooperation with customers and extensive experience, we can always feel and capture the latest pulse of market and provide innovative products and high quality services to our customers.

Clients First
客戶至上

Client service is always our first priority. We maintain long-term relationships with our clients and provide them with value-added services.

Integrity as Foundation
至誠至信

Our reputation is our biggest asset and is built upon the utmost professional integrity and highest ethical standards. We never compromise on integrity.

Chinese Roots and International Reach
植根中國 融通世界

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

CONTENT

Important Notes

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

The financial statements for 2016 was prepared by our Company according to International Financial Reporting Standards ("IFRSs"), which has been audited by KPMG and KPMG has issued auditors' report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

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

Message from Our Chairman

Dear Shareholders,

In 2016, the global financial markets were stirred up by a series of black swan events. China's capital market tumbled while redefining its way ahead. The domestic securities industry dropped heavily on the topline. 2016 represents a critical year of business strategy transition for CICC since its initial public offering. This year, CICC persisted in improving its business structure, promoting business transformation and innovation, and reshaping its core competitiveness, whilst strictly conforming to the most vigorous compliance and risk control practices. With unremitted efforts of all employees, the Company has significantly outperformed the industry. This year, our employees for the first time gained ownership of the Company through the voluntary share purchase program, aligned up more closely with the Company in the long run. This year, CICC announced strategic reorganization of CISC, through which its business scale has been significantly enlarged, physical network and client base substantially expanded, and overall competitiveness further enhanced, preparing the Company for a major leap forward in the future.

During the past two years since the Company kicked off its IPO, China's economy struggled ahead despite all kinds of difficulties, while China's capital market overhauled and developed amid rainstorms. During the process, CICC has been strongly driven to expand and grow aggressively, with one major milestone accomplished every year. Through IPO – the first milestone, CICC accessed itself to the international capital market to fund its sustained growth, and established itself as a public company built upon sound governance structure and practices. Through merger with CISC – the second milestone, CICC's "Chinese Roots" became more deeply entrenched and widely extended, connecting the Company with its quality clients on a more extensive basis. Looking forward, CICC will commit itself to constant exploration and innovation, to bring forward its business transformation and international strategies, to broaden its "International Reach" and achieve synchronized operation and development with the international market.

In 2017, China's economy is expected to grow steadily under the "New Normality". Driven by deepened structural reform and financial disintermediation, more capital will seek to go overseas, cross-border mergers and acquisitions will surge, and the "One Belt, One Road" initiative will embody enormous opportunities. CICC will actively adapt itself to the new situations at home and abroad and seize the opportunities to forge ahead on its strategies. By deepening its "Chinese Roots" while expanding its international presence, CICC will continue to enhance its core competitiveness and market influence, to carry forward towards the goal of establishing itself as a world-class investment bank and open a brand new chapter for the Company!

Mr. Ding Xuedong
Chairman
February 21, 2017

Message from Our CEO

Dear Shareholders:

ECONOMY AND MARKET OBSERVATIONS

In 2016, China achieved steady economic growth and made remarkable progress in reforms despite turbulence in the international arena and volatility of global capital markets.

The Chinese economy stabilized in 2016 and annual GDP growth reached 6.7%. The quality of growth improved thanks to stronger support from innovations, initial results of supply-side reforms, and further market opening. As government policies aim to advance reforms and ensure stability at the same time, we believe China will deepen supply-side reforms to cope with the challenges arising from structural imbalances. We expect the Chinese economy to maintain steady growth with an improved structure in 2017.

In 2016, the long-term sluggishness of the global economy continued in the aftermath of the financial crisis. Weak demand and slow growth fueled tensions between social classes and regions, which had profound impacts on the global political and economic landscape. As the marginal effect of ultra-loose monetary policies diminished, market expectations for fiscal policy stimulus and structural reforms began to rise.

Global capital markets were highly volatile but generated low returns in 2016. Market turbulence in the beginning of the year was followed by events like Brexit in June and the US presidential election in November. These sparked massive and more frequent capital flows across different asset classes, creating both crises and opportunities. In China, the stock market experienced dramatic turmoil in the beginning of 2016, while the bond market plunged at the end of the year. Trading volume shrank substantially in the secondary market, but IPOs and placements accelerated in the primary market. Thanks to the stabilization of the economy, the panic eased and the capital market returned to a healthy secular growth track. In Hong Kong, primary-market stock offerings were relatively slow, but the stock market entered an oversold rebound driven by the return of overseas capital, the influx of mainland funds, and the launch of the Shenzhen-Hong Kong Stock Connect Program.

China continued to reform and open up its financial sector in 2016. The government pushed forward the development of a multi-layer capital market system, and took measures to improve the financial industry's capability to serve the real economy efficiently. The prevention and control of systemic risks also received tremendous attention. As China's economic growth moderates and its integration with global markets accelerates, major opportunities and challenges will arise from reforms, opening and capital market development. As the multi-layer capital market system grows while market practices and environment improve, its capacity to support the real economy should further expand and its correlation with global markets will strengthen. Thus, securities firms should take immediate action to improve their services and competitiveness in the international arena.

INDUSTRY OUTLOOK

Since preparing for the listing, we have made a basic judgment on the development of China's securities industry – China's investment banks may be expecting a "golden development period": the proportion of assets in the securities industry in the entire financial sector will continue to rise. Asset-backed-securitizations and industry mergers and acquisitions that occurred in developed markets will happen again in China, and cross-border opportunities will surge along with the internationalization of RMB. In 2016, we felt a strong financial disintermediation process, and expedited reclassification of assets from bank assets to other classes, which have created huge development opportunities for the securities industry.

At this point of time, the following new situations as shown in the market worth our special attention:

- The regulatory environment has been tightened. Over the past year, more lawfully binding, stringent and comprehensive regulations have been imposed on the domestic securities industry, and the overall regulatory keynote was positioned to standardize business development and compress the room for arbitrage. In the long term, a tightened regulatory environment is conductive to players with solid business operations, strong balance sheet and vigorous compliance and risk control culture. In the short term, it posed higher requirements for players on the level of quality control, product strategy and integrated risk management capabilities.

- Wealth management gave birth to great opportunities for the industry. Residents' wealth accumulated rapidly with the sustained development of China's economy. It is estimated that China's individual investable assets will exceed RMB240 trillion by 2020, while residents are shifting their investment from properties to the capital markets, and their demand for high-end, sophisticated, customized and professional wealth management services is increasing. The market potential is broad.

- Cross-border opportunities require Chinese investment banks to accelerate the pace of internationalization. The link between China and the global market has become more extensive and in-depth. With the acceleration of RMB internationalization, and increasing integration of the domestic and global capital markets, the paces of "going out" of domestic industrial and financial capital have picked up. The "coming in" of foreign investments have also sped up, which contributes to increasingly frequent cross-border capital movements and creates the environment for domestic players to grow international. Hence, it is urgently required that the cross-border service capabilities of PRC-based securities firms should be enhanced in an all-round manner.

Currently, China's securities industry was highly dispersed and competitive. However, in the context of financial disintermediation and unprecedented migration of bank assets, the industry prospects still remain positive, as the securities industry accounted for only a small proportion in the economy as a whole. Driven by commission rate downturn, a shift in the pattern of competition, and increasingly diversified customer demand, domestic securities companies have been exploring differentiated business models to expand new sources of income.

We believe that CICC is in a period full of strategic opportunities. Our Company will proceed with confidence and fine-tune our strategies to changing situations, further increase investment, improve our strategies, and seize opportunities to take another leap forward.

REVIEW OF CICC

Financial Performance

As at the end of 2016, the total assets of the Company amounted to RMB101.95 billion, representing an increase of 8.3% compared to the end of 2015; net assets amounted to RMB18.5 billion, representing an increase of 12.5% compared to the end of 2015. In 2016, the Company recorded total revenue and other income of RMB8.94 billion, decreasing slightly by 5.9% year on year; and profit of RMB1.84 billion, decreasing by 5.8% year on year; with a weighted average return on net assets of 10.7%.

Message from Our CEO

Business Achievements

Outstanding Performance on Diversified Business Structure and Active Business Expansion

In 2016, five major business lines of the Company, i.e. Investment Banking, Equities, FICC, Wealth Management and Investment Management, developed evenly and complemented each other. The comprehensive business mix enabled our Company to weather through the unfavorable market conditions of shrinking trading volume and bond market turmoil, and to capture development opportunities in a timely manner to deliver solid operating results – under the circumstance where the revenue in the securities industry fell more than 40%, our Company managed to record a single digit decline in revenue.

Under the existing business framework and in line with market trends, our Company further enriched the business units, some of which have become new growth drivers for each business line. Investment Banking witnessed significant outcomes from deeper penetration in emerging fields and emerging sectors; Equities enjoyed strong growth in prime brokerage, options, derivatives, and other innovative business areas; FICC maintained robust growth in client facilitation business, Wealth Management enjoyed steady growth in NEEQ market-making and family office, whilst investment management made new breakthroughs in bank outsourcing business and the establishment of CICC Genesis Fund.

Traditional Business Maintained Market Leading Position

In 2016, our Company's investment banking business maintained its market leading position and played an important role in expanding our Company's market influence and brand reputation.

The Company continued to consolidate its leading position in the reform of state-owned enterprises and has completed several milestone transactions, including the A-share IPOs of Hangzhou Bank, Xinhua News Network, Shanghai Film, Omnijoi Media and the HK IPOs of Zheshang Bank, Postal Savings Bank, China Resources Pharmaceutical, as well as the restructuring of Sinopec Natural Gas Pipeline, which have been established as model examples of value enhancement of SOEs through structural adjustments. The Company has also made remarkable achievements in the development of new industries and new customers, with particularly extraordinary results in the pharmaceutical and healthcare, technology, media and telecommunication sectors by completing the IPOs of China Resources Pharmaceutical, Kanghua Healthcare and Goodix, Baofeng-Everbright Consortium's acquisition of MP & Silva, BYD's A-share follow-on offering, UCAR Inc.'s NEEQ listing and a number of other blockbuster transactions with strong market influence. The Company took the lead in bond product innovation and has made breakthroughs in products, including Panda corporate bonds, green corporate bonds, corporate asset-backed securities, and achieved leap-forward development in overseas bond underwriting. The Company also provided letters of commitment to the acquirers in the Dongpeng Holdings H-share privatization and Wanda Commercial Properties H-share privatization, and explored a new model for combining the investment banking business with balance sheet-based business.

In 2016, the Company ranked No.1 sponsor for global IPOs of PRC-based enterprises in terms of aggregate financing size, No.1 global financial advisor for M&As by PRC-based companies in terms of transaction amount for a second straight year, advised on Chinese M&A transaction of over US$100 billion for a second straight year and obtained a number of institutional and project awards in the annual selections of *Global Finance*, *The Asset* and *FinanceAsia*.

Initial Success of Transformation towards Balance Sheet-based Service Model

Upon completion of IPO, the Company has focused on enhancing the capabilities of using the balance sheet to provide customers with all-round services. Our equities and FICC businesses have achieved initial success in business transformation, with rapidly improving capital utilization capabilities and significantly increasing value-added from full-scope service offerings.

In terms of the equities business, the Company successfully built up an integrated financial service platform by further penetrating into existing quality customers and promoting product innovation. As a result, our market share of brokerage business increased despite market downturn, and continued to enjoy a premium to market commission rate; we witnessed balanced development in domestic and overseas markets, as well as in brokerage business and product business; and we embraced a sound momentum in revenue diversification and capacity building of our professional team. The product size on the prime brokerage platform exceeded

RMB80 billion, the options and derivatives business has become a new growth driver and source of income, while the overseas team continued to enrich the portfolio of trading products. In 2016, the research, sales and trading teams of the Company were again awarded the first prizes in authoritative annual selections run by publications such as the *Institutional Investors* and *Asiamoney*.

In terms of the FICC business, the Company has steadily advanced the diversification of its business lines and constructed a complete value chain covering all asset classes including fixed income, foreign exchange, commodities and equities, and a diversified service system comprising trading, sales, debt capital market, structuring, fixed income research and futures services, to provide customers with customized products and solutions to meet their demands in structured financing, investment and risk management. In 2016, the Company's client business maintained rapid development, and our customer service capabilities, product structuring and distribution capabilities, and cross-border trading capabilities have improved steadily with risk tolerance and hedging capabilities further enhanced.

Rapid Progress in the Construction of Wealth Management and Investment Management Platforms

The wealth management business and investment management business have made remarkable achievements in platform construction, with greatly enhanced business resilience and scalability. The two business lines are expected to become the major forces to drive our Company's growth at the next stage.

In terms of the wealth management business, our Company continued to enhance the construction of business management platform, with particular focus on building the "product center", strengthening the stability of basic trading services, diversifying capital-based services and providing more sophisticated advisory services, to lay a sound foundation for the further expansion of our wealth management platform. In 2016, the Company's wealth management customers further grew, average assets per account recorded a new high, total client account assets increased rapidly, and revenue structure kept optimizing, testifying to our industry-leading business model. In 2016, the Company was rated as the Best Wealth Management Brand in China by *Securities Times*.

In terms of the investment management business, the Company has accelerated product diversification, and constantly improved the means of service and asset allocation capabilities. In terms of the asset management business, our Company further enriched product lines to cover pension, quantitative investment, bank outsourcing, cross-border multi-strategy products and has made new breakthroughs in terms of business scale and customer development. For CICC Fund Management, a comprehensive portfolio of mutual fund and segregated account products has been taking shape. Our private equity investment platform continued to diversify its portfolio, and widely pursued investment opportunities in SOE reforms, industrial consolidations, emerging industries, international mergers and acquisitions, and privatizations. In 2016, our assets under management by the investment management segment maintained a strong growth momentum, which has far-reaching impact on the Company in the sense of further enriching our customer service products, establishing a market positioning closer to the new economy and achieving steady growth in revenue.

Cross-border Service Capability has been Further Enhanced

Our Company continued to strengthen our cross-border strengths by enhancing our global network, diversifying cross-border service offerings, developing cross-border full-service capabilities and actively engaging in international competition to strengthen our presence in the related fields. In 2016, the Group's revenue from overseas business grew steadily to RMB2.03 billion, accounting for 23% of the Group's revenue.

In the primary market, the Company further consolidated our traditional advantages in Hong Kong equity offerings, and has made major breakthroughs in overseas mergers and acquisitions, overseas bond offerings and the Singapore equity market by leading in multiple blockbuster transactions, which greatly enhanced CICC's cross-border service capabilities and international franchise. By providing full value-chain services, from match-making, structuring, execution to financing, we have truly obtained all abilities required to serve PRC-based enterprises' overseas investment and financing needs.

In the secondary market, our Company firmly grasped the opportunities brought about by increasing interconnection between markets, leveraging our integrated financial services capabilities to facilitate customers' trading, investment and asset allocation activities in multiple domestic and overseas markets. While steadily increasing our trading share of Hong Kong stocks, our Company has been actively developing trading capability in the US, Taiwan, Japan and other markets, further expanding coverage of QFII/RQFII, and global long funds, and retaining our leading position in terms of market trading share and the number of accounts opened in connection with the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

In terms of the investment management business, in addition to further enriching the cross-border platform, the Company has diversified the investment product portfolio and channels, by establishing multi-strategy cross-border funds, US- and European- based private equity funds, and credit opportunities funds. By doing so, the Company will more effectively meet the double-way requirements of the influx of foreign capital and outbound investments of domestic investors.

Mid-and-back-office has been Playing an Increasingly Important Role in our Company's Core Competitiveness

First-class service quality is attributed to first-class products and business capabilities, and also strong support from first-class mid-and-back-office functions. Over the past year, the professional standard of our Company's mid-and-back-office has been greatly improved, providing stronger support for our business development. Mid-and-back-office has become an important part of our core competitiveness.

In 2016, our Company ramped up the development of information technology systems. To address the need for business transformation and product innovation, we focused on improving two major IT platforms, i.e. the investment platform and the basic trading platform, which provided timely and efficient support for the development of our prime brokerage, wealth management, fixed income, OTC derivatives business and fully safeguarded the stable and efficient operations of the Company.

In 2016, we substantially improved our financial resources management capability. The Company implemented comprehensive asset and liability management by establishing a balance sheet management framework based on regulatory indicators. The Company has exercised more delicate asset management to optimize the efficiency of resource allocation, and at the same time strengthened liabilities management to improve debt financing capacity and effectively reduce financing costs. In 2016, CICC gained the highest overseas credit rating in the industry, i.e. BBB+ by S&P, BBB+ by Fitch and Baa1 by Moody's.

In 2016, we maintained robust compliance and risk control. By vigorously managing operational risks and establishing a robust compliance culture, we strictly conformed to the stringent industry regulatory requirements, and maintained the relevant risk indicators below the warning line. In light of the ever-changing market environment, the Company continuously optimized the compliance and risk management solutions for the relevant products and businesses, actively strengthened the analysis, judgment and risk reminder for credit and market risks, and established a liquidity risk management system, to further improve risk alarming and prevention.

Significant Merger and Acquisition

With approval of the Board, the Company officially announced on November 4, 2016 the strategic reorganization with CISC. The transaction was approved by the shareholders' general meeting on December 29, 2016. This transaction will help the Company further broaden its customer base, achieve a deeper penetration in the large, medium and small enterprises as well as institutional and individual customers, and build a more balanced business structure across the primary and secondary markets, to enhance the Company's ability to weather risks and volatility in the capital market and greatly enhance its overall competitiveness.

Following integration, the Company's overall scale and capital strength will be greatly enhanced. Calculated on the pro forma basis as at June 30, 2016, the total assets and net assets of the Company would expand to nearly RMB200 billion and approximately RMB34 billion, respectively. According to the pro forma profit and loss estimates for the year ended December 31, 2015, the Company's enlarged revenue base would exceed RMB20 billion. The Company is expected to greatly improve its rankings in its various business lines and join the tier-1 league in the industry by multiple dimensions.

CICC and CISC are expected to achieve considerable synergies in various respects of business expansion through a strong alliance built upon the unique strengths of each other. Following integration, the Company will strategically focus on wealth management business to combine our brand, experience, product and service capabilities with the over 3 million customers and 200 widely-covered securities branches of CISC, to form a business model with long-term competitive strength and growth potential, and build a leading wealth management platform in China. With the more market-oriented incentives and practices, the Company will further boost the morale and productivity of its employees, thereby promoting the transformation of the Company after integration. Both parties will strengthen the collaboration of various business lines, with particular focus on strengthening cross-selling activities between the investment banking, equities, FICC, and investment management business lines. The integration will help the Company grow bigger and stronger, and bring it closer towards the goal of establishing itself as a world-class investment bank, while significantly improving the financial returns and shareholder value.

Next Step Corporate Strategies and Initiatives

In 2017, our Company will bring forward all-round integration with CISC, further enhance our capacity of using the balance sheet to provide full-scope services to customers, promote product innovation, and forge ahead on our international strategies, to enhance CICC's competitiveness and influence in the market, and maximize corporate and shareholder value.

Our concrete strategic initiatives include:

- Bring forward all-round integration with CISC.
- Mobilize firm-wide resources to promote product innovation and transformation of our wealth management business.
- Enhance our capacity of using the balance sheet to provide full-scope services to our customers.
- Leverage our cross-border strengths to accelerate the pace of internationalization.
- Speed up expansion of our investment management business to make it a sustainable source of revenue.
- Strengthen mid-and-back office functions to enhance their value as the Company's core competitiveness.
- Enhance our brand and franchise, and build an inclusive and cohesive corporate culture for win-win.

Looking forward, we are very confident in following our established strategic directions, to seize the historical opportunities of our era, forge ahead on our strategic initiatives, and work relentlessly and persistently towards the direction of establishing ourselves as a world-class investment bank and wealth manager.

Mr. Bi Mingjian
Chief Executive Officer
March 22, 2017

Definitions

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

"Articles of Association"	the articles of association of our Company (as amended)
"Basic and diluted earnings per share"	(net profit attributable to shareholders/equity holders of our Company and holders of other equity instruments – accumulated interest for holders of perpetual subordinated bonds)/Weighted average number of ordinary shares in issue
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code" or "Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"China Investment Consulting"	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company
"CICC Fund Management"	CICC Fund Management Co., Ltd* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly owned subsidiary of our Company
"CICC Futures"	CICC Futures Co., Ltd., a wholly owned subsidiary of our Company which was known as Fortune Futures Co., Ltd.* (財富期貨有限公司) before being acquired by our Company in 2015
"CICC Genesis"	CICC Genesis Fund Management Co., Ltd., a company incorporated in the PRC in October 2016 and a wholly owned subsidiary of our Company
"CICC HK AM"	China International Capital Corporation Hong Kong Asset Management Limited (中國國際金融香港資產管理有限公司), a company incorporated in Hong Kong in December 2005 and a wholly owned subsidiary of CICC Hong Kong
"CICC HK Futures"	China International Capital Corporation Hong Kong Futures Limited (中國國際金融香港期貨有限公司), a company incorporated in Hong Kong in August 2010 and a wholly owned subsidiary of CICC Hong Kong
"CICC HK Securities"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), a company incorporated in Hong Kong in March 1998 and a wholly owned subsidiary of CICC Hong Kong
"CICC Hong Kong"	China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司), a company incorporated in Hong Kong in April 1997 and a wholly owned subsidiary of our Company
"CICC Jiacheng"	CICC Jiacheng Investment Management Corporation Limited* (中金佳成投資管理有限公司), a company incorporated in the PRC in October 2007 and a wholly owned subsidiary of our Company

"CICC Pucheng"	CICC Pucheng Investment Co., Ltd., a company incorporated in the PRC in April 2012 and a wholly owned subsidiary of our Company
"CICC Singapore"	China International Capital Corporation (Singapore) Pte. Limited, a company incorporated in Singapore in July 2008 and a wholly owned subsidiary of our Company
"CICC UK"	China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly owned subsidiary of our Company
"CICC US Securities"	CICC US Securities Inc., a company incorporated in the United States in August 2005 and a wholly owned subsidiary of our Company
"CICC Zhide"	CICC Zhide Capital Corporation Limited (中金智德股權投資管理有限公司), a company incorporated in the PRC in May 2015 and a wholly owned subsidiary of our Company
"CISC"	China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005
"Company", "our Company", or "CICC"	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock limited company incorporated in the PRC converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"CSRC"	the China Securities Regulatory Commission* (中國證券監督管理委員會)
"Directors"	directors of our Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
"Equity Transfer Agreement"	the equity transfer agreement entered into between our Company and Huijin dated November 4, 2016, pursuant to which our Company has agreed to purchase and Huijin has agreed to sell 100% of the equity interest of CISC
"FICC"	fixed income, commodities and currencies
"Gearing ratio"	(Total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)
"GIC"	GIC Private Limited, a company incorporated in Singapore in May 1981 and a Shareholder of our Company

Definitions

"Great Eastern"	The Great Eastern Life Assurance Company Limited, a company incorporated in Singapore in 1908 and a Shareholder of our Company
"Group" or "we"	our Company and its subsidiaries (or with reference to the context, our Company and anyone or more of its subsidiaries)
"H Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, the wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huijin"	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government
"I&G"	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
"ICAEW"	The Institute of Chartered Accountants in England and Wales
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Jianyin Investment"	China Jianyin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly owned subsidiary of Huijin and a Shareholder of our Company
"JIC Investment"	JIC Investment Co., Ltd. (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company
"KKR Institutions Investments"	KKR Institutions Investments L.P., a limited partnership established in Delaware on February 8, 2010 and a Shareholder of our Company
"Latest Practicable Date"	March 19, 2017

"Listing Date"	the date on which our H Shares were listed and trading has commenced on the Hong Kong Stock Exchange, being November 9, 2015
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Mingly"	Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong in 1988 and a Shareholder of our Company
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC* (中華人民共和國財政部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
"NASDAQ"	National Association of Securities Dealers Automated Quotations, an US stock exchange
"Net capital"	net capital refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
"Operating leverage ratio"	(Total assets – account payable to brokerage clients)/equity attributable to shareholders/equity holders of our Company and holders of other equity instruments
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, and for the purposes of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"PRC Accounting Standards"	Accounting Standards for Business Enterprises of the PRC
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"Proposed Acquisition"	the proposed acquisition by our Company of 100% of the equity interest of CISC from Huijin pursuant to the Equity Transfer Agreement
"Prospectus"	the prospectus dated October 27, 2015 issued in relation to the listing of our H Shares on the main board of the Hong Kong Stock Exchange
"Reporting Period"	the period from January 1, 2016 to December 31, 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAC"	the Securities Association of China* (中國證券業協會)

Definitions

"Securities Law"	the Securities Law of the PRC as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"State Council"	the State Council of the PRC* (中華人民共和國國務院)
"Supervisors"	supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"TPG"	TPG Asia V Delaware, L.P., a limited partnership established in the United States in 2009 and a Shareholder of our Company
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S." or "USA" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Weighted average return on net assets"	net profit attributable to shareholders/equity holders of our Company/weighted average of equity attributable to shareholder/equity holders of our Company
"%"	per cent

Notes:

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

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

Significant Risk Warnings

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

The risks that the Company faced mainly include: strategic risk arising from the adjustment of the strategy plan of the Company under the changes in domestic and overseas capital markets; business management risk arising from changes of business models, development of innovative businesses and application of new technologies; market risk caused by changes in the fair value of the financial assets resulting from fluctuations in equity prices, interest rates, credit spreads, exchange rates and commodity prices, etc; credit risk arising from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers; liquidity risk arising from failure of normal business operation, repayment of due indebtedness or performance of payment obligations due to shortage of funds; operational risk arising from failed or defective internal procedures or IT systems, human misconduct and external events; compliance risk arising from legal sanction, regulatory actions, loss of property or damage to our reputation, to which the Company is to be subject, imposed on or suffered from as a result of violation of laws, regulations, self-regulatory rules or internal regulations and rules of the Company during operation and management activities or due to employee behavior; legal risk for which the Company may suffer from economic loss or loss of reputation arising from breach of contracts, disputes in respect of infringement, litigations or other legal disputes; and reputational risk caused by negative comments on the Company due to operation, management and other activities or external issues.

The Company will work on its organizational structure, management mechanism, IT system, risk indicator framework, talents cultivation and risks response mechanism to prevent and manage the above mentioned risks. In the meanwhile, the Company will keep on optimizing its business processes to control operational risks and pay special focus on managing risks arising from innovative businesses.

For detailed analysis and measures taken by the Company in respect of the risks, please refer to the content in "Management Discussion and Analysis – VI. Risk Management".

COMPANY PROFILE

Company Profile

(As of December 31, 2016)

I. OVERVIEW

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Ding Xuedong(note)
Chairman:	Ding Xuedong(note)
Chief Executive Officer:	Bi Mingjian
Registered capital:	RMB2,306,669,000
Headquarters in the PRC:	
Registered address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Secretary to the Board:	Wu Bo
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Wu Bo, Zhou Jiaxing
Authorized Representatives:	Bi Mingjian, Zhou Jiaxing
Statutory Auditors engaged by our Company:	
Domestic accounting firm:	KPMG Huazhen LLP
International accounting firm:	KPMG

Note: Mr. Ding Xuedong resigned from the office of the Chairman of the Board and legal representative of the Company due to work rearrangement, with effect from February 27, 2017. As approved by the Board, Mr. Bi Mingjian, the executive director and chief executive officer, has started to perform the duties of the Chairman of the Board and legal representative since March 1, 2017.

Change in registration details in 2016:

Combination of four certificates (i.e. combination of Business License, organization institution code certification, tax registration certificate and statistics certificate)

Registration number is changed to a unified Social Credit Code: 91110000625909986U

Registered capital is changed to RMB2.306669 billion

Type is changed to a joint stock company with limited liabilities (Sino-foreign venture, listed)

II. INTRODUCTION TO OUR COMPANY

History

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

In November 2001, the foreign promoters of our Company, namely Morgan Stanley & Co. Incorporated, GIC and Mingly, transferred in aggregate 1% equity interest in our Company to the Chinese promoters, namely the former People's Construction Bank of China and I&G (then known as China National Investment & Guaranty Corporation (中國經濟技術投資擔保公司)) for an aggregate consideration of US$2,736,026.

In September 2004, the former People's Construction Bank of China was restructured into Jianyin Investment and China Construction Bank Corporation (中國建設銀行股份有限公司), following which Jianyin Investment succeeded the entire 43.35% equity interest in our Company held by the former People's Construction Bank of China, which was in turn allocated to Huijin for nil consideration in August 2010.

In November 2010, the entire 34.30% equity interest in our Company held by Morgan Stanley & Co. Incorporated was transferred to TPG, KKR Institutions Investments, GIC and Great Eastern as to 10.30%, 10.00%, 9.00% and 5.00% respectively.

In April 2015, Huijin allocated in aggregate 0.18% equity interest in our Company to three of its wholly-owned subsidiaries, namely, Jianyin Investment, JIC Investment and China Investment Consulting equally for nil consideration.

On June 1, 2015, our Company was converted into a joint stock company with limited liability with the name China International Capital Corporation Limited (中國國際金融股份有限公司). Huijin, Jianyin Investment, JIC Investment, China Investment Consulting, GIC, TPG, KKR Institutions Investments, I&G, Mingly and Great Eastern were the promoters. Upon the conversion, our Company had a total share capital of RMB1,667,473,000 comprising 1,667,473,000 Shares with nominal value of RMB1.00 each, which were subscribed by all the promoters with reference to the appraisal report by China Enterprise Appraisals Co., Ltd. as of December 31, 2014.

Company Profile

(As of December 31, 2016)

Our Company was successfully listed on the Hong Kong Stock Exchange in November, 2015 and initially issued 555,824,000 H Shares, and further issued 83,372,000 H Shares upon the exercise of over-allotment option. The 63,919,600 Domestic Shares held by Huijin, Jianyin Investment, JIC Investment and China Investment Consulting in aggregate were converted into H Shares on a one-for-one basis and sold subsequently, and all proceeds were transferred to the National Council for Social Security Fund of the PRC. GIC, TPG, KKR Institutions Investments, Mingly and Great Eastern converted 817,061,769 unlisted foreign Shares in aggregate into H Shares on a one-for-one basis. After the completion of the global offering and the exercise of the over-allotment option, the total number of issued Shares of our Company increased from 1,667,473,000 Shares to 2,306,669,000 Shares.

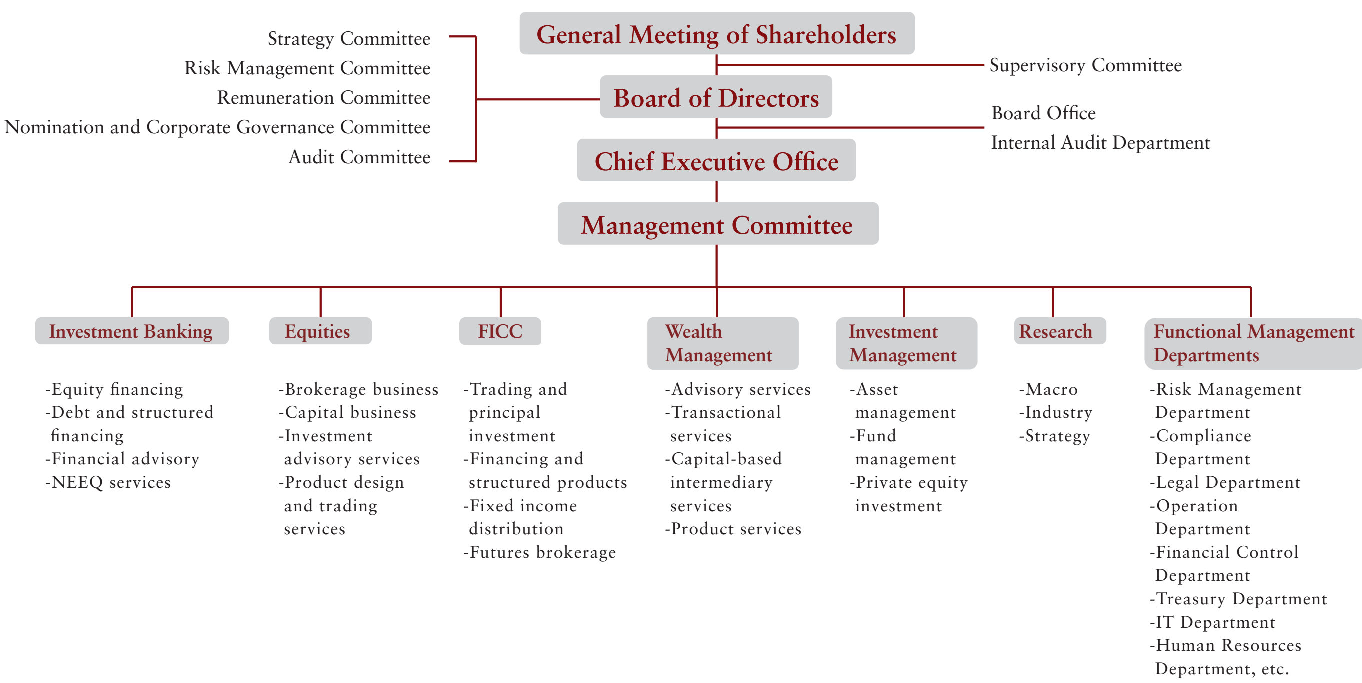
On November 4, 2016, our Company and Huijin entered into the Equity Transfer Agreement, pursuant to which, our Company has agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of CISC. CISC is a fully-licensed securities firm in the PRC with an extensive and well-established branch network, a large customer base and an integrated business platform. CISC was formed out of the securities-related assets from China Southern Securities Joint Stock Co., Ltd., one of the first PRC securities service providers. Leveraging its proven track record and full securities business licences, CISC provides a comprehensive range of securities products and services to serve various needs of corporate, individual, institutional and government clients. The Proposed Acquisition represents a unique opportunity for our Company to embrace market opportunities and enhance its leading position in the securities industry since its listing. Upon the completion of the Proposed Acquisition, Huijin will be, directly and indirectly, interested in 58.65% of the equity interest of our Company, and that the registered capital of our Company will be increased from RMB2,306,669,000 to RMB3,985,130,809.

The Headquarters of our Company is in Beijing and as at December 31, 2016, our Company has established branch companies in Shanghai, Shenzhen and Shanghai Free Trade Zone, with 20 securities branches located in 18 cities including, among others, Beijing, Shanghai and Shenzhen, and has established the following subsidiaries including but not limited to: CICC Jiacheng, CICC Pucheng and CICC Fund Management. As the scope of business continues to expand, our Company has also actively ventured into overseas markets and has established subsidiaries in New York, Singapore and London in addition to Hong Kong, laying a solid foundation for our Company to become a China-based global investment bank.

After over 20 years of unremitting efforts, our Company has achieved remarkable progress in business development and transformed into an investment bank with an outstanding team, solid client base and excellent brand. Our Company was qualified as a member of the Shanghai Stock Exchange in 1996. Our Company obtained business qualification for entrusted investment management in 2002. Our Company obtained approval to become one of the first batch of sponsor institutions in 2004. In addition, our Company was designated by the NSSF as an investment manager in 2004, and was the first securities firm to obtain QDII qualification in 2007. CICC US Securities was licensed by the US Financial Industry Regulatory Authority and the US Securities and Exchange Commission in 2007; our Company was among the first batch of securities companies to obtain approval to commence private equity investment under the pilot scheme during the same year. CICC Singapore was licensed by the Monetary Authority of Singapore in 2008. In 2010, CICC UK was licensed by the UK Financial Services Authority. Our Company also obtained approval during the same year to provide introducing brokerage business to futures companies and conduct margin financing and securities lending business, and became a market maker in the national interbank bond market. In 2011, CICC Hong Kong was among the first batch of securities companies having obtained approval to commence RQFII business under pilot scheme, CICC HK Futures obtained a license to operate the futures business, and CICC UK was qualified as a member of the London Stock Exchange. In 2012, our Company obtained the business qualification for quotation and repurchase business of collateralized bonds and margin refinancing business qualification, and CICC HK Securities obtained the license for leveraged foreign exchange trading during the same year. In 2013, our Company obtained business qualification for over-the-counter derivatives, qualification for over-the-counter trading business, business qualification as witness in account opening, qualification for stock collateralized repurchase business and agency license for financial products. During the same year, CICC US Securities was qualified to operate its own research report issuance business, and CICC HK AM obtained QFII qualification. In February 2014, CICC Fund Management was established and CICC became the first domestic securities company which wholly owns a fund company. In 2015, our Company obtained several business qualifications such as qualifications for internet securities business, integrated custodian business for private funds and custodian business for securities investment funds. In 2016, the subsidiary of CICC Hong Kong obtained the qualification to be admitted to the national interbank bond market, and CICC HK Securities obtained qualification for the Shenzhen-Hong Kong Stock Connect. Our Company's business landscape was further improved.

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

Corporate Organization and Structure



Notes:

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

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

Major Honors Awarded in 2016

Since its incorporation in 1995, CICC has won honors and awards in events organized by domestic and foreign media: such as Best Investment Bank in China, Best Sales Service Team and Most Influential Research Institution by leveraging on its profound and professional knowledge in economies, industries, laws and regulations, and quality customer services. Below is a list of awards that we obtained in 2016:

Awards Sponsor: FinanceAsia

Country Awards 2016
– China
· Best Investment Bank
– Hong Kong-Chinese Financial Institutions
· Best Investment Bank

20th Anniversary Platinum Awards
– Best Domestic Investment Bank in China

Achievement Awards 2016
– Best Equity-linked Deal: China Overseas Holdings Limited's US$1.5 billion Exchangeable Bond

Awards Sponsor: Global Finance

Stars of China 2016
– Most Innovative Bank

Awards Sponsor: The Asset

Triple A Country Awards 2016
– China Region
· Best Corporate and Institutional Bank – Domestic
· Best Equity House

– Best Deals in China
· Best IPO: Shanghai Film Corporation's RMB908 million A-share IPO
· Best Cross-border M&A: Qingdao Haier's US$5.4 billion Acquisition of General Electric's Appliances Business
· Best Equity-linked: China Overseas Holdings Limited's US$1.5 billion bonds which can be exchanged into shares of China Overseas Land and Investment Limited
· Best Privatization: Privatization of Dalian Wanda Commercial Properties Co., Ltd.

Awards Sponsor: Institutional Investor

2016 All-China Research Team
– Leaders Board (Rank 1)

2016 All-China Sales Team
– Leaders Board (Rank 1)

Awards Sponsor: Asiamoney

Brokers Poll 2016
– China (A&B Shares)
· Overall Combined Research & Sales (Rank 1)
· Best Local Brokerage (Rank 1)
· Best for Overall Country Research (Rank 1)
· Best Overall Sales Services (Rank 1)
· Best Execution (Rank 1)
· Best in Sales Trading (Rank 1)
· Most Improved Brokerage over the Last 12 Months (Rank 2)
· Best for Events and/or Conferences (Rank 1)
· Best for Roadshows and Company Visits (Rank 1)
· Most Independent Research Brokerage (Rank 1)

– China (H-share, Red chips, P-chips)
· Best Local Brokerage (Rank 1)
· Best for Overall Country Research (Rank 1)
· Best Overall Sales Services (Rank 1)
· Best Execution (Rank 1)
· Best in Sales Trading (Rank 1)
· Most Improved Brokerage over the Last 12 Months (Rank 1)
· Best for Events and/or Conferences (Rank 1)
· Best for Roadshows and Company Visits (Rank 1)
· Most Independent Research Brokerage (Rank 1)

– Hong Kong (Local)
· Best Local Brokerage (Rank 2)
· Best for Overall Country Research (Rank 2)
· Best Overall Sales Services (Rank 2)
· Best Execution (Rank 1)
· Best in Sales Trading (Rank 3)
· Most Improved Brokerage over the Last 12 Months (Rank 2)
· Best for Events and/or Conferences (Rank 2)
· Best for Roadshows and Company Visits (Rank 1)
· Most Independent Research Brokerage (Rank 2)

– Hedge Fund Services (Asia)
- Best for Overall Services to Hedge Funds (Rank 2)
- Best for Client Service Coverage (Rank 3)
- Best Bespoke Research (Rank 1)
- Best Trading Execution – Cash (Rank 1)
- Best Trading Execution – Derivatives (Rank 2)

– Prime Broking (Asia)
- Best for Overall Services in Prime Broking (Rank 2)
- Best Product Innovation for Prime Broking (Rank 2)
- Best Pricing for Prime Broking(Rank 2)
- Best Risk Management Advisory (Rank 2)
- Best Client Service for Prime Broking (Rank 2)

China Deals and Investment Bank of the Year Awards 2016
– Best Investment Bank
– Best Securitization: China Construction Third Engineering Bureau Co., Ltd RMB3.015bn ABS

Awards Sponsor: IFR Asia

Country Awards 2016
– China Equity House
– RMB Bond: Global Logistic Properties' RMB1.5bn Three and Five-year Panda Bonds

Awards Sponsor: Thomson Reuters

Thomson Reuters Analyst Awards 2016 (Asia)
– Top Award-Winning Brokers (Rank 3)

The Macallan ALB Hong Kong Law Awards 2016
– Lewis Sanders Award Investment Banking In-House Team of the Year

Awards Sponsor: Securities Times

Best Investment Banks in China Awards 2016
– Best Full-Service Investment Bank
– Best M&A Investment Bank

Best Wealth Management Institution in China Awards 2016
– Best Wealth Management Brand
– Best Broker for Institutional Investor Services

Summary of Accounting Data and Financial Indicators

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

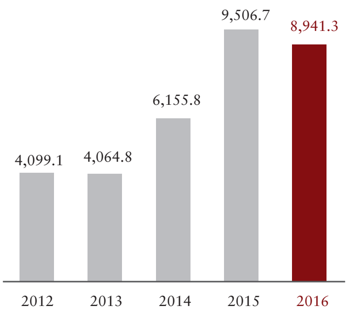
Items	2016	2015	Change year-on-year	2014	2013	2012
Operating results (RMB in million)						
Total revenue and other income	**8,941.3**	9,506.7	(5.9%)	6,155.8	4,064.8	4,099.1
Total expenses	**6,667.2**	6,989.8	(4.6%)	4,717.7	3,612.2	3,684.0
Profit before income tax	**2,329.7**	2,620.6	(11.1%)	1,505.9	501.5	457.3
Profit for the year – attributable to shareholders/equity holders of the Company and holders of other equity instruments	**1,820.3**	1,952.6	(6.8%)	1,118.5	370.1	370.7
Net cash (used in)/generated from operating activities	**(10,098.0)**	(5,226.6)	93.2%	1,042.1	(2,539.5)	956.3
Earnings per share (RMB/share)						
Basic and diluted earnings per share	**0.76**	1.12	(32.1%)	0.67	0.22	0.18
Profitability ratios						
Weighted average return on net assets	**10.7%**	20.4%	Decrease by 9.7 percentage points	15.1%	5.5%	4.8%

Items	December 31, 2016	December 31, 2015	Change year-on-year	December 31, 2014	December 31, 2013	December 31, 2012
Financial position (RMB in million)						
Total assets	**101,948.5**	94,108.8	8.3%	52,700.1	32,834.5	28,600.6
Total liabilities	**83,451.7**	77,666.8	7.4%	44,707.9	25,967.7	22,053.7
Total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments	**18,446.9**	16,442.0	12.2%	7,992.2	6,866.8	6,546.8
Accounts payable to brokerage clients	**17,392.4**	25,218.1	(31.0%)	15,054.3	5,706.2	7,816.5
Total share capital (in million shares)	**2,306.7**	2,306.7	–	1,667.5	1,667.5	1,667.5
Net assets per share attributable to shareholders/equity holders of our Company (RMB/share)	**7.6**	6.7	13.0%	4.8	4.1	3.9
Gearing ratio (%)	**78.1%**	76.1%	Increase by 2.0 percentage points	78.8%	74.7%	68.5%

Summary of Accounting Data and Financial Indicators

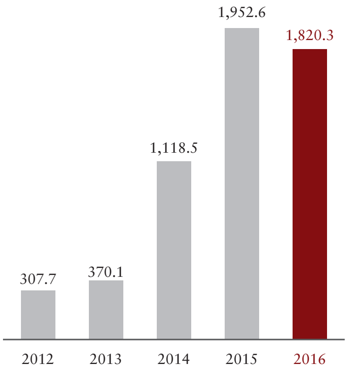
Total revenue and Income other

RMB in million

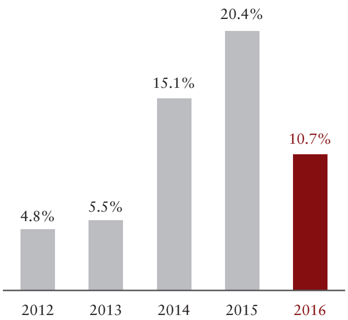


Profit for the year – attributable to shareholders/ equity holders of the Company and holders of other equity instruments

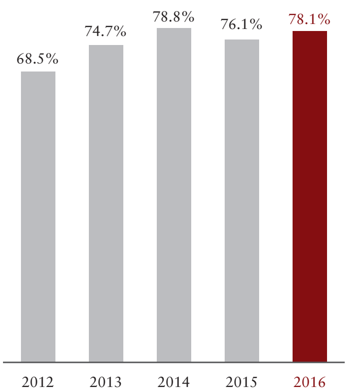
RMB in million



Weighted average return on net assets

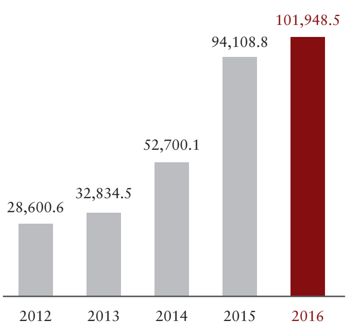


Gearing ratio



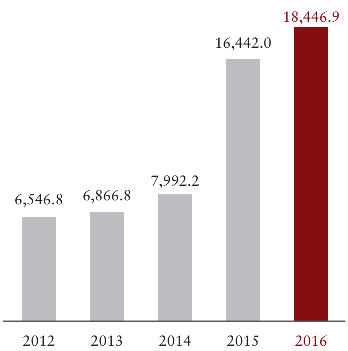
Total assets

RMB in million



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

RMB in million



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

In terms of our Company's net profits for 2016 and 2015 and the net assets as of December 31, 2016 and December 31, 2015, there's no difference between such data presented in the consolidated financial statements prepared in accordance with IFRSs and the consolidated financial statements prepared in accordance with the PRC Accounting Standards.

III. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As at December 31, 2016, the net capital of our Company was RMB14,164.2 million, representing an increase of 12.6% as compared to RMB12,578.1 million as at December 31, 2015. In 2016, our Company's net capital and other risk control indicators all met regulatory requirements.

Unit: RMB in million

Items	December 31, 2016	December 31, 2015
Net core capital	9,442.8	10,178.1
Net supplement capital	4,721.4	2,400.0
Net capital	14,164.2	12,578.1
Net assets	16,850.3	15,879.1
Total risk capital provision	9,775.0	3,971.7
Total on-balance and off-balance assets	63,965.7	47,497.5
Risk coverage ratio	144.9%	316.7%
Capital leverage ratio	14.8%	21.4%
Liquidity coverage ratio	227.3%	430.1%
Net stable funding ratio	130.3%	170.4%
Net capital/net assets	84.1%	79.2%
Net capital/liabilities	34.8%	43.1%
Net assets/liabilities	41.4%	54.4%
Equity securities and related derivatives held/net capital	46.9%	16.2%
Non-equity securities and related derivatives held/net capital	242.9%	185.7%

Note: CSRC announced a new version of the "Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies" on June 16, 2016, which was officially implemented on October 1, 2016. In order to ensure the comparability of data at the same period, the Company has recalculated each regulatory indicator at December 31, 2015 in accordance with the new calculation standards.

I. CORPORATE STRATEGIES AND OPERATIONS

Market Environment

China continued to reform and open up its financial sector in 2016. The government pushed forward the development of a multi-layer capital market system, and took measures to improve the financial industry's capability to serve the real economy efficiently. The prevention and control of systemic risks also received tremendous attention. Securities firms are expected to play a more important role in the development and modernization of China's financial system.

Direct financing: According to China's 13th Five-Year Plan, the country should expand the share of direct financing and lower its leverage ratio by developing a multi-layer equity market and improving its bond market. Despite stock market turmoil caused by circuit breakers in early 2016 and fluctuations in the bond market, non-financial companies still raised a total of RMB4.24 trillion via equity and bond issuance in the domestic market in 2016. This represents an RMB539.7 billion year-on-year increase and accounts for 23.8% of incremental total social financing in 2016. As the Chinese economy recovers from the trough, the amount of direct financing should keep rising over 2016~2020, and the size of China's capital market will continue to expand. Thus, the capital market will play a more significant role in financial resource allocation, improving the country's overall financing structure.

Wealth management: We see tremendous growth potential in financial services for household wealth management and investment. China plans to raise its urban/rural household income per capita by 100% over 2010~2020. Meanwhile, Chinese households' asset portfolio has much room for improvement since it focuses too much on illiquid assets like real estate, and the share of cash/bank deposits is too high among their financial assets. As China's asset management industry grows, Chinese people will allocate an increasing part of their wealth to financial assets, creating demand for a wide variety of financial products.

Economic transformation: China's economic transformation calls for support from the financial industry and creates opportunities for the securities market. The government plans to further reform state-owned enterprises by introducing efficient, flexible market-oriented operating mechanisms and corporate governance structures with effective checks and balances. Mixed ownership is a key reform goal and pilot state-owned capital investment companies are an important part of the reform program. In addition to progress in SOE reform, China is implementing an innovation-driven development strategy and hopes to find new growth engines by encouraging business startups and innovation among the general public.

Opening-up of financial sector: In addition to the official inclusion of the renminbi (RMB) into the SDR basket, China introduced in 2016 a full array of irreversible reform measures in its financial industry, such as further opening of capital markets (especially the bond market and foreign exchange market), improvements to the RMB exchange rate formation mechanism, and the development of China's Treasury bond yield curve. Furthermore, China launched the Shenzhen-Hong Kong Stock Connect Program and abolished its aggregate quota ceiling, improving the interconnection and accessibility of both markets. Although capital outflows and the depreciation pressures on the RMB forced China to temporarily tighten foreign exchange regulations on overseas M&A and direct investment by Chinese companies, we believe the tightening measures will eventually be relaxed when China's economic fundamentals improve and the depreciation pressure eases. Thus, the demand for and business volume of cross-border financial services are likely to grow substantially.

Industry Landscape

Strengthen regulation and maintain market stability: Despite fluctuations in the beginning of the year, the stock market was largely stable in 2016 and improvement was seen in a few areas. Policies since 2016 show that the regulatory authority has been emphasizing the core functions of financial service and the importance of compliance with laws and regulations. Regulators adopted both tightening and liberalization measures to ensure the healthy development of innovative business. Tightening actions include stricter regulatory check of M&A and restructuring deals, a reduction to the number of securities accounts allowed for each individual client, and the elimination of shady business in the asset management industry. Liberalization measures include accelerated review and approval of IPO applications, the implementation of a multi-tier structure in the NEEQ market, and the launch of the Shenzhen-Hong Kong Stock Connect Program, which has a larger pool of eligible stocks without any aggregate quota ceiling. In addition, the regulatory authority issued new *Administrative Measures for Risk Control Indicators of Securities Companies*. We believe these rules will make regulation more comprehensive and effective, and will help protect the long-term health of the securities industry.

Transformation into integrated financial service providers: As the value of securities business license declines due to accelerating relaxation of license control, more and more traditional trading-based securities firms are transforming themselves into integrated financial service providers. Attracting customers with low commission is no longer a competitive advantage in brokerage business since the mobile Internet provides a convenient way to open homogeneous low-commission accounts and trade through them. This increasingly forces securities firms to upgrade brokerage business into wealth management. The key to successful upgrade lies in the transformation of the traditional trading-based client relationship into a new type of relationship based on advisory, consultancy and mutual trust. Hence, securities firms' new competitive edge lies in client differentiation, service diversification, and accurate client relationship management. On the other hand, balance sheet business (e.g. margin trading/short selling and stock-pledged repo) is growing rapidly, and new entrants like banks and insurance companies pose a threat to securities firms since they enjoy a lower cost of funds. In response, securities firms will likely explore innovations in balance sheet business, and their unique business types (e.g. primary broker, derivatives and market making) will likely become new earnings growth engines.

Develop cross-border services and accelerate international expansion: Since 2015, an increasing number of securities firms in mainland China have become listed companies in the Hong Kong stock exchange. They injected capital into subsidiaries in Hong Kong and overseas markets to expand their international network, and strengthened the ties between their domestic and international business. Along with renminbi internationalization and capital market opening, domestic securities firms will further accelerate their international expansion to meet Chinese companies' demand for overseas financing and business development, as well as Chinese households' requirement for global wealth allocation and management.

Brick-and-mortar branches regain value and attention as competition intensifies in Internet finance: Internet finance has been growing in the securities industry through newly born Internet-based brokers, business expansion by traditional securities firms, and the strategic cooperation between traditional securities firms and Internet companies. However, the development of Internet finance is losing momentum in the securities industry and all market segments face intensifying competition. Although Internet finance eroded the brokerage commission, profit margin and market share of traditional securities firms, the soaring cost of online customer attraction has prompted securities firms to return to brick-and-mortar branches and provide high-margin differentiated services through them. Meanwhile, traditional securities firms also leverage on mobile Internet technologies to improve their customer relationship management and operating efficiency. From a medium/long-term perspective, the core competency of securities firms for client retention and business viability lies in the core functions of financial services, i.e. the ability of product design, innovation, and risk-pricing, while Internet finance serves as a useful tool for such functions.

Development Strategies

Our Company's strategic goal is to establish ourselves as a China-headquartered, internationally-renowned full service investment bank. In order to achieve this goal, our Company will bring forward all-round integration with CISC, further enhance our capacity of using the balance sheet to provide full-scope services to customers, promote product innovation, and forge ahead on our international strategies, to enhance CICC's competitiveness and influence in the market, and maximize corporate and shareholder value.

Business Plans

In order to achieve our Company's strategic goal, our work plan in 2017 is: to bring forward all-round integration with CISC, to mobilize firm-wide resources to promote product innovation and transformation of our wealth management business, to enhance our capacity of using the balance sheet to provide full-scope services to our customers, to leverage our cross-border strengths to accelerate the pace of internationalization, to speed up expansion of our investment management business to make it a sustainable source of revenue, to strengthen mid-and-back office functions to enhance their value as the Company's core competitiveness, to enhance our brand and franchise, and build an inclusive and cohesive corporate culture for win-win.

II. ANALYSIS OF PRINCIPAL BUSINESS

Investment Banking

Equity Financing

Market Environment

In 2016, the A-share primary market remained active. 252 A-share IPOs were completed, with an aggregate financing size of RMB163,356 million, recording a growth as compared to 2015. The refinancing size of the year amounted to approximately RMB1.11 trillion, representing an increase of 40% year on year.

In 2016, the Hong Kong stock market remained sluggish, as investors' willingness to participate cooled down. During the year, 49 IPOs by PRC-based companies were completed with an aggregate financing size of approximately US$23,718 million, representing a decrease of 24% year on year; in terms of Hong Kong refinancings and sell-downs of PRC-based stocks, 116 transactions were closed with an aggregate amount of approximately US$11,562 million, accounting for only about a quarter of that in 2015; IPOs, follow-on offerings and sell-downs in the Hong Kong primary market recorded a new low since the global financial crisis.

Actions and Achievements

In line with the market trends, our Company will continue to strengthen investment in emerging fields and emerging industries, while consolidating our traditional advantages in franchise deals. Meanwhile, the Company has made substantial progress in industries such as healthcare and TMT, leveraging our in-depth capital market knowhow and extensive industry research coverage. Benefiting from our extraordinary product capabilities in mainland China and Hong Kong markets, as well as strategic reshaping and strong pipeline in the past two years, our Company achieved rapid growth in both markets in 2016.

In 2016, our Company led a total of eleven A-share IPOs, with an aggregate lead underwriting amount of RMB12,853 million. With the number of transactions recording a new high, we ranked as No. 2 sponsor for A-share IPOs. During the year, our Company led eighteen A-share refinancing deals, with an aggregate lead underwriting amount of RMB38,848 million.

In 2016, our Company maintained a leading position in Hong Kong equity offerings of PRC-based companies. By completing the top three IPOs in Hong Kong, our competitive advantages in the Hong Kong equity financing market has been further solidified. In 2016, our Company sponsored a total of six IPOs with an aggregate lead underwriting amount of US$2,858 million, ranking No. 2 sponsor in Hong Kong. In the Singapore market, our investment banking business developed rapidly with three IPOs completed.

In terms of aggregate financing size acting as sponsor, our Company ranked No. 1 sponsor for global IPOs by PRC-based companies.

	2016		2015	
Item **A Shares**	**Lead underwriting amount (RMB in million)**	**Number of deals**	Lead underwriting amount (RMB in million)	Number of deals
IPOs	**12,853**	**11**	4,459	8
Follow-on offerings	**38,848**	**18**	23,947	10
Preferential shares	**10,750**	**2**	19,500	4

	2016		2015	
Item **Hong Kong equity offerings by PRC-based companies**	**Lead underwriting amount (USD in million)**	**Number of deals**	Lead underwriting amount (USD in million)	Number of deals
IPOs	**2,858**	**6**	4,249	8

Note: Data of Hong Kong IPOs by PRC-based companies include the underwriting amount and the number of transactions we sponsored

Outlook for 2017

In 2017, we will continue to enhance our brand influence and the ability to satisfy domestic and overseas financing needs of Chinese enterprises by providing full value chain services. We will accelerate the development efforts with regard to domestic equity deals, particularly to increase IPO pipeline concerning leading players in emerging industries. In the meantime, we will continue to expand our market share in refinancings deals by public companies.

Debt and Structured Financing

Market Environment

In 2016, the domestic bond market achieved steady growth and the primary market issuance recorded a new high. The total amount of domestic credit debt issuance reached approximately RMB10.9 trillion, representing an increase of 17% year on year. Chinese issuers also remained active in the offshore bond market, with a total issuance size of approximately US$134,327 million in 2016, representing a year-on-year increase of 15%. Domestic and overseas convertible bond issuance increased significantly. In 2016, the domestic and overseas issuance size of convertible bond was RMB88,681 million and US$4,704 million respectively, representing an increase of 154% and 21% year on year, respectively.

Actions and Achievements

In 2016, by further building our debt underwriting business team, CICC achieved significant growth in the underwriting of fixed income products, and closed a total of 132 transactions, with an aggregate underwritten amount of approximately RMB191,179 million, representing a year-on-year increase of over 80%. Among which, 110 were onshore transactions with a total underwritten size of about RMB167,772 million, and 22 were offshore transactions with a total underwritten size of about US$3,394 million.

In 2016, our Company's overseas bond underwriting business has made great progress, thanks to intensified efforts in capacity building, team expansion and business opportunity exploration. We ranked No. 1 among Chinese securities firms in terms of overseas G3 investment-grade bond offerings by PRC-based companies in 2016.

In the area of product innovation, CICC completed the GLP (普洛斯洛華) Panda Bond offering, which was the first credit debt issued by a foreign non-financial company in China. The RMB5,000 million green corporate bond offering of CECEP Group represented the first green corporate bond issuance by a centrally-owned group. China Jinmao's RMB4,001 million of asset-backed securitization was the first corporate ABS deal in the domestic market. Our Company continued to maintain our advantages in bond product innovation.

Outlook for 2017

In 2017, our Company will continue to capture market trends to enhance product innovation capacity, strengthen team building to maintain the rapid development momentum of overseas bond business, and fully capitalize on our domestic and overseas products and brand strengths to enhance the issuance size and market share in the domestic and overseas bond and structured financing markets.

Financial Advisory Services

Market Environment

In 2016, 5,309 mergers and acquisitions by PRC-based companies were announced with an aggregate amount of over US$696,016 million, representing a year-on-year growth of 3.7%. Amongst which, 4,098 were domestic acquisitions with a total amount of US$437,597 million, representing a year-on-year decrease of 17.2%; and 1,211 were cross-border acquisitions with a total amount of US$258,419 million, representing a year-on-year growth of 81.5%, recording a new historical high.

Actions and Achievements

In 2016, according to the league table of M&As by PRC-based companies published by Dealogic, our Company once again ranked as the top global financial advisor in terms of transaction amount (i.e US$130,300 million), and became the first investment bank that advised on over US$100 billion of mergers and acquisitions by PRC-based companies for two consecutive years. While capturing the historical opportunities brought by deepened reform in China, we further scaled up efforts in cross-border mergers and acquisitions by PRC-based companies by participating in several milestone transactions. The announced cross-border transactions advised by our Company for PRC-based companies amounted to US$69,836 million, representing a year-on-year growth of about 2,800%. The major transactions announced in 2016 include:

Projects	Scale	Highlights
ChemChina acquisition of Syngenta, the world's largest agrochemical producer	US$46,940 million	the largest ever overseas acquisition by a Chinese company, and the sixth largest acquisition globally in 2016
HNA Group acquisition of Ingram Micro, a US-based IT logistics company	US$6,009 million	the second largest acquisition by a Chinese company, the largest acquisition of a US IT firm, and the largest ever overseas acquisition by an A-share listed company in China ever
Haier Group acquisition of the electrical appliance division of GE	US$5,612 million	one of the largest cross-border acquisitions in China's home appliance industry, and one of the largest cross-border acquisitions by A-share listed companies in 2016
China Wanda Group acquisition of Legendary Entertainment, a Hollywood film production company	US$3,500 million	the largest acquisition by a Chinese company in the US film production industry and the largest ever cultural industry acquisition, by a Chinese company abroad
Wanda Commercial Properties privatization	HK$34,454 million	the largest ever H-share privatization, and the second largest privatization in the Hong Kong market

Our Company provided commitment facility to the acquirers in the Dongpeng Holdings H-share privatization and Wanda Commercial Properties H-share privatization projects, and explored a new model for consolidating the investment banking business and balance sheet-based credit business.

Outlook for 2017

In 2017, our Company will seize the historical opportunity arising from the ongoing SOE reform to further consolidate our leading position in major mergers and acquisitions of state-owned enterprises. We will scale up our efforts in developing business opportunities in major assets restructuring of public companies and continue to reinforce our advantages of cross-border M&A transactions of PRC-based companies.

Equities

Market Environment

In 2016, the A-share market was range-bound and fluctuated within a narrow range at a relatively low level, due to a number of factors including RMB exchange rate fluctuations, tightened market liquidity, and downward pressure on return on assets. Neither the asset prices nor the trading level, have shown extreme fluctuation. Throughout 2016, the trading volume of stocks and funds in the A-share market contracted significantly. The average daily turnover for the year stood at RMB567.1 billion, representing a year-on-year decrease of 48.7%. Meanwhile, the competition for brokerage commission in the industry intensified, and the average commission rate in 2016 continued to slide down to 3.8 bps, representing a year-on-year decrease of 24%. As at December 30, 2016, the Shanghai Composite Index closed at 3,103.64 points, representing a year-on-year decrease of 12.3%. The Shenzhen Stock Exchange Component Index closed at 10,177.14 points, representing a year-on-year decrease of 19.6%. The CSI 300 Index closed at 3,310.08 points, representing a year-on-year decrease of 11.3%.

During 2016, the Hong Kong stock market swang more sharply within a wide range of up to 6,058 points on growing global economic uncertainties. The overall return on stock investment declined. The average daily turnover in the Hong Kong stock market was HK$66.9 billion, representing a year-on-year decrease of 36.6%. Approaching the end of 2016, the market was boosted to a certain extent by the launch of Shenzhen-Hong Kong Stock Connect. As of December 30, 2016, the Hang Seng Index closed at 22,000.56 points, representing an increase of 0.4% year on year. The H-shares Index closed at 9,394.87 points, representing a decrease of 2.8% year on year. The HSCCI closed at 3,587.99 points, representing a decrease of 11.5% year on year.

Actions and Achievements

During 2016, we fully advanced the development strategy of "China roots, global reach" by sharpening our global, institutional and product focus. Leveraging our quality institutional client network, we further enhanced our global platform for asset allocation by capitalizing on our network in New York, London, Singapore, and Hong Kong. We achieved outstanding results in generating revenue, accelerating internationalization, implementing our Company's development strategies, as well as building an integrated platform and a professional team.

We successfully achieved business transformation and upgrade, with a more balanced revenue structure. We focused on both the domestic and overseas markets, as well as brokerage and product businesses, to further diversify our sources of revenue, and to increase the capacity of our professional team. During 2016, despite the fact that the turnover of A-shares and H-shares markets plummeted as compared to the previous year, our trading share of A-shares and H-shares grew tremendously against the market. In addition, we significantly outperformed the market and industry in Mainland China, while our revenue in the Hong Kong market reported a positive growth against market performance. Meanwhile, our A-share brokerage commission rate stood at 5.2 bps maintaining a significant premium to the market average level.

Our cross-border strengths were fully demonstrated. We further enhanced our international presence to provide the domestic and overseas investors with integrated global financial services and solutions including "investment, research, sales, trade, and products". In the overseas market, our Company established special segregated accounts (SPSA) for a number of global long funds, while we ranked top in the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect in terms of trading volume and account setups. In the domestic market, we covered the Hong Kong trading accounts for a majority of fund and insurance clients. According to the latest statistics from the stock exchange, our share of the trading volume of Hong Kong stocks by mutual fund and insurance institutions through south bound connect of Shanghai-Hong Kong Stock Connect exceeded 10%. The cross-border business, which involved collaboration between the domestic and overseas sales and product teams, became an important driver for revenue growth.

Product revenue increased significantly. Our Company intensified efforts to improve the products, personnel, and systems for the Equities business, as well as enhanced collaboration with the middle-and-back-office functions, to establish a strong product team. We constantly optimized the control process, along with risk and compliance management to build a unique product platform by combining local knowledge with international perspectives. In 2016, our Company was committed to product innovation and cross-selling. By utilizing our proprietary system and platform, our prime brokerage business realized a leapfrog development, as we attracted over RMB80 billion of client assets to run on our platform within one year. Our option derivatives business has become a new driver for revenue, while our overseas team continued to enrich the categories of trading products. As a result, our diverse products and services enabled clients to access to a variety of investments and assets in different markets, including Mainland China, Hong Kong, Taiwan, the US and so on, which demonstrated the strong development of momentum and revenue potential of our product team.

We further penetrated into our client network. By building a strong client ecosystem and an integrated platform, our Company maintained a comparatively large market share among core institutional clients. In the challenging A-share market during 2016, our Company managed to increase our trading share for mutual funds in the PRC market by about one percentage point. As at December 31, 2016, our Company continued to take the lead with 188 QFII/RQFII clients, accounting for over 40% of client coverage. By flexibly addressing the challenges and seizing opportunities during overseas market fluctuations, our Company steadily increased its trading share in the Hong Kong stock market, while proactively exploring trading opportunities in other markets, including the US, Taiwanese, Japanese stock exchanges and so on, to increase our wallet share in existing clients, and acquire new clients. Deeply rooted in the domestic and overseas secondary markets for many years, our Company accumulated a prestigious institutional client base, rendering strong sales for the primary market business. Our domestic and overseas projects under collaboration covered many areas, including IPOs, private placements, bond issuances, block trades, and M&A advisory and so on.

We have built an elite team comprising of multi-skilled talents. We enhanced the mobility of our people between teams, as well as maintaining effective communications between sales, trading, products, and supporting teams, with synergies effectively improved. Our Company has been granted the Award for the Best Sales & Trading Team for 11 consecutive years, and many of our sales people and traders were awarded personal prizes as well.

Outlook for 2017

In 2017, our Company will leverage our institutional products and international strengths, and continue to develop an integrated ecosystem with exchange and OTC clients, trades, as well as products in both domestic and overseas markets. At home, we will continue to expand client base, maintain market share, increase trading volume, and keep a premium commission rate. Abroad, we will further enrich our trading types, boost trading market share, and scale up influence over institutional clients in the New York, London, Singapore and Hong Kong markets. By continuing to encourage product innovation and unique services offering, our Company will seize the opportunities across capital and asset classes to generate revenue, increase our product and business scale, expand the overseas markets under coverage, and constantly enrich our portfolio of derivatives. In terms of cross-border business, our Company will continue to strengthen core competitive edges in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect business, to maintain and boost our trading volume and market share. We will continue to improve our product platform driven by innovation with sound risk management to assist Chinese investors in achieving global asset allocation through various forms, while providing overseas investors with products that cover multiple global markets including the PRC market.

FICC

Market Environment

In 2016, China's bond markets experienced significant fluctuations in both market yields and credit spreads. During the first half of 2016, depreciation in RMB exchange rate, volatilities in stock market, increases in demands from banks' wealth management arms, and the outbreaks of credit defaults in April and May, caused the yields and credit spreads to drop first before moving back up significantly. In the second half of 2016, the expectation for domestic economic downturn caused by the policy restrictions in the real estate sector, coupled with globally low rate environment following the Brexit, drove the market yields to a year-low level in the third quarter. The yields rebounded rapidly again, approaching the end of the year, with credit spreads significantly widened, as several factors, including the strengthening in global inflation expectation after the US elections and the domestic financial deleveraging, contributed to the change.

Actions and Achievements

In 2016, our Company forged ahead on the FICC platform building efforts and provided our clients with customized products and solutions in structured financing, investment and risk management. We built up our offshore bond distribution and syndicate team, allowing us to serve our clients in both onshore and offshore markets. Our Company continued to strengthen our distribution and trading capabilities, while making steady progress in building up our product structuring and client service platform for cross-border business. 2016 was a year of fierce market fluctuations on a global scale. In an environment with increased credit risks differentiation and unexpected events frequently making headlines, we further strengthened our risk management in FICC business, and achieved some returns when opportunities arise. CICC Futures was awarded "A" rating by CSRC in 2016.

Outlook for 2017

Our Company will continue to improve the FICC platform. We endeavour to deliver solid returns in trading activities while keeping risks well-managed. Our Company will continue to strengthen our structuring capabilities for all types of financial products, and forge ahead on product structuring and platform building in client services to enhance our cross-border capabilities.

Wealth Management

Market Environment

In 2016, the A shares and funds trading volume and industry revenue experienced a significant decline year on year. Meanwhile, the trend that residents' wealth allocation was shifting from bank deposits to financial assets remained unchanged. Financial services and products targeted to address the demand of high net worth individuals for asset management and wealth management will become the main driver for the development of the industry.

Actions and Achievements

Despite adverse market environment, our wealth managements' trading share in A-shares was raised by 8% year on year. Our client assets maintained fast growth, and we kept our position as a leading brand in the industry. By the end of 2016, the number of wealth management clients reached approximately 30,000, representing a year-on-year growth of 13%. The total assets in client accounts increased rapidly to approximately RMB618,836 million, representing a year-on-year increase of 55%. The assets per account exceeded RMB20 million.

In 2016, by intensifying efforts in growing fee-based business and building our teams, our Company effectively managed business risks due to the market downturn following the bullish market in 2015. Meanwhile, we continued to enhance our business management platform, with tangible progress in "product center" and "capital business", and upgraded and optimized our models. In 2016, our Company reported RMB15,667 million in sales of financial products through the wealth management platform, testifying to our industry leading product capabilities. We enjoyed more balanced revenue contributions from trading, capital, products, and other transactions than our industry peers, taking us a step closer to the revenue structure of those leading international wealth management institutions. In 2016, we were once again named by Securities Times as the "Best Wealth Management Brand in China".

In 2016, we brought forward our NEEQ business by focusing on quality more than quantity and managed to achieve a yield of over 25% despite adverse market conditions. Our internet finance business continued to grow. By the end of 2016, Golden Net's subscribers grew to approximately 89,300, representing a year-on-year increase of 27%.

In 2016, our Company officially ushered into family office business for ultra high net worth customers, striving to provide clients with more sophisticated premium services.

Item	December 31, 2016	December 31, 2015
Number of customers	**29,972**	26,541
Assets of customers (RMB in million)	**618,836**	399,026

Outlook for 2017

In 2017, we will further expedite the upgrade of our business support platform, enhance the product center and wealth asset management platforms, as well as explore the wealth research driven service models. By capitalizing on our leading platforms and fundamental trading capabilities, we will continue to maintain fast growth in the size of our client assets, and offer more sophisticated and specialized wealth management services. In 2017, we will proactively seek expansion opportunities for our wealth management business in the overseas market in multiple forms and continue to expand our brand influence, our overseas wealth management business scale and service capacities.

Investment Management

Asset Management

Market Environment

China's asset management sector is facing unprecedented opportunities. With steady economic growth, rapid household wealth accumulation, shift of bank assets to the capital market, investors' increasing sophistication, and continuing demand for diversification, the asset management business of securities firm grew in both depth and width. As at December 31, 2016, the total assets under management (AUM) by the domestic securities firms stood at RMB17.3 trillion (excluding the size of funds under private equity branches). Asset classes grew across the board and the "conduit" products, whose growth has slowed, still dominated. However, the regulators have increased the scrutinization on the industry, posing challenges and opportunities to market participants.

Actions and Achievements

Our Company focuses on active management. We offer innovative asset management products and solutions to domestic and overseas institutions and high-net-worth individuals. In 2016, we reported a significant increase in AUM with much more diversified product offerings, providing a sustainable source of revenue for our assets management business. While maintaining stable development in our corporate pension business, we made breakthroughs in winning mandates from asset management divisions of commercial banks. We have increased our fee business pool and diversified our client base.

As at December 31, 2016, our total AUM was RMB171,559 million, with a year-on-year increase of 60%. Of which, the AUM of collective asset management products, segregated asset management products (including NSSF and corporate annuities) and special asset management products stood at RMB13,124 million, RMB143,744 million and RMB14,691 million, respectively. We had 267 products under management, most of which were under active management.

	Assets Under Management (RMB in million)	
Type	**December 31, 2016**	December 31, 2015
Collective asset management products	**13,124**	7,556
Segregated asset management products	**143,744**	90,912
Special asset management products	**14,691**	8,533
Total	**171,559**	107,001

In terms of client mix, our Company's asset management business continued focusing on institutional clients, whereby achieving positive progress in the areas of the scale, revenue and client base of institutional business. As at December 31, 2016, our total AUM from institutional clients exceeded RMB160 billion, representing a significant growth year on year. Revenue derived from our institutional clients accounted for more than 90% of our total revenue.

Outlook for 2017

We aim to increase our AUM and market share in 2017. We will expand our traditional corporate pension business, and deepen our collaboration with commercial banks. We will continue to broaden our product offerings, making sure we focus on our clients' need and capture the market opportunities. We will build up our overseas team and significantly increase our cross border business.

By proactively capturing opportunities for business innovation and breakthrough in the future, we will devote to becoming a leading professional asset management institution with a global vision in the investment management market in China. We will continue to provide institutional investors and high net worth individuals with high-quality and innovative asset management products and services.

Mutual Fund

Market Environment

In 2016, affected by RMB depreciation and circuit breakers, the stock market witnessed a significant decline at the beginning of the year and subsequently suffered persistent weakness, corrections and volatilities. In April 2016, the bond market witnessed a significant correction. Approaching the end of the year, the Federal Reserve raised the interest rate, leading to higher expectation for RMB depreciation and inflation, plus tightened control over leverage, the bond market experienced another round of deep correction. In addition, new offerings of mutual funds remained low under an increasingly stringent regulatory and risk averse environment. Driven by strong capital outflow from banks' wealth management arms, however, the size of mutual funds hit a new record high. By the end of 2016, there were 3,867 mutual funds with RMB9.16 trillion of assets under management, representing a growth of 9.1% year on year.

Actions and Achievements

In 2016, amid the increasingly stringent regulatory and deleveraging environment, CICC Fund Management focused on the multi-class asset allocation of institutional clients. By offering a variety of financial products, we satisfied the customers' diverse investing and financing requirements, and further guided and created customer demand. By playing a dual role of asset manager and product supplier, we continued to enhance the active management and product innovation capabilities, while constantly building our core competitive strength. Currently, our Company has developed a comparatively full range of mutual fund products, which covered stocks, bonds, currencies, and quantitative, hybrid, and enhanced index products, which equipped our Company with capabilities to fully address the needs of various segregate accounts with multiple strategies, including quantitative, stock, hybrid and FoF strategies.

In 2016, the overall size of assets under management and advisory services of CICC Fund Management maintained the same level as 2015. As at December 31, 2016, CICC Fund Management reported RMB8,955 million of assets under management. CICC Fund Management's assets under management for the investment advisory business amounted to RMB7,307 million, with a year-on-year increase of 23.6%.

Outlook for 2017

In 2017, CICC Fund Management will proactively leverage the opportunities arising from the development of wealth management business to boost the size of assets under management; in addition, our Company will further enrich its product mix, strengthen product planning, and gradually establish a product platform to address the needs of investors, strengthen the talent cultivation and attraction, in particular for our investment research and syndicate teams; we will focus on risk control, and vigorously explore innovation and enhance our asset management research and capabilities to cope with contingencies.

Private Equity Investment

Market Environment

During 2016, the private equity market remained active in China with the total size of funds raised and invested remaining at a high level. According to the statistics of Zero2IPO Research Center, funds raised throughout the year amounted to RMB996 billion, representing a year-on-year growth of 76%. In terms of currency type, RMB-denominated funds accounted for 89%. In terms of fund type, growth-based funds accounted for 56%, representing the dominant force. The M&A funds grew from 13% to 22%, becoming the fastest grower. In terms of fund investments, invested funds amounted to RMB601.4 billion, representing a year-on-year growth of 56%, among which, internet, finance, real estate, biotechnology/medical and healthcare services, and telecommunication sectors have received the majority of investment. In terms of exit of investments, a large number of enterprises chose to get listed on the NEEQ. Along with the acceleration of IPO approval process during the second half of the year, the number and size of IPO exit deals also increased to a certain extent.

Actions and Achievements

As at the end of 2016, the total size of funds managed by CICC Jiacheng, a wholly owned subsidiary of our Company, amounted to RMB19,646 million. During the year, our Company initiated the fund raising for CICC Jiatai II with a total expected proceeds of RMB6 billion to RMB8 billion. Currently, the first closing of the fundraising has been completed. Following a successful completion of investments in US dollar funds and RMB funds in 2015, our focus shifted from investments to post-investment management and investment exits. Despite the volatilities in the A-share market and the Hong Kong capital markets in 2016, CICC Jiacheng continued to capture market opportunities by completing wholly or partial exit of five projects, bringing decent returns to investors.

In 2016, the US and European Fund of Fund business of our Company demonstrated steady progress in investment. The investment performance and cash distribution percentage for our US and European Private Equity Fund I continued to rank among the top 25% of the American and European PE funds. The performance of our US and European Private Equity Fund II and Credit Opportunities Fund I was in line with expectation. As at December 31, 2016, the size of assets under management for our US and European Fund of Fund amounted to approximately RMB11,051 million, representing a year-on-year increase of 9.8%.

In 2016, CICC Zhide, a wholly owned subsidiary of our Company, was vigorously engaged in innovation, while maintaining stable business operations. By utilizing the platform resources from CICC, CICC Zhide expanded its size of assets under management and focused on high-quality investment targets and pursued sound returns. The private equity fund managed by CICC Zhide invested in 14 new projects in 2016 with a total investment amount of RMB9,641 million. The invested industries covered medical and healthcare services, new finance, consumer goods, high-end manufacturing, cultural and entertainment and new energy vehicles sectors. During 2016, CICC Zhide completed the first settlement of the RMB-denominated fund with an investment strategy focusing on "merger and acquisition, restructuring, and reform of SOEs", the size of which exceeded RMB7 billion. Subsequently, the fund will continue fundraising, with its total size expected to exceed RMB10 billion. In addition, CICC Zhide completed the fundraising and investment of a RMB-denominated fund with an investment strategy focusing on strategic emerging industries, the size of which was RMB513 million. As at December 31, 2016, the size of assets managed by CICC Zhide amounted to RMB20,689 million.

In October 2016, our Company established CICC Genesis Fund Management Co., Ltd., which, jointly with the National Development and Reform Commission, the Ministry of Finance, and social fund contributors, established the CICC Genesis National Emerging Industry Fund of Fund ("CICC Genesis National FoF") with a total size of RMB40 billion. The CICC Genesis National FoF is the first national fund of fund in the domestic market to focus on venture capital and direct investments for emerging industries. By participating in venture capital funds and direct equity investments, the CICC Genesis National FoF aims to assist startups, innovations and industrial upgrades, which will enhance the overall development and core competitive strength of the emerging industries in China. The establishment of this CICC Genesis National FoF represents our Company's successful expansion from private equity to fund of funds and strategic emerging industries. As at December 31, 2016, the CICC Genesis National FoF has been fully-funded and registered with the relevant industry and commerce authorities, and has built up a strong pipeline of premium sub-funds and private equity projects, therefore officially entering the stage of investment operations.

Outlook for 2017

Looking into 2017, we anticipate that the government will continue bolstering support for innovation-based and high-growth enterprises as the "supply-side" reform will continue advancing forward with positive outcomes. Meanwhile, it is expected that residents' consumption will continue to grow, enabling China to transform into a consumption-driven economy, providing opportunities to the relevant enterprises. Our private equity business will keep keen on the changes of the economy and the relevant sectors to roll out investments under CICC Jiatai Fund II. For funds that have completed investments, our Company will continue to strengthen portfolio management, build diversified exit channels, to enhance the returns on investments.

In 2017, our Company plans to complete the current investments by fully committing its US and European private equity funds, raise its Credit Opportunities Fund II and Private Equity Fund III, and issue other overseas alternative investment products that cater to the investors' needs. By fully utilizing our team's strength and capabilities, we will continue our commitment to providing our investors with considerable investment returns and premier services.

As China has become the second largest merger and acquisition market worldwide and a new round of SOE reforms has been carried out, our Company will continue to focus on merger, acquisition, and restructuring to jointly promote industrial consolidation, transformation and upgrades with industrial investors, and support the international merger and acquisition activities of enterprises. Through funds for emerging industries, our Company will more actively participate in the development of China's new economy represented by strategic emerging sectors through our emerging industry funds.

As the "entrepreneurship and innovation by all" campaign goes deeper, and RMB-denominated venture capital funds rise rapidly, our Company will pivot on the CICC Genesis National FoF, while steadily promoting venture capital and private equity investments. In doing so, our Company will further improve our investment ecosystem and fund products portfolio, which in return will satisfy our clients' diverse needs for asset allocation.

Research

The Research Department covers global markets and provides services to clients both at home and abroad through CICC's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy and market strategy to asset allocation, equities, commodities, and derivatives. As of December 31, 2016, CICC Research employed a high-caliber team of more than 100 experienced professionals, and covered more than 40 sectors as well as over 1,000 stocks listed in mainland China, Hong Kong, New York and Singapore.

CICC Research has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. In 2016, we published more than 10,000 reports in both English and Chinese. On the back of our numerous sector and company reports, we assembled a series of in-depth thematic reports, such as *Supply-side Reform*, *Biological Innovation*, *A Panorama of China's Real Estate Market*, *New Trends in China's Consumption Upgrade*, and *Trump Impact*. These research products showcase our profound understanding of China. Our competitive edges in both quality and quantity have earned us the reputation as the "China Expert".

CICC Research continued to win awards from prominent international institutions in 2016. These include the "No.1 Overall Country Research for China" in the *Asiamoney Brokers Poll*, marking the 11th consecutive year of our championship in this poll since 2006. We were also named the "No. 1 All-China Research Team" by *Institutional Investor* for five consecutive years from 2012 to 2016.

III. ANALYSIS OF FINANCIAL STATEMENTS

(i) Profitability Analysis of the Company

During 2016, affected by significant contraction in the trading volumes of stocks and funds in the market, as well as a volatile bond market, the Group's operating revenue and net profit reported a slight decline year on year. However, benefiting from its strategy of steady development and sound business deployment, the Group significantly outperformed the market. Our investment banking business continued to take the lead in the market, and our equities business completed its transformation and upgrading as a comprehensive financial service platform. In addition, our FICC segment stayed profitable despite a challenging market conditions. Our wealth management business and investment management business achieved significant progress in platform construction with a substantial growth in the scale of assets under management.

In 2016, the Group realized total revenue and other income of RMB8,941.3 million, representing a year-on-year decrease of 5.9%; the Group realized net profits attributable to shareholders and holders of other equity instruments of the Company of RMB1,820.3 million, representing a year-on-year decrease of 6.8%; the Group realized earnings per share of RMB0.76, representing a year-on-year decrease of 32.1% and the weighted average return on net assets amounted to 10.7%, representing a year-on-year decrease of 9.7 percentage points.

(ii) Asset Structure and Quality

As at the end of 2016, total assets of the Group amounted to RMB101,948.5 million, representing an increase of 8.3% from RMB94,108.8 million as at the end of 2015; total liabilities amounted to RMB83,451.7 million, representing an increase of 7.4% from RMB77,666.8 million as at the end of 2015; equity attributable to shareholders and holders of other equity instruments of our Company amounted to RMB18,446.9 million, representing an increase of 12.2% from RMB16,442.0 million as at the end of 2015. After deduction of accounts payable to brokerage clients of RMB17,392.4 million, the Group's adjusted total assets and adjusted total liabilities amounted to RMB84,556.1 million and RMB66,059.4 million, respectively. Gearing ratio was 78.1%, representing an increase of 2.0 percentage points as compared with 76.1% as at the end of 2015. Operating leverage ratio was 4.6 times, representing an increase of 9.4% as compared with 4.2 times as at the end of 2015.

As of December 31, 2016, the Group's financial assets at fair value through profit or loss and derivative financial assets totalled RMB56,876.8 million, accounting for 55.8% of the total assets; cash and bank balances and cash held on behalf of brokerage clients amounted to RMB27,222.0 million, accounting for 26.7% of the total assets; receivable from margin clients and financial assets held under resale agreements totaled RMB6,984.7 million, accounting for 6.9% of the total assets; investments in associates and joint ventures and available-for-sale financial assets totaled RMB1,593.6 million, accounting for 1.6% of the total assets; other assets amounted to RMB9,271.3 million, accounting for 9.1% of the total assets.

As of December 31, 2016, most of the Group's liabilities were current liabilities, among which accounts payable to brokerage clients amounted to RMB17,392.4 million, accounting for 20.8% of the total liabilities; financial assets sold under repurchase agreements amounted to RMB5,478.5 million, accounting for 6.6% of the total liabilities; short-term placements from financial institutions and short-term debt securities issued amounted to RMB6,178.1 million, accounting for 7.4% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB11,419.0 million, accounting for 13.7% of the total liabilities; long-term liabilities including subordinated bonds amounted to RMB18,948.5 million, accounting for 22.7% of the total liabilities; other liabilities amounted to RMB24,035.3 million, accounting for 28.8% of the total liabilities.

(iii) Cash Flows

In 2016, excluding the change in accounts payable to brokerage clients, net increase in cash and cash equivalents of the Group amounted to RMB1,480.8 million, a decrease of RMB2,888.4 million year on year.

Net cash used in operating activities amounted to RMB10,098.0 million in 2016, an increase of outflow of RMB4,871.4 million compared to net cash outflow of RMB5,226.6 million in 2015, mainly due to the increase in hedge positions for OTC derivatives trading business.

Net cash generated from investing activities in 2016 amounted to RMB75.4 million, while net cash outflow amounted to RMB764.1 million in 2015, mainly due to the increase in cash inflow arising from exiting of investments.

Net cash generated from financing activities in 2016 amounted to RMB11,503.4 million, representing an increase of net cash inflow of RMB1,143.4 million compared to net cash inflow of RMB10,360.0 million in 2015, mainly due to the increase in cash inflow arising from issuance of debt instruments.

(iv) Financing Channels and Capability

Our Company constantly broadens its financing channels to optimize the debts and liabilities structures. The financing instruments of our Company includes perpetual subordinated bonds, subordinated bonds, corporate bonds, syndication loans, short-term commercial papers, beneficiary certificates, inter-bank borrowings, and financial assets sold under repurchase agreements (REPOs).

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

(v) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss and Other Comprehensive Income

Summary Results of Operations

In 2016, the Group realized profit after tax of RMB1,840.1 million, representing a year-on-year decrease of 5.8%, and the main results of operations of the Group are listed as follows:

Unit: RMB in million

Item	2016	2015	Change	% of change
Revenue				
Fee and commission income	**6,070.7**	6,587.8	(517.1)	(7.8%)
Interest income	**983.6**	1,020.5	(36.9)	(3.6%)
Investment income	**1,704.1**	1,853.3	(149.2)	(8.1%)
Total revenue	**8,758.4**	9,461.7	(703.3)	(7.4%)
Other income	**182.9**	45.0	137.9	306.3%
Total revenue and other income	**8,941.3**	9,506.7	(565.3)	(5.9%)
Total expenses	**6,667.2**	6,989.8	(322.5)	(4.6%)
Share of profits of associates and joint ventures	**55.6**	103.7	(48.1)	(46.4%)
Profit before income tax	**2,329.7**	2,620.6	(290.9)	(11.1%)
Income tax expense	**489.6**	667.9	(178.3)	(26.7%)
Profit for the year	**1,840.1**	1,952.6	(112.6)	(5.8%)
Attributable to:				
Shareholders of the Company and holders of other equity instruments	**1,820.3**	1,952.6	(132.4)	(6.8%)

Revenue Breakdown

In 2016, the Group's total revenue and other income decreased by 5.9% to RMB8,941.3 million compared to the previous year. Among others, fee and commission income accounted for 67.9%, representing a decrease of 1.4 percentage points year on year; interest income took up 11.0%, representing an increase of 0.3 percentage points year on year; investment income accounted for 19.1%, representing a decrease of 0.4 percentage points year on year. Breakdown of the Group's revenue for the last two years is listed as follows:

Item	2016	2015	Change
Fee and commission income	**67.9%**	69.3%	Decrease by 1.4 percentage points
Interest income	**11.0%**	10.7%	Increase by 0.3 percentage points
Investment income	**19.1%**	19.5%	Decrease by 0.4 percentage points
Other income	**2.0%**	0.5%	Increase by 1.6 percentage points
Total	**100.0%**	100.0%	

Benefiting from the sound operating strategy and balanced business structure, the Company maintained a stable income level under the background of unfavorable market fluctuation in 2016, and achieved investment return above industry average for the shareholders.

Fee and Commission Income and Expenses

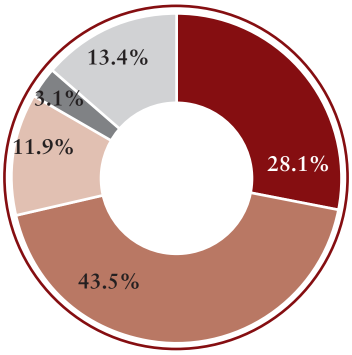
In 2016, the Group realized a net fee and commission income of RMB5,739.3 million, representing a decrease of 7.0% year on year. Breakdown of the Group's net fee and commission income in 2016 is listed as follows:

Unit: RMB in million

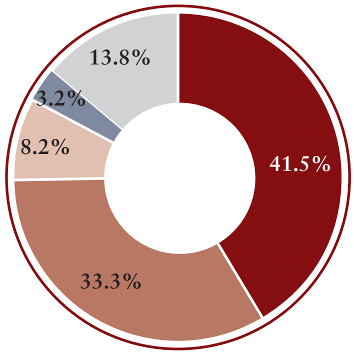
Item	2016	2015	Change	% of change
Fee and commission income				
Brokerage commission income	**1,707.5**	2,734.1	(1,026.6)	(37.5%)
Underwriting and sponsoring fees	**2,639.3**	2,196.6	442.7	20.2%
Financial advisory fees	**719.1**	537.5	181.5	33.8%
Investment advisory fees	**188.4**	210.7	(22.3)	(10.6%)
Asset management fees	**816.4**	908.9	(92.5)	(10.2%)
Total fee and commission income	**6,070.7**	6,587.8	(517.1)	(7.8%)
Fee and commission expenses	**331.4**	419.6	(88.1)	(21.0%)
Net fee and commission income	**5,739.3**	6,168.3	(429.0)	(7.0%)

The charts below set forth the breakdown of the Group's fee and commission income in 2016 and 2015:

Breakdown of fee and commission income in 2016



Breakdown of fee and commission income in 2015



- Brokerage commission income
- Underwriting and sponsoring fees
- Financial advisory fees
- Investment advisory fees
- Asset management fees

Brokerage commission income decreased by RMB1,026.6 million or 37.5% year on year, mainly due to the significant decrease in trading volume over 2015, in particular, the average daily trading volume of stocks and funds in A-share market fell by 48.7% and the average daily trading volume of Hong Kong stocks fell by 36.6% year on year.

Underwriting and sponsoring fees increased by RMB442.7 million or 20.2% year on year, mainly due to the increase in A share and Hong Kong equity financing business over 2015.

Financial advisory fees increased by RMB181.5 million or 33.8% year on year, mainly due to the increase in income of M&A projects and NEEQ projects over 2015.

Investment advisory fees decreased by RMB22.3 million or 10.6% year on year, primarily because the decline in capital market activities over 2015.

Asset management fees decreased by RMB92.5 million or 10.2% year on year, mainly due to the decrease in performance incentives earned from asset management business caused by the decline in yield of capital market over 2015.

Interest Income and expenses

In 2016, the Group incurred a net interest expenses of RMB305.4 million, representing an increase of 311.2% year on year. Breakdown of the Group's net interest expense in 2016 is listed as follows:

Unit: RMB in million

Item	2016	2015	Change	% of change
Interest income	**983.6**	1,020.5	(36.9)	(3.6%)
Interest income from financial institutions	**533.8**	569.2	(35.4)	(6.2%)
Interest income from margin financing and securities lending	**300.7**	381.0	(80.3)	(21.1%)
Interest income from financial assets held under resale agreements	**140.9**	68.0	72.9	107.2%
Others	**8.2**	2.3	5.9	257.4%
Interest expenses	**1,289.0**	1,094.8	194.2	17.7%
Interest expenses of accounts payable to brokerage clients	**120.6**	172.6	(52.0)	(30.1%)
Interest expenses on financial assets sold under repurchase agreements	**362.9**	345.5	17.4	5.0%
Interest expenses on placements from financial institutions	**189.9**	117.5	72.4	61.6%
Interest expenses on syndication loan	**57.6**	20.2	37.4	185.5%
Interest expenses on debt instruments issued	**518.5**	417.9	100.6	24.1%
Others	**39.6**	21.1	18.5	87.5%
Net interest expenses	**(305.4)**	(74.3)	(231.2)	311.2%

Interest income from financial institutions decreased by RMB35.4 million or 6.2% year on year, mainly due to the decrease in average balance of cash held on behalf of brokerage client.

Interest income from margin financing and securities lending decreased by RMB80.3 million or 21.1% year on year, mainly due to relative depressed domestic stock market, lower demand for and shrink in the average scale of margin financing and securities lending.

Interest income from financial assets held under resale agreements increased by RMB72.9 million or 107.2% year on year, mainly due to the increase in interest income from collateralized stock repurchase business of RMB68.6 million from RMB65.7 million in 2015 to RMB134.3 million.

Interest expenses increased by RMB194.2 million or 17.7% year on year, mainly due to the increase in debt financing. In 2016, the Group issued various debt securities such as beneficiary certificates, subordinated bonds, corporate bonds and USD-denominated medium-term notes to meet business needs and regulatory requirements, which increased the Group's interest expenses.

Investment Income

In 2016, the Group recognized an investment income of RMB1,704.1 million, representing a year-on-year decrease of 8.1%. Breakdown of the Group's investment income in 2016 is listed as follows:

Unit: RMB in million

	2016	2015	Change	% of change
Investment income				
Net gains from disposal of available-for-sale financial assets	**41.3**	104.2	(63.0)	(60.4%)
Dividend income from available-for-sale financial assets	**174.2**	12.9	161.4	1,253.2%
Net gains from financial instruments at fair value through profit or loss				
– Equity investments	**760.2**	2,356.5	(1,596.3)	(67.7%)
– Debt investments	**651.7**	870.3	(218.6)	(25.1%)
– Funds and other investments	**214.2**	99.3	114.9	115.7%
Net losses from derivative financial instruments	**(179.3)**	(1,589.9)	1,410.6	(88.7%)
Gains from disposal of associates and joint ventures	**41.8**	–	41.8	N/A
Total	**1,704.1**	1,853.3	(149.2)	(8.1%)

Net gains from disposal of available-for-sale financial assets decreased by RMB63.0 million or 60.4% year on year, mainly due to the decrease in exit of investment projects during the year.

Dividend income from available-for-sale financial assets increased by RMB161.4 million year on year, mainly due to the increase in dividend income from the equity investment held during the year.

Net gains from financial instruments at fair value through profit or loss were generated from the following categories of investments:

– Net gains generated from equity investments represented a year-on-year decrease by RMB1,596.3 million, mainly due to the significant drop in stock prices in the market in 2016 over 2015, resulting in significant decrease in investment income generated from hedging equity positions held for OTC derivative transactions. The Group enters into OTC derivative transaction agreements to meet its clients' needs whereby the clients assume the risk in the volatility in the fair value of most of the underlying assets while the Group receives fixed income under the OTC derivative transaction agreements and holds a hedge position to mitigate market risk.

– Net gains from debt investments represented a year-on-year decrease by RMB218.6 million, mainly due to the substantial increase of bond yields of various bonds because of the fluctuation in the domestic bond market in 2016, while our position in debt securities remain stable, and as a result, the gains from debt securities for the year is lower than that of the corresponding period in 2015.

– Net gains from funds and other investments represented a year-on-year increase by RMB114.9 million, mainly due to that the Group gradually reduced its position in currency fund in 2016, and allocated the funds to fixed income products. As the gains of fixed income product were higher than that of currency fund, gains from funds and other investments surged during the year.

For detailed information of the financial assets at fair value through profit or loss held by the Group at the end of 2016, please refer to "– (vi) Analysis of Items in Statement of Financial Position – 1. Items of Assets – Investment – Financial assets at fair value through profit or loss".

Net losses from derivative financial instruments decreased from net losses of RMB1,589.9 million in 2015 to RMB179.3 million, mainly due to the decrease in loss from OTC derivative business in 2016. Correspondingly, net income from hedge positions in the financial instruments at fair value through profit or loss decreased in 2016.

Gains from disposal of associates and joint ventures were RMB41.8 million, which were all payments received by the Group due to its exit from the equity investments.

Operating Expenses

In 2016, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB5,046.8 million, representing a year-on-year decrease of 7.8%. Main compositions of the Group's operating expenses in 2016 are listed as follows:

Unit: RMB in million

Item	2016	2015	Change	% of change
Operating expenses				
Staff costs	**3,690.0**	4,051.0	(361.0)	(8.9%)
Depreciation and amortization expenses	**72.5**	51.1	21.4	41.9%
Tax and surcharges	**106.2**	406.3	(300.0)	(73.9%)
Other operating expenses	**1,136.5**	963.7	172.8	17.9%
Provision for impairment losses	**41.5**	3.4	38.2	1,130.4%
Total	**5,046.8**	5,475.4	(428.6)	(7.8%)

Staff costs decreased by RMB361.0 million or 8.9% year on year, mainly due to the lower level of staff compensation in line with the decrease in income during the year as compared to last year.

Depreciation and amortization expenses increased by RMB21.4 million or 41.9% year on year, mainly due to the additions of office equipment that result in an increase in depreciation and amortization expenses.

Tax and surcharges decreased by RMB300.0 million or 73.9% year on year, mainly due to the significant decrease in business tax recognized in profit or loss for the period after the reform of value-added tax ("VAT"). VAT is an off-price tax and therefore is not included in tax and surcharges of the period.

Other operating expenses increased by RMB172.8 million or 17.9% year on year, mainly due to: 1) the increase of RMB48.7 million over 2015 arising from the change in calculation of the handicapped employment security fund; 2) the decrease in exchange gains of RMB38.0 million in 2016 over 2015 due to the lower level of assets denominated in foreign currency after the IPO proceeds were converted into RMB; and 3) the increase in travelling expenses of RMB37.7 million over the same period of 2015.

Provision for impairment losses increased by RMB38.2 million or 1,130.4% year on year, mainly due to 1) provision for impairment losses against accounts receivable of RMB11.6 million as compared to reversal of impairment losses of RMB8.1 million for the same period of 2015; and 2) a year-on-year increase of RMB18.5 million in impairment losses against receivable from margin clients and financial assets held under resale agreements ("reverse REPOs").

2. Segment Results

We have five principal business segments: investment banking, equities, FICC, wealth management and investment management. The others segment mainly comprises of other business departments and back offices.

Unit: RMB in million

	2016	2015	**Change**	**% of change**
Investment Banking				
Segment revenue and other income				
Fee and commission income	**2,772.7**	2,317.6	455.1	19.6%
Interest income	**5.2**	2.5	2.7	110.3%
Investment income	**129.1**	11.3	117.9	1,047.5%
Other income	**76.2**	0.4	75.8	20,494.5%
Total	**2,983.2**	2,331.7	651.5	27.9%
Segment expenses	**(1,598.3)**	(1,335.4)	(262.9)	19.7%
Profit before income tax	**1,384.9**	996.3	388.6	39.0%
Segment margin[1]	**46.4%**	42.7%	Increase by 3.7 percentage points	

	2016	2015	Change	% of change
Equities				
Segment revenue and other income				
Fee and commission income	**1,395.9**	2,125.5	(729.7)	(34.3%)
Interest income	**286.9**	290.1	(3.2)	(1.1%)
Investment income	**534.1**	219.0	315.2	143.9%
Other income	**13.2**	4.1	9.2	226.0%
Total	**2,230.1**	2,638.7	(408.5)	(15.5%)
Segment expenses	**(986.3)**	(1,108.5)	122.1	(11.0%)
Profit before income tax	**1,243.8**	1,530.2	(286.4)	(18.7%)
Segment margin[1]	**55.8%**	58.0%	Decrease by 2.2 percentage points	
FICC				
Segment revenue and other income				
Fee and commission income	**363.9**	130.1	233.9	179.8%
Interest income	**105.2**	40.5	64.7	159.9%
Investment income	**543.1**	1,428.3	(885.1)	(62.0%)
Other income	**26.9**	8.2	18.7	227.4%
Total	**1,039.1**	1,607.0	(567.9)	(35.3%)
Segment expenses	**(1,030.2)**	(754.9)	(275.3)	36.5%
Profit before income tax	**8.9**	852.1	(843.2)	(99.0%)
Segment margin[1]	**0.9%**	53.0%	Decrease by 52.2 percentage points	

	2016	2015	Change	% of change
Wealth Management				
Segment revenue and other income				
Fee and commission income	**735.0**	1,049.6	(314.6)	(30.0%)
Interest income	**446.1**	542.0	(95.9)	(17.7%)
Investment income	**183.7**	90.7	92.9	102.4%
Other income	**28.6**	14.5	14.1	97.7%
Total	**1,393.4**	1,696.8	(303.4)	(17.9%)
Segment expenses	**(1,005.0)**	(1,081.7)	76.6	(7.1%)
Profit before income tax	**388.3**	615.1	(226.8)	(36.9%)
Segment margin(1)	**27.9%**	36.3%	Decrease by 8.4 percentage points	
Investment Management				
Segment revenue and other income				
Fee and commission income	**803.1**	964.9	(161.7)	(16.8%)
Interest income	**14.1**	10.2	4.0	38.8%
Investment income	**255.8**	97.9	157.9	161.2%
Other income	**0.5**	10.1	(9.7)	(95.3%)
Total	**1,073.5**	1,083.1	(9.6)	(0.9%)
Segment expenses	**(720.6)**	(723.4)	2.8	(0.4%)
Share of profits of associates and joint ventures	**35.3**	82.1	(46.8)	(57.0%)
Profit before income tax	**388.2**	441.8	(53.5)	(12.1%)
Segment margin(1)	**36.2%**	40.8%	Decrease by 4.6 percentage points	

	2016	2015	Change	% of change
Others(2)				
Segment revenue and other income				
Fee and commission income	**0.0**	0.2	(0.1)	(83.3%)
Interest income	**126.0**	135.3	(9.2)	(6.8%)
Investment income	**58.3**	6.2	52.1	841.4%
Other income	**37.6**	7.8	29.8	382.6%
Total	**221.9**	149.4	72.5	48.6%
Segment expenses	**(1,326.8)**	(1,985.9)	659.2	(33.2%)
Share of profits of associates and joint ventures	**20.3**	21.6	(1.3)	(6.2%)
Loss before income tax	**(1,084.6)**	(1,814.9)	730.4	(40.2%)

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

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

(vi) Analysis of Items in Statement of Financial Position

1. Items of Assets

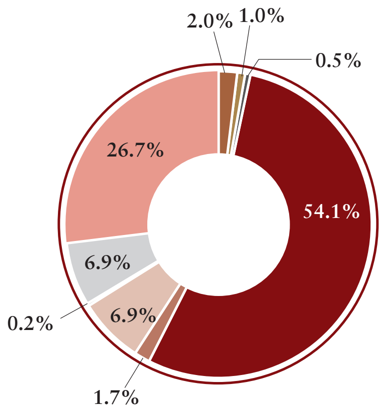
As of December 31, 2016, the total assets of the Group amounted to RMB101,948.5 million, representing a year-on-year increase of 8.3%. Excluding accounts payable to brokerage clients, the total assets of the Group as at December 31, 2016 amounted to RMB84,556.1 million, representing a year-on-year increase of 22.7%. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

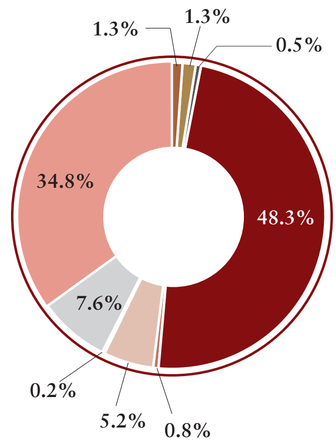
Item	December 31, 2016	December 31, 2015	Change	% of change
Available-for-sale financial assets	**1,043.1**	1,199.4	(156.3)	(13.0%)
Interest in associates and joint ventures	**550.5**	452.6	97.9	21.6%
Financial assets at fair value through profit or loss	**55,154.8**	45,459.3	9,695.6	21.3%
Derivative financial assets	**1,722.0**	736.2	985.8	133.9%
Receivable from margin clients and reverse REPOs	**6,984.7**	4,853.0	2,131.7	43.9%
Property and equipment and intangible assets	**209.1**	167.8	41.3	24.6%
Accounts receivable and interest receivable	**7,062.0**	7,152.4	(90.3)	(1.3%)
Cash held on behalf of brokerage clients	**16,717.4**	24,301.4	(7,584.0)	(31.2%)
Cash and bank balances	**10,504.6**	8,434.1	2,070.5	24.5%
Others	**2,000.2**	1,352.6	647.6	47.9%
Total	**101,948.5**	94,108.8	7,839.7	8.3%

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

Composition of assets as of December 31, 2016



Composition of assets as of December 31, 2015



- Available-for-sale financial assets
- Financial assets at fair value through profit or loss
- Receivable from margin clients and reverse REPOs
- Accounts receivable and interest receivable
- Others
- Interest in associates and joint ventures
- Derivative financial assets
- Property and equipment and intangible assets
- Cash held on behalf of brokerage clients and Cash and bank balances

INVESTMENTS

The Group's investments primarily consist of available-for-sale financial assets, interest in associates and joint ventures, financial assets at fair value through profit or loss and derivative financial assets.

As of December 31, 2016, the total outward investments of the Group amounted to RMB58,470.4 million, representing a year-on-year increase of RMB10,622.9 million or 22.2%. Total outward investments accounted for 57.4% of total assets, representing a year-on-year increase of 6.5 percentage points, mainly because the Group entered into OTC derivative trading agreements with clients to meet their demands and the hedge positions it held for this purpose has increased. Details of the Group's financial asset investments are as follows:

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of change
Available-for-sale financial assets	**1,043.1**	1,199.4	(156.3)	(13.0%)
Interest in associates and joint ventures	**550.5**	452.6	97.9	21.6%
Financial assets at fair value through profit or loss	**55,154.8**	45,459.3	9,695.6	21.3%
Derivative financial assets	**1,722.0**	736.2	985.8	133.9%
Total	58,470.4	47,847.5	10,622.9	22.2%

Available-for-sale Financial Assets

As of December 31, 2016, the Group's available-for-sale financial assets represented a year-on-year decrease of RMB156.3 million or 13.0%, accounting for 1.0% of the Group's total assets. The following table sets forth the composition of the Group's available-for-sale financial assets:

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of change
Equity investments	**1,032.6**	1,198.9	(166.2)	(13.9%)
Funds and other investments	**10.4**	0.5	9.9	2,035.6%
Total	**1,043.1**	1,199.4	(156.3)	(13.0%)

Interest in Associates and Joint Ventures

As of December 31, 2016, the Group's interest in associates and joint ventures represented a year-on-year increase of RMB97.9 million or 21.6%, accounting for 0.5% of the Group's total assets. The following table sets forth the composition of the Group's interest in associates and joint ventures:

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of change
Associates	**419.4**	386.1	33.3	8.6%
Joint ventures	**131.1**	66.5	64.5	97.0%
Total	**550.5**	452.6	97.9	21.6%

Financial Assets at Fair Value through Profit or Loss

As of December 31, 2016, the Group's financial assets at fair value through profit or loss represented a year-on-year increase of RMB9,695.6 million or 21.3%, accounting for 54.1% of the Group's total assets. The details of the investment categories are as follows:

Unit: RMB in million

	December 31, 2016	December 31, 2015	**Change**	**% of change**
Equity investments				
– Hedge position held for OTC derivative transactions	**20,313.0**	8,557.3	11,755.7	137.4%
– Financial assets from consolidated structured entities	**159.3**	3,179.0	(3,019.7)	(95.0%)
– Equity investments held directly by the Group	**432.1**	740.5	(308.4)	(41.6%)
Subtotal	**20,904.3**	12,476.7	8,427.7	67.5%
Debt investments				
– Financial assets from consolidated structured entities	**1,204.8**	2,017.6	(812.8)	(40.3%)
– Debt investments held directly by the Group	**19,438.2**	18,562.2	876.0	(4.7%)
Subtotal	**20,643.0**	20,579.8	63.2	0.3%

Unit: RMB in million

	December 31, 2016	December 31, 2015	**Change**	**% of change**
Funds and other investments				
– Financial assets from consolidated structured entities	**9,833.0**	1,057.9	8,775.1	829.5%
– Funds and other investments held directly by the Group	**3,774.5**	11,345.0	(7,570.5)	(66.7%)
Subtotal	**13,607.5**	12,402.8	1,204.7	9.7%
Total	**55,154.8**	45,459.3	9,695.6	21.3%

The financial assets at fair value through profit or loss held by the Group included RMB20,313.0 million of underlying assets of OTC derivatives trading agreements which the Group had entered into with its clients, representing 36.8% in total financial assets at fair value through profit or loss. These underlying assets were held to hedge the market risk associated with OTC derivative trading whereby the volatility in the underlying assets' fair value are assumed by the clients and has no material impact to the Group's profit or loss.

Besides the hedge position held for OTC derivatives trading business mentioned above, the rest of the Group's financial assets at fair value through profit or loss as of December 31, 2016 included:

– RMB11,197.1 million in financial assets from consolidated structured entities which the Group sponsored and held interests in, accounting for 20.3% in total financial assets at fair value through profit or loss. The financial assets held by these consolidated structured entities included RMB159.3 million of equity investments, primarily listed stocks; RMB1,204.8 million of debt investments all above investment grade; RMB9,833.0 million of funds and other investments, mainly fixed-income products. The carrying amount of the Group's interests in these structured entities were RMB11,087.1 million and the Group's maximum exposure to loss was limited to the carrying amount;

– RMB19,438.2 million of debt investments held directly by the Group, accounting for 35.2% in total financial assets at fair value through profit or loss, most of which are debt securities rated as investment grade or above and debt instruments issued by the MOF, the PBOC or policy banks in China;

– RMB3,774.5 million in investments in funds and other investments held directly by the Group, accounting for 6.8% in total financial assets at fair value through profit or loss, most of which are money market funds with high liquidity and low risks;

– RMB432.1 million in equity investments held directly by the Group, accounting for 0.8% in total financial assets at fair value through profit or loss, most of which are listed stocks held for our principal business or as market maker in NEEQ.

Derivative Financial Assets

As of 31 December 2016, the Group's derivative financial assets were RMB1,722.0 million, representing a year-on-year increase of RMB985.8 million or 133.9%. Derivative financial assets accounted for 1.7% of the total assets, representing a year-on-year increase of 0.9 percentage point, mainly due to (1) the increase of interest rate swap contracts which led to a year-on-year increase of RMB156.3 million or 51.3% of derivative financial assets under the interest rate contracts; (2) the valuation surge of the OTC derivative transactions under the equity contracts, which led to a year-on-year increase of RMB613.7 million or 330.5% of the corresponding derivative financial assets; (3) the increase of commodity futures, which led to a year-on-year increase of RMB181.6 million or 146.1% of the derivative financial assets under other contracts. Breakdown of the Group's derivative financial assets is as follows:

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of change
Interest rate contracts	**461.2**	304.8	156.3	51.3%
Currency contracts	**141.8**	111.8	29.9	26.8%
Equity contracts	**799.4**	185.7	613.7	330.5%
Credit contracts	**13.8**	9.6	4.1	42.9%
Other contracts	**305.9**	124.3	181.6	146.1%
Total	**1,722.0**	736.2	985.8	133.9%

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

As of December 31, 2016, the Group's property and equipment and intangible assets amounted to RMB209.1 million, representing a year-on-year increase of 24.6%, primarily due to the addition of office equipment. The following table sets forth the Group's property and equipment and intangible assets as of the dates indicated:

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of change
Property and equipment	**208.5**	166.4	42.1	25.3%
Intangible assets	**0.6**	1.4	(0.8)	(59.5%)
Total	**209.1**	167.8	41.3	24.6%

CASH AND BANK BALANCES

As of December 31, 2016, cash and bank balances represented a year-on-year increase of RMB2,070.5 million, mainly due to the expansion of debt financing scale.

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of change
Cash and bank balances	**10,504.6**	8,434.1	2,070.5	24.5%

2. Items of Liabilities

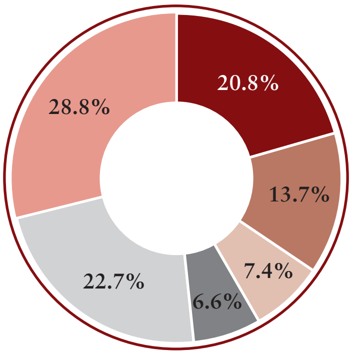
As of December 31, 2016, the Group's total liabilities amounted to RMB83,451.7 million, representing a year-on-year increase of RMB5,785.0 million or 7.4%. Excluding the effect of accounts payable to brokerage clients, the Group's total liabilities amounted to RMB66,059.4 million at the end of 2016, representing a year-on-year increase of 26.0%. In 2016, the Company gradually expanded its financing scale through various channels to satisfy the regulatory indicator requirements for the purpose of business expansion. The table below sets out the movements of the Group's total liabilities:

Unit: RMB in million

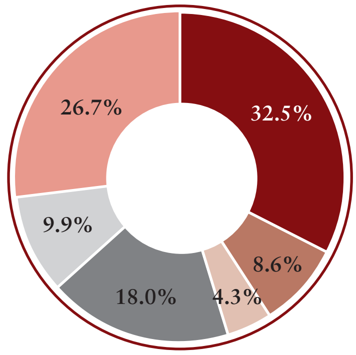
Items	December 31, 2016	December 31, 2015	Change	% of change
Accounts payable to brokerage clients	**17,392.4**	25,218.1	(7,825.7)	(31.0%)
Financial liabilities at fair value through profit or loss and derivative financial liabilities	**11,419.0**	6,655.3	4,763.7	71.6%
Short-term placements from financial institutions and short-term debt securities issued	**6,178.1**	3,336.8	2,841.3	85.1%
REPOs	**5,478.5**	14,013.7	(8,535.2)	(60.9%)
Long-term placements from financial institutions and long-term debt securities issued	**18,948.5**	7,694.8	11,253.6	146.2%
Others	**24,035.3**	20,748.0	3,287.3	15.8%
Total	**83,451.7**	77,666.8	5,785.0	7.4%

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

Composition of Liabilities as of December 31, 2016



Composition of Liabilities as of December 31, 2015



- Accounts payable to brokerage clients
- Short-term placements from financial institutions and short-term debt securities issued
- Long-term placements from financial institution and long-term debt securities issued
- Financial liabilities at fair value through profit or loss and derivative financial liabilities
- REPOs
- Others

As of December 31, 2016, accounts payable to brokerage clients amounted to RMB17,392.4 million, representing a year-on-year decrease of 31.0%, mainly due to the short-term fluctuations in balance of customer funds.

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of Change
Individual clients	**2,519.8**	2,545.0	(25.2)	(1.0%)
Institutional/corporate clients	**14,872.5**	22,673.0	(7,800.5)	(34.4%)
Total	**17,392.4**	25,218.1	(7,825.7)	(31.0%)

As of December 31, 2016, financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB11,419.0 million, representing a year-on-year increase of 71.6%, mainly due to the increase in amount payables to customers arising from the expansion of OTC derivatives trading business and increase in short positions of bonds.

As of December 31, 2016, REPOs amounted to RMB5,478.5 million, representing a year-on-year decrease of 60.9%, mainly due to the short-term fluctuation in fund sources of our principal business.

As of December 31, 2016, short-term placements from financial institutions and short-term debt securities issued amounted to RMB6,178.1 million, which consisted of beneficiary certificates with a nominal value of RMB2,649.6 million and short-term placement of RMB3,528.5 million, representing an increase of 85.1% as compared to 2015, mainly due to the increase in short-term debt financing for the development of capital-based business.

As of December 31, 2016, the Group's outstanding long-term debt securities issued amounted to RMB18,948.5 million, which consisted of RMB7,500.0 million subordinated bonds, USD500.0 million medium-term notes and RMB8,000.0 million corporate bonds, representing an increase of RMB11,253.6 million as compared to 2015. The newly-added long-term debts included the three tranches of subordinated bonds issued in 2016 of RMB5,500.0 million, USD-denominated medium-term notes of USD500.0 million and three tranches of corporate bonds of RMB8,000.0 million.

As of December 31, 2016, the Group's other liabilities amounted to RMB24,035.3 million, representing an increase of 15.8% as compared to last year, mainly due to the short-term fluctuations of amount payables of trading activities.

3. Items of Equity

As of December 31, 2016, the Group's total equity amounted to RMB18,446.9 million, representing a year-on-year increase of 12.2%, mainly due to accumulation from years of operation. The table below sets forth the composition of the Group's equity as of the dates indicated:

Unit: RMB in million

Items	December 31, 2016	December 31, 2015	Change	% of Change
Share capital	**2,306.7**	2,306.7	–	–
Capital reserve	**7,705.7**	7,705.7	–	–
Surplus reserve	**255.7**	152.8	102.8	67.3%
General reserves	**1,663.1**	1,453.1	210.0	14.5%
Investment revaluation reserve	**64.8**	71.5	(6.7)	(9.4%)
Foreign currency translation reserve	**(49.8)**	(298.2)	248.4	(83.3%)
Retained profits	**5,500.9**	4,050.5	1,450.5	35.8%
Other equity instruments	**1,000.0**	1,000.0	–	–
Total equity	**18,446.9**	16,442.0	2,004.9	12.2%

The Group issued the perpetual subordinated bonds with a principal amount of RMB1,000.0 million on May 29, 2015. The interest rate of the bonds resets every 5 years thereafter based on a benchmark rate and a predetermined spread. The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the bonds is solely at the discretion of the Group.

(vii) Contingent Liabilities

The Group has no contingent liabilities as at December 31, 2016.

(viii) Pledge of Assets of the Group

The Group has no pledge of assets as at December 31, 2016.

(ix) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), our Company and our PRC subsidiaries are subject to an enterprise income tax rate of 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. The Company's income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《國家稅務總局關於印發<跨地區經營匯總納稅企業所得稅徵收管理辦法>的公告》) (Public Notice of the State Administration of Taxation [2012] No.57). During the year ended December 31, 2016, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

IV. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF OUR COMPANY

(i) Equity Investment

Other than the Proposed Acquisition, the Group did not have significant equity investments in 2016. Details about the Proposed Acquisition were set out in "Other Significant Events – IV. Material Acquisitions and Disposals During the Reporting Period" in this report.

(ii) Equity Financing

The Group did not have any significant equity financing in 2016.

(iii) Debt Financing

As of December 31, 2016, the Group's outstanding bonds with the original term over 1 year are set out below:

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate	Remarks
	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	2.99%	Our Company has an option to redeem such bond on July 18, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
Corporate bonds	16 CICC 03	RMB1,100 million	October 27, 2016	October 27, 2021	2.95%	Our Company has an option to redeem such bond on October 27, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 05	RMB2,000 million	December 26, 2016	December 26, 2019	4.50%	

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate	Remarks
Subordinated bonds	15 CICC C1	RMB2,000 million	May 29, 2015	May 29, 2021	Bearing an interest rate of 5.25% per annum in the first three years; 8.25% from the fourth to sixth year	Our Company has an option to redeem such bond on May 29, 2018
	16 CICC C1	RMB2,000 million	July 21, 2016	July 21, 2021	Bearing an interest rate of 3.25% per annum in the first two years; 6.25% from the third to fifth year	Our Company has an option to redeem such bond on July 21, 2018
	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021
Perpetual subordinated bonds	15 CICC Y1	RMB1,000 million	May 29, 2015	–	Bearing an interest rate of 5.70% per annum in the first five years, and subject to reset every five years	As at the end of each five-year period, our Company has a right to extend the term of such perpetual subordinated bonds for another five-year period
Notes payable	USD-denominated guaranteed notes under the US$2 billion guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$500 million	May 18, 2016	May 18, 2019	Bearing a coupon rate of 2.75% at a price of T3+192.5 bps with a yield of 2.811%	

In addition, in 2016, our Company completed 97 issuances of beneficiary certificates, with an aggregate principal amount of RMB11,882 million for the year. As of December 31, 2016, the balance of beneficiary certificates payable of our Company amounted to RMB2,650 million. As of December 31, 2016, the balance of bank borrowings payable and overdraft by CICC Hong Kong amounted to approximately RMB481 million.

Our Company has completed the issuance of one tranche of corporate bonds in January, 2017 with an issuance size of RMB4,000 million.

V. ANALYSIS OF CORE COMPETITIVENESS

Balanced Business Mix. The Company has steadily established a comprehensive business mix consisting of "5+1" business lines, namely, Investment Banking, Equities, FICC, Wealth Management, Investment Management and Research. The overall business structure is in good shape and therefore provides the Company the ability to service clients in an all-round manner. Currently, all business lines have established advantageous positions in relevant segments, which laid a solid foundation for the future development of the Company, and provided the Company with the potential to further increase the added value of services.

High-quality Customer Base. The Company has built up a strong foundation of a high-end client base, mainly comprising large-sized enterprises, high-quality emerging growth companies, professional institutional investors and high-net-worth clients. The Company provides more complicated products with well-tailored services to meet the needs of high-end clients, who have strict criteria on services selection. Therefore, the Company charges a premium commission rate for high-end clients. In view of the forecasted significant increase in the numbers of high-end clients, the Company expects rising demand from high-end client to further contribute to our business.

Outstanding Cross-border Capability. Since the inception, the Company has adhered to the international best practices with distinct international DNA. The Company established presence in cross-border business early, which enabled us to enjoy certain advantages in businesses such as Hong Kong IPOs, offshore bond offerings, cross-border mergers and acquisitions and QFII/QDII products, etc. and to achieve strong growth in emerging businesses such as the Shanghai-Hong Kong Stock Connect, and Shenzhen-Hong Kong Stock Connect business. Currently, the Company has maintained a higher revenue share of overseas business compared to that of the peers. The Company has established overseas operations in Hong Kong, New York, London and Singapore and managed cross-border businesses by each business line. Over years of development, the Company has accumulated abundant overseas execution experiences and can seamlessly serve clients in both the domestic and overseas markets.

Leading and Influential Research. The Research of the Company has adhered to the principles of objectiveness, independence, prudence and professionalism. With a coverage of the global markets, our Research focuses on the fundamentals of the macro economy, and investment analysis of equity products, fixed income products and commodities etc. Through our global platform, the Company provides research services to domestic and overseas clients. Our in-depth understanding, thorough analysis and unique insights regarding enterprises and industries in China have won the Company a reputation as "China Expert".

Premier Brand and Unique Culture. The Company has won a good reputation with our effective and prudent risk management. Since the inception, the Company has formed and adhered to our core values of "People Oriented, with Nation in Mind, Diligent and Professional, Pursuit of Perfection, Clients First, Integrity as Foundation, and Chinese Roots and International Reach". The core values not only help us form team cohesiveness but also contribute to a strong risk management culture within the Company.

VI. RISK MANAGEMENT

Overview

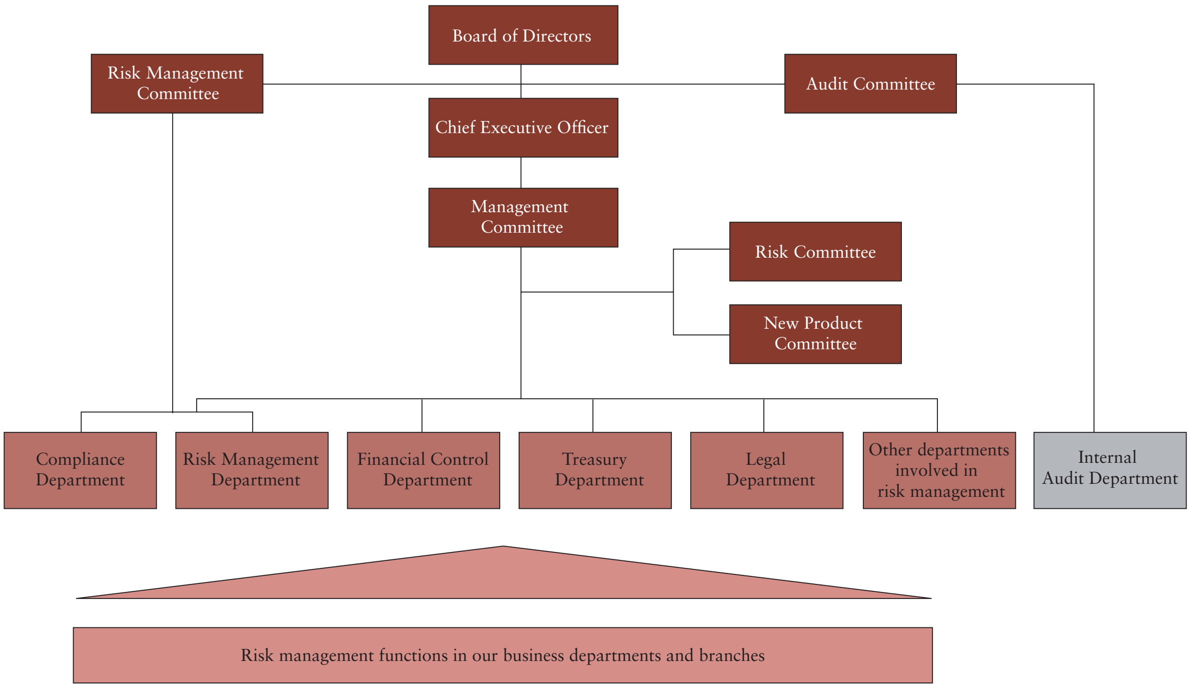
Our Company has always believed that risk management creates value. The risk management of our Company aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of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

Pursuant to the relevant laws and regulations and regulatory requirements, our Company has established a sound governance structure system. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the "Company Law", the "Securities Law" and the Articles of Association and supervise and manage the business operations of our Company. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of our Company.

Risk Management Framework

Our Company has established a four-level risk management structure: (i) Board of Directors, (ii) senior management, (iii) departments in charge of risk management and other departments performing risk management functions, and (iv) business departments and branches.

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



The First Level: Board of Directors

The Board of Directors is the top level of our Company's risk management and internal control governance structure and is responsible for evaluating our overall risk management goals and risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee.

The Risk Management Committee is responsible for (i) deliberating on the overall goals and basic policies for compliance management and risk management; (ii) reviewing the organization design and duties of compliance management and risk management; (iii) evaluating the risk of important decisions and solutions to significant risks which require review by the Board of Directors; (iv) deliberating on compliance reports and risk assessment reports requiring review by the Board of Directors; and (v) other duties as authorized by the Board of Directors. The Risk Management Committee considered (i) the risk assessment reports four times a year, and (ii) compliance reports twice a year.

The Audit Committee is responsible for (i) supervising the annual audit, assessing the truthfulness, accuracy and integrity of information in the audited financial statements, and filing motions for consideration by the Board of Directors; (ii) recommending the appointment or change of the external auditor, and supervising the work of the external auditor; (iii) communication between internal and external audit; and (iv) other matters as delegated by the Board of Directors. The Audit Committee considered (i) the work report of the Internal Audit Department four times a year, and (ii) the internal controls self-assessment report and illustration on a yearly basis.

The Second Level: Senior Management

Under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes a major responsibility of ensuring the effectiveness of the overall risk management of our Company.

Risk Committee

Under the supervision of the Management Committee, the Risk Committee is responsible for (i) formulating and supervising risk management principles, policies and overall risk limits; and (ii) monitoring the capital level and material market, credit, liquidity and operational risks. Our Company's Chief Operating Officer and Chief Risk Officer are the chairman and executive chairman of the Risk Committee, respectively. Other members of the Risk Committee include: (i) Chief Financial Officer; (ii) heads of the business departments of Equities, FICC, Wealth Management, Investment Management, Investment Banking and Capital Markets; and (iii) Chief Compliance Officer and heads of the Legal Department, Operations Department, IT Department and Corporate Communications Department.

Chief Risk Officer

The Chief Risk Officer is responsible for (i) leading the Risk Management Department to monitor, assess and report the overall risk level; (ii) approving risk management policies regarding market risk, credit risk, liquidity risk and operational risk, and approving risk limits of various businesses; and (iii) independently reviewing material market, credit, liquidity and operational risks, and supervising risk management processes. For details of the Chief Risk Officer, please refer to "Directors, Supervisors, Senior Management and Employees – II. Biographies of Directors, Supervisors and Senior Management – Senior Management".

The Third Level: Departments in Charge of Risk Management

Risk Management Department

The Risk Management Department is the key department for risk management and mainly responsible for: (i) identifying, assessing, monitoring and reporting market, credit, liquidity and operational risks in the business activities of our Company; (ii) implementing risk management policies and procedures; and (iii) conducting independent risk assessment on new businesses and products.

Compliance Department

The Compliance Department is responsible for (i) providing timely and independent opinions on compliance issues and regulatory requirements to the senior management and business departments; (ii) continuously identifying, assessing and managing compliance risks; (iii) supervising, monitoring and reporting the overall compliance status of our Company; and (iv) formulating the compliance policy of our Company and providing training to staff to improve their understanding of and compliance with the relevant applicable laws, regulations and guidelines as well as the internal policies of our Company.

Legal Department

The Legal Department is responsible for managing legal risks relating to business operations and providing daily legal support and advice to the management, business departments and middle and back offices of our Company.

Internal Audit Department

The Internal Audit Department reports directly to the Audit Committee under the Board of Directors. The Internal Audit Department is responsible for (i) examining, assessing and reporting the overall internal control environment, risk assessment measures, internal control measures, reporting and monitoring measures of our Company; (ii) examining, assessing and reporting the adequacy of internal control measures of business departments and the effectiveness for implementation thereof; and (iii) making advisory opinions on the improvement and optimization of our Company's internal control process.

Other Departments Involved in Risk Management

Other departments involved in risk management include the Operations Department, the Financial Control Department, the Treasury Department, the IT Department and the Human Resources Department. Their risk management responsibilities are as follows:

The Operations Department is responsible for the centralized management of operation-related matters and regulating the clearing, settlement and reconciliation processes of business transactions.

The Financial Control Department is responsible for financial accounting and providing timely and accurate financial information to the management team, shareholders and regulatory authorities.

The Treasury Department takes the leading role in the liquidity risk management and manages assets and liabilities, capital, financing and cash flow of our Company, ensuring the liquidity of our Company, the compliance with the regulatory and risk management requirements and the efficient allocation of our Company's financial resources through various management measures, including assets and liabilities allocation, FTP and monitoring, financing management, daily fund allocation and cash management, etc.

The IT Department is responsible for the IT system and transactions and the security of customer data, maintain computer facilities and enhance the IT infrastructure so as to perform risk management functions for our national and overseas operations.

The Human Resources Department is responsible for providing staff and professional advice at the organizational level in respect of the processes designed for all business and functional departments, assisting in formulating the corresponding rules and organizing employee training so as to regulate employee behavior, reduce the human resources loss risk and the operational risk.

The Fourth Level: Business Departments and Branches

During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions, including (i) complying with risk management policies and procedures in daily business operations; (ii) actively managing risks and ensuring risk exposures are maintained within limits; and (iii) communicating effectively with risk management departments.

Risk to Our Company's Business Activities and Management Measures

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

Market Risk

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

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

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

➢ The Risk Management Department independently assesses, monitors and manages the overall market risk of our Company with following measures:

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

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

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

Value at Risk (VaR)

The total VaR limit of our Company's investment portfolio is RMB56 million. At the same time, we set VaR limits for various financial instruments and the Risk Management Department computes VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following tables set forth our computed VaRs by risk categories as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

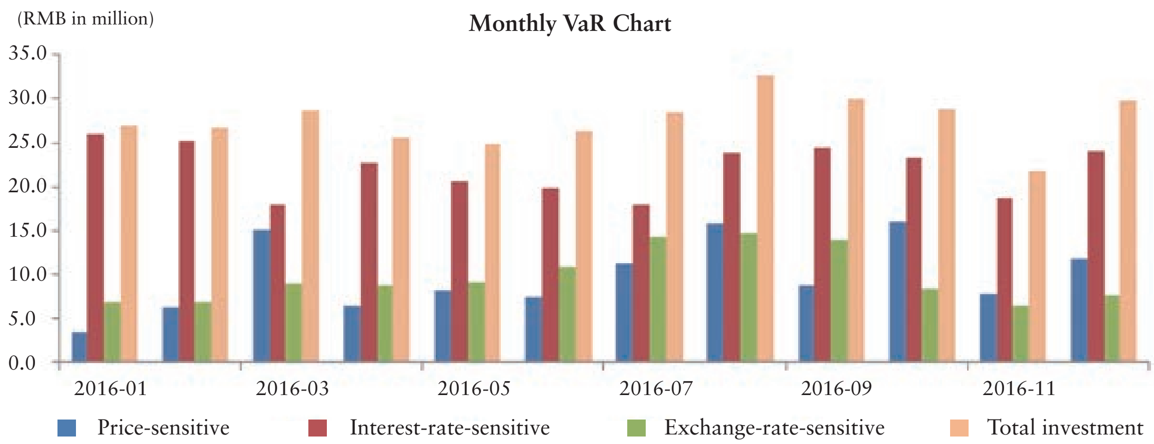
	As of December 31		2016			2015		
(RMB in million)	2016	2015	Average	Highest	Lowest	Average	Highest	Lowest
Price-sensitive financial instruments[1]	11.8	11.4	10.0	20.1	2.3	7.4	13.5	3.1
Interest-rate-sensitive financial instruments[2]	24.1	18.8	22.4	28.4	15.7	14.4	21.5	7.4
Exchange-rate-sensitive financial instruments[3]	7.6	5.6	9.4	15.7	5.2	4.3	9.7	0.1
Total portfolio	29.7	22.5	27.4	36.0	21.2	16.7	24.5	8.9

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

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

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

The chart below sets forth the VaRs by risk categories of the Group as of the end of each month in 2016:



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

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

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of our Company arises mainly from:

- Direct credit risk from debt borrowers or bond issuers' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts;
- Credit risk from a counterparty's default on the OTC derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives;
- The settlement risk from a business partner's failure in delivery of funds or securities when our Company has fulfilled its delivery obligation.

Our Company adopted the following measures to manage credit risk in our trading and investment activities:

- Setting up investment criteria and limits on products and issuers;
- Reviewing credit terms in agreements with counterparties;
- Monitoring our credit exposure to counterparties.

Our Company has adopted the following measures to manage credit risk in our capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses:

➢ Approving counterparties, and assigning credit ratings and lending limits to counterparties;

➢ Managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios;

➢ Establishing and implementing margin call and mandatory liquidation policy.

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

Credit Risk Exposure to Bond Investments of the Group

	As of December 31, 2016 (RMB in million)		
	Position	DV01	Spread DV01
Bloomberg Comprehensive Rating (by foreign rating agencies)			
– AAA	207.5	0.01	–
– AA- to AA+	103.4	0.02	0.02
– A- to A+	1,458.8	0.32	0.32
– below A-	2,047.6	0.45	0.45
Sub-total	3,817.4	0.80	0.80
Other Comprehensive Rating (by domestic rating agencies)			
– AAA	12,655.5	1.98	1.32
– AA- to AA+	978.8	0.11	0.11
– A- to A+	43.0	0.01	0.01
– below A-	–	–	–
Sub-total	13,677.3	2.10	1.44
– Non-rated	3,148.3	0.53	0.09
Total	20,643.0	3.44	2.32

Notes:

(1) Non-rated financial assets mainly represent debt instruments and trading securities issued by the MOF, the local government, the PBOC, other policy banks (which are creditworthy issuers in the market but are not rated by independent rating agencies).

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

Margin Financing and Securities Lending Business

The table below sets forth the market value of collaterals and the collateral ratio of the margin financing and securities lending business of the Group as of the date indicated:

	As of December 31, 2016 (RMB in million)	As of December 31, 2015 (RMB in million)
Market Value of Collaterals	**13,134.5**	14,591.0
Collateral ratio	**413%**	433%

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

As of December 31, 2016, the collateral ratio of the margin financing and securities lending business of the Group was 413%. Assuming the market value of all securities as collaterals of our margin financing and securities lending business declines by 10% and 20% respectively, the collateral ratio of our margin financing and securities lending business as of December 31, 2016 will be 373% and 335% respectively.

Stock-based Lending Business

The table below sets out market value of collaterals and the collateral ratio of the stock-based lending business of the Group as of the date indicated:

	As of December 31, 2016 (RMB in million)	As of December 31, 2015 (RMB in million)
Market value of Collaterals	**7,615.9**	4,776.9
Collateral ratio	**234%**	393%

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

Liquidity Risk

Liquidity risk refers to the risks arising from our Company's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

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

➢ Closely monitoring balance sheets of our Company and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;

➢ Setting liquidity risk limits based on regulatory requirement and our Company's overall situation;

➢ Conducting cash flow forecast and stress testing on liquidity risk indicators on a regular and irregular basis to analyze and assess our liquidity risk exposure;

➢ Holding cash balances in hand and substantial high-quality liquid asset for a long term to support normal business operations, and establishing liquidity contingency plan for potential liquidity emergencies.

Our Company constantly broadened and diversified its funding channels to optimize the liability structure. The funding instruments of our Company included perpetual subordinated bonds, subordinated bonds, corporate bonds, syndication loan, short-term commercial papers, beneficiary certificates, inter-bank borrowing, REPOs, etc. Our Company maintained good relationship with major commercial banks and had sufficient bank credit to meet the funding requirement for business development. In 2016, as assessed by China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司), the credit rating of our Company was AAA and the rating outlook is stable. As at the latest practicable date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB+, the short-term rating was A-2 and the rating outlook is negative. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook is stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook is stable.

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

During the Reporting Period, the regulatory liquidity risk management indicator of our Company continued to comply with the regulatory requirements. As of December 31, 2016, the liquidity coverage ratio and the net stable funding ratio of our Company were 227.3% and 130.3%, respectively.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events.

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

➢ Establishing a transparent organizational structure with a proper decision-making mechanism;

➢ Implementing sound policies and procedures and enforcing checks and balances;

➢ Establishing new product approval policy to define roles and responsibilities;

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

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Company. Our Company continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Company further improved the operation efficiency and reduced operational risk. Meanwhile, our Company continuously reinforces the firmwide culture of risk awareness and encourages all staff to proactively participate in operational risk management and to jointly control and manage risk.

Compliance Risk

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

Our Company has adopted the following measures to manage compliance risk:

➢ Our Company formulate and update our internal policies and procedures to keep abreast with changes in laws, regulations and industry norms;

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

➢ Our Company control the circulation of sensitive information by monitoring information flows and establishing dynamic Chinese walls, with the aim to prevent risks of insider trading and conflicts of interest;

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

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

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

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

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

Legal Risk

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

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

➢ Our Company continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;

- ➢ Our Company formulates templates for various business contracts and requires our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;

- ➢ Our Company has internal policies on the engagement of external attorneys in the ordinary course of our business or when dealing with disputes and legal proceedings;

- ➢ The legal department of our Company is responsible for (i) the application, maintenance and protection of our trademarks, (ii) protection of our goodwill and trade secrets and (iii) taking actions against behavior that harms our reputation or interests;

- ➢ Our Company conducts legal training to enhance our employees' legal awareness;

- ➢ Our Company takes active measures to mitigate legal risks when disputes and litigation arise.

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

DIRECTORS' REPORT

I. PRINCIPAL BUSINESSES OF OUR COMPANY

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

II. PROFIT DISTRIBUTION PLAN

1. According to the Company Law, the Securities Law and other laws and regulations and the Articles of Association, the 2016 profit distribution plan of the Company is proposed as follows:

   At the beginning of 2016, the Company's undistributed profits amounted to RMB1,067 million. In addition, the Company realized profits of RMB1,028 million for 2016. After deducting the profits allocated to holders of other equity instruments of RMB57 million and before appropriating the surplus reserves, general risk reserves and trading risk reserves, the profits available for distribution of the Company at the end of 2016 amounted to RMB2,039 million.

   In accordance with the provisions under the relevant laws, regulations, and the Articles of Association, the Company will distribute its profit for 2016 in the following order:

   (1) RMB103 million is to be appropriated to the statutory surplus reserve of the Company (the accumulated amount of the statutory surplus reserve of the Company will account for 11.1% of the registered capital of the Company after this contribution);

   (2) RMB103 million, or 10% of the profit of the Company in 2016, is to be appropriated to the general risk reserves;

   (3) RMB103 million, or 10% of the profit of the Company in 2016, is to be appropriated to the trading risk reserves.

   The total contribution of the above three items is RMB308 million.

   After deduction of the above three items, the profits available for distribution of the Company at the end of 2016 is RMB1,730 million.

Note:

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

2. Taking into account of the Company's long-term development and the interests of shareholders, the profit distribution plan of the Company for 2016 is proposed as follows:

   (1) The Company will adopt the method of cash dividend payment for its 2016 profit distribution. The total proposed cash dividend to be distributed was RMB637,620,929.44 (tax inclusive). In case of any changes in the total number of issued Shares of the Company on the record date by reason of placing of Shares or Share repurchase, the amount of cash dividend per Share will be adjusted accordingly, within the total amount of RMB637,620,929.44 (tax inclusive). It is expected that the Company will complete the proposed acquisition of CISC and the issuance of consideration Shares on or before the record date, as a result the total number of issued Shares of the Company will increase from 2,306,669,000 to 3,985,130,809, and a cash dividend of RMB1.60 (tax inclusive) for every ten Shares held will be distributed on the basis of 3,985,130,809 Shares.

   (2) The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of Domestic Shares and holders of H Shares, respectively. The actual amount declared in Hong Kong dollars will be converted based on the central parity of the exchange rate of RMB against Hong Kong dollars as announced by the People's Bank of China for the five working days prior to the date of the annual general meeting of the Company.

   Subject to approval of the resolution relating to the 2016 profit distribution plan by the annual general meeting, the cash dividends are expected to be paid within two months from the date of the annual general meeting.

   The Company will announce in due course the date for the 2016 annual general meeting and will give notice on the closure of its register of members in relation to the right to attend and vote at the 2016 annual general meeting. The Company will make further notice on the record date, the closure date of its register of members and date of distribution of dividends.

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

To meet the capital needs for business development and promote development of the Company and as approved by the CSRC (Zheng Jian Xu Ke [2015] No. 1816), the Company issued 555,824,000 H Shares at an offer price of HK$10.28 per share in November 2015 through public offering on the Hong Kong Stock Exchange, and placed 83,372,000 H Shares upon the exercise of over-allotment option at the price of HK$10.28 per share, all of which have been listed on the Hong Kong Stock Exchange, raising proceeds of HK$5,561 million and HK$839 million respectively (after deducting the issuance expenses). The actual net proceeds raised by the Company amounted to HK$6,401 million.

As at the end of the Reporting Period, based on the use of proceeds as set out in the Prospectus, the Company has utilized all of the actual net proceeds from the fundraising based on the following percentages, the purposes of which remain unchanged.

1. approximately 45% used to further develop the Equities and FICC;

2. approximately 20% used to develop the Company's wealth management business;

3. approximately 5% used to develop the Company's investment management business;

4. approximately 20% used in the international business to enhance the Company's cross-border capabilities and global influence; and

5. approximately 10% used for working capital and general corporate purpose.

IV. ISSUANCE OF DEBENTURES

In 2016, our Group has completed three issuances of corporate bonds of RMB8,000 million and three issuances of subordinated bonds of RMB5,500 million. The funds raised were all used to replenish the working capital and (or) net capital of our Company. For details, please refer to "Management Discussion and Analysis – IV. Significant Investment and Financial Activities of our Company – (iii) Debt Financing" in this report.

V. DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors entered into a service contract with our Company. The Directors or Supervisors can be re-elected upon expiry of their term of office after approval by the shareholders' general meeting (but the term of office of independent non-executive Directors shall not exceed six years if re-elected).

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

VI. PERMITTED INDEMNITY

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

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

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

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

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

IX. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As of December 31, 2016, none of the Directors, Supervisors or their respective spouses or minor children under 18 years of age were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of shares or debentures of our Company. Neither our Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under 18 years of age to acquire such rights from any other body corporate.

X. MANAGEMENT CONTRACTS

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

XI. OTHER DISCLOSURES

(i) Pre-emptive Rights

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

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

There has been no change of major accounting policies or accounting estimates or major accounting errors in 2016.

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

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

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

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

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

(iv) Reserves and Distributable Profit Reserves

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

(v) Major Clients and Suppliers

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

In 2016, our income and other revenue from the top five clients did not exceed 10% of our total revenue and other income.

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

I. MATERIAL LITIGATION AND ARBITRATION

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

II. MATERIAL CONTRACTS AND EXECUTION

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

III. CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict accordance with the Listing Rules, "Policy on Information Disclosure Management of China International Capital Corporation Limited" and "Policy on Management of Connected Transactions of China International Capital Corporation Limited". The Group's connected transactions are conducted based on the principles of openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Listing Rules:

Non-exempt Continuing Connected Transactions

In the ordinary and usual course of our business, the Group provides various securities and financial services to GIC, for which the Group receives commissions or fees from GIC.

On October 13, 2015, our Company entered into the Securities and Financial Services Framework Agreement (the "Framework Agreement") with GIC. Pursuant to the Framework Agreement, the Group will provide securities and financial services and guarantee to GIC on normal commercial terms. The Framework Agreement became effective on the Listing Date and will continue to be effective until December 31, 2017, subject to renewal. The securities and financial services and guarantee to be provided by the Group to GIC after listing under the Framework Agreement include: (i) securities brokerage services; (ii) index futures sales and trading services (through CICC Futures), together with a guarantee by the Group for any obligations of CICC Futures in relation to GIC's margin deposits in CICC Futures; and (iii) investment fund management services.

For securities brokerage services, the Group charges a brokerage commission calculated as a fixed percentage of the amount of securities in respect of each trade effected by the Group on behalf of GIC. The Group has adopted a market-based brokerage commission policy. The rate of commission charged by the Group from GIC is determined based on the arm's length negotiation from time to time with reference to various factors, including (i) the total amount of transactions of GIC effected through the Group; and (ii) the prevailing market rates for securities trades of a similar size. For index futures sales and trading services, the Group charges a commission based on arm's length negotiation with reference to the prevailing market rates. For investment fund management services, the Group charges management fee and carry interest will be determined based on the arm's length negotiation between the Group (as fund manager or general partner) and the limited partners (including GIC) taking into account factors including the capital contribution to the fund by the relevant limited partner, the specific industries that the investment fund will focus on and the prevailing market rates.

The annual caps for the continuing connected transactions in respect of the Group's provision of securities and financial services under the Framework Agreement to GIC for the three years ending December 31, 2017 are as follows:

	Annual caps		
	2015	2016	2017
	(RMB in million)		
Provision of securities and financial services by the Group to GIC	50.2	65.9	76.5
Provision of the guarantee in connection with provision of index futures trading services by the Group to GIC	300.0	300.0	300.0

As the highest applicable percentage ratios (other than the profit ratios) calculated by reference to Rule 14.07 of the Listing Rules for the securities and financial services and the guarantee respectively are on an annual basis above 0.1% and less than 5%, the transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Our Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver to exempt the securities and financial services and the guarantee provided to GIC under the Framework Agreement from compliance with the announcement requirement under the Listing Rules.

During 2016, the actual transaction amounts in respect of the securities and financial services provided to GIC are as follows:

	Actual transaction amounts for 2016	Annual Caps for 2016
	(RMB in million)	
Provision of securities and financial services by the Group to GIC	**29.6**[(1)]	65.9
Provision of the guarantee in connection with provision of index futures trading services by the Group to GIC	–	300.0

(1) Calculated based on the income received by the Group in respect of the securities and financial services provided to GIC.

In respect of the non-exempt continuing connected transactions mentioned above, our Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules. When conducting the above non-exempt continuing connected transaction, our Company complied with the pricing policy and guidelines formulated when the transaction was entered into.

In respect of the continuing connected transactions with GIC, the internal audit department reviewed the (i) Company's "Policy on Management of Connected Transactions of China International Capital Corporation Limited"; (ii) the terms of the Framework Agreement (including but not limited to the rate of commission payable by GIC to the Group; (iii) the pricing policies of the Group; (iv) the annual cap as set by our Company; (v) and the effectiveness of the design and implementation of the internal control measures. The findings and conclusions of the internal audit department are set out in a report (the "Internal Audit Report"), which was presented to the independent non-executive Directors of our Company.

The independent non-executive Directors of our Company, having reviewed the continuing connected transactions with GIC and the Internal Audit Report, confirmed that such continuing connected transactions:

(1) are in the ordinary and usual course of business of the Group;

(2) are on normal commercial terms; and

(3) are conducted in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of Shareholders of our Company as a whole.

The Board has received a letter from the auditors of our Company in respect of the continuing connected transactions mentioned above, in which the auditors have expressed the following conclusion on the disclosed continuing connected transactions:

"In respect of the disclosed continuing connected transactions:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company."

Save as disclosed above, for the year ended December 31, 2016, no other related party transactions as set out in "Notes to the Financial Statements – 50 Related Party Relationships and Transactions" constitute connected transactions or continuing connected transactions required to be disclosed under the Listing Rules. For connected transactions and continuing connected transactions disclosed above, our Company has complied with the disclosure requirements under the Listing Rules from time to time.

IV. MATERIAL ACQUISITIONS AND DISPOSALS DURING THE REPORTING PERIOD

Very Substantial Acquisition of 100% Equity Interest in CISC

On November 4, 2016, our Company and Huijin entered into an equity transfer agreement, pursuant to which, our Company agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of CISC, subject to the satisfaction of conditions precedent stipulated under the equity transfer agreement. The consideration for the Proposed Acquisition is RMB16,700.695 million (equivalent to approximately HK$19,391.903 million) which will be satisfied by 1,678,461,809 Domestic Shares to be allotted and issued by our Company to Huijin.

On December 29, 2016, the Proposed Acquisition, among others, was considered and approved by the extraordinary general meeting, the domestic shareholders' class meeting and the H shareholders' class meeting.

Upon the completion of the Proposed Acquisition, Huijin will be, directly and indirectly, interested in 58.65% of the equity interest of our Company, and that the registered capital of our Company will be increased from RMB2,306,669,000 to RMB3,985,130,809.

For further details, please refer to our Company's announcement dated November 4, 2016 in relation to, among others, the Proposed Acquisition and application for the whitewash waiver and our Company's circular dated December 5, 2016 in relation to, among others, the very substantial acquisition in relation to the Proposed Acquisition of the entire equity interest in CISC and the proposed issue of consideration shares.

Save for the Proposed Acquisition, the Group did not have other material acquisitions and disposals of subsidiaries, associates, joint operations or joint ventures, swaps and asset reorganizations during the Reporting Period.

V. COMPLIANCE WITH LAWS AND REGULATIONS

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

On November 3, 2016, Beijing Bureau of the China Securities Regulatory Commission ("CSRC") issued the "Decision on Adopting Measures to Order to Increase the Number of Internal Compliance Inspections on China International Capital Corporation Limited" (《關於對中國國際金融股份有限公司採取責令增加內部合規檢查次數措施的決定》) ([2016] 64) to the Company, indicating that there are following non-compliances during our Company's course of business: (1) there was insufficient prudence in the use of significant sensitive information when a research report was published, and (2) in the bulk transaction business, the trader submitted a purchase declaration under the circumstance when the client's fund has not been checked and there are frozen funds in the client's account, leading to the failure of control over preliminary verification and customer's large capital overdraft, which violated relevant provisions. The Company has taken measures to increase the frequency of internal compliance inspections in this regard.

The Company attaches great importance to this and has completed the rectification. In terms of the research business, the preparation process of research report was further improved, the quality audit and compliance review of the research report were strengthened, and the training and reminding of the researcher were further strengthened. In terms of the Equities, based on the overall control of the capital position through the connection of the SSE block trading system and the counter system of the Company, the Equities Department added a review process in the bulk transaction operation process by setting up "double posts", focusing on customer funds and frozen positions, while further strengthening the business training intensity of the transaction team.

VI. SUBSEQUENT EVENTS

Up to the date of approval of this financial statements, the Group issued beneficiary certificates with an aggregated principal amount of RMB2.79 billion and settled the payment for issued beneficiary certificates with an aggregated principal amount of RMB3.76 billion in 2017.

Changes in Shares and Information of Substantial Shareholders

As of December 31, 2016, the share capital structure of our Company is as follows:

Name of shareholders	Number and class of securities	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin	656,193,871 Domestic Shares	28.448%	83.433%
Jianyin Investment	911,600 Domestic Shares	0.040%	0.116%
JIC Investment	911,600 Domestic Shares	0.040%	0.116%
China Investment Consulting	911,600 Domestic Shares	0.040%	0.116%
GIC	273,091,435 H Shares	11.839%	17.964%
TPG	171,749,719 H Shares	7.446%	11.298%
KKR Institutions Investments	166,747,300 H Shares	7.229%	10.969%
I&G	127,562,960 Domestic Shares	5.530%	16.219%
Mingly	122,559,265 H Shares	5.313%	8.062%
Great Eastern	83,373,650 H Shares	3.614%	5.484%
Public shareholders of H Shares	702,656,000 H Shares	30.462%	46.222%

I. CHANGES IN SHARE CAPITAL

As at the end of the Reporting Period, the total issued shares of our Company was 2,306,669,000 shares, of which, 786,491,631 were Domestic Shares and 1,520,177,369 were H Shares. Upon completion of the Proposed Acquisition, the total issued shares of our Company will be 3,985,130,809 shares, of which, 2,464,953,440 are Domestic Shares and 1,520,177,369 are H Shares. Please refer to "Other Significant Events – IV. Material Acquisitions and Disposals during the Reporting Period" of this report for details.

II. SHAREHOLDERS

As of December 31, 2016, our Company had 5 domestic Shareholders and 528 registered holders of H Shares.

As of December 31, 2016, Huijin was interested in approximately 28.57% of the total capital of our Company directly and indirectly.

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

As of December 31, 2016, the Company had no controlling shareholders as defined under the Listing Rules or other prevailing laws and regulations.

III. DISCLOSURE OF INTERESTS

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

As of December 31, 2016, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by our Company under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model code as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/ Chief Executive	Class of shares	Nature of interest	Number of securities	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
David Bonderman	H Shares	Interest of controlled corporation *(Note 1)*	171,749,719	7.446	11.298
Cha Mou Daid Johnson	H Shares	Beneficial owner	753,600	0.033	0.050
		Beneficiary of a discretionary trust *(Note 2)*	122,559,265	5.313	8.062
Edwin Roca Lim	H Shares	Beneficial owner	356,000	0.015	0.023
Shi Jun	H Shares	Others *(Note 3)*	116,800	0.005	0.008
Siu Wai Keung	H Shares	Beneficial owner	100,000	0.004	0.007
Han Weiqiang	H Shares	Others *(Note 4)*	116,800	0.005	0.008

Notes:

(1) The interests deemed to be held by Mr. David Bonderman consists of 171,749,719 H Shares held by TPG. Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is the general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the securities held by TPG.

(2) The interests deemed to be held by Mr. Cha Mou Daid Johnson consists of 122,559,265 H Shares held by Mingly. Mingly is held by certain, but not identical discretionary trusts as to 96.12%, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and Mr. Cha Mou Daid Johnson is among the members of the class of discretionary beneficiaries.

(3) Mr. Shi Jun held interests through asset management schemes established by Galaxy Capital Asset Management Co., Ltd.

(4) Mr. Han Weiqiang held interests through asset management schemes established by Galaxy Capital Asset Management Co., Ltd.

Substantial Shareholders' Interests or Short Positions

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

Name of Substantial Shareholders	Class of shares	Nature of interest	Number of securities	Approximate percentage of shareholding in the total share capital of our Company	Approximate percentage of shareholding in the relevant class of shares
Huijin	Domestic Shares	Beneficial owner	656,193,871	28.448	83.433
		Interests of controlled corporation *(Note 1)*	2,734,800	0.119	0.348
GIC	H Shares	Beneficial owner	273,091,435	11.839	17.964
TPG *(Note 2)*	H Shares	Beneficial owner	171,749,719	7.446	11.298
KKR Institutions Investments *(Note 3)*	H Shares	Beneficial owner	166,747,300	7.229	10.969
I&G *(Note 4)*	Domestic Shares	Beneficial owner	127,562,960	5.530	16.219
Mingly *(Note 5)*	H Shares	Beneficial owner	122,559,265	5.313	8.062
Great Eastern *(Note 6)*	H Shares	Beneficial owner	83,373,650	3.614	5.484

Notes:

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

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

(3) Each of KKR Associates Asia L.P. (as general partner of KKR Institutions Investments), KKR Associates Millennium L.P. (as general partner of KKR Institutions Investments), KKR Millennium GP LLC (as general partner of KKR Associates Millennium L.P.), KKR Asia Limited (Cayman Islands) (as general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited (Cayman Islands)), KKR Fund Holdings GP Limited (as general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as general partner of KKR & Co. L.P.) and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the H Shares held by KKR Institutions Investments under the SFO. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the H Shares held by KKR Institutions Investments.

(4) State Development & Investment Corporation (國家開發投資公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.

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

(6) Oversea-Chinese Banking Corporation Limited holds 87.75% equity interest of Great Eastern Holdings Limited as at December 31, 2016, which in turn holds 100% equity interest of Great Eastern. Each of Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited are therefore deemed to be interested in the H Shares held by Great Eastern under the SFO.

IV. SUFFICIENT PUBLIC FLOAT

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

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

During the year ended December 31, 2016, neither our Company nor its subsidiaries has purchased, sold or redeemed any of our Company's securities.

Directors, Supervisors, Senior Management and Employees

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

Name	Position	Gender	Age	Appointment date
DIRECTORS				
Ding Xuedong (丁學東)	Chairman of the Board of Directors	Male	57	October 2014 to February 2017
	Non-executive Director			October 2014 to February 2017
Bi Mingjian (畢明建)Note 1	Executive Director	Male	61	May 2015
	Chief Executive Officer			March 2015
	Chairman of the Management Committee			March 2015
Zhao Haiying (趙海英)	Non-executive Director	Female	52	August 2011
David Bonderman (大衛•龐德文)	Non-executive Director	Male	74	November 2010
Liu Haifeng David (劉海峰)	Non-executive Director	Male	46	February 2015
Shi Jun (石軍)	Non-executive Director	Male	44	December 2013
Cha Mou Daid Johnson (查懋德)	Non-executive Director	Male	65	October 2002
Edwin Roca Lim (林重庚)	Independent Non-executive Director	Male	76	May 2015
Liu Li (劉力)	Independent Non-executive Director	Male	61	June 2016
Siu Wai Keung (蕭偉強)	Independent Non-executive Director	Male	62	May 2015
Ben Shenglin (賁聖林)	Independent Non-executive Director	Male	51	May 2015
SUPERVISORS				
Han Weiqiang (韓巍強)	Chairman of the Supervisory Committee	Male	63	May 2015
	Employee Representative Supervisor			April 2015
Liu Haoling (劉浩淩)	Supervisor	Male	45	May 2015
Jin Lizuo (金立佐)	Supervisor	Male	59	May 2015

Name	Position	Gender	Age	Appointment date
SENIOR MANAGEMENT				
Bi Mingjian (畢明建)	See "Directors" above			
Chu Gang (楚鋼)	Chief Operating Officer	Male	53	April 2015
	Member of the Management Committee			April 2015
Wong King Fung (黃勁峰)	Chief Financial Officer	Male	48	February 2017
	Member of the Management Committee			February 2017
Xin Jie (辛潔)	Chief Financial Officer	Male	42	January 2014 to February 2017
	Member of the Management Committee			April 2015 to February 2017
Lin Shoukang (林壽康)	Member of the Management Committee	Male	53	December 2007
Huang Zhaohui (黃朝暉)	Member of the Management Committee	Male	53	April 2015
Huang Haizhou (黃海洲)	Member of the Management Committee	Male	54	April 2015
Liang Hong (梁紅)	Member of the Management Committee	Female	48	April 2015
Cheng Qiang (程強)	Member of the Management Committee	Male	49	April 2015
Sun Dongqing (孫冬青)	Member of the Management Committee	Female	43	April 2015 to February 2017
Huang Kanglin (黃康林)	Chief Risk Officer	Male	54	August 2014
Chen Gang (陳剛)	Chief Compliance Officer	Male	44	August 2016
Lu Xu (呂旭)	Chief Technology Officer	Male	63	April 2015
Wu Bo (吳波)	Secretary to the Board of Directors	Male	39	May 2015
Ma Kui (馬葵)	Financial Controller	Female	45	May 2015
Yang Xinping (楊新平)	Assistant President	Female	61	February 2017

Note 1: Bi Mingjian has stated to perform the duties of the Chairman of the Board since March 1, 2017 and till the new Chairman of the Board is elected.

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

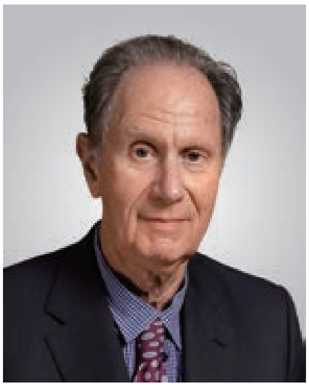
II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Mr. Ding Xuedong (丁學東), aged 57, served as the Chairman of the Board of Directors and a Director of our Company from October 2014 to February 2017. He served a number of positions in the State-owned Asset Administration Bureau, including director general of the Department of Human Resources, head of the general office and director general of the Department of Property Rights from July 1994 to July 1998. He also held several positions in the Ministry of Finance, including director general of the Department of State-owned Capital Administration, director general of the Department of Agriculture, director general of the Department of Education, Science and Culture, assistant minister and vice minister from July 1998 to May 2010. He served as the deputy secretary general of the State Council from May 2010 to July 2013. He also served as a professor at Chinese Academy of Governance from September 2012 to September 2015. Mr. Ding currently serves as the chairman and chief executive officer of China Investment Corporation ("CIC") and also the chairman of Huijin, one of the substantial shareholders of our Company, since July 2013. He also currently serves as a professor and doctoral advisor at the Graduate School of the Research Institute for Fiscal Science, Ministry of Finance, since February 2005. Mr. Ding obtained a master's degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in November 1985 and a doctoral degree in economics from the Research Institute for Fiscal Science, Ministry of Finance (財政部財政科學研究所), in August 1997.

Mr. Bi Mingjian (畢明建), aged 61, has been appointed as a Director of our Company since May 2015. He has also served as the Chief Executive Officer and Chairman of the Management Committee of our Company since March 2015. He joined the Group in August 1995 and participated in the establishment of our Company. He held several positions in the Group, including Deputy Chief Executive Officer, member and Acting Chairman of the Management Committee, Co-Chief Operating Officer and Co-Head of the Investment Banking Department from August 1995 to February 2006. He served as a senior advisor to our Company from March 2006 to November 2012. He served as a managing partner of HOPU Investment Management Co., Ltd. from November 2012 to March 2015. Prior to August 1995, he served as the deputy division chief of the State Farms and Reclamation Bureau of the Ministry of Agriculture from January 1984 to December 1985, operation officer of the World Bank China Office from December 1985 to June 1988, deputy director of the project office of China Rural Trust and Investment Corporation from June 1988 to October 1988 and project economist and advisor of the World Bank from October 1988 to January 1994. He currently serves as a director of a number of the subsidiaries of our Company. Mr. Bi obtained a diploma in English from East China Normal University (華東師範大學) in December 1982 and a master of business administration degree from George Mason University, the United States, in January 1993.

Ms. Zhao Haiying (趙海英), aged 52, has been appointed as a Director of our Company since August 2011. She taught at the Business School of Hong Kong University of Science and Technology from 1992 to 1995. She also served as a consultant for the Asian Development Bank from 1995 to 1997 and taught at the School of Economics and Finance of The University of Hong Kong from 1995 to 2001. She served as a commissioner of the Strategy and Development Commission of the CSRC from January 2001 to January 2002, deputy director of the Department of Public Offering Supervision of the CSRC from January 2002 to October 2005, director of the Industrial and Commercial Bank of China Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1398) and the Shanghai Stock Exchange (Stock Code: 601398), from October 2005 to December 2008 and, in the meantime, the head of the department of research and legal affairs of Huijin from May 2006 to September 2007. She served as head of the department of asset allocation and strategic research of CIC from December 2007 to October 2009, vice general manager of Huijin as well as the director of its non-bank department from October 2009 to February 2012, and a director of New China Life Insurance Company Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to March 2016. She was a member of executive committee of CIC and the Executive Vice President of Huijin as well as the director of its securities institution management department from February 2012 to April 2012. She was a member of the executive committee of CIC and the Executive Vice President of Huijin from April 2012 to April 2015. She was a member of the executive committee of CIC and the Executive Vice President of Huijin as well as the director of its securities institution management department/insurance institution management department from April 2015 to October 2015. She also served as a committee member of the 11th and the 12th National Committee of the Chinese People's Political Consultative Conference. Ms. Zhao served as the chief risk officer of CIC since October 2015. Ms. Zhao received a bachelor's degree in precision instrument from Tianjin University (天津大學) in 1984 and a doctoral degree in economics from the University of Maryland, the United States, in 1992.



Mr. David Bonderman (大衛•龐德文), aged 74, has been appointed as a Director of our Company since November 2010. He is a founding partner of Texas Pacific Group ("TPG"), an affiliate of one of the substantial shareholders of our Company. Through its global buyout platform, TPG generally makes significant investments in operating companies through acquisitions and restructurings across a broad range of industries globally. Prior to forming TPG in 1992, he was Chief Operating Officer of the Robert M. Bass Group, Inc. (RMBG), now doing business as Keystone Group, L.P. in Fort Worth, Texas. Prior to joining RMBG in 1983, he was a partner in the law firm of Arnold & Porter in Washington, D.C., where he specialized in corporate, securities, bankruptcy and antitrust litigation. From 1969 to 1970, he was a Fellow in Foreign and Comparative Law in conjunction with Harvard University and from 1968 to 1969, he was Special Assistant to the U.S. Attorney General in the Civil Rights Division. From 1967 to 1968, he was Assistant Professor at Tulane University School of Law in New Orleans. Mr. Bonderman currently serves on a number of boards, including: director of Ryanair Holdings Plc, a company listed on the Irish Stock Exchange (Ticker: RYA), London Stock Exchange (Ticker: RYA) and NASDAQ (Ticker: RYAAY), since August 1996; director of Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.), a company listed on the NASDAQ (Ticker: CZR), since January 2008; director of Kite Pharma, Inc., a company listed on the NASDAQ (Ticker: KITE), since March 2011; and director of Pace Holdings Corp. (formerly known as Paceline Holdings Corp.), a company listed on the NASDAQ (Ticker: PACE), since July 2015. In addition, he serves on the boards of The Wilderness Society and the Grand Canyon Trust. Mr. Bonderman has also served as a director in, among others, Costar

Group, Inc. (formerly known as Realty Information Group), a company listed on the NASDAQ (Ticker: CSGP), from May 1995 to June 2015; Armstrong World Industries, Inc., a company listed on the New York Stock Exchange (Ticker: AWI), from September 2009 to June 2012; General Motors Company, a company listed on the New York Stock Exchange (Ticker: GM), from July 2009 to June 2014; and VTB Group, a company listed on the Moscow Exchange (Ticker: VTBR) and London Stock Exchange (Ticker: VTBR LI), from March 2011 to June 2014. In June 1963, Mr. Bonderman obtained a bachelor's degree in Slavic languages and literatures: Russian from University of Washington in the United States. In June 1966, he graduated magna cum laude from Harvard Law School in the United States, with a bachelor's degree in Law. He was a member of the Harvard Law Review and a Sheldon Fellow.

Please refer to "Directors, Supervisors and Senior Management – Board of Directors" of the Prospectus for further details on Mr. Bonderman's civil proceedings.

Mr. Liu Haifeng David (劉海峰), aged 46, has been appointed as a Director of our Company since February 2015. Mr. Liu previously served as Partner of KKR, Co-head of KKR Asia Private Equity and CEO of KKR Greater China. Mr. Liu was also a member of KKR's Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. Prior to joining KKR, Mr. Liu was Managing Director and Co-head of Morgan Stanley Private Equity Asia. Mr. Liu has 21 years of experience in direct investment. He has established one of the leading investment track records in Greater China and was responsible for a number of successful and innovative investments such as Mengniu Dairy, Ping An Insurance, Belle International, Far East Horizon, Nanfu Battery, China Modern Dairy, United Envirotech Ltd, China Cord Blood Corporation, Qingdao Haier Co., Ltd, Paradise Retail, Hengan International, Shanshui Cement, Rundong Auto, etc. Mr. Liu also serves as a non-executive director of Far East Horizon Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3360), since October 2009, and a non-executive director of Qingdao Haier Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690), since September 2014. Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. "KKR" as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates.

Mr. Shi Jun (石軍), aged 44, has been appointed as a Director of our Company since December 2013. He held several positions in I&G, one of the shareholders of our Company, including a deputy general manager of the department of market development (II), general manager of department of financial products, principal of the center of financial products and general manager of the department of general financial products, the executive president and in charge of the investment, wealth management and internet finance businesses since July 1996. Mr. Shi currently serves as the president of I&G since April 2016, and he is responsible for the overall management work. Mr. Shi has been admitted as a lawyer of the PRC since April 2001 and has been qualified as a CFA charter holder of the CFA Institute since September 2007. Mr. Shi obtained a bachelor's degree in economics specializing in insurance from Shanghai University of Finance and Economics (上海財經大學) in June 1996 and a master of business administration degree from Tsinghua University (清華大學) in January 2011. He also completed the executive master of business administration program and obtained a master of business administration degree from China Europe International Business School (中歐國際工商學院) in August 2014.

Mr. Cha Mou Daid Johnson (查懋德), aged 65, has been appointed as a Director of our Company since October 2002. He currently serves as a director of C.M. Advisors (HK) Limited. He has been the chairman of C.M. Capital Corporation since 2000. He has also served as a board member and non-executive director of HKR International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 480) since 1989 and December 2004 respectively, and as a non-executive director of Hanison Construction Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 896) since November 2001. He has been appointed as a non-executive director of Mingly, one of the substantial shareholders of our Company, since April 2000 and currently as an independent non-executive director and a member of the nomination committee, risk management committee and remuneration committee and the former chairman of the audit committee of Shanghai Commercial Bank Limited since September 2001. He also holds directorships in other private companies in Hong Kong and overseas. Mr. Cha is active in many non-profit organizations serving as trustee, advisor or committee member. Since 1989, he has served at various institutions at different times in the following capacities: currently a board member of the trustee of Qiu Shi Science & Technologies, a founding member of the Moral Education Concern Group, and a council member and a member of the Finance Committee of the Hong Kong University of Science and Technology, a member of the Presidents' Global Advisory Council at Carnegie Mellon University. Previously, as a member of The Hong Kong Government Advisory Council in Innovation and Technology; a trustee and chairman of Investment Committee of the Croucher Foundation; a council member and a member of the Finance Committee and Investment Sub-Committee of The Chinese University of Hong Kong; a trustee of the Mathematical Sciences Research Institute in the United States; a member of the Advisory Council of the Graduate School of Business of Stanford University; a member of Investment Committee, Foundation member, and board of trustee of University of California, San Francisco; an advisory board member of the College of Letters and Science of University of California, Los Angeles; and a member of Advisory Council of the Business School of University of San Francisco. Mr. Cha obtained a bachelor's degree in chemistry from Carnegie Mellon University, the United States, in May 1973 and a master of business administration degree from the Graduate School of Business of Stanford University, the United States, in June 1976.

Mr. Edwin Roca Lim (林重庚), aged 76, has been appointed as a Director of our Company since May 2015. He served as a lecturer at The University of Hong Kong from 1965 to 1970. He joined the World Bank Group in May 1970 and held several positions, including economist, senior economist, lead economist for China, chief representative in China, director in charge of West Africa and director in charge of India. He was granted external service leave by the World Bank Group for two years from February 1994 to lead the organization of an investment bank in China. This initiative led to the establishment of our Company. In this context, he served as a senior advisor to Morgan Stanley from March 1994 to May 1995 and as the Chief Executive Officer of our Company from June 1995 to December 1995. He returned to the World Bank Group in January 1996 and served as director in charge of India until he retired in August 2002. Mr. Lim obtained a bachelor's degree in public and international affairs from Princeton University, the United States, in June 1962 and a doctoral degree in economics from the Graduate School of Arts and Sciences of Harvard University, the United States, in June 1970. He also completed the advanced management program at Harvard Business School of Harvard University, the United States, in May 1993.

Directors, Supervisors, Senior Management and Employees

Mr. Liu Li (劉力), aged 61, has been appointed as a Director of our Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. He served as an independent non-executive director of Metallurgical Corporation of China Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601618) and the Hong Kong Stock Exchange (stock code: 1618), from December 2008 to November 2014, and independent director of Bohai Ferry Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603167), from December 2009 to March 2014. Mr. Liu currently serves as an independent director of China Oil HBP Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002554), since December 2009, independent non-executive director of China Machinery Engineering Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 1829), since January 2011, independent director of Langfang Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600149), since August 2011, independent non-executive director of Bank of Communications Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 3328), since September 2014, and independent director of Success Electronics Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 002289), since January 2016. Mr. Liu obtained a master degree in physics from Peking University in July 1984 and MBA from Catholic University of Louvain in Belgium in July 1989.

Mr. Siu Wai Keung (蕭偉強), aged 62, has been appointed as a Director of our Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Beijing and Northern China Region, KPMG China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. He also served as an independent non-executive director of Hua Xia Bank Co., Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 600015), from October 2010 to February 2014, independent non-executive director of Beijing Hualian Hypermarket Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600361), from September 2012 to March 2015, independent non-executive director of Hop Hing Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 47), from September 2012 to May 2015, independent non-executive director of Shunfeng International Clean Energy Limited (formerly known as Shunfeng Photovoltaic International Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 1165), from July 2013 to June 2015, and independent non-executive director of China Huishan Dairy Holdings Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 6863), from September 2013 to August 2015. Mr. Siu currently serves as an independent non-executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), since December 2010, independent non-executive director of CITIC Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 267), since May 2011, independent non-executive director of China Communications Services Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 552), since June 2012, independent non-executive director of CGN Power Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1816), since March 2014, independent director of Beijing Gao Hua Securities Company Limited since June 2015, and independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu has been a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.

Mr. Ben Shenglin (賁聖林), aged 51, has been appointed as a Director of our Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and China business head from March 2003 to February 2005. He served at HSBC in China from February 2005 to April 2010 as a senior executive, including managing director and China country head of commercial banking from January 2007 to April 2010. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China) Company Limited. Mr. Ben currently serves as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), since September 2014, independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 168), since June 2014, a director of Xiamen International Financial Technology Co., Ltd. (廈門國際金融技術有限公司), since October 2015, independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, and supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since December 2016. He joined the School of Management of Zhejiang University (浙江大學管理學院) since May 2014 and currently serves as a full-time professor of banking and finance and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, and director of Center for Internet and Financial Innovation of the School of Management of Zhejiang University since December 2014. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and a counsellor of the Zhejiang People's Government since August 2014. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

Supervisors

Mr. Han Weiqiang (韓巍強), aged 63, has been elected as the employee-representative Supervisor since April 2015 and appointed as the Chairman of the Supervisory Committee of our Company and Director-general of CICC Charity Foundation since May 2015 and March 2012, respectively. He joined the Group in March 2003 and assumed various positions, including a member of the Management Committee, the Chief Administrative Officer and Acting Chief Financial Officer. He served as an analyst of Goldman Financial Group Corporation from September 1989 to September 1991, head of finance of Waterbury Farrel Technology Corporation from September 1991 to December 1993, vice president of China Enterprise Management Corp. and chief representative of the Beijing office from January 1994 to October 1996, and general manager of MasterCard International (China) from November 1996 to March 2003. Mr. Han obtained a bachelor's degree in philosophy from Beijing Iron and Steel Institute (北京鋼鐵學院) (currently known as University of Science and Technology Beijing (北京科技大學)) in July 1982 and a master's degree in international relations and a master of business administration degree from Boston University, the United States, in September 1989.

Mr. Liu Haoling (劉浩淩), aged 45, has been appointed as a Supervisor of our Company since May 2015. He served as a preparatory group member for the establishment of ABN AMRO Xiangcai Fund Management Co. Ltd. from January 2002 to June 2002, manager of the legal and compliance department and secretary of the board of directors of China Euro Securities Limited from July 2003 to March 2007, and an associate of the compliance department of Goldman Sachs Gao Hua Securities Company Limited from April 2007 to February 2008. He held several positions in CIC, including the business head and senior manager of the legal and compliance department from March 2008 to April 2011. He also served as a director of New China Life Insurance Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to September 2010. He served as a deputy head of the general management department of Huijin from May 2011 to June 2016. He currently serves as a head of the general management department/banking institutions department II and a managing director of Huijin since July 2016 and since July 2014, respectively, and a supervisor of China Export & Credit Insurance Corporation since December 2012. Mr. Liu obtained a bachelor's degree in English from Peking University (北京大學) in July 1995, a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1997, a master's degree in law from The University of Iowa, the United States, in May 1998 and a master's degree in finance from London Business School of University of London, the United Kingdom, in September 2003.

Mr. Jin Linzuo (金立佐), aged 59, has been appointed as a Supervisor of our Company since May 2015. He participated in the establishment of our Company from 1994 to 1995. He served as the chairman of Beijing Integrity Investment Consulting Ltd. from 1995 to 1999, chairman of Beijing Integrity Management Consulting Ltd. from 1999 to 2004, an independent non-executive director of COSCO Shipping Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600428), from August 2008 to March 2012, and an independent non-executive director of Huabao International Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 336), from August 2011 to August 2013. Mr. Jin currently serves as an independent non-executive director of Beijing Development (Hong Kong) Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 154) since September 2004, and a director of NetBrain Technologies Inc. since August 2012. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from Oxford University, the United Kingdom, in November 1993.

Senior Management

Mr. Bi Mingjian (畢明建), a Director, the Chief Executive Officer and Chairman of the Management Committee of our Company. See "– Directors" in this section for his profile.

Mr. Chu Gang (楚鋼), aged 53, has been appointed as the Chief Operating Officer and a member of the Management Committee of our Company since April 2015. He joined the Group in May 2009 and held several positions, including a Managing Director of the Research Department, the Acting Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including vice president, emerging market risk manager, local government bonds proprietary trader, fund manager, head of Latin America stock options trading and managing director of alternative investments from September 1993 to August 2008. He currently serves as a director of a number of the subsidiaries of our Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor's degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.

Mr. Wong King Fung (黃勁峰), aged 48, has been appointed as the Chief Financial Officer and a member of the Management Committee of the Company since February 2017. He joined the Group in May 2016 and served as a Managing Director in the Firm Management Department. Mr. Wong has 25 years of working experience in Mainland China, Hong Kong, Japan and the UK, with international commercial bank, international investment bank, domestic securities firm and in public accounting firm. Before joining the Group, Mr. Wong worked in Goldman Sachs and Beijing Gao Hua Securities Company Limited from March 2000 to May 2016; during which he held a number of positions in the asset management division of Goldman Sachs (Asia) from June 2008 to May 2016, including Asia Pacific COO, Asia Pacific ex Japan COO, Head of Product Development and Managing Director. From December 2006 to June 2008, he was responsible for coordinating the middle and back offices as well as risk management functions at Beijing Gao Hua Securities Company Limited. From March 2000 to June 2008, he served in a number of roles, including Head of FICC Product Financial Control, Head of Equities Product Financial Control, Head of Japan Product Financial Control, the Hong Kong Financial Controller and Executive Director at Goldman Sachs (Asia) and Goldman Sachs Japan. From July 1997 to February 2000, Mr. Wong worked at HSBC HK as Financial Manager of Capital Markets and Financial Manager of Money Foreign Exchange Markets. From September 1991 to May 1997, Mr. Wong worked in the audit department as an auditing and accounting trainee, Assistant Manager and Manager at KPMG (UK and HK). Mr. Wong has been a member of the HKICPA and ICAEW for over 20 years. He met the professional requirements by passing the exams and going through the required trainings for the ICAEW and officially became a member and a certified accountant of ICAEW in November 1994. He met the professional requirements of the HKICPA and officially became a member and a certified accountant of the HKICPA in October 1995. He is currently a Director of CICC Hong Kong. Mr. Wong obtained a Bachelor's Degree in Mechanical Engineering from University of Bristol in June 1990.

Mr. Xin Jie (辛潔), aged 42, served as the Chief Financial Officer and a member of the Management Committee of our Company from January 2014 and April 2015, respectively, to February 2017. He joined the Group in May 1998 and served as an Associate of the Investment Banking Department until July 2000. He served as the general manager of the Beijing office of Good Investment Co. Ltd. from July 2000 to April 2003, deputy chief representative of Veolia Water Group North China from May 2003 to February 2005 and director of Standard Chartered Private Equity from March 2005 to June 2007. He rejoined the Group in July 2007 and held several positions, including the general manager of CICC Jiacheng, a subsidiary of our Company. He currently serves as a director of a number of subsidiaries of our Company, including CICC Hong Kong and China International Capital Corporation (Singapore) Pte. Limited. Mr. Xin obtained a bachelor's degree in business administration from University of Georgia, the United States, in June 1996 and a master's degree in world economics from Nankai University (南開大學) in June 2005.

Mr. Lin Shoukang (林壽康), aged 53, has been appointed as a member of the Management Committee since December 2007. He joined the Group in November 2000 and held several positions, including an Executive Director of the Asset Management Department, the Head of the Capital Markets Department, Chief Operating Officer, Acting Chief Executive Officer and Acting Chairman of the Management Committee. Prior to joining the Group, he served as an instructor in mathematics at Xiamen University (廈門大學) from September 1983 to August 1985 and assistant professor of University of York, Canada, from July 1990 to July 1991. He joined the International Monetary Fund in August 1991 and held several positions, including an economist and a main desk officer of Malawi of the African Department until June 1996. He served as a senior manager of the Hong Kong Monetary Authority from July 1996 to December 1997, the head of the Greater China economic research of Deutsche Bank Hong Kong from January 1998 to May 1999 and deputy director of the international department of China Cinda Asset Management Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1359), from May 1999 to October 2000. He currently serves as a director of a number of the subsidiaries of our Company, including CICC Hong Kong and CICC Fund Management. Mr. Lin obtained a bachelor's degree in mathematics from Xiamen University in July 1983, master's degree in economics and a doctoral degree in monetary economics from Brown University, the United States, in August 1987 and May 1990, respectively.

Mr. Huang Zhaohui (黃朝暉), aged 53, has been appointed as a member of the Management Committee and the Head of the Investment Banking Department of our Company since April 2015 and April 2013, respectively. He joined the Group in February 1998 and held several positions, including the Deputy Head and Co-Head of the Investment Banking Department. Prior to joining our Group, he joined China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939), and served as a clerk of the Ningbo branch office, an assistant research officer of the department of investment research, a senior economist of the department of real estate financing, deputy director of department of international business and director of the secretariat of the general administration office from July 1988 to January 1998. He currently serves as a director of CICC HK Securities. Mr. Huang obtained a bachelor's degree in physics from Wuhan University (武漢大學) in July 1985 and a master's degree in economics from Renmin University of China in July 1988.

Mr. Huang Haizhou (黃海洲), aged 54, has been appointed as a member of the Management Committee and the Head of the Equities Department of our Company since April 2015 and May 2013, respectively. He joined the Group in December 2007 and held several positions, including the Co-head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as a research fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, an economist and a senior economist at the International Monetary Fund from July 1998 to August 2005, and the chief economist and head of Greater China research of Barclays Capital from September 2005 to December 2007. He currently serves as a co-opted member of the Hong Kong Financial Services Development Council since March 2013. He currently serves as a director of a number of the subsidiaries of our Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree in business from Indiana University, the United States, in July 1994.

Ms. Liang Hong (梁紅), aged 48, has been appointed as a member of the Management Committee, the Head of the Research Department and Chief Economist of our Company since April 2015, May 2013 and October 2014, respectively. She joined the Group in November 2008 and held several positions, including a Managing Director, the Head of the Capital Markets Department and Co-Head of the Sales and Trading Department. Prior to joining the Group, she served as an economist of the International Monetary Fund from June 1998 to August 2003 and the chief China economist, managing director, and co-head of Asia Pacific economic research of Goldman Sachs (Asia) LLC from September 2003 to November 2008. She currently serves as a director of CICC Hong Kong and CICC HK Securities. Ms. Liang obtained a bachelor's degree in international relations from Peking University in July 1991, a master's degree in economics from University of Denver, the United States, in June 1993 and a doctoral degree in economics from Georgetown University, the United States, in July 1998.

Mr. Cheng Qiang (程強), aged 49, has been appointed as a member of the Management Committee and the Head of the FICC Department of our Company since April 2015. He joined the Group in October 2003 and held several positions, including a Vice President of the Capital Markets Department, Co-Head of the FICC Department, Head of the Trading team, Head of the Product Division and fixed income team of the Investment Banking Department. He served as an advisor to our Company from July 2012 to June 2014. Prior to joining the Group, he served as a research staff of Advanced Technology Laboratories from January 1995 to December 1997, an associate of Barclays Capital New York from January 1998 to May 2000, a senior vice president of China Network International from June 2000 to August 2002, managing director of Global Standard Investment from September 2002 to June 2003 and vice president of ING Bank (Hong Kong) from August 2003 to September 2003. He currently serves as the chairman of CICC Futures and a director of a number of other subsidiaries of our Company, including CICC Hong Kong. Mr. Cheng obtained a bachelor's degree in physics from the University of Mississippi, the United States, in August 1990, a master's degree in physics and a master's degree and a doctoral degree in economics from the University of Michigan, the United States, in August 1991, December 1993 and May 1998, respectively.

Ms. Sun Dongqing (孫冬青), aged 43, served as a member of the Management Committee and the Head of the Wealth Management Department of our Company from April 2015 and September 2011, respectively, to February 2017. She joined the Group in July 2001 and held several positions, including the Head of Beijing branch of the Sales and Trading Department, the Head of the Retail Group (now known as Wealth Management), and took part in setting up the wealth management business of our Company in September 2007. Prior to joining the Group, she served as an assistant accountant of the China's Fuel Corporation from July 1996 to June 1999. Ms. Sun obtained a bachelor's degree in engineering management from Beijing Wuzi University (北京物資學院) in July 1996 and a master of business administration degree from Tsinghua University in July 2001.

Mr. Huang Kanglin (黃康林), aged 54, has been appointed as the Chief Risk Officer and Head of the Risk Management Department of our Company since August 2014 and February 2012, respectively. He joined the Group in February 2012 and served as a Managing Director and the Head of the Risk Management Department. Prior to joining the Group, he served as a software consultant to Ciba Corning Inc. from May 1994 to April 1995, a quantitative analyst of Barclays Group (BZW) from May 1995 to August 1995, a quantitative strategist of Goldman Sachs & Co. from September 1995 to April 2000, a senior market risk manager of Lehman Brothers Inc. from May 2000 to April 2004, head of Asia market risk management, managing director, subsequently as head of Asia risk management of Lehman Brothers Japan from May 2004 to September 2008, a senior risk manager, managing director of Nomura Securities Co. from October 2008 to August 2009, and joint-head of Asia ex Japan risk management and managing director of Nomura International (Hong Kong) Ltd from September 2009 to October 2011. Mr. Huang obtained a bachelor's degree in physics from Peking University in July 1984, a master's degree in physics from Michigan Technological University, the United States, in May 1989 and a doctoral degree in materials science and engineering from University of Pittsburgh, the United States, in April 1994.

Mr. Chen Gang (陳剛), aged 44, has been appointed as the Chief Compliance Officer of our Company since August 2016. He joined the Group in April 2006 and held several positions, including the Legal Department Coordinator of our US office as well as the Chief Compliance Officer of CICC Investment Management (USA), Inc., and a Compliance Counsel in our Beijing and Hong Kong offices until January 2014. Prior to joining the Group, he served as a research associate of the Development Research Center of the State Council from August 1996 to January 2001, and a senior associate of the Broad & Bright Law Offices from September 2004 to April 2006. He served as a managing director in charge of legal and compliance matters of HOPU Investment Management Co., Ltd. from January 2014 to April 2016. He rejoined the Group in May 2016 and served as a managing director of our Compliance Department. Mr. Chen is a registered attorney of the New York State and has obtained the PRC legal professional qualification. Mr. Chen obtained his bachelor of science degree in applied chemistry and master of business administration degree from Peking University in July 1996 and July 2001, respectively. He also obtained a Juris Doctor degree from the University of Pennsylvania Law School in May 2004.

Mr. Lu Xu (呂旭), aged 63, has been appointed as the Chief Technology Officer and Head of Information Technology Department of our Company since April 2015. He joined the Group in August 2000 and was the Head of Information Technology Department until March 2014. Prior to joining the Group, he served as a software engineer of the Information Center, Ministry of Electronics Industry, from December 1984 to December 1987, a software engineer of EG&G Washington Analytical Services Center, Inc. in United States from December 1990 to May 1992, a senior software engineer of MLJ Consulting Telecommunication Engineers, Inc. in the United States from May 1992 to March 1995, principal software engineer of LCC L.L.C in the United States from March 1995 to February 1996, project manager of MCI WorldCom in United States from February 1996 to August 2000 and senior managing director of HOPU Investment Management Co., Ltd. from May 2014 to March 2015. Mr. Lu obtained a master's degree in computer science from North China Institute of Computing Technology (華北計算技術研究所) in December 1984, and a master's degree in computer science and technology from George Mason University, the United States, in January 1994.

Mr. Wu Bo (吳波), aged 39, has been appointed as the Secretary to the Board of Directors of our Company since May 2015. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department and a member of the Operations team of the Investment Banking Department. Prior to joining the Group, Mr. Wu served as, among other things, an auditor of Arthur Andersen Huaqiang Certified Public Accountants from July 1999 to June 2002 and a senior auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained his bachelor's degree in economics from Peking University in July 1998.

Ms. Ma Kui (馬葵), aged 45, has been appointed as the Financial Controller, Head of Entity and Process Department of our Company since May 2015 and September 2011, respectively. She joined the Group in April 1998 and held several positions, including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC Pucheng Investment Co., Ltd. She was a director of CICC Jiacheng, a subsidiary of our Company, since June 2014. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as a director of a number of our subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996, respectively.

Ms. Yang Xinping (楊新平), aged 61, has been appointed as the Assistant President of the Company since February 2017. She was the Chief Compliance Officer of the Company from December 2007 to August 2016. She joined the Company in October 1999 and had served a number of positions, including Head of the Legal Department in 2000 and Head of the Compliance Department in 2004. Prior to joining the Company, she served as a lawyer in Paul Weiss, Rifkind, Wharton and Garrison Beijing Office, C&C Law Office and held various positions with other institutions in China, Australia and the United States from February 1980 to September 1999. She served as a member of the Issuance Appraisal Committee of CSRC from January 2001 to September 2003, member of the M&A Committee of the Issuance Appraisal Committee of CSRC from March 2002 to February 2004 and member of the Disciplinary and Supervisory Committee of SAC from February 2008 to February 2012. She has served as a vice chairman of the Compliance Committee of the SAC since October 2009, member of the Compliance Committee of the Securities Association of Beijing since December 2013, and the Company's representative of the exchange participants of the Shanghai Stock Exchange and Shenzhen Stock Exchange since December 2012. She has also been selected as an expert appraiser of the SAC for innovative business of securities firms since August 2008. Ms. Yang obtained her juris doctor degree from School of Law, University of Connecticut, the United States in May 1986, LLM from Cornell University Law School, the United States, in May 1991, diploma from the Law Extension Committee of Sydney University Law School, Australia, in May 1993, certificate from the English Language Center, Beijing Institute of International Economics and Management (北京國際經濟管理學院經濟英語培訓中心), in January 1981, and her university study at the English Department of Shanghai Institute of Foreign Languages (上海外國語學院英語系) was completed in January 1980.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Change in Directors

1. Change in Directors

During the Reporting Period, Mr. Cao Tong resigned from his position as an independent non-executive Director, a member of the Remuneration Committee, the chairman of the Nomination and Corporate Governance Committee and a member of the Audit Committee under the Board of Directors due to personal work arrangements, with effect from June 8, 2016. The Shareholders' general meeting and the Board of Directors considered and approved to elect Mr. Liu Li as an independent non-executive Director, with effect from June 8, 2016. The aforesaid details in the change were disclosed in the announcements and the circular dated March 29, 2016, April 22, 2016 and June 8, 2016 as published by the Company in respect of the change in Directors.

Mr. Ding Xuedong resigned from his position as the Chairman of the Board, Legal Representative, independent non-executive Director of the Company, the chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee under the Board of Directors due to work rearrangement, with effect from February 27, 2017. The aforesaid details in the change were disclosed in the announcement dated February 28, 2017 as published by the Company in respect of the resignation of Chairman. As the election of the new Chairman of the Board shall go through statutory procedures, Mr. Bi Mingjian, as nominated by over half of the directors pursuant to the requirements of the Articles of Association, has started to perform the duties of the Chairman of the Board, legal representative, and the chairman of the Strategy Committee under the Board since March 1, 2017 and till the new Chairman of the Board is elected. The aforesaid details in the change were disclosed in the announcement dated March 2, 2017 as published by the Company.

2. **Change of Composition of Board Committees**

The Board of Directors has made certain adjustments to the composition of the Board committees in accordance with the relevant laws and regulations and the Articles of Association, with effect from June 8, 2016:

(1) Mr. Liu Li has been appointed as the chairman of the Nomination and Corporate Governance Committee and members of the Audit Committee and the Risk Management Committee; and

(2) Mr. Ben Shenglin has been appointed as a member of the Remuneration Committee and ceased to be a member of the Audit Committee.

The aforesaid details in the change were disclosed in the announcement dated June 8, 2016 as published by the Company in respect of the change of composition of Board committees.

(ii) Change in Supervisors

There was no change in Supervisors during the Reporting Period.

(iii) Change in Senior Management

During the Reporting Period, Ms. Yang Xinping resigned from her position as Chief Compliance Officer due to changes in work arrangements, with effect from August 26, 2016. In order to maintain a sound governance structure of the Company, the Board of Directors considered and approved to elect Mr. Chen Gang as Chief Compliance Officer, with effect from August 26, 2016.

Due to work arrangement, Ms. Sun Dongqing ceased to serve as a member of the Management Committee since February 7, 2017. The adjustment is considered and approved by the Board of Directors.

Mr. Xin Jie resigned from his position as Chief Financial Officer of the Company and he no longer served as a member of the Management Committee due to changes in work arrangements, with effect from February 15, 2017. In order to maintain a sound governance structure of the Company, the Board of Directors considered and approved the appointment of Mr. Wong King Fung as the Chief Financial Officer of the Company and a member of the Management Committee, with effect from February 15, 2017.

The Board of Directors considered and approved our appointment of Ms. Yang Xinping as assistant President of our Company, with effect from February 15, 2017.

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

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

The remuneration (net of tax) our Directors and Supervisors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) in 2016 was RMB9,100,000.

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

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to five highest paid individuals of our Company in 2016 was RMB81,010,000.

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

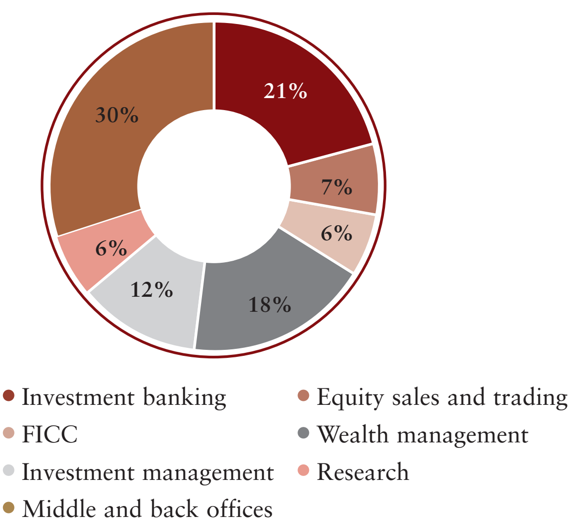
V. EMPLOYEES AND REMUNERATION

Number and Composition of Employees

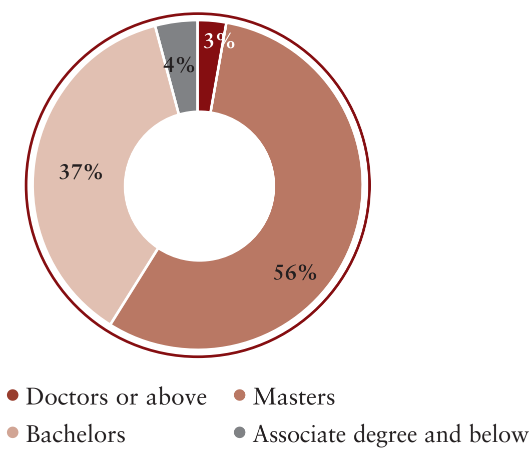
As at December 31, 2016, we had 2,637 employees, among them 2,263 employees were based in the PRC and 374 employees were based in Hong Kong, Singapore, the United States and the United Kingdom, representing 86% and 14%, respectively, of the total number of our employees. Approximately 37% and 59% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 40% of our employees and 70% of our managing directors had overseas education or working experience. The breakdown details are as follows:

		The Group		Our Company	
Items		Number of employees	Percentage of total (%)	Number of employees	Percentage of total (%)
Business Functions	Investment banking	556	21%	495	24%
	Equity sales and trading	180	7%	107	5%
	FICC	148	6%	102	5%
	Wealth management	469	18%	449	21%
	Investment management	318	12%	162	8%
	Research	163	6%	138	7%
	Middle and back offices	803	30%	636	30%
	Total	2,637	100%	2,089	100%
Educational Background	Doctors or above	81	3%	48	2%
	Masters	1,475	56%	1,204	58%
	Bachelors	968	37%	766	37%
	Associate degree and below	113	4%	71	3%
	Total	2,637	100%	2,089	100%

Profession Structure of Employees



Educational Background of Employees



Directors, Supervisors, Senior Management and Employees

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

Remuneration of Employees

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

Training Plans

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

Relationship with Employees

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

I. OVERVIEW OF CORPORATE GOVERNANCE

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

During the Reporting Period, our Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code.

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of Shareholders' General Meetings and Shareholders

The shareholders' general meeting is the body exercising the highest authority of our Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC. Our Company convened the shareholders' general meetings in strict compliance with the relevant rules and procedures such that all shareholders are treated equally and can exercise their rights fully. During the Reporting Period, our Company convened 4 shareholders' general meetings (including shareholders' class meetings) to comprehensively address shareholders' concern and listen attentively to the shareholders' opinions and suggestions regarding our Company's development.

(ii) Overview of Shareholders' General Meetings

During the Reporting Period, our Company convened 4 shareholders' general meetings (including shareholders' class meetings), the details and resolutions of which are as follows:

1. On June 8, 2016, the annual general meeting of 2015 of our Company was convened and the following resolutions were considered and adopted: Proposal regarding the 2015 Work Report of the Board of Directors of CICC; Proposal regarding the 2015 Work Report of the Supervisory Committee of CICC; Proposal regarding the 2015 Annual Report of CICC; Proposal regarding the 2015 Profit Distribution Plan of CICC; Proposal regarding the Re-appointment of the Accounting Firms of CICC; Proposal regarding the Election of Mr. Liu Li as an Independent Non-executive Director; Proposal regarding Grant of a General Mandate to the Board of Directors to Issue Shares; Proposal regarding Authorization to the Company on Issuance of Short-term Commercial Papers; Proposal regarding Authorization to the Company on Issuance of Onshore and Offshore Corporate Debt Financing Instruments; and Proposal regarding the Amendment to the Articles of Association.

2. On December 29, 2016, the first extraordinary general meeting of 2016 of our Company was convened and the following resolutions were considered and adopted: Proposal regarding the Proposed Issue of the Domestic Shares to Central Huijin Investment Ltd. for the Acquisition of 100% of the Equity Interest of China Investment Securities Company Limited; Proposal regarding Increasing of the Issuance Size of Company's the Onshore and Offshore Corporate Debt Financing Instruments; and Proposal regarding the Approval of the Whitewash Waiver in relation to Waiving the obligation of Central Huijin Investment Ltd. to Make a Mandatory General Offer.

3. On December 29, 2016, the domestic shareholders' class meeting of 2016 of our Company was convened and the following resolutions were considered and adopted: Proposal regarding the Proposed Issue of the Domestic Shares to Central Huijin Investment Ltd. for the Acquisition of 100% of the Equity Interest of of China Investment Securities Company Limited; and Proposal regarding the Approval of the Whitewash Waiver in relation to Waiving the obligation of Central Huijin Investment Ltd. to Make a Mandatory General Offer.

4. On December 29, 2016, the H shareholders' class meeting of 2016 of our Company was convened and the following resolutions were considered and adopted: Proposal regarding the Proposed Issue of the Domestic Shares to Central Huijin Investment Ltd. for the Acquisition of 100% of the Equity Interest of of China Investment Securities Company Limited; and Proposal regarding the Approval of the Whitewash Waiver in relation to Waiving the obligation of Central Huijin Investment Ltd. to Make a Mandatory General Offer.

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

During the Reporting Period, 4 shareholders' general meetings (including shareholders' class meetings) were held and the attendance of the Directors at the shareholders' general meetings was as follows:

Name of Directors	Required attendance at shareholders' general meetings	Attendance in fact	Attendance rate
Ding Xuedong	4	3	75%
Bi Mingjian	4	4	100%
Zhao Haiying	4	4	100%
David Bonderman	4	4	100%
Liu Haifeng David	4	4	100%
Shi Jun	4	4	100%
Cha Mou Daid Johnson	4	4	100%
Edwin Roca Lim	4	1	25%
Cao Tong[Note 1]	1	0	0%
Liu Li[Note 2]	3	3	100%
Siu Wai Keung	4	4	100%
Ben Shenglin	4	4	100%

Note 1: Cao Tong resigned as Director of our Company on June 8, 2016.

Note 2: Liu Li was appointed as Director of our Company on June 8, 2016. Mr. Liu attended all 3 shareholders' general meetings held since his appointment on June 8, 2016.

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

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

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

(ii) Composition of the Board of Directors

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

During the Reporting Period, the Board of our Company comprises of eleven (11) Directors, which includes one (1) executive Director (Mr. Bi Mingjian), six (6) non-executive Directors (Mr. Ding Xuedong, Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson) and four (4) independent non-executive Directors (Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin). Mr. Ding Xuedong is the chairman of the Board. None of the Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management of our Company. For the details in the change of Directors, please refer to "Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management" in this report.

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

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

(iii) Meetings of the Board of Directors

During the Reporting Period, the Board of Directors convened 7 meetings, the details and resolutions passed are as follows:

1. On January 29, 2016, the eighth meeting of the first session of the Board was convened and at the meeting: the Board listened to the Report on the 2015 Operating Performance of CICC; considered and adopted the Proposal regarding the 2015 Firm-wide Compensation of CICC; listened to the Three-year Strategic Plan Objectives (2016-2018) of CICC; considered and adopted the Proposal regarding the 2016 Operating Plan of CICC; and considered and adopted the Proposal regarding Delegation to the Remuneration Committee of the Board of Directors to Determine the 2015 Compensation of the Senior Management.

2. On March 29, 2016, the ninth meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the 2015 Work Report of the Board of Directors of CICC; considered and adopted the Proposal regarding the 2015 Annual Report and the 2015 Annual Results Announcement of CICC; considered and adopted the Proposal regarding the 2015 Profit Distribution Plan of CICC; considered and adopted the Proposal regarding the Re-appointment of the Accounting Firms of CICC; considered and adopted the Proposal regarding Grant of a General Mandate by the Shareholders' General Meeting to the Board of Directors to Issue Shares; considered and adopted the Proposal regarding Authorization by the Shareholders' General Meeting on Issuance of Short-term Commercial Papers; considered and adopted the Proposal regarding Authorization by the Shareholders' General Meeting on Issuance of Onshore and Offshore Corporate Debt Financing Instruments; considered and adopted the Proposal regarding the Provision of Guarantees and/or Credit Enhancement Measures for the Company and its Subsidiaries; considered and adopted the Proposal regarding the 2015 Compliance Annual Report of CICC; considered and adopted the Proposal regarding the 2015 Internal Controls Self-Assessment Report and Illustration of CICC; considered and adopted the Proposal regarding the 2015 Risk Assessment report of CICC; considered and adopted the Proposal regarding Amendment of Articles of Association; considered and adopted the Proposal regarding the Election of Independent Non-executive Director; considered and adopted the Proposal regarding the Request to Convene the 2015 Annual General Meeting of CICC; listened to the Report on the 2016 Compensation Determination Mechanism of CICC; and listened to the Report on the 2016 Performance Evaluation Mechanism and Compensation Determination Mechanism of Senior Management of CICC.

3. On June 6, 2016, the tenth meeting of the first session of the Board was convened and the Board considered and adopted the Proposal regarding the Adjustments to the Composition of the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee and the Risk Management Committee of the Board of Directors of CICC.

4. On August 26, 2016, the eleventh meeting of the first session of the Board was convened and at the meeting: the Board considered and adopted the Proposal regarding the 2016 Interim Report and the 2016 Interim Results Announcement of CICC; considered and adopted the Proposal regarding the Compliance Management 2016 Half-Year Report of CICC; considered and adopted the Proposal regarding Amendment of the Risk Appetite Statement of CICC; considered and adopted the Proposal regarding the 2016 Interim Risk Assessment Report of CICC; considered and adopted the Proposal regarding the Change of Chief Compliance Officer of CICC; and listened to the Report on the Proposed Change of Chief Financial Officer of CICC.

5. On November 4, 2016, the twelfth meeting of the first session of the Board of our Company was held and the following proposals were considered and adopted: Proposal regarding the Proposed Issuance of the Domestic Shares to Central Huijin Investment Ltd. for the Acquisition of 100% of the Equity Interest of China Investment Securities Company Limited; Proposal regarding the Approval of the Whitewash Waiver in relation to Waiving the Obligation of Central Huijin Investment Ltd. to Make a Mandatory General Offer; Proposal regarding the Establishment of the Independent Board Committee for the Proposed Acquisition; Proposal regarding Increasing of the Issuance Size of the Company's Onshore and Offshore Corporate Debt Financing Instruments by the Shareholders' General Meeting; and Proposal for Convening the Extraordinary General Meeting, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

6. On November 7, 2016, the thirteenth meeting of the first session of the Board of our Company was held and at the meeting the Board listened to the Report on the New Remuneration System Proposal of CICC.

7. On November 8, 2016, the fourteenth meeting of the first session of the Board of our Company was held and at the meeting the Board considered and adopted the Proposal regarding the New Remuneration System Proposal of CICC.

(iv) Attendance of Directors at Board meetings

During the Reporting Period, the Board of Directors convened 7 meetings, the attendance of Directors at the Board meetings are as follows:

Director's Name	Required attendance at Board meetings	Attendance in person	Attendance by proxy
Ding Xuedong	7	5	2
Bi Mingjian	7	7	0
Zhao Haiying	7	7	0
David Bonderman	7	5	2
Liu Haifeng David	7	6	1
Shi Jun	7	7	0
Cha Mou Daid Johnson	7	6	1
Edwin Roca Lim	7	7	0
Cao Tong[Note 1]	3	1	2
Liu Li[Note 2]	4	3	1
Siu Wai Keung	7	7	0
Ben Shenglin	7	7	0

Note 1: Cao Tong resigned as Director of our Company on June 8, 2016.

Note 2: Liu Li was appointed as Director of our Company on June 8, 2016.

(v) Training for Directors

Our Company recognizes the importance of training and continuous professional development of the Directors to ensure that the Directors are kept appraised of the latest developments of our Company and their responsibilities under the relevant laws and regulations as well as our Company's business and governance policies, so as to assist them in performing their duties as Directors of our Company. In 2016, our Company arranged a training conducted by its external professional advisers on the applicable laws and regulations relating to the duties and responsibilities as a director of a company listed in Hong Kong. The training covered a broad range of topics including directors' duties under the Hong Kong laws, Listing Rules and other relevant laws and regulations, as well as statutory regime for disclosure of inside information.

IV. BOARD COMMITTEES AND PERFORMANCE OF DUTIES

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

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

Note: Cao Tong resigned as independent non-executive director, member of Remuneration Committee, chairman of Nomination and Corporate Governance Committee and member of Audit Committee with effect from June 8, 2016. Liu Li was appointed as independent non-executive director, chairman of Nomination and Corporate Governance Committee, and members of the Audit Committee and the Risk Management Committee with effect from June 8, 2016. Meanwhile, Ben Shenglin was appointed as a member of the Remuneration Committee and ceased to be a member of Audit Committee of our Company with effect from June 8, 2016. Ding Xuedong has rendered his resignation from the office of the Chairman of the Board, non-executive Director, as well as the Chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee, with effect from February 27, 2017. Bi Mingjian has started to perform the duties of the Chairman of the Board and the Chairman of the Strategy Committee from March 1, 2017 and till the new Chairman of the Board is elected.

(i) Strategy Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2016, the Strategy Committee has convened 2 meetings. Details of the meetings of the Strategy Committee are set out below:

On April 19, 2016, the 2016 first meeting of the Strategy Committee of the Board was held, at which the Strategy Committee listened to the strategic presentation.

On November 4, 2016, the 2016 second meeting of the Strategy Committee of the Board was held, at which the Strategy Committee made a preliminary review of and agreed to submit the Proposal regarding the Proposed Issue of the Domestic Shares to Central Huijin Investment Ltd. for the Acquisition of 100% of the Equity Interest of China Investment Securities Company Limited to the Board for review.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Ding Xuedong	2	2
Bi Mingjian	2	2
Zhao Haiying	2	2
David Bonderman	2	1
Liu Haifeng David	2	2
Cha Mou Daid Johnson	2	2
Edwin Roca Lim	2	2

(ii) Remuneration Committee

1. Functions of the Committee

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

2. **Work Summaries and Meetings of the Committee**

In 2016, the Remuneration Committee has convened 9 meetings. Details of the meetings of the Remuneration Committee are set out below:

On January 14, 2016, the 2016 first meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) made a preliminary review of and agreed to submit the Proposal regarding the 2015 Firm-wide Compensation Pool of CICC to the Board for review; (ii) listened to the 2016 Compensation Determination Mechanism of CICC; (iii) listened to the 2015 Performance Review of Senior Management of CICC; and (iv) listened to the 2016 Performance Evaluation Mechanism Framework of Senior Management of CICC.

On February 1, 2016 and March 10, 2016, the first time and follow-on meetings of the 2016 second meeting of the Remuneration Committee of the Board were held, at which the Remuneration Committee (i) listened to the Analysis Report of 2015 Remuneration Distribution Plan of CICC; (ii) considered and adopted the Proposal regarding the 2015 Bonus Deferral Plan of CICC; and (iii) considered and adopted the Proposal regarding the 2015 Remuneration of the Senior Management of CICC.

On March 28, 2016, the 2016 third meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) listened to the Report on the 2016 Firm-wide Compensation Determination Mechanism; (ii) listened to the Report on the 2016 Senior Management Performance Evaluation Mechanism; and (iii) listened to the Report on the 2016 Senior Management Remuneration Plan.

On April 19, 2016, the 2016 fourth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) listened to the Report on the updated 2016 Firm-wide Compensation Determination Mechanism; (ii) listened to the Report on the updated 2016 Senior Management Performance Evaluation Mechanism; and (iii) listened to the Report on the updated 2016 Senior Management Remuneration Plan.

On June 7, 2016, the 2016 fifth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) discussed the Interim Review of the 2016 Firm-wide Compensation; (ii) listened to the Report on 2016 Senior Management Performance Evaluation Mechanism; and (iii) listened to the Report on 2016 Senior Management Performance Evaluation Indicators.

On August 25, 2016, the 2016 sixth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee (i) listened to the Report on the Market Practice Research of Remuneration Incentive Mechanism; (ii) listened to the Report on the Work Report of the Remuneration Committee (draft) of CICC; and (iii) listened to the Report on the Updated Indicators of 2016 Performance Evaluation Mechanism of Senior Management.

On September 29, 2016, the 2016 seventh meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee listened to the Report on the New Remuneration System Proposal of CICC.

On October 25, 2016, the 2016 eighth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee made a preliminary review of and agreed to submit the Proposal regarding approval of the New Remuneration System Proposal to the Board for review.

On November 7, 2016, the 2016 ninth meeting of the Remuneration Committee of the Board was held, at which the Remuneration Committee listened to the Report on the Market Practice Research of Remuneration Incentive Mechanism.

3. **Attendance of Members of the Committee**

Name	Required attendance at meetings	Actual attendance at meetings
Cha Mou Daid Johnson	9	9
Edwin Roca Lim	9	9
Cao Tong[Note 1]	5	2
Siu Wai Keung	9	9
Ben Shenglin[Note 2]	4	4

Note 1: Cao Tong resigned as Director of the Company on June 8, 2016.

Note 2: Ben Shenglin was appointed as a member of the Remuneration Committee of the Board of the Company on June 8, 2016.

(iii) Nomination and Corporate Governance Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2016, the Nomination and Corporate Governance Committee has convened 2 meetings. Details of the meetings of the Nomination and Corporate Governance Committee are set out below:

On March 29, 2016, the 2016 first meeting of the Nomination and Corporate Governance Committee of the Company was held, at which the Nomination and Corporate Governance Committee made a preliminary review of and agreed to submit the Proposal regarding the Election of Independent Non-executive Director to the Board for review.

On August 26, 2016, the 2016 second meeting of the Nomination and Corporate Governance Committee of the Company was held, at which the Nomination and Corporate Governance Committee (i) made a preliminary review of and agreed to submit the Proposal regarding the Change of Chief Compliance Officer of CICC to the Board for review; (ii) listened to the Report on the Proposed Change of Chief Financial Officer of CICC; and (iii) listened to the Report on the Composition of the Board and the Diversity of the Board Members of CICC.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Ding Xuedong	2	2
Zhao Haiying	2	2
Edwin Roca Lim	2	2
Cao Tong[Note 1]	1	1
Liu Li[Note 2]	1	1
Ben Shenglin	2	2

Note 1: Cao Tong resigned as Director of the Company on June 8, 2016.

Note 2: Liu Li was appointed as Chairman of the Nomination and Corporate Governance Committee of the Board of the Company on June 8, 2016.

(iv) Audit Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2016, the Audit Committee has convened 4 meetings. Details of the meeting of the Audit Committee are set out below:

On March 26, 2016, the 2016 first meeting of the Audit Committee of the Board was held, at which the Audit Committee: (i) considered and adopted the Proposal regarding the 2015 Audit Report of CICC; (ii) made a preliminary review of and agreed to submit the Proposal regarding the 2015 Annual Report and the 2015 Annual Results Announcement of CICC to the Board for review; (iii) made a preliminary review of and agreed to submit the Proposal regarding the 2015 Internal Controls Self-Assessment Report and Illustration of CICC to the Board for review; (iv) considered and adopted the Proposal regarding the Work Report from January to March 2016 of the Internal Audit Department of CICC; and (v) made a preliminary review of and agreed to submit the Proposal regarding Re-appointment of the Accounting Firms of CICC to the Board for review.

On June 8, 2016, the 2016 second meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the Review Schedule for 2016 Interim Financial Statements of CICC; (ii) considered and adopted the Proposal regarding the Work Report from April to May 2016 of the Internal Audit Department of CICC; and (iii) discussed the Updated 2016 Internal Audit Plan of CICC.

On August 25, 2016, the 2016 third meeting of the Audit Committee of the Board was held, at which the Audit Committee: (i) made a preliminary review of and agreed to submit the Proposal regarding the 2016 Interim Report and the 2016 Interim Results Announcement of CICC to the Board for review; and (ii) considered and adopted the Proposal regarding the Work Report from June to August 2016 of the Internal Audit Department of CICC.

On November 6, 2016, the 2016 fourth meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) considered and adopted the Proposal regarding the 2016 Audit Plan of CICC; (ii) considered and adopted the Proposal regarding the 2017 Work Plan of Internal Audit Department of CICC; (iii) considered and adopted the Proposal regarding the Work Report from September to October 2016 of the Internal Audit Department of CICC; and (iv) listened to the Report on the Progress of the Effectiveness Evaluation of the Internal Control and Risk Management System of CICC.

3. Attendance of Members of the Committee

Name	Required attendance at meetings	Actual attendance at meetings
Shi Jun	4	4
Cao Tong[Note 1]	1	1
Liu Li[Note 2]	3	3
Siu Wai Keung	4	4
Ben Shenglin[Note 3]	1	1

Note 1: Cao Tong resigned as Director of the Company on June 8, 2016.

Note 2: Liu Li was appointed as a member of the Audit Committee of the Board of the Company on June 8, 2016.

Note 3. Ben Shenglin ceased to be a member of the Audit Committee of the Board of the Company from June 8, 2016.

(v) Risk Management Committee

1. Functions of the Committee

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

2. Work Summaries and Meetings of the Committee

In 2016, the Risk Management Committee has convened 4 meetings. Details of the meetings of the Risk Management Committee are set out below:

On March 26, 2016, the 2016 first meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee made a preliminary review of and agreed to submit the following proposals to the Board for review: (i) Proposal regarding the 2015 Compliance Annual Report of CICC, and (ii) Proposal regarding the 2015 Risk Assessment Report of CICC.

On June 8, 2016, the 2016 second meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee considered and adopted the Proposal regarding the 2016 First Quarter Risk Assessment Report of CICC.

On August 25, 2016, the 2016 third meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee made a preliminary review of and agreed to submit the following proposals to the Board for review: (i) Proposal regarding the Compliance Management 2016 Half-Year Report of CICC; (ii) Proposal regarding Amendment of the Risk Appetite Statement of CICC; and (iii) Proposal regarding the 2016 Interim Risk Assessment Report of CICC.

On November 6, 2016, the 2016 fourth meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee considered and adopted the following proposals: (i) Proposal regarding the 2016 Third Quarter Risk Assessment Report of CICC; and (ii) Proposal regarding Amendment of the Risk Appetite Statement of CICC.

3. **Attendance of Members of the Committee**

Name	Required attendance at meetings	Actual attendance at meetings
Bi Mingjian	4	4
Shi Jun	4	4
Liu Li[Note]	3	3
Siu Wai Keung	4	4
Ben Shenglin	4	4

Note: Liu Li was appointed as a member of the Risk Management Committee of the Board of the Company on June 8, 2016.

V. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, Mr. Ding Xuedong and Mr. Bi Mingjian serve as the chairman of the Board and the Chief Executive Officer, respectively, and their powers and duties are clearly divided and specified in the Articles of Association. The chairman of the Board is also the legal representative of our Company. The roles of the chairman of the Board and the Chief Executive Officer are separate and are taken by different persons. A clear division of the management of the Board and the day-to-day management of our Company ensures a balance of power and authority, guarantees the independence of their duties and therefore avoids excessive concentration of power in any one individual.

The chairman of the Board is responsible for overseeing the overall operations of the Group and formulating business and corporate strategies, providing leadership for the Board, ensuring that the Board works effectively and performs its responsibilities. The chairman also ensures that good corporate governance practices and procedures are established and complied with and that the Board acts in the best interests of our Company and all Shareholders.

The Chief Executive Officer is in charge of the operation and management of the Group, organizing the implementation of the resolutions of the Board and reporting to the Board.

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

VI. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES

(i) Powers and Duties of the Supervisory Committee

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

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

(ii) Composition of the Supervisory Committee

Our Company strictly complied with the Articles of Association and the relevant rules in respect of the appointment of Supervisors. Our Company's Supervisory Committee currently comprises of three Supervisors, including one employee representative supervisor (Mr. Han Weiqiang) and two Shareholders representative supervisors (Mr. Liu Haoling and Mr. Jin Lizuo).

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

(iii) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened 2 formal meetings, the details of which are as follows:

The fourth meeting of the first session of the Supervisory Committee was convened on March 29, 2016, and the following proposals were considered and adopted: (i) Proposal regarding the 2015 Work Report of the Supervisory Committee of CICC; (ii) Proposal regarding the 2015 Annual Report and the 2015 Annual Results Announcement of CICC; (iii) Proposal regarding the 2015 Profit Distribution Plan of CICC; (iv) Proposal regarding the 2015 Compliance Annual Report of CICC; and (v) Proposal regarding the 2015 Internal Controls Self-Assessment Report and Illustration of CICC.

The fifth meeting of the first session of the Supervisory Committee was convened on August 26, 2016, and the following proposals were considered and adopted: (i) Proposal regarding the 2016 Interim Report and the 2016 Interim Results Announcement of CICC; and (ii) Proposal regarding the Compliance Management 2016 Half-Year Report of CICC.

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

During the Reporting Period, the Supervisory Committee convened 2 meetings, the Supervisors' attendance of which is as follows:

Name of Supervisor	Required Attendance at Meetings	Actual Attendance
Han Weiqiang	2	2
Liu Haoling	2	2
Jin Lizuo	2	2

VII. OTHER RELEVANT MATTERS

(i) Rights of Shareholders

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

(ii) Compliance with the Model Code for Securities Transactions

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

(iii) Responsibilities of Directors for the Financial Statements

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

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

(iv) Appointment and Remuneration of Auditing Firm

Our Company appointed KPMG Huazhen LLP as the domestic accounting firm, and KPMG as the international accounting firm for 2016.

Change in the accounting firm appointed: No.

Remuneration for accounting firms: Our Company has agreed on the payment of RMB3.81 million to KPMG Huazhen LLP and KPMG as fees for the auditing of the statutory financial statements and the reviewing of the interim financial report for 2016. In 2016, our Company has paid RMB8.84 million and RMB610,000 to KPMG Huazhen LLP and KPMG, as other special audits and related service fees arising from the Proposed Acquisition, and non-audit service fees, respectively.

(v) Review by Audit Committee

The Audit Committee has reviewed the 2016 consolidated financial statements of our Company.

(vi) Joint Company Secretaries

Mr. Wu Bo, the secretary of the Board and the joint company secretary of our Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed. In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, our Company appointed Mr. Zhou Jiaxing, a managing director of the legal department of our Company, to assist Mr. Wu Bo in discharging the duties of a company secretary. Mr. Wu Bo has attended trainings on, among other things, directors' duties under the common law, Listing Rules and other relevant laws and regulations, statutory regime for disclosure of inside information, rules on connected transactions, notifiable transactions, directors' and supervisors' securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies.

Both Mr. Wu Bo and Mr. Zhou Jiaxing have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2016.

(vii) Communication with Shareholders

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

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

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

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

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

Our Company shall arrange the Directors, Supervisors and senior management to answer questions raised by Shareholders during the 2016 annual general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

(viii) Investor Relations

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

Our Company actively received visits from domestic and overseas institutional investors and analysts, organized various forms of investor and analyst exchanges, and received over 20 investors and analysts, and participated in more than 50 times of the group/one-to-one telephone/video conference with investors and analysts, effectively enhancing the investor's understanding of the Company's strategic layout and growth prospects; continuously optimizing the hotline, mailbox and website functions, so that investors could keep updated with the latest developments of our Company.

On June 8, 2016, the Company held the Annual General Meeting, on which directors, supervisors and management attended the meeting and answered questions from investors. In conjunction with the announcement of the regular reports, the Company held the 2015 annual result press conference and analysts' conference, conducted 2015 Annual Report and 2016 Interim Results Roadshow, and participated in the corporate day activities in New York and London. In addition, we visited shareholders and investors in Hong Kong, Singapore, the United States, the United Kingdom and other places, and carried out trading roadshow designated for the bond investors in Hong Kong and Singapore with CICC's first issuance of USD bonds, which ensured that the deal was actively subscribed. After announcement of the Proposed Acquisition of CISC, the Company arranged two telephone conferences (Chinese/English) on the same day, communicated with investors and analysts on the transaction in a timely and effective manner, and then coordinated and arranged two roadshows by CICC and CISC's management teams to have sufficient communications with shareholders and investors in Hong Kong, Singapore, London, New York, Boston.

(ix) Board of Directors Diversity Policy

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

The Nomination and Corporate Governance Committee annually reviews and monitors the implementation of the Board of Directors Diversity Policy to ensure its effectiveness. The Nomination and Corporate Governance Committee listened to and discussed about the Report on the Composition of the Board and the Diversity of the Board Members of CICC on August 26, 2016 and no revision was needed out of the diversity considerations.

(x) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association was amended once to reflect the change in our Company's business license number. Meanwhile, the shareholders' general meeting of the Company was convened on December 29, 2016 to approve the amendments to the Articles of Association, for the purposes of reflecting the changes to the registered capital of the Company due to the Proposed Acquisition. Such amendments will take effect upon the completion of the Proposed Acquisition.

(xi) Internal Control

1. Establishment of the Internal Control System

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

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

2. **Major Characteristics of the Internal Control System**

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

- The Board of Directors is responsible for the sound establishment and effective implementation of internal control. The Board has established the Audit Committee which is responsible for reviewing the internal control of our Company, supervising the effective implementation of internal control and conducting self-evaluation on internal control, coordinating internal control audits and other relevant matters.
- The Supervisory Committee supervises the establishment and implementation of internal control by the Board.
- The management is responsible for organizing and steering the daily operation of the internal control of our Company.
- Each of the business departments and their branches will formulate and implement its business policy, internal process and control. Our Company requires all employees who participate in business operations to comply with the policies and processes in the ordinary course of business. Each of the business departments will conduct self-evaluation and assessment on the specific internal control procedures and measures for its scope of business, and will be responsible for reporting deficiencies of the internal control procedures to the management of our Company.
- The internal audit department is independent of the business departments of our Company and will report directly to the Audit Committee of the Board. The internal audit department will conduct reviews, appraisals, make reports and recommendations, independently and objectively, on the overall internal control environment, the design and implementation of the internal control measures and risks assessing measures in various business departments of our Company on a regular basis, in order to prevent risks, enhance the internal control standards and utilize resources properly and effectively.
- The functional departments participating in the internal control system including the Risk Management Department, Compliance Department, Legal Department and other middle and back office departments, will actively manage market risk, credit risk, operational risk, liquidity risk, compliance risk and legal risk faced by our Company's businesses and identify risks in the implementation of internal control and make recommendations to improve internal control deficiencies.

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

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

During 2016, the internal audit department has conducted internal audits mainly on the investment banking business, brokerage business, fixed income business, asset management business, wealth management business of CICC, mainland OTC derivatives business, custody business, human resources management processes, procurement processes, fixed asset management processes and the design and implementation of internal control of the Singapore subsidiary. It has performed anti-money laundering audit, employee resignation audit and off-post audit of securities brokerage branches in Mainland China. Meanwhile, the internal audit department has also conducted audits on the application control of the relevant IT systems relating to the above Mainland China business and overseas business and on the IT general control of Mainland information systems. According to the audit results of the internal audit department, no material abnormalities or material deficiencies in the internal control system have been discovered.

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

4. Procedures for Processing and Releasing Inside Information

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

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

5. Appraisal of Internal Control

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

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

The Board concluded that, having based on the requirements of the relevant laws, regulations and regulatory rules of the "Guidelines for Internal Control for Securities Companies" and with reference to the requirements of the "Basic Norms of Internal Control for Enterprises" and the provisions of its ancillary guidelines, an appraisal on the internal control of the Group was conducted, as at the reference date (as at December 31, 2016) of the "2016 Internal Controls Self-Assessment Report and Illustration of China International Capital Corporation Limited", the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group has established an effective internal control system, which achieves our objectives of internal control and is free from material defect and significant defect.

During the course of the financial statements audit, in accordance with the *China's Auditing Standards for the Chinese Certified Public Accountants No. 1211 – Identifying and Assessing the Risk of Material Misstatements through Understanding the Entity and its Environment*, KPMG Huazhen LLP understood our Company's internal control in connection with the preparation of financial statements, in order to evaluate the risks of material misstatement and determine the nature, timing and scope of the audit procedures. Besides, KPMG Huazhen LLP performed tests on our Company's relevant internal controls in accordance with the *China's Auditing Standards for the Chinese Certified Public Accountants No. 1231 – The Response to Assessed Risks of Material Misstatements*. Based on the above understanding, testing and evaluation of the internal controls during the audit, KPMG Huazhen LLP was not aware of any material weaknesses of the internal controls, in connection with the preparation of the financial statements as at December 31, 2016, that may lead to material misstatements of the financial statements which are not timely prevented or detected and issued the "2016 Internal Control Report of China International Capital Corporation Limited".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS SECTION

a. Reporting Standard and Scope

This first Environmental Social and Governance ("ESG") Section is prepared in accordance with the requirements of the ESG Reporting Guide (2015) issued by the Hong Kong Exchanges and Clearing Limited ("HKEx"). This section offers an overview of the policies, initiatives and performance highlights of China International Capital Corporation Limited ("CICC") for the period from 1 January to 31 December 2016 (the "reporting year").

The following operations are covered in this section:

- CICC Hong Kong operations
- CICC PRC
- CICC Singapore
- CICC UK
- CICC US

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

b. Materiality Assessment

In preparing this section, an independent consultant was commissioned to conduct an internal stakeholder engagement exercise. CICC took into account the views and suggestions of its employees via an online survey distributed to all CICC staff. CICC's employees were asked to rank the importance of various HKEx Aspects as well as express their views on CICC's performance and future strategies in relation to ESG issues.

HKEx recommends that companies disclose information on sustainability issues that are "material" to CICC's operations. Materiality is defined by HKEx as "the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported"[1]. To identify material sustainability issues for disclosure, CICC undertook a three-step materiality assessment.

Step 1: Identification

A comprehensive peer benchmarking was conducted. The independent consultant reviewed the ESG disclosures of five local and international peer companies to identify the material issues facing these companies and the industry in general.

To conclude the identification step, employees were invited to complete an online survey to rank the importance of ESG issues faced by CICC. As employees possess in-depth operational knowledge, highly ranked ESG issues are likely to be considered material.

Step 2: Prioritisation

The results from the peer benchmarking exercise and employee online survey were consolidated to identify a list of high and medium-priority ESG issues for CICC.

Step 3: Validation

The findings from steps 1 and 2 were consolidated and discussed with CICC's senior management team, who considered the relevance of the HKEx Aspects and Key Performance Indicators (KPIs)[1] in relation to business operations. A set of material Aspects and KPIs was then confirmed for disclosure.

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

2. GOVERNANCE STRUCTURE FOR SUSTAINABILITY

As stated in CICC Employee Code of Conduct ("Code"), we maintain a high standard of business ethics and adhere to stringent anti-corruption policies and control measures. We do not tolerate any form of corruption or malpractice such as money laundering, extortion and fraud.

All CICC's employees are required to comply with national laws and regulations. Our employees are expected to act in line with the qualities and requirements of financial industry practitioners, performing their duties in a moral, honest and fair manner.

Our Code explicitly prohibits employees from engaging in corruption, money laundering, and deceitful or fraudulent behaviours. It also makes provisions on the reporting of illegal acts and the accountability mechanism of the persons who violate laws and regulations.

Moreover, to minimise the risks of bribery and money laundering, we implemented and executed the "Anti-Commercial Bribery Policy", "Anti-Money Laundering Policy" and "Procurement Policy" to manage gifts and hospitality, client on-boarding and anti-money laundering, and products and services procurement.

CICC Anti-Commercial Bribery Policy clearly defines bribe-offering, bribery-taking, and duty encroachment or corruption. In addition to this, the policy also makes specific provisions on ex-ante approval, whistle-blowing, corporate investigation and accountability mechanism for excessive gifts and entertainment.

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

CICC Procurement Policy provides detailed guidance on all aspects of procurement, including product and service provider selection, price comparison, and contract signing. It also clarifies the reporting mechanism for fraudulent behaviours and establishes a complete and fully-monitored procurement system to prevent corruption and other non-compliance issues that may arise during the procurement process.

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

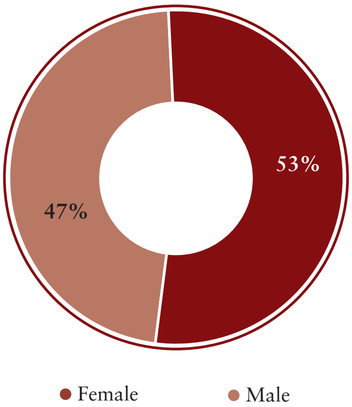
3. OUR HUMAN CAPITAL

a) Working Conditions

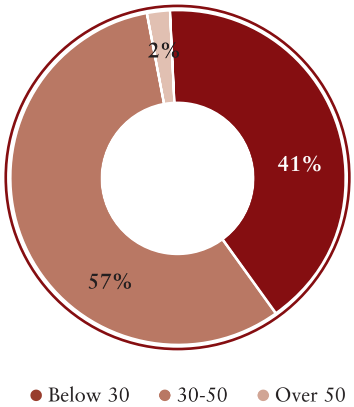
CICC has strictly complied with the relevant laws and regulations, and has formulated and implemented comprehensive human resources policies to safeguard the rights, health and safety of our employees. We recognise the importance of cultivating a collaborative and rewarding environment for our employees and strive to enable their growth and development. CICC's employees are rewarded with competitive remuneration packages and other benefits commensurate with experience and job achievements. For example, employees enjoy medical insurance coverage and maternity and paternity leave. A Staff Manual also helps CICC's employees remain informed of expectations for professional conduct. We have a performance appraisal system in place to assess employee performance in a transparent way. For the reporting year, CICC had a total of 2,399 full-time employees across our 5 locations.

Among this total number of employees, 53% are female.

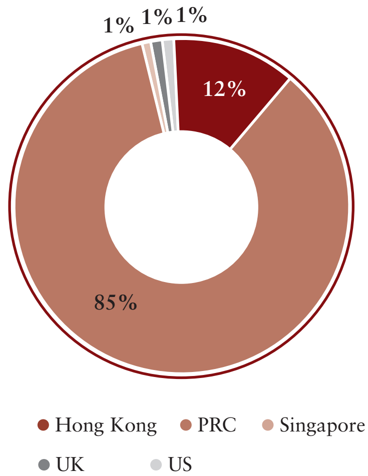
Total Number of Full-time Employees by Gender (Group-wide)



Total Number of Full-time Employees by Age Group (Group-wide)



Total Number of Full-time Employees by Geography



Total Workforce by Gender, Age Group, Employment Type and Geographical Location

Hong Kong

		Age Group			Gender	
	Total	Below 30	30 – 50	Over 50	Female	Male
Full-time	300	61	218	21	143	157
Part-time	0	0	0	0	0	0

PRC

		Age Group			Gender	
	Total	Below 30	30 – 50	Over 50	Female	Male
Full-time	2,029	907	1,094	28	1,076	953
Part-time	0	0	0	0	0	0

Singapore

		Age Group			Gender	
	Total	Below 30	30 – 50	Over 50	Female	Male
Full-time	15	4	11	0	10	5
Part-time	0	0	0	0	0	0

UK

		Age Group			Gender	
	Total	Below 30	30 – 50	Over 50	Female	Male
Full-time	28	8	20	0	19	9
Part-time	0	0	0	0	0	0

US

		Age Group			Gender	
	Total	Below 30	30 – 50	Over 50	Female	Male
Full-time	27	9	18	0	15	12
Part-time	0	0	0	0	0	0

b) Staff Development and Training

We take pride in investing in our human capital, providing a nurturing environment for our staff to grow, and attracting young talent to CICC.

Our training and development work is based on the "CICC Training Management Regulations". The Regulations describes our training and development objectives, different training programmes and our training plan. It also has clear, detailed, and specific requirements for the division of labour and responsibilities, training cost management and resource management.

At present, we have six main training programmes covering all levels of staff, including senior management training, key middle-level management personnel training, junior staff training, new staff induction training, industry research training, business unit in house training and compliance and regulatory personnel qualification examination and follow-up training.

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

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

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

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

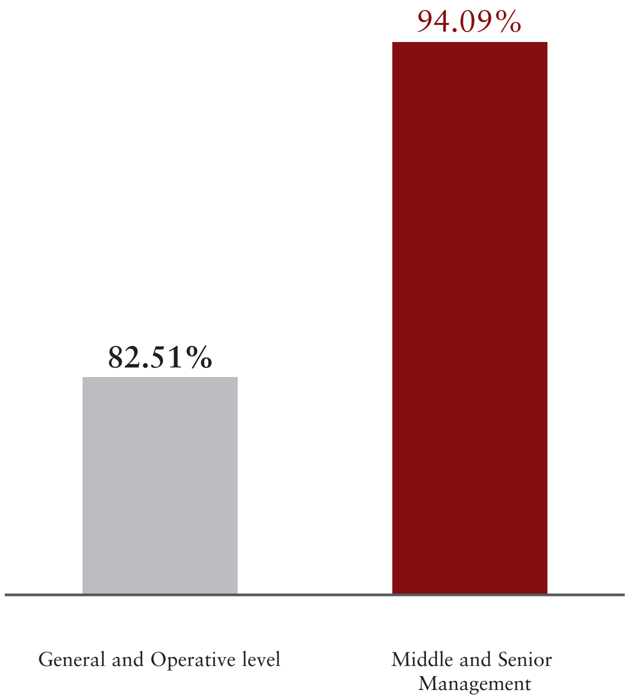
5) Department Training covers internal training on business knowledge according to business needs. Amongst all, the internal training of the investment banking department and the industry research training of the research department stand out. The training covers all business line related personnel.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

6) Compliance and Regulatory Personnel Qualification Examination and Follow-up Training was attended by nearly 1,800 people this year. We apply for futures qualification examination 5 or more times per year. We also provide follow-up training for securities, fund, futures and insurance practitioners.

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

More than 75% of our total employees received training for 15 hours or more on average (as of October 2016 data).

Percentage of Employees Trained by employee category (Group-wide, average)



Average Training Hours Completed per Employee by Employee Category

	Average Training Hours Completed
General Staff	19 hours
Middle and Senior Management	15 hours

c) Occupational Health & Safety

The health and safety of our employees are our utmost concern. We actively organise lectures and training on related topics.

We also encourage our employees to live a healthy lifestyle and provide our staff with complementary medical insurance, annual physical examinations, psychological counselling and influenza vaccinations.

In order to implement the overall principle of encouraging employees to maintain healthy lifestyle and fitness habits, and to ensure that every employee enjoys the same fitness facilities, CICC provides relatively large membership discounts every year for employees to join fitness clubs.

<u>Case Study: The Employee Assistant Programme (EAP) – Work Life Coaching (WLC) service.</u>
WLC is a personal and confidential programme. Its primary task is to provide CICC's employees and their immediate family members with a wide variety of solutions related to personal and work challenges to support their personal wellness.

WLC aims to help our employees improve their quality of life and achieve their goals. This service also provides an avenue for individuals confronted with workplace, personal and family challenges to address these issues. Trained counselors are on hand to offer consultation, support, and professional advice on the following issues:

- Work and Life Stress (workplace challenges such as adaptive stress; relationship with co-workers; career development and planning);
- Marriage, Family and Parenting;
- Personal Growth and Career Development;
- Mental Health;
- Interpersonal Relationship;
- Trauma/major crisis;
- People Management;
- Legal and Personal Financial Management; and
- Other work-related and personal challenges.

In addition to the personal and fully confidential professional psychological counseling services provided by professional service provider, CICC's employees also have access to "THE WORK LIFE COMPASS" journal on a monthly basis.

4. OUR ENVIRONMENT

a) Emissions & Energy Use

In 2014, we set up a working group on energy conservation and emissions reduction, which is led by General Administration and attended by the IT and HR departments. The meeting convenes quarterly and promotes energy conservation initiatives. These measures are executed according to plans containing relevant requirements and initiatives. Every year, this working group submits the "CICC Energy Conservation and Emission Reduction Summary Report" to the Beijing Municipal Bureau of Financial Work.

During the reporting year, our greenhouse gas (GHG) emissions accounted for 20,231.6 tonnes of CO2e, mainly from our electricity consumption. Our total energy consumption was 14,925,227.0 kWh.

Table – Greenhouse Gas Emissions Data in Total & Intensity

	Total Greenhouse Gas Emissions	
	Tonnes of CO_2	Tonnes of CO_2 per FTE
Scope 1 emissions	143.7	0.06
Scope 2 emissions	10,650.5	4.4
Scope 3 emissions	9,437.4	3.9

Table – Direct & Indirect Energy Consumption & Intensity

	Consumption (in 1,000 kWh)	Consumption Intensity (kWh per FTE/ production)
Total direct energy consumption		
Energy consumption from the use of diesel oil	544.2	226.8
Total indirect energy consumption from the use of electricity	14,381.0	5,994.6

We follow relevant energy conservation policies and initiatives. The office in Beijing provides several early bus lines for its employees, and encourages everyone to use public transport, or other green transportation modes. We also encourage our employees to avoid using air conditioning. For example, if employees need to work overtime on non-working days, and if air conditioning is required, employees will need to submit an application in advance and wait for approval by department heads. We constantly promote the use of video conferencing, telephones, e-mail and other means of communication to reduce the number of unnecessary business trips.

We are gradually retrofitting the lighting in public areas in different offices to LED bulbs. During the reporting year, this measure saved about 113,478 kWh of electricity, which equates to approximately 113,478 Yuan. Meanwhile, we are also retrofitting control room lighting to LED bulbs. This project covers all the business centres in Mainland China, and so far the annual savings is about 15,000 Yuan.

CICC advocates that:

1. Staff should bring their own mug.
2. Staff should take public transportation to commute in an environmentally-friendly way. Morning shuttle services are offered for staff from Beijing subway stations.
3. Staff has to get permission from department heads to turn on air-conditioning during non-working days.
4. Personal electronic items are not allowed in the office. Turn off the lights, computers and other idle office equipment.
5. Save water and avoid the use of paper towels. Posters are displayed to raise awareness among employees.
6. Since 2014, all offices have been switching to LED lighting. The lights are turned off automatically after office hours. If lighting is required after office hour, users will have to press the delay button. This helps to save energy.
7. Use communication channels such as conference call, video call and emails to minimise the number of business trips.
8. Recycling bins are set up in all offices. The Beijing office collected and sold recyclables for RMB6,000 per year.

Case Study: Energy reduction for lighting

1. CICC has been replacing the lighting in the public areas of offices with LED, which can save about 113,478 kWh (RMB113,478) annually.
2. CICC has been replacing the lighting in the operation department machine rooms in China with LED, which can save about RMB15,000 annually.

b) Waste Management

We are very aware of waste management's importance and have systematically set up recycling bins in all offices to collect plastic bottles, cardboard and other forms of waste.

Across our offices, we have placed recycling boxes for batteries and ink cartridges (see images below).

We developed an IT system for work that migrated work flow online and reduced the use and circulation of printed materials. We try to advocate a paperless workplace as much as possible by systemising and digitalising our workflow as well as encouraging paper recycling and reuse. Staff also reused stationery, envelopes, letter heads, cloth bags and other office supplies, which minimised unnecessary waste.

We also organised regular donation activities to donate used clothes, books and stationery to those in need in rural China.

Battery Recycling Boxes in CICC's Offices

Case Study

CICC organises the "CICC No Disposable Lunchboxes and Cutleries Day" twice a month across global offices. This event aims to encourage staff to use less disposable lunchboxes and cutleries.

Bring your own cutlery, support environmental protection!

5. OUR COMMUNITY

As one of the platforms for CICC to conduct charity events, **CICC Charity Foundation** is committed to and cherishes the corporate culture of social responsibility. The foundation encourages CICC and its employees to actively participate in social welfare activities and made great effort in natural disaster relief, improvement of education, health care and sanitation in poverty-stricken areas, and environmental and natural resource protection.

Objectives

- Carry forward corporate social responsibility
- Promote the development of social welfare

Business Scope

- Help the sick and the wounded
- Help the victims in natural disaster and emergencies
- Assist the government in improving the medical and health conditions of poverty-stricken areas, and protect personal life and health
- Assist the government in improving school conditions in poverty-stricken areas and migrant schools
- Subsidise and support education
- Protect the environment and natural resources

Vision

- Focusing on education and bringing hope to students

In 2016, we donated RMB3.72 million to the community, through CICC Charity Foundation in Beijing.

As one of the major charity activity platforms of CICC, CICC Charity Foundation promotes the Company and its employee to actively participate in social and charity undertakings, to perform its corporate social responsibilities.

1. In 2016, CICC Charity Foundation in Beijing donated **RMB3,688,000.00** to seven public welfare organisations/projects including:

   – **Beijing Daxing Dandelion School Chinese CICC Teacher Development Fund**: RMB400,000.00 was donated for recognising and encouraging outstanding teachers, for training teachers in education and teaching skills, and for supporting teaching activities organised by volunteers.

   – **Beijing Daxing Dandelion School New School Building**: RMB600,000.00 was donated to build two new classrooms to improve the hardware facilities of the School.

   – **Kindergarten Project in Guzhang County, Hunan Province**: RMB1,372,000.00 was donated for the establishment of kindergartens in Guzhang County's villages (Hunan Province), the recruitment of kindergarten volunteer teachers, providing training to volunteers, and providing basic pre-school education to 3-5 year old children residing in the County.

   – **School renovation project in An Jia Zao Cun, Shanxi**: RMB1,026,000.00 was donated to support school building renovation in Yanggao County, Shanxi Province, which included new classrooms, canteens, student dormitories and other facilities.

   – **Tibet Autonomous Region Maternal and Child Health care Association**: RMB200,000.00 was donated to support the training and development of doctors and communities in rural areas on maternal and child healthcare. The donations also contributed to the reduction of the infant mortality rate and children born with congenital disabilities by improving the skills of rural medical staff and enhancing awareness of maternal and child health care in remote areas.

   – **Beijing Sunshine Social Services Centre**: RMB60,000.00 was donated to finance and support the Beijing Sunshine Social Service Centre to carry out the "6th Public Welfare Concert."

   – **Beijing Green & Shine Foundation**: RMB30,000.00 was donated to finance and support Beijing Green & Shine Foundation to carry out public welfare projects which improve the teaching, learning and living conditions of teachers and students in disaster-stricken and poverty-stricken areas.

2. In addition, CICC and CICC Charity Foundation also donated materials to one public welfare institution/project:

   – **Health Bureau, Tingri County, Tibet Autonomous Region:** 15 Doppler fetal monitors and 3 neonatal incubators valued at RMB100,500.00 are being used to help the county's 13 township hospitals to popularise advanced medical technology and care conditions by improving the quality and accuracy of diagnosis and services.

   – Shanxi An Jia Zao School: amplifier valued RMB8,900.00 and trays, towels and other utensils valued RMB1,053.00 for the study and daily use of students.

3. As an important part of CICC's values, CICC employees demonstrate that "caring for society" is part of our corporate culture, with practical actions and by actively participating in charity/social welfare activities.

   – In August 2016, "**True Love Angels, Dream of Mount Paektu**", the CICC parent-child charity summer camp, was successfully held at the foot of Mount Paektu. The summer camp aims at encouraging parents to be present for their children while they grow up, surrounding them with love and experience. Every year, CICC encourages families to participate. Parents lead their children to complete a joint-fundraising to build a "dream centre" supporting the promotion of ideas that encourage the pursuit of dreams and quality education in remote areas. The families also go to the area to help the teachers and children with construction of the "dream centre".

   – In September 2016: **CICC Society of Love and Care** organised CICC employees to donate winter clothing to poor areas in the western region of China through the Beijing Public Service Development Association "Warming the Western Region Project".

   – In November 2016, some CICC employees visited the **Kindergarten project** in Guzhang County, Hunan Province to distribute items such as books, toys and school supplies to local preschool children.

   – In December 2016, CICC successfully held the "**CICC Charity Walk**" in Beijing Chaoyang Park. Nearly 200 CICC employees and their families, CICC's former employees and CICC clients participated. Those who participated in "CICC Charity Walk" donated a total of RMB62,991.00 to Beijing CICC Charity Foundation.

In response to the China Securities Regulatory Commission's "Strategic Opinion on the Role of the Capital Market to Serve the Country to Cast Off Poverty and Build Stability" and the Securities Association of China's Action Proposal on, "Casting Off Poverty and Building Stability to Fulfil Social Responsibility – Securities Company, Matching One Company with One County to Help Poor Counties" – in November 2016, CICC reached a partnership with the People's Government of Guzhang County in Hunan Province. CICC actively cooperates with the county government's poverty alleviation work, including works targeting industry, through social welfare and consumption, contributing to the poverty alleviation and stability enforcement work of Guzhang County. During 2016, CICC supported Guzhang County, Hunan Province in the following three aspects:

– **Poverty Alleviation Targeting the Industry:** CICC Research Department released the "Poverty Alleviation and Wealth Creation, Solutions from "Production and City" – Guzhang County Research Report", analysing the economic development of Guzhang County and making recommendations on industry, economy, urban construction and other aspects.

– **Poverty Alleviation through Consumption:** CICC procured some tea products amounting to RMB15,950.00 from Hunan Guzhang Tea Industry Co., Ltd. and tea products amounting to RMB450,000.00 from Xiangxi Autonomous Prefecture Horn Hill Ecological Agricultural Science and Technology Development Co., Ltd.

– **Poverty Alleviation through Social Welfare:** CICC donated RMB1,372,000.00 to a Kindergarten Project in Guzhang County, Hunan Province through Beijing CICC Charity Foundation.

6. HKEx ESG GUIDE CONTENT INDEX

Aspect	KPI	Description
A. Environmental		
A1	A1	General Disclosure
Emissions	A1.2	Greenhouse gas emissions in total and intensity
	A1.5	Description of measures to mitigate emissions and results achieved
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.
A2	A2	General Disclosure
Use of Resources	A2.1	Direct and/or indirect energy consumption by type and intensity
	A2.3	Description of energy use efficiency initiatives and results achieved
B. Social		
B1	B1	General Disclosure
Employment	B1.1	Total workforce by gender, employment type, age group and geographical region
	B1.2	Employee turnover rate by gender, age group and geographical region
B2	B2	General Disclosure
Health and Safety	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored
B3	B3	General Disclosure
Development and Training	B3.1	The percentage of employees trained by gender and employee category
	B3.2	The average training hours completed per employee by gender and employee category
B6	B6	General Disclosure
Product Responsibility	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored
B7	B7	General Disclosure
Anti-corruption	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored
B8	B8	General Disclosure
Community Investment	B8.1	Focus areas of contribution
	B8.2	Resources contributed to the focus area

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

Independent auditor's report to the shareholders of
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China International Capital Corporation Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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.

<table>
<tr><td colspan="2">Revenue recognition: Fee and commission income</td></tr>
<tr><td colspan="2">Refer to note 6 to the consolidated financial statements and the accounting policies on page 183.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Fee and commission income represented 69% of the total revenue of the Group for the year ended 31 December 2016.

Fee and commission income principally comprises brokerage commission income, underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees.

Brokerage commission income arising from brokerage trading of securities is recognized on the trade date. Underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees are recognized when the corresponding service is provided or when the Group is entitled to receive the fees in accordance with the terms of the related service agreements. The determination of the timing of recognition of underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees can involve significant management judgment in assessing when the Group is entitled to receive the fees.</td><td>Our audit procedures to assess the recognition of fee and commission income included the following:

• assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition;

• reading client service agreements, on a sample basis and considering the Group's accounting policies for the recognition of revenue with reference to the terms of the agreements and the requirements of the prevailing accounting standards;

• for brokerage commission income, reconciling the daily transaction volume recorded by the Group with the transaction data received from the exchanges and clearing houses and comparing the commission rates for individual clients with the relevant client service agreements, on a sample basis;

• selecting a sample of underwriting and sponsoring fees and financial advisory fees recognized during the current year and performing the following procedures:

– inquiring of the project teams about the status of the selected projects;

– reading client correspondence and information published on the websites of regulators or exchanges to ascertain the status of completion of the selected projects;

– comparing the fee income recognized with details in the related client service agreement and client correspondence;</td></tr>
</table>

Revenue recognition: Fee and commission income (continued)	
Refer to note 6 to the consolidated financial statements and the accounting policies on page 183.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the recognition of fee and commission income as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that the timing of revenue could be manipulated to meet specific targets or expectations and because the determination of the timing of recognition of fee and commission income can require management judgment, which could have a significant impact on the Group's net profit.	• for a sample of investment advisory fees and asset management fees recognized during the current year, reading the client service agreements and relevant client correspondence and assessing whether the revenue recorded by the Group was recognized in accordance with the terms of the client service agreements and the Group's accounting policies for the recognition of revenue; • comparing underwriting and sponsoring fees, financial advisory fees, investment advisory fees and asset management fees recognized subsequent to the financial year end with the relevant client service agreement and client correspondence, on a sample basis and making inquiries of management to assess whether the related revenue was recognized in the appropriate accounting period; • inspecting manual adjustments to revenue raised during and after the reporting period, on a sample basis, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation; • for the key underlying systems used for processing transactions in relation to fee and commission income, utilizing our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key controls over these underlying systems, including controls over access to these systems and controls over data and change management.

<table>
<tr><td colspan="2">Assessing the fair value of financial instruments</td></tr>
<tr><td colspan="2">Refer to note 52 to the consolidated financial statements and the accounting policies on page 174.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2016, the carrying amount of the Group's financial assets and liabilities measured at fair value totalled RMB57,920 million and RMB11,419 million, respectively.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.

Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgment.

The Group has developed its own models to value certain financial instruments, which also involves significant management judgment.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;

• assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data;

• reading investment agreements entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;

• engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain financial instruments and to perform, on a sample basis, independent valuations of the financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</td></tr>
</table>

<table>
<tr><td colspan="2">Assessing the fair value of financial instruments (continued)</td></tr>
<tr><td colspan="2">Refer to note 52 to the consolidated financial statements and the accounting policies on page 174.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgment exercised by management in determining the inputs used in the valuation models.</td><td>• assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards;

• for the key underlying systems used for processing transactions in relation to financial instruments, utilizing our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key controls over these underlying systems, including controls over access to these systems and controls over data and change management.</td></tr>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to note 48 to the consolidated financial statements and the accounting policies on page 189.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust product or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

The factors which the Group needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and both qualitative and quantitative factors need to be considered collectively.</td><td>Our audit procedures to assess the consolidation of structured entities included the following:

• making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;

• selecting significant structured entities for each key product type and performing the following procedures for each entity selected:

– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity;</td></tr>
</table>

Consolidation of structured entities (continued)	
Refer to note 48 to the consolidated financial statements and the accounting policies on page 189.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2016, the carrying amount of the Group's interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB14,307 million. The amount of assets held by the Group in the structured entities sponsored by the Group which the Group did not consolidate but in which it held an interest was RMB1,525 million. We identified the consolidation of structured entities as a key audit matter because it involves significant management judgment in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the Group's consolidated statement of financial position could be significant.	– reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgment as to exposure, or rights, to variable returns from the Group's involvement in such an entity; – reviewing management's analysis of the structured entity including qualitative analyzes and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgment over the Group's ability to influence its own returns from the structured entity; – evaluating management's judgment over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all 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 the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Siu Tung Chan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Revenue:			
Fee and commission income	6	**6,070,674,572**	6,587,816,025
Interest income	7	**983,585,880**	1,020,499,994
Investment income	8	**1,704,130,808**	1,853,336,139
Total revenue		**8,758,391,260**	9,461,652,158
Other income	9	**182,945,467**	45,032,477
Total revenue and other income		**8,941,336,727**	9,506,684,635
Expenses:			
Fee and commission expenses	10	**331,414,050**	419,557,701
Interest expenses	11	**1,289,023,139**	1,094,781,365
Staff costs	12	**3,689,981,794**	4,050,985,852
Depreciation and amortization expenses	15	**72,499,434**	51,081,279
Tax and surcharges		**106,235,575**	406,279,919
Other operating expenses	16	**1,136,545,316**	963,710,851
Provision for impairment losses	17	**41,533,685**	3,375,632
Total expenses		**6,667,232,993**	6,989,772,599
Operating profit		**2,274,103,734**	2,516,912,036
Share of profits of associates and joint ventures		**55,550,187**	103,665,364
Profit before income tax		**2,329,653,921**	2,620,577,400
Less: Income tax expense	18	**489,582,960**	667,927,437
Profit for the year		**1,840,070,961**	1,952,649,963
Attributable to:			
Shareholders of the Company and holders of other equity instruments		**1,820,257,754**	1,952,649,963
Non-controlling interests		**19,813,207**	–
Basic and diluted earnings per share (in RMB per share)	20	**0.76**	1.12

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December 2016	2015
Profit for the year	**1,840,070,961**	1,952,649,963
Other comprehensive income for the year		
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
– Changes in fair value	**31,022,503**	181,809,905
– Income tax effect	**3,532,598**	(14,787,481)
– Reclassified to profit or loss as investment income	**(41,262,199)**	(117,110,671)
Exchange differences on translation of financial statements of overseas subsidiaries	**248,393,383**	149,525,466
Total other comprehensive income for the year, net of tax	**241,686,285**	199,437,219
Total comprehensive income for the year	**2,081,757,246**	2,152,087,182
Attributable to:		
Shareholders of the Company and holders of other equity instruments	**2,061,944,039**	2,152,087,182
Non-controlling interests	**19,813,207**	–

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Note	As at 31 December 2016	2015
Non-current assets:			
Property and equipment	21	**208,497,860**	166,368,921
Intangible assets	22	**571,063**	1,410,550
Interest in associates and joint ventures	23	**550,502,725**	452,647,843
Available-for-sale financial assets	24	**730,290,776**	581,340,923
Refundable deposits	25	**1,023,609,582**	517,873,149
Deferred tax assets	26	**830,089,639**	680,324,436
Other non-current assets	27	**70,100,033**	59,654,549
Total non-current assets		**3,413,661,678**	2,459,620,371
Current assets:			
Accounts receivable	28	**6,581,290,461**	6,673,871,943
Receivable from margin clients	29	**3,045,177,445**	3,296,432,047
Available-for-sale financial assets	24	**312,784,706**	618,025,166
Financial assets at fair value through profit or loss	30	**55,154,841,690**	45,459,259,668
Derivative financial assets	31	**1,722,006,524**	736,244,468
Financial assets held under resale agreements (“reverse REPOs”)	32	**3,939,568,791**	1,556,613,621
Interest receivable	33	**480,752,367**	478,508,038
Cash held on behalf of brokerage clients	34	**16,717,391,180**	24,301,353,512
Cash and bank balances	35	**10,504,589,105**	8,434,085,678
Other current assets		**76,427,363**	94,742,209
Total current assets		**98,534,829,632**	91,649,136,350
Total assets		**101,948,491,310**	94,108,756,721

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Note	As at 31 December 2016	2015
Current liabilities:			
Financial liabilities at fair value through profit or loss	37	**9,742,607,517**	5,584,316,162
Derivative financial liabilities	31	**1,676,431,070**	1,071,011,928
Accounts payable to brokerage clients	38	**17,392,360,452**	25,218,051,446
Placements from financial institutions	39	**3,528,516,500**	1,636,815,800
Short-term debt securities issued	40	**2,649,593,509**	1,700,000,000
Financial assets sold under repurchase agreements (“REPOs”)	41	**5,478,467,755**	14,013,713,250
Employee benefits payable		**2,989,284,079**	3,013,948,204
Income tax payable		**565,657,276**	625,831,436
Other current liabilities	42	**19,905,502,141**	16,391,938,868
Total current liabilities		**63,928,420,299**	69,255,627,094
Net current assets		**34,606,409,333**	22,393,509,256
Total assets less current liabilities		**38,020,071,011**	24,853,129,627
Non-current liabilities:			
Non-current employee benefits payable		**522,791,962**	671,839,359
Placements from financial institutions	39	**–**	1,623,400,000
Long-term debt securities issued	43	**18,948,469,092**	6,071,444,000
Deferred tax liabilities	26	**40,200,254**	31,685,238
Other non-current liabilities	44	**11,851,523**	12,760,096
Total non-current liabilities		**19,523,312,831**	8,411,128,693
Net assets		**18,496,758,180**	16,442,000,934

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Note	As at 31 December 2016	2015
Equity:			
Share capital	45	**2,306,669,000**	2,306,669,000
Other equity instruments	46	**1,000,000,000**	1,000,000,000
Reserves	45	**9,639,367,087**	9,084,877,604
Retained profits		**5,500,908,886**	4,050,454,330
Total equity attributable to shareholders of the Company and holders of other equity instruments		**18,446,944,973**	16,442,000,934
Non-controlling interests		**49,813,207**	–
Total equity		**18,496,758,180**	16,442,000,934

Approved and authorized for issue by the board of directors on 22 March 2017.

Bi Mingjian
Chief Executive Officer

Wong King Fung
Chief Financial Officer

Company chop

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 45(i))	Other equity instruments (Note 46)	Capital reserve (Note 45(ii))	Surplus reserve (Note 45(ii))	General reserves (Note 45(ii))	Investment revaluation reserve (Note 45(ii))	Foreign currency translation reserve (Note 45(ii))	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	1,667,473,000	–	26,474,648	473,400,427	1,142,350,315	24,230,151	(447,739,012)	5,106,056,187	7,992,245,716	–	7,992,245,716
Profit for the year	–	–	–	–	–	–	–	1,952,649,963	1,952,649,963	–	1,952,649,963
Other comprehensive income for the year	–	–	–	–	–	49,911,753	149,525,466	–	199,437,219	–	199,437,219
Total comprehensive income for the year	–	–	–	–	–	49,911,753	149,525,466	1,952,649,963	2,152,087,182	–	2,152,087,182
Appropriation to surplus reserve	–	–	–	152,845,657	–	–	–	(152,845,657)	–	–	–
Appropriation to general reserve	–	–	–	–	310,726,323	–	–	(310,726,323)	–	–	–
Issuance of perpetual subordinated bonds	–	1,000,000,000	–	–	–	–	–	–	1,000,000,000	–	1,000,000,000
Issuance of H shares	639,196,000	–	4,661,113,410	–	–	–	–	–	5,300,309,410	–	5,300,309,410
Conversion to joint stock company with limited liability	–	–	3,020,721,641	(473,400,427)	–	(2,641,374)	–	(2,544,679,840)	–	–	–
Others	–	–	(2,641,374)	–	–	–	–	–	(2,641,374)	–	(2,641,374)
Balance at 31 December 2015 and 1 January 2016	2,306,669,000	1,000,000,000	7,705,668,325	152,845,657	1,453,076,638	71,500,530	(298,213,546)	4,050,454,330	16,442,000,934	–	16,442,000,934
Profit for the year	–	–	–	–	–	–	–	1,820,257,754	1,820,257,754	19,813,207	1,840,070,961
Other comprehensive income for the year	–	–	–	–	–	(6,707,098)	248,393,383	–	241,686,285	–	241,686,285
Total comprehensive income for the year	–	–	–	–	–	(6,707,098)	248,393,383	1,820,257,754	2,061,944,039	19,813,207	2,081,757,246
Appropriation to surplus reserve	–	–	–	102,823,572	–	–	–	(102,823,572)	–	–	–
Appropriation to general reserve	–	–	–	–	209,979,626	–	–	(209,979,626)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	30,000,000	30,000,000
Balance at 31 December 2016	2,306,669,000	1,000,000,000	7,705,668,325	255,669,229	1,663,056,264	64,793,432	(49,820,163)	5,500,908,886	18,446,944,973	49,813,207	18,496,758,180

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Year ended 31 December	
	2016	2015
Cash flows from operating activities:		
Profit before income tax	**2,329,653,921**	2,620,577,400
Adjustments for:		
Interest expenses on debt securities issued and other financing expenses	**580,200,212**	440,534,761
Depreciation and amortization expenses	**72,499,434**	51,081,279
Provision for impairment losses	**41,533,685**	3,375,632
Net loss on disposal of property, equipment and other assets	**3,597,854**	6,166,012
Fair value losses/(gains) on financial instruments at fair value through profit or loss	**382,658,307**	(26,461,310)
Foreign exchange gains	**(21,913,133)**	(59,877,579)
Net gains on disposal of available-for-sale financial assets and associates	**(83,039,192)**	(92,441,537)
Dividend income from available-for-sale financial assets, and share of profits of associates and joint ventures	**(229,793,384)**	(116,541,567)
Operating cash flows before movements in working capital	**3,075,397,704**	2,826,413,091
Decrease in receivable from margin clients	**231,195,896**	161,571,430
Decrease/(increase) in accounts receivable, other receivables and prepayments	**2,601,638,065**	(853,351,799)
(Increase)/decrease in reverse REPOs	**(2,359,757,812)**	60,234,810
Increase in financial instruments at fair value through profit or loss	**(10,982,307,076)**	(20,907,609,384)
Decrease in available-for-sale financial assets	**–**	16,841,306
Decrease/(increase) in cash held on behalf of brokerage clients	**7,583,962,332**	(13,216,773,085)
Increase in restricted bank deposits	**(69,329,617)**	(375,325,979)
Increase in refundable deposits	**(499,183,142)**	(192,774,607)
(Decrease)/increase in accounts payable to brokerage clients	**(7,676,523,901)**	10,163,787,101
(Decrease)/increase in REPOs	**(7,735,245,495)**	3,843,250,245
Increase in other liabilities	**6,402,502,880**	13,629,305,951
Cash used in operating activities, before tax	**(9,427,650,166)**	(4,844,430,920)
Income taxes paid	**(670,374,403)**	(382,169,980)
Net cash used in operating activities	**(10,098,024,569)**	(5,226,600,900)

The notes on pages 166 to 261 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016 (Expressed in RMB, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from investing activities:			
Proceeds from sale of investments		**743,702,378**	122,951,135
Net gains on disposal of available-for-sale financial assets and associates		**52,696,072**	262,597,073
Dividends received		**203,943,646**	12,876,203
Proceeds from/(payment for) disposal of property and equipment		**2,378,528**	(694,360)
Payment for acquisition of investments		**(803,951,808)**	(1,067,043,221)
Payment for the purchase of property, equipment and other long-term assets		**(123,336,286)**	(94,831,996)
Net cash generated from/(used in) investing activities		**75,432,530**	(764,145,166)
Cash flows from financing activities:			
Cash received from beneficiary certificates issued		**11,881,870,056**	3,470,000,000
Cash received from corporate bonds issued		**8,000,000,000**	–
Cash received from subordinated bonds issued		**5,500,000,000**	2,000,000,000
Cash received from medium-term notes issued		**3,315,600,000**	–
Capital contribution from non-controlling interests		**30,000,000**	–
Net proceeds from issue of share capital		**–**	5,300,309,410
Cash received from short-term commercial papers issued		**–**	4,100,000,000
Cash received from other equity instruments issued		**–**	1,000,000,000
Cash received from syndication loan		**–**	1,623,400,000
Repayment of subordinated bonds		**(3,000,000,000)**	–
Repayment of syndication loan		**(1,623,400,000)**	–
Repayment of beneficiary certificates		**(10,932,276,547)**	(1,870,000,000)
Repayment of short-term commercial papers		**–**	(4,900,000,000)
Repayment of USD notes issued		**(1,094,148,000)**	–
Cash paid for interest		**(509,557,349)**	(352,555,403)
Distribution paid to holders of other equity instruments		**(57,000,000)**	–
Cash paid relating to other financing activities		**(7,733,050)**	(11,202,668)
Net cash generated from financing activities		**11,503,355,110**	10,359,951,339
Net increase in cash and cash equivalents		**1,480,763,071**	4,369,205,273
Cash and cash equivalents at the beginning of the year		**7,992,199,885**	3,351,782,566
Effect of changes in foreign exchange rate		**425,879,608**	271,212,046
Cash and cash equivalents at the end of the year	36	**9,898,842,564**	7,992,199,885
Net cash used in operating activities including:			
Interest received		**942,254,330**	884,266,743
Interest paid		**(681,413,472)**	(619,332,884)

The notes on pages 166 to 261 form part of these financial statements.

1 GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the "Company") was established on 31 July 1995 in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC").

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong on 9 November 2015.

The registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing.

The Company and its subsidiaries (together "the Group") are principally engaged in investment banking business, equities business, fixed-income, currency and commodity ("FICC") business, wealth management business, investment management business and other business activities.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Group has prepared the financial statements, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (the "financial statements") in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations issued by the International Accounting Standards Board (the "IASB"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results of operations and financial position for the current or prior periods have been prepared or presented. For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are effective for the accounting year ended 31 December 2016 and relevant to the Group for the year. The Group has not adopted any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2016 are set out in Note 5.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: derivative financial assets and liabilities, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 2(f)(ii).

The financial statements are presented in RMB, which is the functional currency of the Group. Each entity in the Group determines its own functional currency which is used to measure the items included in its financial statements. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The accounting policies set out below have been consistently applied to all periods presented in the financial statements.

(c) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

(i) Business combinations *(continued)*

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized gains arising from intra-group transactions are eliminated in full when preparing the financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Group, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between holders of non-controlling interests and shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

(ii) Subsidiaries and non-controlling interests *(continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(c)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognized in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognized in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

(Expressed in RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of consolidation *(continued)*

(iii) Associates and joint ventures *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

In the Group's consolidated statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Foreign currency

(i) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowing used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value is measured. The exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Foreign currency *(continued)*

(ii) Foreign operations

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and other institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(i) Recognition and measurement of financial assets and liabilities *(continued)*

Financial assets and financial liabilities are categorized as follows:

(1) Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or designated as at fair value through profit or loss.

Financial assets and financial liabilities are designated as at fair value through profit or loss upon initial recognition when:

– the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis; or

– the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities.

If the financial assets or financial liabilities contain one or more embedded derivatives, they are designated as at fair value through profit or loss unless:

– the embedded derivatives does not significantly modify the cash flows that would otherwise be required under the contract; or

– it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivatives is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognized in profit or loss.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses (see Note 2(f)(iii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(i) Recognition and measurement of financial assets and liabilities *(continued)*

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than:

– those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

– those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses (see Note 2(f)(iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

– sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

– sales or reclassifications after the Group has collected substantially all of the asset's original principal; and

– sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(4) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend (see Note 2(o)(iv)). Impairment losses are recognized in profit or loss (see Note 2(f)(iii)).

Other fair value changes, other than impairment losses, are recognized in other comprehensive income and presented in the investment revaluation reserve within equity. When the investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

(Expressed in RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(i) Recognition and measurement of financial assets and liabilities *(continued)*

(5) Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) Fair value measurement principles

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

In estimating the fair value of a financial asset or financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset or financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

– significant financial difficulty of the borrower or issuer;

– a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

– disappearance of an active market for financial assets because of financial difficulties of the issuer;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(1) Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant. If there is objective evidence of impairment, the impairment loss is recognized in the profit or loss. The Group performs a collective assessment for all other loans and receivables that are not individually significant or for which impairment has not yet been identified by including the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is an observable indication of a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(iii) Impairment of financial assets *(continued)*

(2) Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

(3) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the investment revaluation reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, 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 judgment. "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.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognized in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost would not be reversed.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

– the contractual rights to the cash flows from the financial asset expire; or

– the Group transfers substantially all the risks and rewards of ownership of the financial assets or relinquishes the control over that asset where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(vii) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designated as hedging instrument are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

(g) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(k)). Property and equipment under construction is stated at cost less impairment losses (Note 2(k)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as the cost of construction in progress.

(Expressed in RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property and equipment *(continued)*

(ii) Subsequent costs

The subsequent costs including the cost of replacing part of an item of property or equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

	Estimated useful life	Estimated rate of residual value
Land and buildings	20 years	5%
Office equipment	2 - 5 years	0% - 10%
Furniture and fixtures	3 - 5 years	0% - 10%
Motor vehicles	3 years	0% - 10%
Leasehold improvements	Benefit period	–

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period.

(iv) Gains or losses from the retirement or disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

(Expressed in RMB, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance lease

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property and equipment and the corresponding liabilities, net of finance charges, are recorded as long-term finance leases payable. Depreciation is provided at rates which write off the cost over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note 2(k)).

Amortization of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of year to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– property and equipment (other than properties carried at revalued amounts);

– intangible assets; and

– investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Provisions and contingent liabilities

A provision is recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the PRC, the Group participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit of loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Underwriting and sponsoring fees, financial advisory fees and investment advisory fees

Underwriting and sponsoring fees, financial advisory fees and investment advisory fees are recognized in profit or loss when the corresponding service is provided.

(ii) Asset management fees

Asset management fees are recognized when the Company is entitled to receive the fees according to the asset management agreement.

(iii) Brokerage commission income

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognized on the trade date. Commission income from leasing out trading seats is recognized on an accrual basis.

(iv) Dividend income

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established. Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognized in profit or loss by using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Expenses recognition

(i) Interest expenses

Interest expenses are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) Fee and commission expenses

Fee and commission expenses are charged to profit or loss on an accrual basis.

(iii) Other expenses

Other expenses are recognized on an accrual basis.

(q) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss related to the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to settle the current tax assets and the current tax liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

(r) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorized and declared after the end of the year are not recognized as a liability at the end of the year but disclosed separately in the notes to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) The entity is controlled or jointly controlled by a person identified in note 2(t)(i);

(7) A person identified in note 2(t) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

(a) Fair value of financial instruments

As indicated in Note 2(f)(i), financial instruments at fair value through profit or loss and available-for-sale investments are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(f)(ii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "held for trading", the Group has determined that it meets the definition of financial assets and liabilities held for trading set out in Note 2(f)(i).

- In designating financial assets or liabilities as at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in Note 2(f)(i).

- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold the assets until their maturity date as required by accounting policy set out in Note 2(f)(i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments.

3 SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES *(continued)*

(c) Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the historical data on market volatility as well as in the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial statements regarding the investee. The Group considers a decline to be significant if the fair value of the investment drops below its initial cost by 20% or more and to be prolonged if the fair value of the investment remains below its cost for one year or longer.

(d) Impairment of accounts receivables and receivables from margin clients

Accounts receivables and receivables from margin clients that are measured at amortized cost are reviewed at the end of year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flows of an individual debtor. If there is an indication that there has been a favorable change in the factors used to determine the provision for impairment, the impairment loss recognized in prior years is reversed.

(e) Impairment of non-financial assets

Non-financial assets are reviewed at the end of year to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset (or a group of assets) is the greater of its fair value less costs of disposal and value in use. In assessing value in use, significant judgments are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(f) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

3 SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES *(continued)*

(g) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the structured entities that is of such significance indicating that the Group is a principal. The structured entities shall be consolidated if the Group acts in the role of principal.

4 TAXATION

(a) Business tax and surcharges

Services provided by the Company and its domestic subsidiaries are subject to business tax before 1 May 2016. The business tax rate applicable to the Company and its domestic subsidiaries is 5%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of business tax respectively.

(b) Value-added tax ("VAT") and surcharges

Services provided by the Company and its domestic subsidiaries are subject to VAT since 1 May 2016. The mainly applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(c) Income tax

The income tax rate applicable to the Company and its domestic subsidiaries is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong is 16.5%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

(Expressed in RMB, unless otherwise stated)

5 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2016 and have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to IAS 12, Income taxes: Recognition of deferred tax assets for unrealized losses	1 January 2017
IFRS 9, Financial instruments	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 16, Leases	1 January 2019

Amendments to IAS 7, Statement of cash flows: Disclosure initiative

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Amendments to IAS 12, Income taxes: Recognition of deferred tax assets for unrealized losses

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

5 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet completed. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016.

- **Classification – Financial assets**

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

  IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVOCI") and measured at fair value through profit or loss ("FVTPL"). The standard eliminates the existing categories of held to maturity, loans and receivables and available for sale defined by IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

  Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

- **Impairment – Financial assets and contract assets**

  IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

  The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

5 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

IFRS 9, Financial instruments *(continued)*

- **Impairment – Financial assets and contract assets** *(continued)*

  Under IFRS 9, loss allowances will be measured on either of the following bases:

  – 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

  – lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

- **Classification – Financial liabilities**

  IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

  – the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

  – the remaining amount of change in the fair value is presented in profit or loss.

- **Disclosures**

  IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. The Group's preliminary assessment did not indicate any material impact on its financial statements if IFRS 9's requirements regarding the impairment methodologies and classification of financial liabilities were applied at 31 December 2016.

5 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is in the process of assessing the potential impact on the financial statements resulting from the application of IFRS 15. So far it has concluded that the adoption of IFRS 15 is unlikely to have a significant impact on the Group's results of operations and financial position.

IFRS 16, Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact on the financial performance is expected for the Group's finance leases.

- **Determining whether an arrangement contains a lease**

  On transition to IFRS 16, if the Group has an arrangement that is not in the legal form of a lease but contains a lease of equipment under IFRIC 4, the Group can choose whether to:

  – Apply the IFRS 16 definition of a lease to all its contracts; or

  – Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

  The Group is assessing whether to apply the practical expedient and the potential impact on its financial statements.

(Expressed in RMB, unless otherwise stated)

5 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(continued)*

IFRS 16, Leases *(continued)*

- **Transition**

  As a lessee, the Group can either apply the standard using a:

  – Retrospective approach; or

  – Modified retrospective approach with optional practical expedients.

  The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

  The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, among other things, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

6 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2016	2015
Brokerage commission income	**1,707,502,357**	2,734,074,667
Underwriting and sponsoring fees	**2,639,275,449**	2,196,579,154
Financial advisory fees	**719,089,397**	537,545,484
Investment advisory fees	**188,399,453**	210,682,234
Asset management fees	**816,407,916**	908,934,486
Total	**6,070,674,572**	6,587,816,025

7 INTEREST INCOME

	Year ended 31 December	
	2016	2015
Interest income from financial institutions	**533,767,998**	569,185,640
Interest income from margin financing and securities lending	**300,734,509**	381,020,021
Interest income from reverse REPOs	**140,852,120**	67,991,501
Others	**8,231,253**	2,302,832
Total interest income on financial assets not at fair value through profit or loss	**983,585,880**	1,020,499,994

(Expressed in RMB, unless otherwise stated)

8 INVESTMENT INCOME

	Year ended 31 December	
	2016	2015
Net gains from disposal of available-for-sale financial assets	**41,262,199**	104,234,468
Dividend income from available-for-sale financial assets	**174,244,494**	12,876,203
Net gains from financial instruments at fair value through profit or loss	**1,626,178,017**	3,326,117,143
Net losses from derivative financial instruments	**(179,330,895)**	(1,589,891,675)
Gains from disposal of associates	**41,776,993**	–
Total	**1,704,130,808**	1,853,336,139

9 OTHER INCOME

	Year ended 31 December	
	2016	2015
Tax refunds	**33,576,778**	8,267,386
Government grants	**35,515,457**	19,671,416
Commitment fee	**76,004,916**	–
Others	**37,848,316**	17,093,675
Total	**182,945,467**	45,032,477

The government grants were received by the Company and its subsidiaries from the local government where they reside with no condition attached.

10 FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2016	2015
Brokerage expenses	**186,605,212**	258,174,146
Underwriting and sponsoring expenses	**99,256,065**	83,702,460
Asset management expenses	**45,552,773**	77,681,095
Total	**331,414,050**	419,557,701

(Expressed in RMB, unless otherwise stated)

11 INTEREST EXPENSES

	Year ended 31 December 2016	2015
Interest expenses of accounts payable to brokerage clients	**120,574,529**	172,567,808
Interest expenses on short-term commercial paper issued	**–**	60,735,099
Interest expenses on beneficiary certificates	**122,521,973**	49,507,735
Interest expenses on REPOs	**362,892,655**	345,510,698
Interest expenses on syndication loan	**57,557,736**	20,158,500
Interest expenses on other placements from financial institutions	**189,877,686**	117,524,392
Interest expenses on subordinated bonds	**242,879,695**	242,209,073
Interest expenses on corporate bond	**68,288,000**	–
Interest expenses on notes payable	**84,851,021**	65,462,363
Others	**39,579,844**	21,105,697
Total interest expense on financial liabilities not at fair value through profit or loss	**1,289,023,139**	1,094,781,365

12 STAFF COSTS

	Year ended 31 December 2016	2015
Salaries, bonus and allowance	**3,437,872,963**	3,862,059,045
Retirement scheme contributions	**97,741,848**	74,384,167
Other social welfare	**93,605,513**	71,370,036
Other benefits	**60,761,470**	43,172,604
Total	**3,689,981,794**	4,050,985,852

The Group is required to participate in pension schemes in the PRC, Hong Kong and other jurisdictions whereby the Group is required to pay annual contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

(Expressed in RMB, unless otherwise stated)

13 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

	Year ended 31 December 2016				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (ii)	–	1,705,537	4,931,419	47,307	6,684,263
Non-executive Director					
Ding Xuedong (iii & xiv)	–	–	–	–	–
Zhao Haiying (iii)	–	–	–	–	–
David Bonderman	–	–	–	–	–
Liu Haifeng David (iv)	–	–	–	–	–
Shi Jun (v)	–	–	–	–	–
Johnson Cha	–	–	–	–	–
Independent Non-executive Director					
Edwin Roca Lim (vi)	550,000	–	–	–	550,000
Cao Tong (vi & vii)	209,800	–	–	–	209,800
Siu Wai Keung (vi)	560,600	–	–	–	560,600
Ben Shenglin (vi)	538,600	–	–	–	538,600
Liu Li (viii)	296,733	–	–	–	296,733
Supervisor					
Han Weiqiang (ix & x)	–	–	–	–	–
Liu Haoling (ix & xi)	–	–	–	–	–
Jin Lizuo (ix)	259,600	–	–	–	259,600
Total	2,415,333	1,705,537	4,931,419	47,307	9,099,596

(Expressed in RMB, unless otherwise stated)

13 DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

	Year ended 31 December 2015				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Bi Mingjian (ii)	–	1,249,419	3,448,055	34,095	4,731,569
Non-executive Director					
Ding Xuedong (iii & xiv)	–	–	–	–	–
Zhao Haiying (iii)	–	–	–	–	–
David Bonderman	37,730	–	–	–	37,730
Liu Haifeng David (iv)	–	–	–	–	–
Shi Jun (v)	37,730	–	–	–	37,730
Johnson Cha	37,730	–	–	–	37,730
Teh Kok Peng (xii)	115,502	–	–	–	115,502
Henry Kravis (xiii)	25,278	–	–	–	25,278
Independent Non-executive Director					
Edwin Roca Lim (vi)	312,645	–	–	–	312,645
Cao Tong (vi & vii)	301,445	–	–	–	301,445
Siu Wai Keung (vi)	316,045	–	–	–	316,045
Ben Shenglin (vi)	312,645	–	–	–	312,645
Supervisor					
Han Weiqiang (ix & x)	–	–	–	–	–
Liu Haoling (ix & xi)	–	–	–	–	–
Jin Lizuo (ix)	155,419	–	–	–	155,419
Total	1,652,169	1,249,419	3,448,055	34,095	6,383,738

(i) The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.

(ii) Appointed as executive director in May 2015. The remuneration of Mr. Bi Mingjian includes the compensation for the services provided by Mr. Bi Mingjian acting as the Chief Executive Officer of the Company.

(iii) The director's fees of Mr. Ding Xuedong and Ms. Zhao Haiying were waived with their authorization.

(iv) Appointed as non-executive director in February 2015. The director's fees of Mr. Liu Haifeng David were waived with his authorization.

(v) The Company paid all the director's fees and the fees for directors' meetings of Mr. Shi Jun to the Labor Union of China National Investment & Guaranty Co., Ltd. during the year.

(Expressed in RMB, unless otherwise stated)

13 DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

(vi) Appointed as independent non-executive director in May 2015.

(vii) Resigned as independent non-executive director in June 2016.

(viii) Appointed as independent non-executive director in June 2016.

(ix) Appointed as supervisor in May 2015.

(x) The remuneration of Mr. Han Weiqiang with the Company in accordance with the employee remuneration system is not included.

(xi) The supervisor's fees of Mr. Liu Haoling were waived with his authorization.

(xii) Resigned as director in July 2015.

(xiii) Resigned as director in April 2015.

(xiv) Resigned as director in February 2017.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

14 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 13. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2016	2015
Salaries and other emoluments	**8,316,253**	8,063,952
Discretionary bonuses	**72,432,583**	72,919,770
Retirement scheme contributions	**259,524**	231,799
Total	**81,008,360**	81,215,521

(Expressed in RMB, unless otherwise stated)

14 INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2016	2015
From RMB14,000,001 to RMB14,500,000	**–**	2
From RMB14,500,001 to RMB15,000,000	**1**	–
From RMB15,000,001 to RMB15,500,000	**1**	–
From RMB15,500,001 to RMB16,000,000	**2**	1
From RMB17,000,001 to RMB17,500,000	**–**	1
From RMB19,500,001 to RMB20,000,000	**1**	1

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

15 DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2016	2015
Depreciation of property and equipment	**71,631,582**	49,826,580
Amortization of intangible assets	**867,852**	1,254,699
Total	**72,499,434**	51,081,279

16 OTHER OPERATING EXPENSES

	Year ended 31 December	
	2016	2015
Business development expenses	**319,119,480**	316,058,418
Operating lease charges in respect of property and equipment	**257,247,830**	234,737,005
Travelling and transportation expenses	**152,807,679**	115,066,336
Information technology related expenses	**112,449,737**	101,526,428
Professional service fees	**107,470,293**	109,340,395
Handicapped employment security fund	**50,040,295**	1,362,768
Utilities and maintenance	**40,408,608**	40,409,779
Securities Investor Protection Fund	**36,872,715**	30,242,554
Auditors' remuneration	**14,071,000**	10,484,308
Others	**46,057,679**	4,482,860
Total	**1,136,545,316**	963,710,851

(Expressed in RMB, unless otherwise stated)

17 PROVISION FOR IMPAIRMENT LOSSES

	Year ended 31 December	
	2016	2015
Provision for/(reversal of) impairment losses against accounts receivable	**11,602,017**	(8,081,121)
Provision for impairment losses against receivable from margin clients	**20,328,808**	5,777,853
Provision for impairment losses against reverse REPOs	**9,602,860**	5,678,900
Total	**41,533,685**	3,375,632

18 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2016	2015
Current tax		
– PRC income tax	**556,157,974**	819,600,714
– Hong Kong profits tax	**66,828,410**	50,016,094
Subtotal	**622,986,384**	869,616,808
Deferred tax		
– Origination and reversal of temporary differences	**(133,403,424)**	(201,689,371)
Total	**489,582,960**	667,927,437

(Expressed in RMB, unless otherwise stated)

18 INCOME TAX EXPENSE *(continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China (for the purpose of this report, Mainland China excludes Hong Kong, Macau and Taiwan). Taxes on profits assessable outside Mainland China have been calculated at the applicable rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation of income tax expenses calculated by applying the PRC statutory income tax rate to profit before tax to the income tax expense in the consolidated statement of profit or loss and other comprehensive income is as follows:

	Year ended 31 December	
	2016	2015
Profit before income tax	**2,329,653,921**	2,620,577,400
Income tax expenses calculated at the applicable tax rate	**582,413,480**	655,144,350
Non-deductible expenses	**22,915,512**	38,800,568
Non-taxable interest income	**(45,309,071)**	(19,009,851)
Non-taxable dividends income	**(832,082)**	(3,219,051)
Effect of differential tax rates of the subsidiaries	**(67,702,310)**	(47,710,242)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized this year	**10,538,813**	40,300,144
Effect of using the deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized in previous period	**(14,995,234)**	(4,718,436)
Others	**2,553,852**	8,339,955
Total income tax expense	**489,582,960**	667,927,437

(Expressed in RMB, unless otherwise stated)

19 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY AND HOLDERS OF OTHER EQUITY INSTRUMENTS

The consolidated profit attributable to shareholders of the Company and holders of other equity instruments includes a profit of RMB1,028,235,718 and RMB1,528,456,576 which have been dealt with in the financial statements of the Company in 2016 and 2015, respectively.

20 BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 December	
	2016	2015
Profit attributable to shareholders of the Company and holders of other equity instruments	**1,820,257,754**	1,952,649,963
Accumulated interest for holders of perpetual subordinated bonds	**(57,000,000)**	(33,887,671)
Subtotal	**1,763,257,754**	1,918,762,292
Weighted average number of ordinary shares in issue	**2,306,669,000**	1,720,739,333
Earnings per share (in RMB per share)	**0.76**	1.12

Note: Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability and issued 1,667,473,000 ordinary shares at par value of RMB1 each. Basic earnings per share have been computed as if the conversion had been effective in 2014.

There were no dilutive potential ordinary shares during the year ended 31 December 2016 and 2015, and therefore, diluted earnings per share are the same as the basic earnings per share.

(Expressed in RMB, unless otherwise stated)

21 PROPERTY AND EQUIPMENT

	Land and buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
Cost						
At 1 January 2016	4,294,530	585,294,403	47,850,560	1,366,588	458,001,732	1,096,807,813
Additions	–	88,038,875	8,830,513	–	23,695,615	120,565,003
Disposals	–	(42,800,303)	(750,121)	(556,000)	(1,447,891)	(45,554,315)
Effect of changes in foreign exchange rate	–	3,899,707	300,815	–	2,831,110	7,031,632
At 31 December 2016	4,294,530	634,432,682	56,231,767	810,588	483,080,566	1,178,850,133
Accumulated depreciation						
At 1 January 2016	(868,222)	(471,865,598)	(42,781,533)	(1,028,889)	(413,894,650)	(930,438,892)
Additions	(372,822)	(48,368,021)	(2,836,372)	(150,780)	(19,903,587)	(71,631,582)
Disposals	–	37,084,897	675,511	500,400	1,317,125	39,577,933
Effect of changes in foreign exchange rate	–	(3,816,260)	(329,400)	–	(3,714,072)	(7,859,732)
At 31 December 2016	(1,241,044)	(486,964,982)	(45,271,794)	(679,269)	(436,195,184)	(970,352,273)
Carrying amount						
At 31 December 2016	3,053,486	147,467,700	10,959,973	131,319	46,885,382	208,497,860
At 31 December 2015	3,426,308	113,428,805	5,069,027	337,699	44,107,082	166,368,921

(Expressed in RMB, unless otherwise stated)

21 PROPERTY AND EQUIPMENT *(continued)*

	Land and buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
Cost						
At 1 January 2015	–	555,797,490	46,264,853	1,366,588	449,540,286	1,052,969,217
Acquisitions	4,294,530	13,424,558	21,846	–	2,138,086	19,879,020
Additions	–	49,937,043	2,171,988	–	21,293,057	73,402,088
Disposals	–	(38,508,146)	(1,140,719)	–	(18,343,012)	(57,991,877)
Effect of changes in foreign exchange rate	–	4,643,458	532,592	–	3,373,315	8,549,365
At 31 December 2015	4,294,530	585,294,403	47,850,560	1,366,588	458,001,732	1,096,807,813
Accumulated depreciation						
At 1 January 2015	–	(464,184,162)	(42,245,203)	(878,109)	(410,472,778)	(917,780,252)
Acquisitions	(712,880)	(6,654,264)	(17,315)	–	(336,125)	(7,720,584)
Additions	(155,342)	(31,481,312)	(623,156)	(150,780)	(17,415,990)	(49,826,580)
Disposals	–	34,462,923	637,812	–	17,419,491	52,520,226
Effect of changes in foreign exchange rate	–	(4,008,783)	(533,671)	–	(3,089,248)	(7,631,702)
At 31 December 2015	(868,222)	(471,865,598)	(42,781,533)	(1,028,889)	(413,894,650)	(930,438,892)
Carrying amount						
At 31 December 2015	3,426,308	113,428,805	5,069,027	337,699	44,107,082	166,368,921
At 31 December 2014	–	91,613,328	4,019,650	488,479	39,067,508	135,188,965

(Expressed in RMB, unless otherwise stated)

22 INTANGIBLE ASSETS

	Securities trading seat rights	Others	Total
Cost			
At 1 January 2016	**41,268,843**	**911,170**	**42,180,013**
Effect of changes in foreign exchange rate	**–**	**28,365**	**28,365**
At 31 December 2016	**41,268,843**	**939,535**	**42,208,378**
Accumulated amortization			
At 1 January 2016	**(40,295,799)**	**(473,664)**	**(40,769,463)**
Additions	**(857,627)**	**(10,225)**	**(867,852)**
At 31 December 2016	**(41,153,426)**	**(483,889)**	**(41,637,315)**
Carrying amount			
At 31 December 2016	**115,417**	**455,646**	**571,063**
At 31 December 2015	**973,044**	**437,506**	**1,410,550**
Cost			
At 1 January 2015	41,268,843	886,715	42,155,558
Effect of changes in foreign exchange rate	–	24,455	24,455
At 31 December 2015	41,268,843	911,170	42,180,013
Accumulated amortization			
At 1 January 2015	(39,085,799)	(428,965)	(39,514,764)
Additions	(1,210,000)	(44,699)	(1,254,699)
At 31 December 2015	(40,295,799)	(473,664)	(40,769,463)
Carrying amount			
At 31 December 2015	973,044	437,506	1,410,550
At 31 December 2014	2,183,044	457,750	2,640,794

(Expressed in RMB, unless otherwise stated)

23 INTEREST IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2016	2015
Share of net assets		
– Associates	**419,436,703**	386,124,611
– Joint ventures	**131,066,022**	66,523,232
Total	**550,502,725**	452,647,843

The following list contains only the particulars of major associates and joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation operation	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Zheshang Jinhui Trust Co., Ltd ("Zheshang Jinhui")	Incorporated	Hangzhou, PRC	RMB500,000,000	35%	35%	–	Trust business
CMI Capital Limited ("CMI")	Incorporated	Hong Kong	HKD232,050,000	40%	–	40%	Investment advisory business

The summary financial information of the Group's major associates and the reconciliation between the financial information of these associates and their carrying amounts in the Group's financial statements are disclosed below:

(a) Zheshang Jinhui

	As at 31 December 2016	2015
Financial information of the associate		
– Assets	**897,921,098**	886,852,396
– Liabilities	**91,694,772**	140,975,904
– Net assets	**806,226,326**	745,876,492
– Operating income	**193,529,631**	235,721,224
– Net profit	**60,420,819**	64,083,509
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	**806,226,326**	745,876,492
Group's effective interest	**35%**	35%
Group's share of net assets of the associate	**282,179,214**	261,056,772
Carrying amount in the consolidated financial statements	**282,179,214**	261,056,772

(Expressed in RMB, unless otherwise stated)

23 INTEREST IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) CMI

	As at 31 December	
	2016	2015
Financial information of the associate		
– Assets	**202,786,529**	192,141,547
– Liabilities	**193,310**	289,195
– Net assets	**202,593,219**	191,852,352
– Operating income	**240,176**	247,672
– Net loss	**(2,250,352)**	(2,137,755)
Reconciled to the Group's interests in the associate:		
Gross amounts of net assets of the associate	**202,593,219**	191,852,352
Group's effective interest	**40%**	40%
Group's share of net assets of the associate	**81,037,288**	76,740,941
Carrying amount in the consolidated financial statements	**81,037,288**	76,740,941

(c) Aggregate information of other associates and joint ventures:

	As at 31 December	
	2016	2015
Aggregate carrying amount of other associates and joint ventures in the consolidated financial statements	**187,286,223**	114,850,130
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures		
– Profit for the year	**35,289,708**	82,062,187
– Total comprehensive income	**35,289,708**	82,062,187

(Expressed in RMB, unless otherwise stated)

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current	As at 31 December 2016	2015
At fair value:		
– Equity investments	730,290,776	581,340,923
Analyzed into:		
– Unlisted	730,290,776	581,340,923

Current	As at 31 December 2016	2015
At fair value		
– Equity investments	302,350,439	617,536,584
– Funds and other investments	10,434,267	488,582
Total	312,784,706	618,025,166
Analyzed into:		
– Listed, outside Hong Kong	20,786,207	20,621,166
– Unlisted	291,998,499	597,404,000
Total	312,784,706	618,025,166

25 REFUNDABLE DEPOSITS

	As at 31 December 2016	2015
Self-owned refundable deposits	955,943,900	460,331,605
Refundable deposits held on behalf of clients	67,665,682	57,541,544
Total	1,023,609,582	517,873,149

Refundable deposits are mainly placed at China Securities Depository and Clearing Corporation Limited, China Securities Finance Corporation Limited, Shanghai Clearing House, Hong Kong Securities Clearing Company Nominees Limited, Hong Kong Futures Exchange Clearing Corporation Limited and futures companies.

(Expressed in RMB, unless otherwise stated)

26 DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movement during the year are as follows:

	1 January 2016	Credited/ (charged) to profit or loss	Credited to equity	Exchange differences on translation of financial statements of overseas subsidiaries	31 December 2016 Deferred tax, net	31 December 2016 Deferred tax assets	31 December 2016 Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	653,347,219	75,804,092	–	1,303,583	730,454,894	730,454,894	–
Deductible tax loss	40,103,936	(8,269,986)	–	2,467,071	34,301,021	34,301,021	–
Depreciation and amortization	5,969,610	(37,827)	–	389,671	6,321,454	6,321,454	–
Changes in fair values of financial instruments at fair value through profit or loss	(88,990,859)	73,532,004	–	–	(15,458,855)	–	(15,458,855)
Changes in fair values of available-for-sale financial assets	(22,507,968)	–	3,532,598	–	(18,975,370)	–	(18,975,370)
Others	60,717,260	(7,624,859)	–	153,840	53,246,241	53,246,241	–
Subtotal	648,639,198	133,403,424	3,532,598	4,314,165	789,889,385	824,323,610	(34,434,225)
Set off						5,766,029	(5,766,029)
Deferred tax assets/(liabilities) recognized in the consolidated statement of financial position						830,089,639	(40,200,254)

(Expressed in RMB, unless otherwise stated)

26 DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(a) Deferred tax assets and liabilities recognized *(continued)*

	1 January 2015	Credited/ (charged) to profit or loss	Charged to equity	Addition from acquisition of a subsidiary	Exchange differences on translation of financial statements of overseas subsidiaries	31 December 2015 Deferred tax, net	31 December 2015 Deferred tax assets	31 December 2015 Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:								
Staff cost	455,636,756	194,485,730	–	1,770,795	1,453,938	653,347,219	653,347,219	–
Deductible tax loss	41,787,884	(4,035,849)	–	–	2,351,901	40,103,936	40,103,936	–
Depreciation and amortization	6,154,449	(532,454)	–	–	347,615	5,969,610	5,969,610	–
Changes in fair values of financial instruments at fair value through profit or loss	(45,954,347)	(43,036,512)	–	–	–	(88,990,859)	–	(88,990,859)
Changes in fair values of available-for-sale financial assets	(7,720,487)	–	(14,787,481)	–	–	(22,507,968)	–	(22,507,968)
Others	5,459,604	54,808,456	–	121,042	328,158	60,717,260	61,334,991	(617,731)
Subtotal	455,363,859	201,689,371	(14,787,481)	1,891,837	4,481,612	648,639,198	760,755,756	(112,116,558)
Set off							(80,431,320)	80,431,320
Deferred tax assets/ (liabilities) recognized in the consolidated statement of financial position							680,324,436	(31,685,238)

(Expressed in RMB, unless otherwise stated)

26 DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(q), the Group has not recognized deferred tax assets in respect of deductible temporary differences and cumulative deductible tax losses amounted to RMB270 million and RMB274 million at 31 December 2016 and 2015, respectively.

Deferred tax assets not recognized in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognized only to the extent that an entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilized may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

27 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2016	2015
Rental deposits	**64,630,117**	54,289,749
Others	**5,469,916**	5,364,800
Total	**70,100,033**	59,654,549

28 ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 31 December	
	2016	2015
Trade receivable	**4,871,670,457**	5,071,528,802
Underwriting and advisory fees receivable	**1,177,001,142**	841,560,561
Asset management fees receivable	**349,553,354**	261,351,438
Trading seat rental fees receivable	**102,630,660**	137,649,542
Others	**106,770,348**	380,270,140
Less: provision for impairment losses	**(26,335,500)**	(18,488,540)
Total	**6,581,290,461**	6,673,871,943

(Expressed in RMB, unless otherwise stated)

28 ACCOUNTS RECEIVABLE *(continued)*

(b) Analyzed by aging:

	As at 31 December 2016			
	Gross amount		Provision for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	**6,251,042,750**	**94.61%**	**–**	**–**
1 - 2 years (inclusive)	**130,777,384**	**1.98%**	**(12,026,200)**	**45.66%**
2 - 3 years (inclusive)	**158,773,923**	**2.40%**	**(3,621,000)**	**13.75%**
More than 3 years	**67,031,904**	**1.01%**	**(10,688,300)**	**40.59%**
Total	**6,607,625,961**	**100.00%**	**(26,335,500)**	**100.00%**

	As at 31 December 2015			
	Gross amount		Provision for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	6,417,571,780	95.89%	–	–
1 - 2 years (inclusive)	195,734,655	2.92%	(3,399,300)	18.39%
2 - 3 years (inclusive)	60,652,516	0.91%	(15,069,240)	81.51%
More than 3 years	18,401,532	0.28%	(20,000)	0.10%
Total	6,692,360,483	100.00%	(18,488,540)	100.00%

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2016	2015
At the beginning of the year	**18,488,540**	25,420,751
Provided/(reversed) for the year	**11,602,017**	(8,081,121)
Write-offs for the year	**(4,707,071)**	(13,226,813)
Recoveries of accounts receivable previously written off	**18,561**	13,851,705
Effect of changes in foreign exchange rate	**933,453**	524,018
At the end of the year	**26,335,500**	18,488,540

(Expressed in RMB, unless otherwise stated)

28 ACCOUNTS RECEIVABLE *(continued)*

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record of payments with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in the credit quality of these receivables and the balances are still considered fully recoverable.

29 RECEIVABLE FROM MARGIN CLIENTS

(a) Analyzed by nature:

	As at 31 December	
	2016	2015
Individuals	**2,013,018,847**	2,482,904,142
Institutions	**1,058,066,403**	819,305,758
Less: provision for impairment losses	**(25,907,805)**	(5,777,853)
Total	**3,045,177,445**	3,296,432,047

(b) Analyzed by fair value of collaterals:

	Fair value of collaterals As at 31 December	
	2016	2015
Stocks	**12,706,864,393**	14,051,288,840
Cash	**379,275,312**	521,097,559
Debt securities	**48,362,698**	18,601,623
Total	**13,134,502,403**	14,590,988,022

(Expressed in RMB, unless otherwise stated)

29 RECEIVABLE FROM MARGIN CLIENTS *(continued)*

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2016	2015
At the beginning of the year	**5,777,853**	–
Provided for the year	**20,328,808**	5,777,853
Write-offs for the year	**(261,201)**	–
Effect of changes in foreign exchange rate	**62,345**	–
At the end of the year	**25,907,805**	5,777,853

30 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analyzed by type:

	As at 31 December 2016		
	Financial assets held for trading	**Financial assets designated as at fair value through profit or loss**	**Total**
Equity investments	**8,655,836,818**	**12,248,488,320**	**20,904,325,138**
Debt investments	**20,643,012,947**	**–**	**20,643,012,947**
Funds and other investments	**3,162,444,175**	**10,445,059,430**	**13,607,503,605**
Total	**32,461,293,940**	**22,693,547,750**	**55,154,841,690**

	As at 31 December 2015		
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Total
Equity investments	5,915,045,555	6,561,603,309	12,476,648,864
Debt investments	20,279,792,939	300,000,000	20,579,792,939
Funds and other investments	11,648,354,424	754,463,441	12,402,817,865
Total	37,843,192,918	7,616,066,750	45,459,259,668

(Expressed in RMB, unless otherwise stated)

30 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(b) Analyzed by listing status:

Financial assets held for trading:

	As at 31 December	
	2016	2015
Listed		
– In Hong Kong	**67,794,789**	86,748,557
– Outside Hong Kong	**25,033,627,843**	26,796,474,944
Unlisted	**7,359,871,308**	10,959,969,417
Total	**32,461,293,940**	37,843,192,918

Financial assets designated as at fair value through profit or loss:

	As at 31 December	
	2016	2015
Listed		
– In Hong Kong	**1,080,725,882**	560,967,563
– Outside Hong Kong	**11,041,662,866**	5,641,568,999
Unlisted	**10,571,159,002**	1,413,530,188
Total	**22,693,547,750**	7,616,066,750

(Expressed in RMB, unless otherwise stated)

31 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	As at 31 December 2016		
	Notional amount	**Fair value**	
		Assets	**Liabilities**
Interest rate contracts	**152,299,321,494**	**461,613,648**	**(528,091,611)**
Currency contracts	**8,936,208,038**	**141,751,336**	**(135,767,618)**
Equity contracts	**32,183,452,492**	**799,394,616**	**(703,445,622)**
Credit contracts	**1,614,679,684**	**13,781,114**	**(15,875,848)**
Other contracts	**14,482,631,498**	**307,035,150**	**(301,050,998)**
Total	**209,516,293,206**	**1,723,575,864**	**(1,684,231,697)**
Less: settlement		**(1,569,340)**	**7,800,627**
Net position		**1,722,006,524**	**(1,676,431,070)**

	As at 31 December 2015		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate contracts	24,449,855,650	304,847,442	(150,729,764)
Currency contracts	11,502,202,868	111,807,536	(79,420,725)
Equity contracts	19,445,891,385	185,668,395	(731,288,281)
Credit contracts	793,018,956	9,643,105	(7,598,748)
Other contracts	5,802,642,935	124,277,990	(102,580,525)
Total	61,993,611,794	736,244,468	(1,071,618,043)
Less: settlement		–	606,115
Net position		736,244,468	(1,071,011,928)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures in Mainland China are settled daily and the corresponding receipts and payments are reflected in "deposits with clearing houses". Accordingly, the Group did not hold any net position of the above contracts at 31 December 2016 and 2015.

(Expressed in RMB, unless otherwise stated)

32 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOs")

(a) Analyzed by collateral type:

	As at 31 December	
	2016	2015
Debt securities	**898,498,490**	426,512,532
Stocks	**3,056,352,061**	1,135,779,989
Less: provision for impairment losses	**(15,281,760)**	(5,678,900)
Total	**3,939,568,791**	1,556,613,621

(b) Analyzed by market:

	As at 31 December	
	2016	2015
Inter-bank market	**–**	150,153,796
Stock exchanges	**3,678,970,520**	1,261,601,089
Over-the-counter market	**260,598,271**	144,858,736
Total	**3,939,568,791**	1,556,613,621

33 INTEREST RECEIVABLE

	As at 31 December	
	2016	2015
Interest receivable from debt securities	**296,137,310**	371,184,775
Interest receivable from reverse REPOs	**74,360,558**	19,204,648
Interest receivable from margin financing and securities lending	**90,370,451**	66,410,992
Others	**19,884,048**	21,707,623
Total	**480,752,367**	478,508,038

(Expressed in RMB, unless otherwise stated)

34 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified their clients' monies as cash held on behalf of brokerage clients under the current assets of the consolidated statement of financial position and recognized the corresponding accounts payable to brokerage clients on the grounds that the Group is liable for any misappropriation of their clients' monies. In the PRC, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong, clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

35 CASH AND BANK BALANCES

	As at 31 December	
	2016	2015
Cash on hand	**214,170**	182,032
Deposits with banks	**8,563,759,155**	7,897,452,142
Deposits with clearing houses	**1,940,615,780**	536,451,504
Total	**10,504,589,105**	8,434,085,678

36 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
Cash on hand	**214,170**	182,032
Deposits with banks	**8,563,759,155**	7,897,452,142
Deposits with clearing houses	**1,940,615,780**	536,451,504
Less: fixed or restricted bank deposits	**(605,746,541)**	(441,885,793)
Total	**9,898,842,564**	7,992,199,885

The fixed or restricted bank deposits mainly include bank deposits with original maturity of over three months held by the Group and the risk reserve deposits held for asset management business.

(Expressed in RMB, unless otherwise stated)

37 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2016		
	Financial liabilities held for trading	**Financial liabilities designated as at fair value through profit or loss**	**Total**
Equity investments	**9,236,164**	**7,615,908,270**	**7,625,144,434**
Debt investments	**2,117,463,083**	**–**	**2,117,463,083**
Total	**2,126,699,247**	**7,615,908,270**	**9,742,607,517**

	As at 31 December 2015		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity investments	21,583,407	5,426,566,098	5,448,149,505
Debt investments	134,201,447	–	134,201,447
Funds and other investments	–	1,965,210	1,965,210
Total	155,784,854	5,428,531,308	5,584,316,162

38 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at 31 December	
	2016	2015
Clients' deposits for brokerage trading	**17,072,589,456**	24,696,953,887
Clients' deposits for margin financing and securities lending	**319,770,996**	521,097,559
Total	**17,392,360,452**	25,218,051,446

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

(Expressed in RMB, unless otherwise stated)

39 PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analyzed by funding source:

	As at 31 December	
	2016	2015
Due within one year		
– Placements from China Securities Finance Co., Ltd.	**1,600,000,000**	996,000,000
– Others	**1,928,516,500**	640,815,800
Subtotal	**3,528,516,500**	1,636,815,800
Due after one year		
– Syndication loan (Note)	**–**	1,623,400,000
Total	**3,528,516,500**	3,260,215,800

Note: China International Capital Corporation (Hong Kong) Limited ("CICC Hong Kong") entered into a syndication loan arrangement of US dollars ("USD") 250 million effective on 17 July 2015 with a maturity date at 19 May 2018. CICC Hong Kong has repaid the loan on 23 June 2016.

(b) Analyzed by residual maturity:

	As at 31 December			
	2016		2015	
	Book value	**Range of interest rate**	Book value	Range of interest rate
Within 1 month (inclusive)	**342,286,500**	**1.00% - 3.00%**	590,651,000	1.10% - 2.30%
1 - 3 months (inclusive)	**2,178,740,000**	**2.00% - 5.00%**	650,164,800	3.60% - 10.00%
3 months - 1 year (inclusive)	**1,007,490,000**	**3.00% - 5.00%**	396,000,000	5.00% - 10.00%
1 year - 3 years (inclusive)	**–**	**–**	1,623,400,000	1M Libor plus 2.50% p.a.
Total	**3,528,516,500**		3,260,215,800	

(Expressed in RMB, unless otherwise stated)

40 SHORT-TERM DEBT SECURITIES ISSUED

The Company has issued beneficiary certificates bearing nominal interest ranging from 2.80% to 6.45% per annum or floating rate, mainly repayable within one year. The floating interest rate is calculated based on Shanghai & Shenzhen 300 index, China Securities Index 500, gold price or price of futures of various underlying assets.

The Company has an early-redemption option regarding certain tranches of these beneficiary certificates.

Name of beneficiary certificates	**Book value as at 1 January 2016**	**Issuance**	**Redemption**	**Book value as at 31 December 2016**
CICC Tianxinbao Series	550,000,000	–	(550,000,000)	–
CICC Jinyintong Series	1,150,000,000	9,700,000,000	(8,850,000,000)	2,000,000,000
CICC Shangpin A Series	–	752,032,000	(705,865,000)	46,167,000
CICC Shangpin B Series	–	2,772,056	(1,811,547)	960,509
CICC Index B Series	–	4,200,000	(2,900,000)	1,300,000
CICC Caifuzijin Series	–	1,104,151,000	(644,500,000)	459,651,000
CICC Tongde Series	–	37,000,000	–	37,000,000
CICC Tongxin Series	–	281,715,000	(177,200,000)	104,515,000
Total	1,700,000,000	11,881,870,056	(10,932,276,547)	2,649,593,509

Name of beneficiary certificates	Book value as at 1 January 2015	Issuance	Redemption	Book value as at 31 December 2015
CICC Zhaozhaoniu Series	50,000,000	–	(50,000,000)	–
CICC Tianxinbao Series	50,000,000	1,220,000,000	(720,000,000)	550,000,000
CICC Jinyintong Series	–	2,050,000,000	(900,000,000)	1,150,000,000
CICC Gushou Series	–	200,000,000	(200,000,000)	–
Total	100,000,000	3,470,000,000	(1,870,000,000)	1,700,000,000

(Expressed in RMB, unless otherwise stated)

41 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS ("REPOs")

(a) Analyzed by collateral type:

	As at 31 December 2016	2015
Debt securities	**4,862,723,146**	13,013,713,250
Others	**615,744,609**	1,000,000,000
Total	**5,478,467,755**	14,013,713,250

(b) Analyzed by market:

	As at 31 December 2016	2015
Inter-bank market	**3,022,272,792**	8,310,657,781
Stock exchanges	**1,654,033,000**	4,463,010,000
Over-the-counter market	**802,161,963**	1,240,045,469
Total	**5,478,467,755**	14,013,713,250

42 OTHER CURRENT LIABILITIES

	As at 31 December 2016	2015
Taxes payable	**1,596,974,622**	127,424,038
Interests payable	**285,042,611**	228,545,389
Accrued expenses	**353,810,382**	352,570,132
Trade payable	**16,737,957,957**	13,453,013,694
Others	**931,716,569**	2,230,385,615
Total	**19,905,502,141**	16,391,938,868

(Expressed in RMB, unless otherwise stated)

43 LONG-TERM DEBT SECURITIES ISSUED

	Note	As at 31 December 2016	2015
Subordinated bonds	(a)	**7,500,000,000**	5,000,000,000
Corporate bonds	(b)	**8,000,000,000**	–
Notes payable	(c)	**3,448,469,092**	1,071,444,000
Total		**18,948,469,092**	6,071,444,000
Fair value		**19,362,628,466**	6,402,662,243

(a) Subordinated bonds:

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
13 CICC bonds (i)	25/07/2013	25/07/2019	1st - 3rd years 6.00% 4th - 6th years 9.00%	3,000,000,000	–	(3,000,000,000)	–
15 CICC C1 (ii)	29/05/2015	29/05/2021	1st - 3rd years 5.25% 4th - 6th years 8.25%	2,000,000,000	–	–	2,000,000,000
16 CICC C1 (iii)	21/07/2016	21/07/2021	1st - 2nd years 3.25% 3rd - 5th years 6.25%	–	2,000,000,000	–	2,000,000,000
16 CICC C2 (iv)	15/12/2016	15/12/2021	4.60%	–	3,400,000,000	–	3,400,000,000
16 CICC Futures (v)	16/12/2016	16/12/2024	1st - 5th years 5.00% 6th - 8th years 8.00%	–	100,000,000	–	100,000,000
Total				5,000,000,000	5,500,000,000	(3,000,000,000)	7,500,000,000

(Expressed in RMB, unless otherwise stated)

43 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Subordinated bonds: *(continued)*

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2015	Issuance	Redemption	Book value as at 31 December 2015
13 CICC bonds (i)	25/07/2013	25/07/2019	1st - 3rd years 6.00% 4th - 6th years 9.00%	3,000,000,000	–	–	3,000,000,000
15 CICC C1 (ii)	29/05/2015	29/05/2021	1st - 3rd years 5.25% 4th - 6th years 8.25%	–	2,000,000,000	–	2,000,000,000
Total				3,000,000,000	2,000,000,000	–	5,000,000,000

(i) The Company issued subordinated bonds with a principal amount of RMB3 billion on 25 July 2013 and a maturity date of 25 July 2019. Interests of the subordinated bonds are paid annually. The Company has redeemed the bonds on 25 July 2016.

(ii) The Company issued subordinated bonds with a principal amount of RMB2 billion on 29 May 2015 and a maturity date of 29 May 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 29 May 2018.

(iii) The Company issued subordinated bonds with a principal amount of RMB2 billion on 21 July 2016 and a maturity date of 21 July 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 21 July 2018.

(iv) The Company issued subordinated bonds with a principal amount of RMB3.4 billion on 15 December 2016 and a maturity date of 15 December 2021. Interests of the subordinated bonds are paid annually.

(v) CICC Futures Co., Ltd. ("CICC Futures") issued subordinated bonds with a principal amount of RMB0.1 billion on 16 December 2016 and a maturity date of 16 December 2024. Interests of the subordinated bonds are paid annually. CICC Futures has an option to redeem the bonds on 16 December 2021.

(Expressed in RMB, unless otherwise stated)

43 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Corporate bonds:

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
16 CICC 01 (i)	18/07/2016	18/07/2021	2.99%	–	3,000,000,000	–	3,000,000,000
16 CICC 02 (ii)	18/07/2016	18/07/2023	3.29%	–	1,000,000,000	–	1,000,000,000
16 CICC 03 (iii)	27/10/2016	27/10/2021	2.95%	–	1,100,000,000	–	1,100,000,000
16 CICC 04 (iv)	27/10/2016	27/10/2023	3.13%	–	900,000,000	–	900,000,000
16 CICC 05 (v)	26/12/2016	26/12/2019	4.50%	–	2,000,000,000	–	2,000,000,000
Total				–	8,000,000,000	–	8,000,000,000

(i) The Company issued corporate bonds with a principal amount of RMB3 billion on 18 July 2016 and a maturity date of 18 July 2021. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 18 July 2019. If the early-redemption option is not exercised at the end of the third year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(ii) The Company issued corporate bonds with a principal amount of RMB1 billion on 18 July 2016 and a maturity date of 18 July 2023. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised at the end of the fifth year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(iii) The Company issued corporate bonds with a principal amount of RMB1.1 billion on 27 October 2016 and a maturity date of 27 October 2021. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised at the end of the third year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(iv) The Company issued corporate bonds with a principal amount of RMB0.9 billion on 27 October 2016 and a maturity date of 27 October 2023. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised at the end of the fifth year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(v) The Company issued corporate bonds with a principal amount of RMB2 billion on 26 December 2016 and a maturity date of 26 December 2019. Interests of the corporate bonds are paid annually.

(Expressed in RMB, unless otherwise stated)

43 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Notes payable:

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Amortization and foreign exchange gains or losses	Book value as at 31 December 2016
USD notes (i)	28/04/2011	28/04/2021	6.38%	1,071,444,000	–	(1,071,444,000)	–	–
Medium-term notes (ii)	18/05/2016	18/05/2019	2.75%	–	3,315,600,000	–	132,869,092	3,448,469,092
Total				1,071,444,000	3,315,600,000	(1,071,444,000)	132,869,092	3,448,469,092

Name	Issuance date	Maturity date	Nominal interest rate	Book value as at 1 January 2015	Issuance	Redemption	Amortization and foreign exchange gains or losses	Book value as at 31 December 2015
USD notes (i)	28/04/2011	28/04/2021	6.38%	1,009,635,000	–	–	61,809,000	1,071,444,000

(i) CICC Hong Kong issued the USD notes with a principal amount of USD165 million on 28 April 2011 and a maturity date of 28 April 2021. Interests of the notes are paid semi-annually. CICC Hong Kong has fully redeemed the notes on 29 April 2016.

(ii) CICC Hong Kong Finance 2016 MTN Limited issued the medium-term notes with a principal amount of USD500 million on 18 May 2016 and a maturity date of 18 May 2019. Interests of the notes are paid semi-annually.

44 OTHER NON-CURRENT LIABILITIES

	As at 31 December 2016	2015
Long-term borrowings	**10,200,000**	10,200,000
Long-term finance leases payable	**1,651,523**	2,560,096
Total	**11,851,523**	12,760,096

(Expressed in RMB, unless otherwise stated)

45 CAPITAL, RESERVES AND DIVIDENDS

Movement in components of equity

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's components of equity between the beginning and the end of the years are set out below:

	Share capital (Note 45(i))	Other equity instruments (Note 46)	Reserves: Capital reserve (Note 45(ii))	Reserves: Surplus reserve (Note 45(ii))	Reserves: General reserves (Note 45(ii))	Reserves: Investment revaluation reserve (Note 45(ii))	Retained profits	Total
Balance at 1 January 2016	2,306,669,000	1,000,000,000	9,927,667,914	152,845,657	1,424,660,007	26,219	1,067,278,228	15,879,147,025
Profit for the year	–	–	–	–	–	–	1,028,235,718	1,028,235,718
Other comprehensive income for the year	–	–	–	–	–	(40,736)	–	(40,736)
Total comprehensive income for the year	–	–	–	–	–	(40,736)	1,028,235,718	1,028,194,982
Appropriation to surplus reserve	–	–	–	102,823,572	–	–	(102,823,572)	–
Appropriation to general reserves	–	–	–	–	205,647,144	–	(205,647,144)	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	(57,000,000)	(57,000,000)
Balance at 31 December 2016	2,306,669,000	1,000,000,000	9,927,667,914	255,669,229	1,630,307,151	(14,517)	1,730,043,230	16,850,342,007

	Share capital (Note 45(i))	Other equity instruments (Note 46)	Reserves: Capital reserve (Note 45(ii))	Reserves: Surplus reserve (Note 45(ii))	Reserves: General reserves (Note 45(ii))	Reserves: Investment revaluation reserve (Note 45(ii))	Retained profits	Total
Balance at 1 January 2015	1,667,473,000	–	2,296,343,756	473,400,427	1,118,968,691	2,641,374	2,542,038,465	8,100,865,713
Profit for the year	–	–	–	–	–	–	1,528,456,576	1,528,456,576
Other comprehensive income for the year	–	–	–	–	–	26,219	–	26,219
Total comprehensive income for the year	–	–	–	–	–	26,219	1,528,456,576	1,528,482,795
Appropriation to surplus reserve	–	–	–	152,845,657	–	–	(152,845,657)	–
Appropriation to general reserves	–	–	–	–	305,691,316	–	(305,691,316)	–
Issuance of perpetual subordinated bonds	–	1,000,000,000	–	–	–	–	–	1,000,000,000
Issuance of H shares	639,196,000	–	4,613,243,891	–	–	–	–	5,252,439,891
Conversion to joint stock company with limited liability	–	–	3,020,721,641	(473,400,427)	–	(2,641,374)	(2,544,679,840)	–
Other	–	–	(2,641,374)	–	–	–	–	(2,641,374)
Balance at 31 December 2015	2,306,669,000	1,000,000,000	9,927,667,914	152,845,657	1,424,660,007	26,219	1,067,278,228	15,879,147,025

(Expressed in RMB, unless otherwise stated)

45 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(i) Share capital

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. After the conversion, the Company issued 1,667,473,000 ordinary shares with par value of RMB1 each.

On 9 November 2015, the Company issued 555,824,000 H-share with a par value of RMB1 at an offering price of HKD10.28 per share. On 18 November 2015, the Company exercised the over-allotment option and issued 83,372,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(ii) Reserves

(1) Capital reserve

The Group

	As at 31 December	
	2016	2015
Share premium (a)	**7,680,642,418**	7,680,642,418
Others (b)	**25,025,907**	25,025,907
Total	**7,705,668,325**	7,705,668,325

The Company

	As at 31 December	
	2016	2015
Share premium (a)	**9,927,667,914**	9,927,667,914

(a) The premium arising from the Company's H-share offering (see Note 45(i)) was recorded in capital reserve.

(b) Others mainly represent the difference arising from the redemption of preference shares by CICC Hong Kong in 1998.

45 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(ii) Reserves *(continued)*

(2) Surplus reserve

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance of the PRC (the "MOF") after offsetting prior year's accumulated loss, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before the capitalization.

(3) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

The Company makes the appropriation of general reserves at the end of each year.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

(4) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net changes in fair values of available-for-sale financial assets held at the end of year.

(5) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

(iii) Dividends

No distribution was made to the shareholders during the year.

On 22 March 2017, the 2016 profit distribution plan approved by the board of directors. For details, please refer to Note 57(d).

Dividends proposed by the directors are not deducted from equity, until approved by the shareholders' general meeting. After being approved and declared, the dividends are recognized as a liability.

(Expressed in RMB, unless otherwise stated)

46 OTHER EQUITY INSTRUMENTS

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bonds resets every 5 years thereafter based on a benchmark rate and a predetermined spread.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

47 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2016 and 2015 not provided for in the financial statements were as follows:

	As at 31 December	
	2016	2015
Contracted, but not provided for	**1,300,534,042**	158,806,837

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2016	2015
Within 1 year (inclusive)	**257,638,939**	215,715,886
1-2 years (inclusive)	**252,494,773**	202,178,532
2-3 years (inclusive)	**168,040,541**	187,815,098
More than 3 years	**303,385,046**	350,638,130
Total	**981,559,299**	956,347,646

(c) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for as at 31 December 2016 was RMB650,000,000 for the Group (31 December 2015: Nil).

(Expressed in RMB, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group are certain asset management products where the Group is involved as manager or investor. The Group assesses whether the combination of its investments in these products and its remuneration generated from the investments creates an exposure to the variability of returns from the activities of these asset management products to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2016 and 2015, the total assets of the consolidated asset management products are RMB12,523,125,335 and RMB7,297,392,170 respectively, and the carrying amount of interests held by the Group in the consolidated asset management products are RMB11,087,121,777 and RMB1,316,799,412 respectively.

(b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by other financial institutions.

The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through issuing units to investors.

	As at 31 December	
	2016	2015
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**14,292,236,816**	4,172,418,061
– Available-for-sale financial assets	**15,002,767**	500,000,000

The Group's exposure to the variable returns in these structured entities is not significant from the perspective of the structured entities and the maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

(Expressed in RMB, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES *(continued)*

(c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group serves as general partner or manager, therefore has power over them during the years include private equity funds, mutual funds, trust products and asset management products. These structured entities are mainly financed through issuing units to investors.

	As at 31 December	
	2016	2015
Carrying amount of interests held by the Group		
– Financial assets at fair value through profit or loss	**551,158,466**	3,744,860,220
– Available-for-sale financial assets	**623,797,693**	517,927,380
– Accounts receivable	**349,553,354**	396,874,795

For the year ended 31 December 2016 and 2015, the Group obtained management fee and performance fee amounting to RMB816,407,916 and RMB908,934,486 respectively from these structured entities.

Except for those which have been consolidated by the Group as set out in Note 48(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

49 CONTINGENCIES

The Group has no outstanding litigation which would have a material impact on its financial position as at 31 December 2016 and 2015.

(Expressed in RMB, unless otherwise stated)

50 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 13, is as follows:

	Year ended 31 December	
	2016	2015
Salaries, allowances and benefits in kind	**29,264,251**	21,232,891
Discretionary bonuses	**143,849,090**	111,817,522
Retirement scheme contributions	**765,396**	413,373
Total	**173,878,737**	133,463,786

Total remuneration of key management personnel is included in "staff costs" (see Note 12).

(b) Related party transactions with major shareholders

(i) Related party transactions with major shareholders and their related parties

	Year ended 31 December	
	2016	2015
Brokerage commission income	**3,688,309**	12,299,413
Underwriting and sponsoring fees	**20,643,903**	104,176,746
Asset management fees	**41,333,277**	80,530,045
Net gains from financial assets at fair value through profit or loss	**150,078,679**	37,213,168
Interest income	**128,831,726**	182,756,025
Brokerage expenses	**–**	2,087,529
Interest expenses	**87,787,295**	44,706,753

(Expressed in RMB, unless otherwise stated)

50 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Related party transactions with major shareholders *(continued)*

(ii) The balances of transactions with major shareholders and their related parties

	As at 31 December	
	2016	2015
Accounts receivable	**38,629,655**	–
Financial assets at fair value through profit or loss	**1,128,887,205**	374,258,713
Cash and bank balances (Note)	**5,323,204,901**	9,039,480,902
Financial liabilities at fair value through profit or loss	**644,751,524**	–
Accounts payable to brokerage clients	**26,197,849**	6,749
Placements from financial institutions	**1,586,230,000**	–
Short-term debt securities issued	**24,167,000**	–
REPOs	**179,825,096**	1,020,255,279
Interest payable	**9,618,630**	15,160,499
Long-term debt securities issued	**3,543,800,000**	540,000,000
Entrusted funds	**13,134,242,674**	12,646,092,578

Note: The cash and bank balances deposited with major shareholders and their related parties includes self-owned cash and bank balances and cash held on behalf of brokerage clients.

(c) Related party transactions with the Group's associates and joint ventures

(i) Details of the Group's associates and joint ventures are disclosed in Note 23.

(ii) Related party transactions with associates and joint ventures and their related parties

	Year ended 31 December	
	2016	2015
Brokerage commission income	**19,431,994**	2,150,411
Investment advisory fees	**5,155,551**	3,923,597
Asset management fees	**8,215,494**	8
Interest income	**28,603**	28,849
Other income	**2,912,621**	–
Other operating expenses	**3,773,585**	–

50 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Related party transactions with the Group's associates and joint ventures *(continued)*

(iii) The balances of transactions with associates and joint ventures and their related parties

	As at 31 December	
	2016	2015
Accounts receivable	**–**	6,196,689
Other current liabilities	**5,869,378**	–

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Reports.

(e) Directors' and supervisors' interests in contracts and service contracts

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors have entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

51 SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the Group:

– that engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and

– for which financial statements regarding financial position, results of operations and cash flows is available.

(Expressed in RMB, unless otherwise stated)

51 SEGMENT REPORTING *(continued)*

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations ("NEEQ") services, to clients in the PRC and overseas.
- the Equities segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, and product services, to institutional investors, including financial institutions, corporations and governmental entities, and other investors.
- the FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of advisory services, transactional services, capital-based intermediary services and product services, to high-net-worth individuals, family offices and corporate clients.
- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.
- the Others segment mainly comprises of other business departments and back offices.

(Expressed in RMB, unless otherwise stated)

51 SEGMENT REPORTING *(continued)*

(a) Segment results

	Year ended 31 December 2016						
	Investment Banking	Equities	FICC	Wealth Management	Investment Management	Others	Total
Segment revenue							
– Fee and commission income	2,772,726,196	1,395,864,143	363,914,008	735,004,472	803,140,108	25,645	6,070,674,572
– Interest income	5,190,523	286,924,765	105,154,099	446,136,635	14,132,071	126,047,787	983,585,880
– Investment income	129,124,481	534,139,359	543,132,304	183,667,377	255,790,298	58,276,989	1,704,130,808
– Other income	76,157,326	13,210,933	26,946,669	28,580,665	473,210	37,576,664	182,945,467
Segment revenue and other income	2,983,198,526	2,230,139,200	1,039,147,080	1,393,389,149	1,073,535,687	221,927,085	8,941,336,727
Segment expenses	(1,598,284,166)	(986,341,756)	(1,030,211,084)	(1,005,047,543)	(720,580,610)	(1,326,767,834)	(6,667,232,993)
Segment operating profit/(loss)	1,384,914,360	1,243,797,444	8,935,996	388,341,606	352,955,077	(1,104,840,749)	2,274,103,734
Share of profits of associates and joint ventures	–	–	–	–	35,289,708	20,260,479	55,550,187
Profit/(loss) before income tax	1,384,914,360	1,243,797,444	8,935,996	388,341,606	388,244,785	(1,084,580,270)	2,329,653,921
Interest expenses (Note)	(54,932,309)	(170,522,405)	(721,426,052)	(314,086,457)	(93,390,877)	65,334,961	(1,289,023,139)
Depreciation and amortization expenses	(3,762,113)	(6,646,511)	(5,434,755)	(15,843,460)	(10,104,187)	(30,708,408)	(72,499,434)
(Provision for)/reversal of impairment losses	(8,742,107)	(2,341,474)	18,561	(30,468,665)	–	–	(41,533,685)

(Expressed in RMB, unless otherwise stated)

51 SEGMENT REPORTING *(continued)*

(a) Segment results *(continued)*

	Year ended 31 December 2015						
	Investment Banking	Equities	FICC	Wealth Management	Investment Management	Others	Total
Segment revenue							
– Fee and commission income	2,317,592,012	2,125,533,360	130,057,292	1,049,611,653	964,867,725	153,983	6,587,816,025
– Interest income	2,468,389	290,124,617	40,454,101	542,009,019	10,180,711	135,263,157	1,020,499,994
– Investment income	11,252,742	218,972,964	1,428,268,921	90,725,619	97,925,732	6,190,161	1,853,336,139
– Other income	369,795	4,052,849	8,231,700	14,455,293	10,136,672	7,786,168	45,032,477
Segment revenue and other income	2,331,682,938	2,638,683,790	1,607,012,014	1,696,801,584	1,083,110,840	149,393,469	9,506,684,635
Segment expenses	(1,335,360,321)	(1,108,491,419)	(754,910,295)	(1,081,692,254)	(723,384,655)	(1,985,933,655)	(6,989,772,599)
Segment operating profit/(loss)	996,322,617	1,530,192,371	852,101,719	615,109,330	359,726,185	(1,836,540,186)	2,516,912,036
Share of profits of associates and joint ventures	–	–	–	–	82,062,186	21,603,178	103,665,364
Profit/(loss) before income tax	996,322,617	1,530,192,371	852,101,719	615,109,330	441,788,371	(1,814,937,008)	2,620,577,400
Interest expenses (Note)	(12,687,837)	(222,770,549)	(417,205,697)	(328,956,689)	(59,723,415)	(53,437,178)	(1,094,781,365)
Depreciation and amortization expenses	(781,139)	(5,930,669)	(2,542,188)	(13,687,608)	(6,148,367)	(21,991,308)	(51,081,279)
Reversal of/(provision for) impairment losses	10,567,627	(1,994,829)	(40,388)	(9,461,924)	(2,446,118)	–	(3,375,632)

Note: The Group calculates internal interest expenses for the reportable segments according to the capital used during the year for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

(Expressed in RMB, unless otherwise stated)

51 SEGMENT REPORTING *(continued)*

(b) Geographical information

The following table sets out the Group's operating income from external clients and the Group's non-current assets (excluding available-for-sale financial assets, deferred tax assets, same as below) in terms of geographical locations. The geographical locations of the operating income from external clients are identified based on the locations of the clients to whom the services are rendered. The geographical locations of the non-current assets are identified based on the locations where the fixed assets are located or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers Year ended 31 December	
	2016	2015
Mainland China	**6,913,977,857**	7,747,449,789
Overseas	**2,027,358,870**	1,759,234,846
Total	**8,941,336,727**	9,506,684,635

	Non-current assets As at 31 December	
	2016	2015
Mainland China	**1,595,326,553**	1,003,955,079
Overseas	**257,954,710**	193,999,933
Total	**1,853,281,263**	1,197,955,012

Reconciliation of segment non-current assets:

	Non-current assets As at 31 December	
	2016	2015
Total non-current assets for segments	**4,420,390,849**	2,928,070,738
Elimination of inter-segment non-current assets	**(2,567,109,586)**	(1,730,115,726)
Total	**1,853,281,263**	1,197,955,012

(c) Major clients

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

52 FAIR VALUE INFORMATION

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, their carrying amounts approximate the fair values.

(ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flows or other valuation techniques.

(iii) The fair values of short-term and long-term debt securities issued are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 43. The carrying amounts of short-term debt securities issued approximate to their fair values.

(iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate the fair values.

(a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level II valuations: Fair value measured using Level II inputs, i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

(Expressed in RMB, unless otherwise stated)

52 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

The tables below analyze financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	As at 31 December 2016			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Equity investments	8,415,171,966	240,664,852	–	8,655,836,818
– Debt investments	2,800,615,145	17,842,397,802	–	20,643,012,947
– Funds and other investments	702,770,435	2,451,604,643	8,069,097	3,162,444,175
Financial assets designated as at fair value through profit or loss				
– Equity investments	12,058,862,161	189,626,159	–	12,248,488,320
– Funds and other investments	–	10,445,059,430	–	10,445,059,430
Derivative financial assets	39,976,985	1,682,029,539	–	1,722,006,524
Available-for-sale financial assets				
– Equity investments	20,351,940	–	1,012,289,275	1,032,641,215
– Funds and other investments	434,267	–	10,000,000	10,434,267
Total	24,038,182,899	32,851,382,425	1,030,358,372	57,919,923,696
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(9,235,906)	(258)	–	(9,236,164)
– Debt investments	–	(2,117,463,083)	–	(2,117,463,083)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	(254,349,156)	(7,361,559,114)	–	(7,615,908,270)
Derivatives financial liabilities	(29,685,607)	(1,646,745,463)	–	(1,676,431,070)
Total	(293,270,669)	(11,125,767,918)	–	(11,419,038,587)

(Expressed in RMB, unless otherwise stated)

52 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	As at 31 December 2015			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Equity investments	2,520,861,785	3,394,183,770	–	5,915,045,555
– Debt investments	4,933,179,067	15,346,613,872	–	20,279,792,939
– Funds and other investments	4,268,714,082	7,379,640,342	–	11,648,354,424
Financial assets designated as at fair value through profit or loss				
– Equity investments	6,058,517,273	503,086,036	–	6,561,603,309
– Debt investments	–	–	300,000,000	300,000,000
– Funds and other investments	12,896,243	649,086,470	92,480,728	754,463,441
Derivative financial assets	4,452,372	731,792,096	–	736,244,468
Available-for-sale financial assets				
– Equity investments	20,132,584	–	1,178,744,923	1,198,877,507
– Funds and other investments	488,582	–	–	488,582
Total	17,819,241,988	28,004,402,586	1,571,225,651	47,394,870,225
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(21,583,407)	–	–	(21,583,407)
– Debt investments	–	(134,201,447)	–	(134,201,447)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	–	(5,426,566,098)	–	(5,426,566,098)
– Funds and other investments	(1,965,210)	–	–	(1,965,210)
Derivatives financial liabilities	(1,668,050)	(1,054,245,119)	(15,098,759)	(1,071,011,928)
Total	(25,216,667)	(6,615,012,664)	(15,098,759)	(6,655,328,090)

(Expressed in RMB, unless otherwise stated)

52 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) Investment in certain suspended stocks which were classified as financial assets held for trading and financial assets designated as at fair value through profit or loss of the Group were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	As at 31 December	
	2016	2015
Suspended stocks	**249,756,216**	372,286,560

For the years ended 31 December 2016 and 2015, there were no other significant transfer between Level I and Level II of the fair value hierarchy.

(ii) **Information about Level III fair value measurements**

As at 31 December 2016 and 2015, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives financial liabilities	Total
As at 1 January 2016	392,480,728	1,178,744,923	(15,098,759)	1,556,126,892
Gains or losses for the year	3,923,673	215,505,396	(29,418,183)	190,010,886
Changes in fair value recognized in other comprehensive income	–	(9,016,524)	–	(9,016,524)
Purchases	8,976,854	352,560,876	–	361,537,730
Sales and settlements	(397,312,158)	(715,505,396)	44,516,942	(1,068,300,612)
As at 31 December 2016	8,069,097	1,022,289,275	–	1,030,358,372
Total gains or losses for the year included in profit or loss for assets held at the end of the year	(907,758)	175,519,108	–	174,611,350

(Expressed in RMB, unless otherwise stated)

52 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements *(continued)*

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives financial liabilities	Total
As at 1 January 2015	121,611,838	388,451,021	(31,310,440)	478,752,419
Gains or losses for the year	(9,826,838)	105,317,740	(56,034,732)	39,456,170
Changes in fair value recognized in other comprehensive income	–	(34,087,893)	–	(34,087,893)
Purchases	300,695,728	719,064,055	–	1,019,759,783
Sales and settlements	(20,000,000)	–	72,246,413	52,246,413
As at 31 December 2015	392,480,728	1,178,744,923	(15,098,759)	1,556,126,892
Total gains or losses for the year included in profit or loss for assets held at the end of the year	(2,980,838)	105,317,740	(56,034,732)	46,302,170

52 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements *(continued)*

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds and other investments	Level III	Allocated net assets value	Net asset value	The higher the allocated net assets value, the higher the fair value
Unlisted equity investments	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group, which are classified as Level II categories and disclosed in Note 43.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortized cost in the Group and the Company's statement of financial position approximate their fair values.

(Expressed in RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk and liquidity risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of counterparties, clients, intermediary institutions, bond issuers or other business associates to meet their contracted obligation to the Group.

Currently, the Group's exposure to credit risk arises from: (1) direct credit risk from debt borrowers (including borrowers in margin financing and securities lending business) or bond issuers' default or bankruptcy, including the loss due to intermediary institutions such as brokers or custodian banks. The risk exposure is the total value of the debt outstanding; (2) counterparty credit risk from a counterparty's default on the over-the-counter derivative transactions, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives; (3) settlement risk from a business associate's failure in delivery of fund or securities when the Group has fulfilled its delivery obligation.

To mitigate direct credit risk, the Group has set up investment criteria and limits based on bonds variety, credit ratings and issuers. For margin financing and securities lending and reverse REPOs, the Group undertakes various means to mitigate the direct credit risk, including holding collaterals from clients, reviewing and setting client trading limits, managing the underlying securities and collaterals and their conversion ratios, real-time and day-end monitoring, executing margin calls and forced liquidations, undertaking recourse actions.

(i) Maximum exposure to credit risk of the Group without taking into account of any collateral or other credit enhancements

	As at 31 December	
	2016	2015
Refundable deposits	**1,023,609,582**	517,873,149
Financial assets at fair value through profit or loss	**20,643,012,947**	20,579,792,939
Derivative financial assets	**1,682,029,539**	731,792,096
Reverse REPOs	**3,939,568,791**	1,556,613,621
Receivable from margin clients	**3,045,177,445**	3,296,432,047
Cash held on behalf of brokerage clients	**16,717,391,180**	24,301,353,512
Bank balances	**10,504,374,935**	8,433,903,646
Accounts receivable	**6,581,290,461**	6,673,871,943
Others	**480,752,367**	478,508,038
Total maximum credit risk exposure	**64,617,207,247**	66,570,140,991

(Expressed in RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

(ii) Risk concentrations

The Group's maximum credit risk exposure categorized by geographical area without taking into account of any collateral and other credit enhancements:

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2016			
Refundable deposits	**894,944,862**	**128,664,720**	**1,023,609,582**
Financial assets at fair value through profit or loss	**20,215,751,419**	**427,261,528**	**20,643,012,947**
Derivative financial assets	**551,316,352**	**1,130,713,187**	**1,682,029,539**
Reverse REPOs	**3,678,970,520**	**260,598,271**	**3,939,568,791**
Receivable from margin clients	**2,621,195,130**	**423,982,315**	**3,045,177,445**
Cash held on behalf of brokerage clients	**14,361,703,849**	**2,355,687,331**	**16,717,391,180**
Bank balances	**7,312,284,678**	**3,192,090,257**	**10,504,374,935**
Accounts receivable	**1,832,275,560**	**4,749,014,901**	**6,581,290,461**
Others	**451,719,078**	**29,033,289**	**480,752,367**
Total maximum credit risk exposure	**51,920,161,448**	**12,697,045,799**	**64,617,207,247**

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2015			
Refundable deposits	441,460,235	76,412,914	517,873,149
Financial assets at fair value through profit or loss	20,421,644,420	158,148,519	20,579,792,939
Derivative financial assets	349,715,701	382,076,395	731,792,096
Reverse REPOs	1,411,754,885	144,858,736	1,556,613,621
Receivable from margin clients	2,883,148,789	413,283,258	3,296,432,047
Cash held on behalf of brokerage clients	21,376,543,436	2,924,810,076	24,301,353,512
Bank balances	6,095,783,747	2,338,119,899	8,433,903,646
Accounts receivable	2,138,576,426	4,535,295,517	6,673,871,943
Others	446,867,719	31,640,319	478,508,038
Total maximum credit risk exposure	55,565,495,358	11,004,645,633	66,570,140,991

(Expressed in RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

(iii) Credit rating analysis of financial assets

The Group adopts a credit rating approach in managing credit risk of debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amount of debt securities investments analyzed by the rating agency designations as at the end of the year are as follows:

	As at 31 December	
	2016	2015
Bloomberg comprehensive rating		
– AAA	**207,500,287**	12,767,638
– From AA- to AA+	**103,432,866**	154,287,550
– From A- to A+	**1,458,846,099**	1,289,204,552
– Below A-	**2,047,591,703**	1,784,186,051
Sub-total	**3,817,370,955**	3,240,445,791
Other comprehensive rating		
– AAA	**12,655,508,993**	11,624,449,994
– From AA- to AA+	**978,824,661**	2,165,641,558
– From A- to A+	**43,000,000**	–
Sub-total	**13,677,333,654**	13,790,091,552
Non-rated (Note)	**3,148,308,338**	3,549,255,596
Total	**20,643,012,947**	20,579,792,939

Note: Non-rated financial assets mainly represent debts instruments and trading securities issued by the MOF, the local governments, the PBOC, other policy banks (which are creditworthy issuers in the market but are not rated by independent rating agencies).

(Expressed in RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

Liquidity risk arises when the Group, despite being solvent at the time, cannot obtain sufficient funding in a timely basis or at a reasonable cost to finance the expansion of its assets or to pay off its obligation when it falls due.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the year), categorized by their remaining contractual maturities at the end of the year calculated based on the earliest date the Group can be required to pay:

	As at 31 December 2016					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1-5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	17,392,360,452	–	–	–	–	17,392,360,452
Placements from financial institutions	–	3,582,117,222	–	–	–	3,582,117,222
Financial liabilities at fair value through profit or loss	–	9,742,607,517	–	–	–	9,742,607,517
Derivative financial liabilities	–	1,454,213,190	222,217,880	–	–	1,676,431,070
REPOs	–	5,407,474,573	107,000,000	–	–	5,514,474,573
Short-term debt securities issued	–	654,111,473	2,151,116,438	–	–	2,805,227,911
Long-term debt securities issued	–	652,311,875	19,757,747,500	2,146,140,000	–	22,556,199,375
Others	9,222,180,284	8,169,265,647	2,675,978	3,499,488	–	17,397,621,397
Total	26,614,540,736	29,662,101,497	22,240,757,796	2,149,639,488	–	80,667,039,517

(Expressed in RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(Continued)*

	As at 31 December 2015					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1-5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	25,218,051,446	–	–	–	–	25,218,051,446
Placements from financial institutions	–	1,715,952,905	1,688,572,556	–	–	3,404,525,461
Financial liabilities at fair value through profit or loss	–	5,584,316,162	–	–	–	5,584,316,162
Derivative financial liabilities	–	1,050,998,003	20,013,925	–	–	1,071,011,928
REPOs	–	14,072,208,130	–	–	–	14,072,208,130
Short-term debt securities issued	–	1,753,660,479	–	–	–	1,753,660,479
Long-term debt securities issued	–	353,304,554	4,623,218,220	3,258,642,980	–	8,235,165,754
Others	6,027,521,646	8,258,869,380	–	–	–	14,286,391,026
Total	31,245,573,092	32,789,309,613	6,331,804,701	3,258,642,980	–	73,625,330,386

(c) Market risk

Market risk is the risk of loss in the Group's income and value of financial instruments held arising from the adverse market movements such as changes in interest rates, stock prices, and foreign exchange rates. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximize the risk adjusted return. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

The Group monitors the market risk for trading portfolios and non-trading portfolios separately.

(i) Market risk of trading portfolios

Trading portfolio includes financial assets at fair value through profit or loss, derivative financial assets, financial liabilities at fair value through profit or loss, and derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as investment concentration limits, scenario analysis, Value-at-Risk ("VaR"), etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the trading portfolios.

53 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(Continued)*

(i) Market risk of trading portfolios *(Continued)*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market rates, such as interest rates, foreign exchange rates and stock prices and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group compute VaR by using a historical simulation method and implement relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

– When there is severe market illiquidity for a prolonged period, the realizable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;

– The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect intraday exposures;

– The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position changes if the market price volatility changes.

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53 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of trading portfolios *(continued)*

VaR analysis by risk categories:

	As at 31 December 2016	For the year ended 31 December 2016 Average	Highest	Lowest
Price-sensitive financial instruments	**11,808,293**	**10,028,777**	**20,130,221**	**2,271,047**
Interest-rate-sensitive financial instruments	**24,091,328**	**22,357,613**	**28,431,350**	**15,675,647**
Exchange-rate-sensitive financial instruments	**7,641,385**	**9,380,023**	**15,659,515**	**5,180,069**
Total portfolio	**29,686,979**	**27,366,626**	**35,990,332**	**21,212,473**

	As at 31 December 2015	For the year ended 31 December 2015 Average	Highest	Lowest
Price-sensitive financial instruments	11,366,690	7,379,698	13,498,988	3,058,591
Interest-rate-sensitive financial instruments	18,817,474	14,404,938	21,538,018	7,421,385
Exchange-rate-sensitive financial instruments	5,644,320	4,275,177	9,710,264	139,412
Total portfolio	22,454,205	16,735,503	24,481,161	8,944,654

(Expressed in RMB, unless otherwise stated)

53 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs, accounts payable to brokerage clients and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity As at 31 December	
	2016	2015
Change in basis points		
Increase by 50 basis points	**(45,389,091)**	(41,675,673)
Decrease by 50 basis points or decrease to 0	**45,882,054**	42,495,268

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

– The 50 basis points of changes in interest rates at the end of the year apply to all of the Group's non-trading financial instruments in the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rate;

– There are no changes to the assets and liabilities portfolios;

– Other variables (including exchange rate) remain unchanged; and

– Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

53 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios *(continued)*

(2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency which is considered not material, because the proportion of the non-trading portfolios denominated in foreign currencies is relatively low.

54 CAPITAL MANAGEMENT

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximize returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction which may be significantly different from the regulations in other jurisdictions. The Company calculates regulatory capital in accordance with the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (CSRC Announcement [2016] No. 10) issued by the CSRC on 16 June 2016.

In accordance with CSRC Announcement [2016] No. 10, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) Risk Coverage Ratio (Net capital/Total risk capital reserves × 100%) shall be no less than 100% ("Ratio 1");

(ii) Capital Leverage Ratio (Core net capital/Total balance sheet & off-balance sheet assets × 100%) shall be no less than 8% ("Ratio 2");

(iii) Liquidity Coverage Ratio (High quality liquid assets/Total net cash outflows over the next 30 days × 100%) shall be no less than 100% ("Ratio 3");

(iv) Net Stable Funding Ratio (Available amount of stable funding/Required amount of stable funding × 100%) shall be no less than 100% ("Ratio 4");

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54 CAPITAL MANAGEMENT *(continued)*

(v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");

(vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");

(vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");

(viii) The ratio of the value of equity securities and related derivatives held divided by net capital shall not exceed 100% ("Ratio 8");

(ix) The ratio of the value of non-equity securities and related derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

As at 31 December 2016 and 2015, the Company maintained the above ratios as follows:

	As at 31 December	
	2016	2015
Net Capital	**14,164,169,146**	12,578,107,350
Ratio 1	**144.90%**	316.69%
Ratio 2	**14.76%**	21.43%
Ratio 3	**227.31%**	430.12%
Ratio 4	**130.32%**	170.42%
Ratio 5	**84.06%**	79.21%
Ratio 6	**34.77%**	43.07%
Ratio 7	**41.37%**	54.38%
Ratio 8	**46.87%**	16.18%
Ratio 9	**242.93%**	185.67%

Note: As a result of the application of CSRC Announcement [2016] No. 10, comparative ratios have been adjusted to conform to current year's presentation.

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, and etc.

The above data is calculated based on the financial information prepared in accordance with PRC GAAP.

(Expressed in RMB, unless otherwise stated)

55 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2016	2015
Non-current assets:			
Property and equipment		**223,217,923**	179,962,060
Intangible assets		**1,263,572**	15,808,582
Interest in subsidiaries	56	**4,772,542,988**	3,425,029,128
Interest in associates and joint ventures		**309,676,508**	288,683,670
Refundable deposits		**1,075,203,978**	542,279,464
Deferred tax assets		**737,442,581**	593,768,715
Other non-current assets		**44,218,552**	37,853,537
Total non-current assets		**7,163,566,102**	5,083,385,156
Current assets:			
Accounts receivable		**1,820,473,236**	5,357,561,407
Receivable from margin clients		**2,621,195,130**	2,883,148,789
Available-for-sale financial assets		**434,267**	488,582
Financial assets at fair value through profit or loss		**36,726,065,593**	24,781,747,850
Derivative financial assets		**610,189,406**	735,502,678
Reverse REPOs		**3,045,270,301**	1,400,754,885
Interest receivable		**434,951,931**	365,866,922
Cash held on behalf of brokerage clients		**11,080,975,024**	17,891,067,616
Cash and bank balances		**5,176,262,871**	4,484,495,784
Other current assets		**54,582,419**	45,054,704
Total current assets		**61,570,400,178**	57,945,689,217
Total assets		**68,733,966,280**	63,029,074,373

(Expressed in RMB, unless otherwise stated)

55 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	Note	As at 31 December 2016	2015
Current liabilities:			
Financial liabilities at fair value through profit or loss		**1,828,406,388**	–
Derivative financial liabilities		**807,708,721**	714,461,871
Accounts payable to brokerage clients		**11,148,640,706**	17,948,609,160
Placements from financial institutions		**3,186,230,000**	1,046,164,800
Short-term debt securities issued		**2,649,593,509**	1,700,000,000
REPOs		**3,906,305,792**	11,853,667,781
Employee benefits payable		**2,178,304,517**	1,937,683,466
Income tax payable		**432,117,526**	501,188,226
Other current liabilities		**9,972,110,879**	5,874,938,765
Total current liabilities		**36,109,418,038**	41,576,714,069
Net current assets		**25,460,982,140**	16,368,975,148
Total assets less current liabilities		**32,624,548,242**	21,452,360,304
Non-current liabilities:			
Non-current employee benefits payable		**374,206,235**	573,213,279
Long-term debt securities issued		**15,400,000,000**	5,000,000,000
Total non-current liabilities		**15,774,206,235**	5,573,213,279
Net assets		**16,850,342,007**	15,879,147,025
Equity:			
Share capital	45	**2,306,669,000**	2,306,669,000
Other equity instruments	46	**1,000,000,000**	1,000,000,000
Reserves	45	**11,813,629,777**	11,505,199,797
Retained profits		**1,730,043,230**	1,067,278,228
Total equity		**16,850,342,007**	15,879,147,025

(Expressed in RMB, unless otherwise stated)

56 INTEREST IN SUBSIDIARIES

	As at 31 December 2016	2015
Unlisted shares, at cost or deemed cost	**4,772,542,988**	3,425,029,128

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2016	2015	Principal activity	Auditor[1]
CICC Hong Kong	Hong Kong	HKD1,349,400,000	**100%**	100%	Overseas investment holding business	KPMG
CICC Jiacheng Investment Management Co., Ltd.	Beijing, PRC	RMB410,000,000	**100%**	100%	Direct investment business	KPMG PRC
CICC Pucheng Investment Corporation Limited	Shanghai, PRC	RMB300,000,000	**100%**	100%	Financial products Investment business	KPMG PRC
CICC Fund Management Co., Ltd.	Beijing, PRC	RMB200,000,000	**100%**	100%	Management of mutual funds business	KPMG PRC
CICC Futures	Xining, PRC	RMB350,000,000	**100%**	100%	Futures brokerage business	KPMG PRC
CICC Zhide Capital Co., Ltd.	Shanghai, PRC	RMB100,000,000	**100%**	100%	Direct investment business	KPMG PRC
China International Capital Corporation Hong Kong Securities Limited[3]	Hong Kong	HKD843,220,000	**100%**	100%	Investment banking and securities brokerage business	KPMG
China International Capital Corporation Financial Products Ltd.[3]	British Virgin Islands	USD1	**100%**	100%	Financial products investment business	KPMG
CICC Hong Kong Asset Management Limited[3]	Hong Kong	HKD245,740,000	**100%**	100%	Assets management	KPMG
China International Capital Corporation (Singapore) Pte. Ltd.[3]	Singapore	SGD47,000,000	**100%**	100%	Investment banking and securities brokerage business	KPMG Singapore

(Expressed in RMB, unless otherwise stated)

56 INTEREST IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation and operation	Particulars of issued and paid-in capital	Equity interest held by the Company as at 31 December 2016	2015	Principal activity	Auditor[1]
China International Capital Corporation (UK) Ltd.[3]	UK	GBP21,000,000	100%	100%	Investment banking and securities brokerage business	KPMG UK
CICC US Securities, Inc.[3]	USA	USD53,000,000	100%	100%	Investment banking and securities brokerage business	KPMG US
China International Capital Corporation Hong Kong Futures Limited[3]	Hong Kong	HKD26,000,000	100%	100%	Futures brokerage business	KPMG
CICC Financial Trading Ltd[3]	Hong Kong	HKD1	100%	100%	Securities business	KPMG
CICC Investment Group Company Limited[2][3]	British Virgin Islands	USD100	100%	100%	Investment holding business	–
CICC Investment Management Co., Ltd.[2][3]	Cayman Islands	USD1	100%	100%	Direct investment business	–
CICC Jiahe (Tianjin) Equity Investment Fund Management Limited[3]	Tianjin, PRC	RMB100,000,000	100%	100%	Direct investment business	KPMG PRC

Notes:

(1) Statutory auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)), a firm of certified public accountants registered in the PRC. The official name of KPMG Huazhen LLP is in Chinese;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- KPMG Singapore represents KPMG Service Pte. Ltd. in Singapore, a firm of certified public accountants registered in Singapore;
- KPMG UK represents KPMG LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland; and
- KPMG US represents KPMG LLP in the US, a firm of certified public accountants registered in the United States of America.

(2) These subsidiaries were not subject to statutory audit according to the local regulations.

(3) The equity interest of these subsidiaries were indirectly held by the Company.

57 SUBSEQUENT EVENTS

(a) Issuance of corporate bonds

The Company issued "2017 CICC Corporate Bond" with a total principal amount of RMB4 billion on 20 January 2017, bearing nominal interest at 4.35% per annum and repayable on 20 January 2020.

(b) Issuance and repayment of beneficiary certificates

Up to the date of approval of this financial statements, the Company issued and redeemed beneficiary certificates with a total principal amount of RMB2.79 billion and RMB3.76 billion respectively in 2017.

(c) Acquisition of subsidiary

The Company entered into an equity transfer agreement with Central Huijin Investment Ltd. ("Huijin") on 4 November 2016 to acquire the entire equity interest in a wholly-owned subsidiary of Huijin (the "Proposed Acquisition"), China Investment Securities Company Limited ("CISC"), subject to the conditions precedent stipulated under the equity transfer agreement. The consideration for the Proposed Acquisition is RMB16,700.695 million (equivalent to approximately HK$19,391.903 million) which will be satisfied by 1,678,461,809 domestic shares to be allotted and issued by the Company to Huijin. Upon completion of the Proposed Acquisition, the share capital of the Company will be increased from RMB2,306,669,000 to RMB3,985,130,809.

(d) Proposed profit distribution after the reporting period

In accordance with the 2016 profit distribution plan approved by the board of directors on 22 March 2017, the Company proposed cash dividends of RMB1.60 (before tax) per ten shares based on 3,985,130,809 issued shares of the Company after the Proposed Acquisition, RMB637,620,929.44 (tax inclusive) in total. The above proposed profit distribution is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Appendix

COMPANY BUSINESS QUALIFICATIONS

(1) In 1999, obtained approval to enter the national interbank market, the PBOC

(2) In 2001, qualification for RMB ordinary equities brokerage business, the CSRC

(3) In 2002, qualification for securities investment advisory business, the CSRC

(4) In 2002, qualification for entrusted investment management business, the CSRC

(5) In 2004, obtained approval to become one of the first batch of sponsor institutions, the CSRC

(6) In 2004, qualification for internet securities entrustment business, the CSRC

(7) In 2004, qualification of sales agent for open-ended securities investment funds, the CSRC

(8) In 2004, securities firm engaging in innovative activities, the SAC

(9) In 2004, qualification of NSSF investment manager, the NCSSF

(10) In 2005, qualification for underwriting business of short-term commercial papers, the PBOC

(11) In 2005, qualification for warrant trading business, Shanghai Stock Exchange

(12) In 2005, qualification for foreign exchange asset management business, the SAC

(13) In 2005, qualification of corporate annuity fund manager, the MOHRSS

(14) In 2005, qualification of bilateral quotation provider for block transactions of bonds, Shanghai Stock Exchange

(15) In 2006, qualification of Participant of China Securities Depository and Clearing Corporation, the CSDC

(16) In 2006, qualification of NSSF offshore investment manager, the NCSSF

(17) In 2007, approval of proposed third party custodian for settlement funds of client transactions, the CSRC Beijing Bureau

(18) In 2007, obtained approval to commence direct investment business (through establishing a 100%-owned private equity firm), the CSRC

(19) In 2007, engaged in offshore securities investment management business as a qualified domestic institutional investor (QDII), the CSRC

(20) In 2007, commence the business of "SSE Fund Connect (上證基金通)", Shanghai Stock Exchange

(21) In 2007, consent to engage in interbank market interest rate swap business, the CSRC

(22) In 2008, became Class A Clearing Participant of China Securities Depository and Clearing Corporation, the CSDC

(23) In 2008, lead underwriting qualification for short-term margin financing and securities lending business, the PBOC

(24) In 2010, qualification to commence RMB ordinary equities principal business, the CSRC

(25) In 2010, qualification to provide introducing brokerage business to futures companies, the CSRC

(26) In 2010, market maker in the national interbank market, the PBOC

(27) In 2010, business qualification for margin financing and securities lending, the CSRC

(28) In 2010, qualification for offshore securities investment segregated asset management business, the CSRC

(29) In 2011, business qualification of securities firm as issuer on the Third Board (Agency Share Transfer System), the SAC

(30) In 2012, qualification to commence placing business for SME bonds, the SAC

(31) In 2012, authorization for trading in securities under repurchase agreements, Shanghai Stock Exchange

(32) In 2012, business qualification to provide refinancing for margin financing and securities lending business, the CSF

(33) In 2012, consent to establish a professional subsidiary for commencing real estate direct investment fund business qualification association, the CSRC

(34) In 2012, qualification of insurance funds investment manager, the CSRC

(35) In 2013, qualification for over-the-counter trading business, the SAC

(36) In 2013, qualification for equities swap transaction business, the SAC

(37) In 2013, qualification for agency business of financial products, the CSRC Beijing Bureau

(38) In 2013, authorization for trading in securities under repurchase agreement, Shenzhen Stock Exchange

(39) In 2013, qualifications for sponsor, brokerage business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(40) In 2013, authorization for trading in collateralized stock repurchase business, Shanghai Stock Exchange and Shenzhen Stock Exchange

(41) In 2013, business qualification for split conversion and merger conversion of funds, the CSDC

(42) In 2013, qualification of advisory service for military industry and confidential business, the SASTIND

(43) In 2013, business qualification for witnessing account opening, the CSDC

(44) In 2014, business for special institutional customers of insurance institutions, the CIRC

(45) In 2014, business qualification for internet account opening, the CSDC

(46) In 2014, business qualification for over-the-counter issuance of beneficiary certificates, China Securities Inter-organization Quotation System Co., Ltd.

(47) In 2014, business license or qualification for business of Southbound Trading Link (港股通), Shanghai Stock Exchange

(48) In 2014, business qualification for mutual funds (through the promotion and establishment of a wholly-owned fund company), the CSRC

(49) In 2014, qualifications for market-making business on the National Equities Exchange and Quotations (NEEQ), NEEQ

(50) In 2015, stock options brokerage business and principal trading business qualifications, Shanghai Stock Exchange

(51) In 2015, qualification of integrated custodian business for private funds, the CSRC and the CSIPF

(52) In 2015, qualification of internet finance business, the CSRC

(53) In 2015, qualifications for spot precious metals agency business and spot gold principal trading business and member of the Shanghai Gold Exchange, the CSRC and the Shanghai Gold Exchange

(54) In 2015, qualification of custodian business for securities investment funds, the CSRC

(55) In 2015, qualification of agency business for long-distance collateral registration business, the CSDC

(56) In 2016, business qualification of standard bond futures settlement with Shanghai Clearing House, Interbank Market Clearing House Co., Ltd.

(57) In 2016, business qualification for Shenzhen-Hong Kong Stock Connect, Shenzhen Stock Exchange

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