The information set forth in the appendices to this announcement forms part of this announcement.

CICC
中金公司

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 People's Republic of China)

(Stock code: 3908)

ANNOUNCEMENT

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CHINA INVESTMENT SECURITIES COMPANY LIMITED AND THE PROPOSED ISSUE OF THE CONSIDERATION SHARES

(2) APPLICATION FOR THE WHITEWASH WAIVER

(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

AND

(4) RESUMPTION OF TRADING

Financial Advisers to the Company

CICC
中金香港证券

農銀國際
ABC INTERNATIONAL

PART A — THE PROPOSED ACQUISITION AND THE PROPOSED ISSUE OF THE CONSIDERATION SHARES

The Board is pleased to announce that, on 4 November 2016, the Company and Huijin, a substantial shareholder of the Company, entered into the Equity Transfer Agreement, pursuant to which, the Company has agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of China Investment Securities Company Limited ("**CISC**"), subject to satisfaction of 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 the issue of the Consideration Shares to Huijin.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio of the Proposed Acquisition exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Accordingly, the Proposed Acquisition is subject to approval of the Independent Shareholders.

As at the date of this announcement, Huijin and parties acting in concert with it are, directly and indirectly, interested in 28.57% of the equity interest of the Company. Upon completion of the Proposed Acquisition, Huijin and parties acting in concert with it will be, directly and indirectly, interested in 58.65% of the equity interest of the Company. Therefore, the Proposed Acquisition will result in Huijin holding more than 30% of the voting rights in the Company. Accordingly, the Proposed Acquisition constitutes a reverse takeover under Rule 14.06(6)(a) of the Listing Rules. The Company has applied for, and the Stock Exchange has granted, a waiver that the Proposed Acquisition will not be treated as a reverse takeover.

APPLICATION FOR THE WHITEWASH WAIVER

Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on Huijin to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by Huijin, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the EGM and the Shareholders' Class Meetings.

Huijin will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be subject to, among other things, approval by the Independent Shareholders at the EGM and the Shareholders' Class Meetings by way of poll. If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of Huijin and parties acting in concert with it will exceed 50% of the then registered capital of the Company as enlarged by the proposed issue of the Consideration Shares (details of which are set out in this announcement). Huijin may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun, Mr. Cha Mou Daid Johnson, Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin) has been established to advise the Independent Shareholders in connection with the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver.

Somerley has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver.

The Executive may or may not grant the Whitewash Waiver. The obtaining of the Whitewash Waiver is one of the conditions precedent to the completion of the Proposed Acquisition. The Proposed Acquisition will not proceed if the Whitewash Waiver is not obtained by Huijin.

PART B — PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of the Proposed Acquisition, the registered capital of the Company will be increased from RMB2,306,669,000 to RMB3,985,130,809. Accordingly, the Board has resolved to revise the Articles of Association to reflect such change, subject to approval of the Independent Shareholders.

PART C — INDEPENDENT SHAREHOLDERS' APPROVAL

In accordance with relevant requirements of the Listing Rules, the Takeovers Code, the Articles of Association and applicable PRC laws, the Independent Shareholders' approvals at the EGM and the Shareholders' Class Meetings are required in relation to (i) the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association), and (ii) the Whitewash Waiver.

WARNING

The Proposed Acquisition is subject to a number of conditions precedent, including Independent Shareholders' approvals and approvals from relevant regulatory bodies, which may or may not be fulfilled. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares or other securities (if any) of the Company.

RESUMPTION OF TRADING

Trading in the H Shares of the Company has been halted with effect from 9:00 a.m. on 4 November 2016 pending the publication of this announcement by the Company. The Company has applied to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:00 a.m. on 7 November 2016.

PART A — THE PROPOSED ACQUISITION AND THE PROPOSED ISSUE OF THE CONSIDERATION SHARES

I. INTRODUCTION

The Board is pleased to announce that, on 4 November 2016, the Company and Huijin, a substantial Shareholder of the Company, entered into the Equity Transfer Agreement, pursuant to which, the Company has agreed to acquire, and Huijin has agreed to sell, 100% of the equity interest of CISC, subject to satisfaction of the conditions precedent stipulated under the Equity Transfer Agreement.

II. THE PROPOSED ACQUISITION

(A) Principal Terms of the Equity Transfer Agreement

Date: 4 November 2016

Parties: The Company (as the purchaser);
Huijin (as the vendor).

Subject:	100% of the equity interest of CISC held by Huijin.
Consideration:	The consideration for the Proposed Acquisition is RMB16,700.695 million (equivalent to approximately HK$19,391.903 million).
Consideration Shares:	The consideration for the Proposed Acquisition will be satisfied by the issue of 1,678,461,809 Consideration Shares to Huijin at an issue price of RMB9.95 per Consideration Share (equivalent to approximately HK$11.55 per Consideration Share) (subject to adjustment).
Adjustment of the issue price per Consideration Share:	If, during the period starting from the date of the Equity Transfer Agreement to the Closing Date, the Company declares or makes any distribution of dividends (whether in cash or in kind) to the Shareholders or transfers its capital reserve into registered capital, the issue price per Consideration Share will be adjusted in accordance with the following mechanism:

Scenario (a). in the event of a distribution of bonus Shares or transfer of capital reserve into registered capital: $P_1=P_0/(1+n)$;

Scenario (b). in the event of a rights issue: $P_1=(P_0+A \times k)/(1+k)$;

Scenario (c). in the event of a declaration of cash dividend: $P_1=P_0-D$;

Scenario (d). in the event that Scenarios (a) and (b) are announced at the same time; $P_1=(P_0+A \times k)/(1+n+k)$; and

Scenario (e). in the event that Scenarios (a), (b) and (c) are announced at the same time: $P_1=(P_0-D+A \times k)/(1+n+k)$;

among which,

- P_1 represents the issue price per Consideration Share after adjustment.

- P_0 represents the issue price per Consideration Share before any adjustment, which is RMB9.95 per Consideration Share (equivalent to approximately HK$11.55 per Consideration Share);
- *n* represents the ratio for the bonus issue or the transfer of capital reserve into registered capital;
- *A* represents the price per rights share in the event of a rights issue;
- *k* represents the ratio of a rights issue in percentage terms; and
- *D* represents the amount of cash dividend per Share paid in the event of a declaration of cash dividend.

In the event of an adjustment to the issue price per Consideration Share, the number of the Consideration Shares to be issued will be adjusted accordingly.

Other than adjustment made in accordance with the mechanism above or any legal or regulatory authorities' requirements or any written agreement between the Company and Huijin, no adjustment shall be made to the issue price per Consideration Share. Further announcement(s) will be made by the Company in the event of an adjustment.

Conditions precedent: The completion of the Proposed Acquisition will be conditional upon the fulfilment of the following conditions:

- the completion and fulfillment of internal approval procedures by the Company, including obtaining approvals from the Independent Shareholders at the EGM and the Shareholders' Class Meetings on the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver;
- approvals from the MOF and the CSRC on the Proposed Acquisition having been obtained;

- approval from the CSRC Shenzhen branch in relation to the change of the shareholder of CISC;
- the Stock Exchange having confirmed that it has no comments on the circular to be issued in connection with the Proposed Acquisition; and
- the Whitewash Waiver having been granted.

None of the conditions above can be waived by the parties to the Equity Transfer Agreement.

Delivery Date and Closing Date:

Upon fulfillment of the conditions precedent to the completion of the Proposed Acquisition, both parties shall, within 20 business days thereof, use their best efforts to effect necessary filings with relevant administration for industry and commerce authorities in relation to the change of the shareholder of CISC from Huijin to the Company.

The Delivery Date will be the date when such filings are completed or such other date as agreed by Huijin and the Company. Since the Delivery Date, the legal title of the equity interest in CISC will be passed to the Company and the Company will be entitled to exercise its rights as the sole shareholder of CISC.

Both parties shall use their best efforts to register the Consideration Shares with CSDCC within 20 business days after the Delivery Date. The Consideration Shares will be issued on the same date when they are registered with CSDCC. The date on which the Consideration Shares are issued and registered with CSDCC shall be deemed to be the Closing Date of the Proposed Acquisition.

Unless otherwise extended by both parties in writing, if the Proposed Acquisition is not completed before 30 June 2017, either party can terminate the Equity Transfer Agreement by serving a written notice to the other party.

Arrangement during the Transitional Period:

(i). Arrangement in relation to the profit and loss of CISC

Both parties agree that Huijin shall be entitled to the profit earned, and be responsible for the losses incurred, by CISC during the Transitional Period. The amount will be determined based on the audited profit attributable to owners of CISC for the period from 1 July 2016 to the last day of the calendar month in which the Delivery Date falls (the "**Special Audit Period**"). The profit attributable to owners of CISC during the Special Audit Period will be distributed to Huijin as a special dividend (the "**Special Dividend**"). If the Special Dividend cannot be distributed to Huijin in full due to requirements of applicable laws and regulations of the PRC, CISC shall use its retained profits as of the Base Reference Date to make up for the difference so that the full amount of the Special Dividend is received by Huijin. If CISC incurs any losses during the Special Audit Period, Huijin will compensate CISC by cash for such loss.

The Special Dividend or cash compensation will be made within 30 days after the issue of the audited financial statements for the Special Audit Period. The audited financial statements for the Special Audit Period shall be issued within 90 days after the last day of the Special Audit Period. The distribution of the Special Dividend will not trigger any adjustment to the issue price per Consideration Share.

(ii). Arrangement in relation to the operation of CISC

Huijin shall:

- unless otherwise stipulated under the Equity Transfer Agreement or agreed by the Company in writing, procure CISC to operate its business with due care, in compliance with PRC laws and in a way consistent with prior business practices; and

- notify the Company in a timely manner of any material change in connection with CISC that has come to its knowledge.

	Without the prior written consent of the Company, CISC should not declare or make any distribution of dividends (whether in cash or in kind) during the Transitional Period. From the date of the Equity Transfer Agreement to the Delivery Date, each of the Company and Huijin shall, and Huijin shall procure CISC to, use its best efforts to advance the integration and consolidation of the Company and CISC, subject to compliance with applicable laws and regulations.
Existing contractual arrangement:	The Proposed Acquisition does not involve any alteration to CISC's existing contractual arrangements. CISC will remain responsible for its existing contractual obligations before and after the Proposed Acquisition.
Lock-up arrangement:	Subject to compliance with applicable laws and regulations, the Consideration Shares will be subject to a 60-month lock-up period starting from the Closing Date, during which period Huijin cannot dispose of its interests in the Consideration Shares.

(B) **Basis of the Consideration**

The consideration for the Proposed Acquisition is RMB16,700.695 million (equivalent to approximately HK$19,391.903 million) which is determined with reference to the Appraisal Value of RMB16,700.695 million, having considered (i) the landscape and prospects of the securities industry; (ii) the financial performance and future development of CISC; and (iii) the synergies and benefits that are expected to be derived from the Proposed Acquisition.

The Appraisal Value has been approved by the MOF. A summary of the valuation report containing the Appraisal Value is included in Appendix I of this announcement.

(C) **The Consideration Shares**

The consideration for the Proposed Acquisition will be satisfied by the issue of 1,678,461,809 Consideration Shares to Huijin (subject to adjustment as detailed above). The issue price of RMB9.95 per Consideration Share (equivalent to approximately HK$11.55 per Consideration Share) was determined following arm's length negotiation between the Company and Huijin with reference to the recent stock price of the H Shares of the Company. The issue price of RMB9.95 per Consideration Share (equivalent to approximately HK$11.55 per Consideration Share) represents

- a discount of 0.6% to closing price of the H Shares of the Company as quoted on the Stock Exchange for the last trading day prior to the date of this announcement;

- a premium of 0.5% to the volume weighted average price ("**VWAP**") of the H Shares of the Company as quoted on the Stock Exchange for the 5 trading days immediately before the date of this announcement;

- a discount of 0.5% to the VWAP of the H Shares of the Company as quoted on the Stock Exchange for the 10 trading days immediately before the date of this announcement;

- a premium of 1.6% to the VWAP of the H Shares of the Company as quoted on the Stock Exchange for the 20 trading days immediately before the date of this announcement;

- a discount of 0.0% to the VWAP of the H Shares of the Company as quoted on the Stock Exchange for the 90 trading days immediately before the date of this announcement;

- a discount of 0.7% to the VWAP of the H Shares of the Company as quoted on the Stock Exchange for the 120 trading days immediately before the date of this announcement; and

- a premium of 48.5% to the latest published audited net assets per Share attributable to shareholders/equity holders of the Company, being RMB6.7 per Share.

The Consideration Shares will be issued as fully paid, and will rank pari passu in all respects with the Domestic Shares of the Company in issue on the Closing Date of the Proposed Acquisition.

(D) **Business 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 table below sets forth the structure of CISC's five business lines:

Brokerage	**Investment Banking**	**Asset Management**	**Proprietary Trading**	**Others**
• Securities brokerage services	• Equity financing	• Collective asset management schemes	• Fixed-income investment	• Institutional sales and trading
• Capital-based intermediary services	• Debt financing	• Targeted asset management schemes	• Equity trading	• OTC business
• Futures brokerage	• Financial advisory services	• Specialized asset management schemes		• Private equity
	• NEEQ services			• Alternative investment • Hong Kong business

Brokerage

The brokerage business of CISC primarily comprises the following:

- Securities brokerage services: CISC executes trades on behalf of its clients in stocks, funds and bonds;

- Capital-based intermediary services: CISC provides its brokerage clients with a number of capital-based intermediary services including margin financing services and securities lending services; and

- Futures brokerage: CISC provides futures brokerage services and products in the PRC.

The brokerage business of CISC accounted for the largest portion of its total revenue and other income during the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, segment revenue and other income from its brokerage business amounted to RMB3,026.3 million, RMB4,375.4 million, RMB10,627.9 million and RMB2,610.2 million, respectively, representing 82.6%, 85.0%, 85.1% and 75.1% of its total revenue and other income, respectively.

Investment Banking

The investment banking businesses of CISC cover the following activities:

- Equity financing: CISC provides equity underwriting services, including IPOs, follow-on offerings (such as private placement and rights issues) and convertible bond offerings for PRC corporate clients;

- Debt financing: CISC provides its clients with debt underwriting services which include enterprise bonds, corporate bonds, debt financing instruments of non-financial institutions, financial bonds and ABS;

- Financial advisory services: CISC advises M&As and restructuring for PRC corporate clients; and

- NEEQ services: CISC provides recommendation services to help non-listed public companies to enter into the NEEQ for share quotation and transfer.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, segment revenue and other income from CISC's investment banking business amounted to RMB141.1 million, RMB173.0 million, RMB583.1 million and RMB359.6 million, respectively, representing 3.9%, 3.4%, 4.7% and 10.3% of its total revenue and other income, respectively.

Asset Management

The asset management services of CISC primarily include:

- Collective asset management schemes: CISC manages assets for a group of clients through designated accounts pursuant to applicable laws and in accordance with the collective asset management contracts;

- Targeted asset management schemes: CISC manages assets for a single client pursuant to the specific terms of the bilateral contracts with the client through a designated account; and

- Specialized asset management schemes: CISC manages client's certain assets for a specific purpose.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, segment revenue and other income from CISC's asset management business amounted to RMB107.5 million, RMB158.7 million, RMB257.5 million and RMB141.0 million, respectively, representing 2.9%, 3.1%, 2.1% and 4.1% of its total revenue and other income, respectively.

Proprietary Trading

The proprietary trading business of CISC covers the following activities:

- Fixed-income investment: CISC engages in the trading of various types of fixed-income securities for its own account on the PRC interbank bond market and stock exchanges; and

- Equity trading: CISC engages in the trading of stocks, ETFs and derivatives for its own account.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, segment revenue and other income from CISC's proprietary trading business amounted to RMB112.1 million, RMB84.0 million, RMB252.4 million and RMB53.8 million, respectively, representing 3.1%, 1.6%, 2.0% and 1.5% of its total revenue and other income, respectively.

Other Businesses

The businesses of CISC also cover the following activities:

- Institutional sales and trading: CISC leases its participated business units to its institutional clients for securities trading on stock exchanges and earns trading commissions, and provides research services to facilitate their investment decisions;

- OTC business: the OTC business of CISC primarily involves market-making services for NEEQ companies and provision of beneficiary certificate products and other trading services for investors in the OTC market;

- Private equity: the private equity business of CISC involves investment in, and management of, private equity funds;

- Alternative investment: the alternative investment activities of CISC primarily involve investments in share equity, properties and financial products related to share equity and properties, through establishment of investment funds or equity investments using funds from its clients; and

- Hong Kong business: CISC conducts its oversea business mainly through China Investment Securities (Hong Kong) Financial Holdings Limited.

For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, segment revenue and other income from CISC's other businesses amounted to RMB276.2 million, RMB358.2 million, RMB760.9 million and RMB310.3 million, respectively, representing 7.5%, 7.0%, 6.1% and 8.9% of its total revenue and other income, respectively.

Further details on the business of CISC will be set out in the circular to be dispatched in connection with the Proposed Acquisition.

(E) **Reasons for and Benefits of the Proposed Acquisition**

The Proposed Acquisition represents a unique opportunity for the Company to embrace market opportunities and enhance its leading position in the securities industry since its listing.

The Directors (excluding those Directors in the Independent Board Committee, who will give their opinion based on the recommendations of the Independent Financial Adviser) consider that the terms of the Proposed Acquisition are fair and reasonable, and in the interests of the Company and the Shareholders, taken as a whole.

The following is a summary of the reasons for and benefits of the Proposed Acquisition.

a) **Historical opportunity in furthering the Company's wealth management business**

The Proposed Acquisition represents a historical opportunity for the Company to further its wealth management business.

- **The Company wishes to position itself to better capture opportunities arising from the wealth management industry of China. According to the Company's analysis based on publicly available information, the wealth management industry of China is entering into a period of rapid growth against a background of increasing household wealth and strong demand for investment products and related services.** According to the estimate of the Company, from 2012 to 2015, the total household assets of the PRC increased from RMB110 trillion to RMB176 trillion, among which, the proportion accounted for by financial investments increased from 20.5% to 26.5%. Given the decline in return from traditional commercial bank-dominated investment products, the PRC capital market has become one of the main investment channels for PRC residents. Based on the estimate of the Company, for the three years ended 31 December 2015, the average trading volume of PRC retail investors accounted for the vast majority of the average trading volume of the PRC stock markets. With the continuous development of PRC stock markets and increasing awareness in wealth management by PRC residents, securities companies with a large scale, solid customer base and strong products capabilities are well positioned to seize the opportunities in the wealth management market in China.

- **The Proposed Acquisition is in line with the Company's strategies**. The Company pioneered the wealth management business by first introducing a model driven by advisory services in China. Wealth management business has become one of the five principal business segments of the Company with a strong base of high-end customers. Looking ahead, it is part of the Company's strategic development plan to further seize market opportunities and expand the scale of its wealth management business. However, the competition in the PRC wealth management industry has become increasingly intense with both traditional financial institutions and emerging Internet players staking their claims. Relying merely on organic growth is not sufficient to effectively meet customer needs and achieve economies of scale. Therefore, the Proposed Acquisition offers an excellent opportunity for the Company to expand its scale and promote its wealth management business by maximizing the synergies between the two entities.

- **The Proposed Acquisition will enable the Company to strengthen its competitive edge in providing diversified and sophisticated products and services.** With the demand for financing and financial services becoming more diversified and sophisticated, the Company has launched a number of innovative products to meet clients' specific demands in addition to the standard products. Facing increasing new demands, the Company has built up a competitive edge in providing sophisticated products and high-end services to its high-net-worth customers. It is expected that after completion of the Proposed Acquisition, the Company will be able to leverage the extensive branch network and solid high-net-worth customer base of CISC, which will enhance the Company's competitive position in providing diversified and sophisticated products and services and ensure sustained growth.

b) **Expansion of the Company's other existing businesses by utilizing the strong brokerage business and network of CISC**

The key strength of CISC's business as compared with the Company is that CISC has a more extensive local network and a large, loyal and high-quality retail client base. Over the last decade, CISC has developed into a full service securities firm with a national presence and well-perceived brokerage business brand. As at 30 June 2016, CISC has 192 branches in 28 provinces in the PRC, covering cities with active trading and concentrated wealth (as a comparison, as at 30 June 2016, the Company has 20 branches in 18 cities in the PRC). Such key strengths are expected to create significant cross-selling opportunities for the Company's investment banking, equity sales and trading, fixed income, commodities and currencies and investment management businesses. The extensive and deep local connections of CISC, along with a qualified and sizable investment banking team, may also enable the Company to strengthen its investment banking business, particularly in the small-and-medium-sized enterprises segment.

c) **Broadening the Company's customer base with optimised business structure**

The Proposed Acquisition is expected to further optimise the business structure of the Company with a more balanced mix of institutional brokerage, wealth management, investment banking and other businesses. The Company and CISC's business structures are significantly different given their different development paths.

- Brokerage business is the core business of CISC and represents more than 85.1% of its total revenue and other income for the year ended 31 December 2015.

- The secondary market business (comprising the equity sales and trading business and the wealth management business) of the Company represents around 45.6% of its total revenue and other income for the year ended 31 December 2015 and the investment banking business represents around 24.5% of its total revenue and other income for the year ended 31 December 2015.

- In addition, the Company has historically been focusing on large-scale corporate and institutional clients, while CISC has a strong presence in the small-and-medium-sized enterprises and retail customers.

- The Proposed Acquisition is expected to help the Company achieving a more balanced client base and business mix such that its exposure to any single client segment and business activity is reduced and its ability to deal with fluctuations in the capital market enhanced.

d) **Satisfactory financial performance and increase in shareholders' value**

CISC's business experienced rapid growth from 2013 to 2015. Attributable to strong performance of the A-share stock market and more importantly, CISC's prudent business and financial strategy with a long-term perspective, CISC's total revenue and other income increased from RMB3,663.3 million in 2013 to RMB5,149.5 million in 2014, and further increased to RMB12,481.9 million in 2015. Its profit before income tax increased from RMB1,038.0 million in 2013 to RMB1,686.6 million in 2014, and further increased to RMB4,885.6 million in 2015. The profit for the year attributable to owners of CISC increased from RMB756.7 million in 2013 to RMB1,243.9 million in 2014, and further increased to RMB3,639.4 million in 2015. Accordingly, CISC achieved higher than industry average ROAE during the three years ended 31 December 2013, 2014 and 2015. The following table sets forth the return on average equity of CISC as compared to that of the industry average.

	For the year ended 31 December		
	2013	**2014**	**2015**
CISC's ROAE	9.0%	13.1%	30.2%
Industry average ROAE (based on data from Securities Association of China)	6.6%	12.5%	21.5%

Largely due to a less favorable condition of the A-share stock market in the first half of 2016 as compared to the same period of 2015, which resulted in a decrease in brokerage trading volume of stocks and funds and a decrease in segment revenue and other income of brokerage of PRC securities companies, CISC's total revenue and other income, profit before income tax and profit for the period attributable to owners of CISC decreased to RMB3,474.9 million, RMB1,053.0 million and RMB783.3 million, respectively, in the first half of 2016 from RMB7,131.6 million, RMB3,282.3 million and RMB2,453.8 million, respectively, in the same period in 2015. Nevertheless, benefiting from CISC's strict observance of its prudent business and financial strategy, enhanced compliance and risk management practices as well as concerted effort of its management and employees, CISC achieved an ROAE of 10.9% as compared to an industry average of 8.6% for the six months ended 30 June 2016.

e) **Strengthened capital position and better competitive position in the industry**

The greater size and scale resulting from the Proposed Acquisition will enhance the competitiveness of the Company and strengthen its capital position providing stronger capability to weather the risks in the market.

- As at 31 December 2015, the net assets of the Company and CISC amounted to RMB16,442.0 million and RMB14,066.5 million, respectively.

- Based on the unaudited pro forma financial information of the Enlarged Group, the Enlarged Group would have net assets of RMB33,874.7 million as at 30 June 2016 assuming the Proposed Acquisition had been completed on 30 June 2016.

- In addition, according to the ranking published by the Securities Association of China, for the year ended 31 December 2015, the Company and CISC ranked the 23rd and the 17th, respectively, in the securities industry in China in terms of revenue, and the 22nd and the 25th, respectively, in terms of net assets as at 30 June 2016.

- The Enlarged Group would have ranked the 12th in the securities industry in China in terms of net assets as at 30 June 2016 based on the unaudited pro forma financial statements of the Enlarged Group, and the 4th in terms of market value of securities in custody as at 31 December 2015, making it one of the medium-to-large size securities companies in China.

(F) **Prospects and Future Plan**

a) **Overview**

China has entered into a new development phase of economic transformation and upgrading and has ushered in a new era of deepening reform in all respects. Development of larger-scale leading securities firms will contribute to the establishment of multi-layer capital markets and transformation of the PRC's economic structure. Leveraging on the comparative advantages of each entity, the Proposed Acquisition will enhance the overall competitiveness of the wealth management business of the Enlarged Group and further promote the development of other businesses, including the investment banking business. Benefiting from the synergy to be derived from the Proposed Acquisition, the Enlarged Group will have a more balanced business structure and a significantly reinforced market position, accelerating the realization of its objective of becoming a world-class investment bank with global influence.

b) **Management arrangement**

After completion of the Proposed Acquisition, CISC will become and operate as a wholly-owned subsidiary of the Company. The Enlarged Group will adhere to the international best practice in terms of corporate governance and will continuously optimize the corporate governance in line with applicable regulatory requirements, with necessary adjustments and refinement on internal control, compliance, risk management, finance and information technology functions of both entities.

It is expected that the management of both entities will remain stable after the completion of the Proposed Acquisition.

The Enlarged Group will be led by the Board and chief executive officer of the Company, and the management of both entities will carry out their respective duties based on full and in-depth communication and cooperation with each other. To promote smooth and effective business integration and development, an integration committee is expected to be established to coordinate and facilitate the integration.

c) **Business integration arrangement**

Through business integration, the Company will focus on operating institution-oriented businesses while CISC will focus on operating individual-oriented wealth management and retail brokerage businesses. After an appropriate transitional period, the two entities will both use the brand of CICC in an aligned manner. The business integration plan will be implemented in line with the following principles:

- maintaining the stability of the existing business operation and staff of both entities;

- adopting market-based standard practice on such matters as corporate governance, employee recruitment and assessment as well as employee incentives aimed at achieving stronger performance and promoting the overall marketization of CISC; and

- focusing on creating incremental revenue through leveraging on the advantages of both entities, with a view to enhancing business transformation and development of the Enlarged Group.

The detailed arrangements, as currently contemplated, are as follows:

i). ***Wealth management and brokerage business***

Through an appropriate transition process, it is intended that the wealth management business of the Company will be merged into CISC. It is envisaged that integration will center around upgrading and transforming CISC's brokerage operation by adopting market-based evaluation and incentive systems, leveraging the Company's product and service expertise and implementing the Company's Global Wealth Management IT Platform, among others. The integration process will be conducted in phases through pilot programs involving a selected number of branch operations. In addition, the asset management and research teams of CISC are expected to be re-trained and re-focused to improve its in-house ability to provide the financial products and research support needed in catering to the growing demand of wealth management clients. It is also planned that both entities will work together to improve the quality and efficiency of mass market services through personnel training, IT upgrading and coordinated efforts to develop an enhanced on-line platform.

ii). ***Investment Banking***

Through an appropriate transition process, the investment banking practice of CISC, including bond underwriting, is intended to be merged into the Company's investment banking operation, with a focus on small-to-medium-sized enterprises and growth companies. It is planned that CISC's current evaluation and incentive systems will be amended both to foster meritocracy and encourage prudent and responsible professional conduct. Focus will also be placed on staff training, quality control and supervision of business development.

iii). ***Others***

The fixed-income trading, proprietary investment, institutional sales and private equity businesses of CISC are relatively small. It is planned that these businesses will be integrated with relevant business lines of the Company through an appropriate transitional process and in manners consistent with the principles laid out above.

iv). ***Middle and back offices***

As CISC will become and operate as a subsidiary of the Company upon completion of the Proposed Acquisition, the middle and back offices of both entities are expected to maintain their existing functions and operate relatively independently from each other, supporting their respective business operations. Relevant departments of the Company will provide full support to and cooperate with CISC in areas such as productivity enhancement, standard and procedural improvements, employee training and team building as well as resource sharing and cost optimization. Closer collaboration is expected in functions relating to corporate governance, risk management, compliance and IT.

(G) Financial Effects of the Proposed Acquisition

a) Basic financial information of the Company and CISC

A summary of (i) the audited financial information of the Company for the three years ended 31 December 2013, 2014 and 2015, and (ii) the unaudited financial information of the Company for the six months ended 30 June 2016, which has been reviewed by KPMG and has been disclosed in the Company's interim report for the six months ended 30 June 2016, is set out below. Such financial results of the Company were prepared in accordance with the International Financial Reporting Standards.

	As at/for the year ended 31 December			As at/for the six months ended 30 June
(in RMB millions)	**2013**	**2014**	**2015**	**2016**
Total revenue and other income	4,064.8	6,155.8	9,506.7	3,220.8
Profit for the year/period attributable to shareholders/equity holders of the Company	370.1	1,118.5	1,952.6	574.9
Total assets	32,834.5	52,700.1	94,108.8	107,572.3
Total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments	6,866.8	7,992.2	16,442.0	17,037.9

The audited financial statements of CISC, which were prepared in accordance with the International Financial Reporting Standards, is included in Appendix IV of this announcement. A summary of the financial results of the CISC is set out below:

	As at/for the year ended 31 December			As at/for the six months ended 30 June
(in RMB millions)	**2013**	**2014**	**2015**	**2016**
Total revenue and other income	3,663.3	5,149.5	12,481.9	3,474.9
Profit for the year/period attributable to owners of CISC	756.7	1,243.9	3,639.4	783.3
Total assets	31,619.8	65,513.3	96,560.0	84,555.2
Total equity attributable to owners of CISC	8,827.5	10,121.4	13,978.5	14,719.8

b) **Analysis of key financial information of the Enlarged Group**

Upon completion of the Proposed Acquisition, CISC will be 100% owned by the Company and CISC Group will become wholly-owned subsidiaries of the Company, and their financial information will be consolidated into the financial statements of the Enlarged Group.

The following analysis of financial data is based on the unaudited pro forma financial statements of the Enlarged Group as set out in Appendix V of this announcement. It is assumed that the Proposed Acquisition had been completed on 30 June 2016 for the unaudited pro forma consolidated statement of financial position and 1 January 2015 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

i). ***Assets***

As at 30 June 2016, the consolidated total assets of the Group were RMB107,572.3 million. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 June 2016 would have been increased to RMB193,785.8 million.

ii). ***Liabilities***

As at 30 June 2016, the consolidated total liabilities of the Group were RMB90,504.5 million. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 June 2016 would have been increased to RMB159,911.1 million.

iii). ***Total Equity***

As at 30 June 2016, the total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments was RMB17,037.9 million. According to the unaudited pro forma financial information, the unaudited pro forma total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments of the Enlarged Group as at 30 June 2016 would have been increased to RMB33,738.6 million.

iv). ***Earnings***

For the year ended 31 December 2015, the profit for the year attributable to shareholders/equity holders of the Company and holders of other equity instruments was RMB1,952.6 million. According to the unaudited pro forma financial information, the unaudited pro forma profit for the year attributable to shareholders/equity holders of the Company and holders of other equity instruments of the Enlarged Group for the year ended 31 December 2015 would have been increased to RMB5,550.3 million.

v). Report from the Reporting Accountants of the Company in relation to the unaudited pro forma financial information

A report from KPMG, the Reporting Accountants of the Company, in connection with the above-mentioned unaudited pro forma financial information is included in Appendix V of this announcement in accordance with Rule 4.29(7) of the Listing Rules.

(H) **Profit Forecast in relation to the Appraisal Value**

The Valuation Report was primarily prepared based on the discounted future cash flows approach. Such valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules and Rule 10 of the Takeovers Code, which should be reported on by the Company's Financial Advisers and the reporting accountants under Rule 14.62 of the Listing Rules and Rules 10.3 and 10.4 of the Takeovers Code.

A summary of the Valuation Report is included in Appendix I of this announcement.

The following are the principal assumptions upon which the discounted future cash flows approach-based valuation is based:

a) **General assumptions**

- CISC will continue its operation after the Base Reference Date;

- the management of CISC will remain responsible, stable and capable of performing their duties after the Base Reference Date, and will operate and manage CISC as planned;

- CISC will be in full compliance with all applicable laws and regulations of the PRC; and

- the economic and political climate, legal and regulatory framework and social environment of the PRC are in a normal state of development; and there will be no unforeseeable force majeure events that would materially and adversely affect the development of CISC after the Base Reference Date. The PRC Valuer confirms that, as at the date of this announcement, it is not aware of any event that would make this assumption inaccurate or incomplete.

b) **Special assumptions**

- the accounting policies adopted by CISC after the Base Reference Date are consistent with the accounting policies adopted by CISC when preparing the valuation report in all material respects;

- the forecast on the profitability and distribution capability of CISC is based on the assumption of maximum distributable dividends of CISC, which is the maximum amount of net profits of CISC that can be declared and distributed as dividend, after satisfying the requirements of various risk control indicators stipulated in the "Administrative Measures for Risk Control Indicators of Securities Companies" (《證券公司風險控制指標管理辦法》) and taking into account a reasonable expectation of the future business operational development; and

- In any given forecasted year/period, the cash inflow and outflow of CISC are evenly spread out throughout such year/period.

A letter from each of KPMG and the Financial Advisers has been submitted to the Stock Exchange and has been lodged with the Executive, and is included in Appendices II and III, respectively, to this announcement pursuant to Rule 14.62 of the Listing Rules and Rule 10 of the Takeovers Code.

The qualification of each expert named above is listed below:

Name	**Qualification**
CICCHKS	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
ABCI	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants
PRC Valuer	Independent professional valuer

CICCHKS is an indirectly wholly-owned subsidiary of the Company. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of ABCI, KPMG and the PRC Valuer is a third party independent of and not connected with the Company. As at the date of this announcement, none of ABCI, KPMG or the PRC Valuer has any shareholding in any member of the Group directly or indirectly, or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts listed above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter and/or all references to its name in the form and context in which it respectively appears in this announcement.

(I) Information of the Parties

a) The Company

The principal businesses of the Company are investment banking, equity sales, fixed income, commodities and currencies, wealth management, investment management and relevant financial services.

b) **Huijin**

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 MOF issued special treasury bonds and acquired all the shares of Huijin from the People' Bank of China. The acquired shares were injected into China Investment Corporation 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 board of supervisors of Huijin are appointed by and are accountable to the State Council. In accordance with the 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.

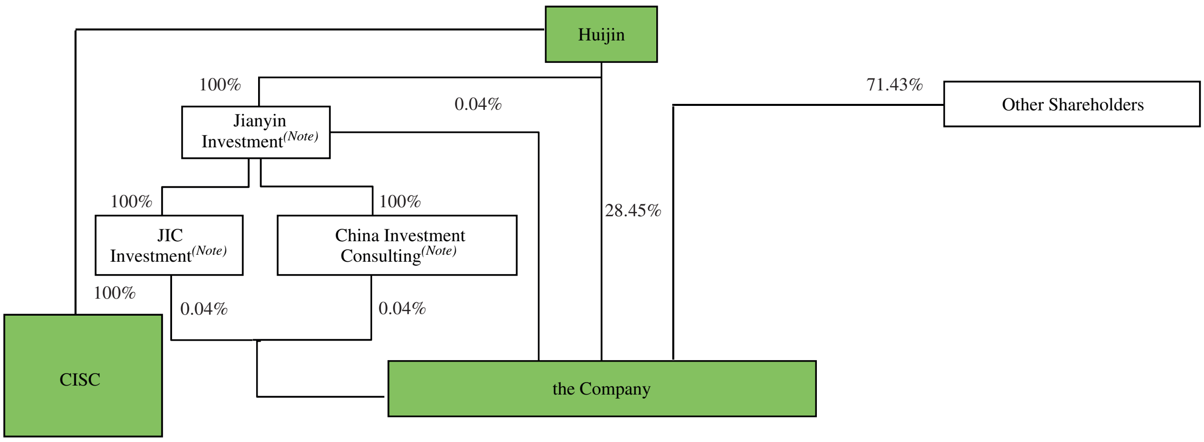
Huijin has been the single largest Shareholder since 2010 when it first became a Shareholder. At the time of the listing of the H Shares on the Stock Exchange on 9 November 2015, Huijin and parties acting in concert with it, directly and indirectly, held 30.01% of the equity interest of the Company. As at the date of this announcement, the Company is directly and indirectly owned as to 28.57% by Huijin and parties acting in concert with it. All shares of the Company held by Huijin are Domestic Shares. As at the date of this announcement, China Jianyin Investment Ltd. (中國建銀投資有限責任公司) (the "**Jianyin Investment**"), wholly-owned by Huijin, is directly interested in 911,600 Domestic Shares, representing 0.04% of the total equity interest of the Company. Each of JIC Investment Co., Ltd. (建投投資有限責任公司) (the "**JIC Investment**") and China Investment Consulting Co., Ltd. (中國投資諮詢有限責任公司) (the "**China Investment Consulting**"), two wholly-owned subsidiaries of Jianyin Investment, is directly interested in 911,600 Domestic Shares, representing 0.04% of the total equity interest of the Company.

c) **CISC**

CISC is a securities company incorporated in the PRC in 2005 and is wholly-owned by Huijin as at the date of this announcement. The principal businesses of CISC are brokerage services, investment banking, asset management, proprietary trading and others.

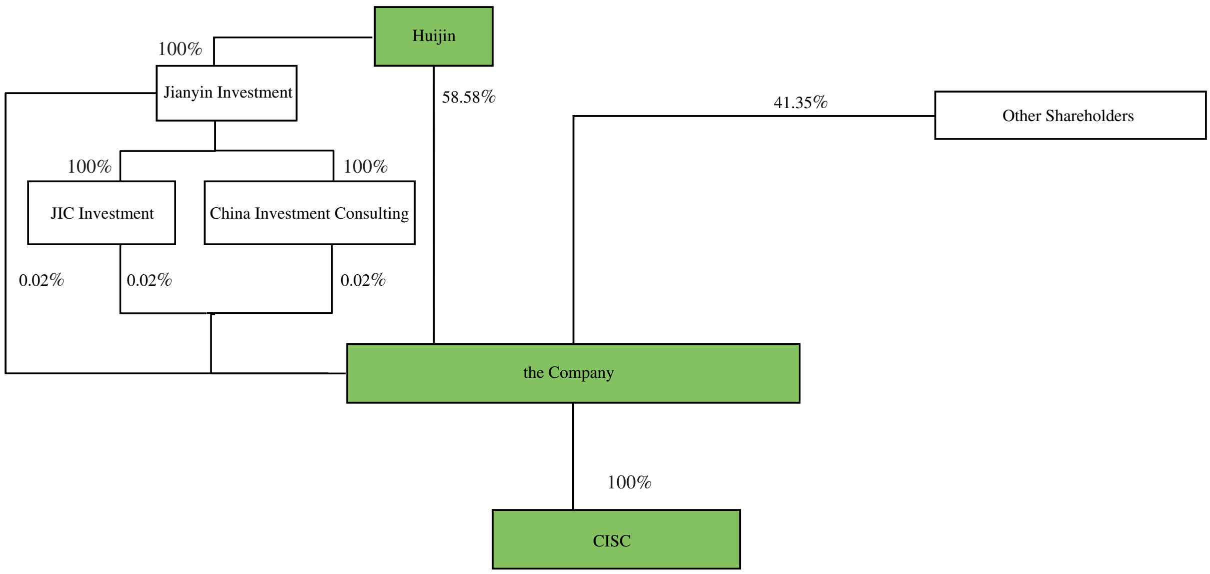
(J) **Shareholding Structure of the Company**

a) **Shareholding structure immediately prior to the completion of the Proposed Acquisition**



Note: As at the date of this announcement, Jianyin Investment is directly interested in 911,600 Domestic Shares, representing 0.04% of the total equity interest of the Company. Jianyin Investment is 100% owned by Huijin. JIC Investment and China Investment Consulting, two wholly-owned subsidiaries of Jianyin Investment, are directly interested in 911,600 and 911,600 Domestic Shares, respectively, representing a total of 0.08% of the total equity interest of the Company. Therefore, Huijin is deemed to be interested in the Domestic Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.

b) **Shareholding structure immediately following the completion of the Proposed Acquisition**



c) **Shareholding information of the Shareholders immediately before and after the completion of the Proposed Acquisition assuming there is no change of the respective Shareholders' shareholding in the Company after the date of this announcement and up to the completion of the Proposed Acquisition**

Name	Class of Shares	As at the date of this announcement No. of Shares	As at the date of this announcement Approximately percentage of issued share capital	Immediately upon completion of the Proposed Acquisition No. of Shares	Immediately upon completion of the Proposed Acquisition Approximately percentage of issued share capital
Huijin and parties acting in concert with it	Domestic Shares	658,928,671	28.57%	2,337,390,480	58.65%
China National Investment and Guaranty Corporation	Domestic Shares	127,562,960	5.53%	127,562,960	3.20%
GIC Private Limited	H Shares	273,091,435	11.84%	273,091,435	6.85%
TPG Asia V Delaware, L.P.	H Shares	171,749,719	7.45%	171,749,719	4.31%
KKR Institutions Investments L.P.	H Shares	166,747,300	7.23%	166,747,300	4.18%
Mingly Corporation	H Shares	122,559,265	5.31%	122,559,265	3.08%
The Great Eastern Life Assurance Company Limited	H Shares	83,373,650	3.61%	83,373,650	2.09%
Other Public Shareholders	H Shares	702,656,000	30.46%	702,656,000	17.63%
Total		2,306,669,000	100%	3,985,130,809	100%

Note: The Shareholding information of the Shareholders as at the date of this announcement are based on the information recorded in the register required to be kept by the Company under section 352 of the SFO.

(K) **Listing Rules Implications**

As the highest applicable percentage ratio of the Proposed Acquisition exceeds 100%, the Proposed Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders.

As at the date of this announcement, Huijin and parties acting in concert with it are, directly and indirectly, interested in 28.57% of the equity interest of the Company. Upon the completion of the Proposed Acquisition, Huijin and parties acting in concert with it will be, directly and indirectly, interested in 58.65% of the equity interest of the Company. Therefore, the Proposed Acquisition will result in Huijin and parties acting in concert with it holding more than 30% of the voting rights in the Company. Accordingly, the Proposed Acquisition constitutes a reverse takeover under Rule 14.06(6)(a) of the Listing Rules. The Company has applied for, and the Stock Exchange has granted, a waiver that the Proposed Acquisition will not be treated as a reverse takeover.

As Huijin is a party to the Equity Transfer Agreement and therefore has a material interest in the Proposed Acquisition, Huijin, its associates and parties acting in concert with Huijin are required to abstain from voting on the resolutions in relation to the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association).

(L) **Application for the Whitewash Waiver**

Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on Huijin to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by Huijin, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the EGM and the Shareholders' Class Meetings.

Huijin will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver will be subject to, among other things, approval by the Independent Shareholders at the EGM and the Shareholders' Class Meetings by way of poll. If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of Huijin and parties acting in concert with it will exceed 50% of the then registered capital of the Company as enlarged by the proposed issue of the Consideration Shares. Huijin may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the date of this announcement, other than the 28.57% interest in the equity interest of the Company controlled by Huijin and parties acting in concert with it and the transactions contemplated under the Equity Transfer Agreement and as disclosed in this announcement, neither Huijin nor parties acting in concert with it:

(i). holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company;

(ii). has secured an irrevocable commitment to vote in favour of or against the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and/or the Whitewash Waiver;

(iii). has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the shares of the Company or Huijin which might be material to the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and/or the Whitewash Waiver;

(iv). has any agreement or arrangement to which Huijin or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and/or the Whitewash Waiver; or

(v). has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the entering into of the Equity Transfer Agreement, neither Huijin nor any parties acting in concert with it has acquired any voting rights of the Company or has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 4 November 2016, being the date on which the Company first made an announcement in respect of the Proposed Acquisition. Huijin and parties acting in concert with it will not acquire or dispose of any voting rights of the Company after the date of this announcement until the completion of the Proposed Acquisition.

The Company has no outstanding warrants, options or securities convertible into shares of the Company as at the date of this announcement.

As at the date of this announcement, the Company does not believe that the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in relation to the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) does not comply with other applicable rules and regulations (including the Listing Rules).

(M) **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee (comprising Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun, Mr. Cha Mou Daid Johnson, Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin) has been established to advise the Independent Shareholders in connection with the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver. Somerley has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in connection with the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver.

The Executive may or may not grant the Whitewash Waiver. The obtaining of the Whitewash Waiver is one of the conditions precedent to the completion of the Proposed Acquisition. The Proposed Acquisition will not proceed if the Whitewash Waiver is not obtained by Huijin.

PART B — PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of the Proposed Acquisition, the registered capital of the Company will be increased from RMB2,306,669,000 to RMB3,985,130,809. Accordingly, the Board has resolved to revise the Articles of Association to reflect such change, subject to approval of the Independent Shareholders.

Details of the amendments will be set out in the circular to be dispatched to the Shareholders in due course.

PART C — INDEPENDENT SHAREHOLDERS' APPROVAL

In accordance with relevant requirements of the Listing Rules, the Takeovers Code, the Articles of Association and applicable PRC laws, the Independent Shareholders' approvals at the EGM and the Shareholders' Class Meetings are required in relation to (i) the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association), and (ii) the Whitewash Waiver.

PART D — OTHERS

I. EXCHANGE RATE CONVERSIONS

Unless otherwise provided, amounts denominated in RMB/HK$ have been converted into HK$/RMB in this announcement at the exchange rate of HK$1: RMB0.86122, being the average median exchange rate announced by China Foreign Exchange Trading System (中國外匯交易中心) for the 90 trading days immediately before the date of this announcement.

II. DISPATCH OF CIRCULAR

In connection with the matters set out in this announcement, the Company will dispatch a circular, which will contain, among other things,

(a) notice of the EGM, seeking the Independent Shareholders' approval of the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Wavier;

(b) notices of the Shareholders' Class Meetings, seeking approval of the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver; and

(c) other details in connection with the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver.

The circular is required to be dispatched to the Shareholders within 15 Business Days from the date of this announcement pursuant to Rule 14.60(7) of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is the earlier. The Shareholders and potential investors should refer to the circular for further details of the Proposed Acquisition and other matters.

WARNING

The Proposed Acquisition is subject to a number of conditions precedent, including Independent Shareholders' approvals and approvals from relevant regulatory bodies, which may or may not be fulfilled. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares or other securities (if any) of the Company.

RESUMPTION OF TRADING

Trading in the H Shares of the Company has been halted with effect from 9:00 a.m. on 4 November 2016 pending the publication of this announcement by the Company. The Company has applied to the Stock Exchange for the resumption of trading in the H Shares with effect from 9:00 a.m. on 7 November 2016.

DEFINITIONS

"ABCI"	ABCI Capital Limited (農銀國際融資有限公司), a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) and type 6 regulated activities (advising on corporate finance) under the SFO
"Appraisal Value"	the value of total equity attributable to owners of CISC as at the Base Reference Date as appraised by the PRC Valuer
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meanings as ascribed thereto under the Listing Rules
"Base Reference Date"	30 June 2016, being the reference date against which the total equity attributable to owners of CISC was appraised

"Board" or "Board of Directors"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"CSDCC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限公司), an enterprise incorporated in the PRC in 2001, with Shanghai Stock Exchange and Shenzhen Stock Exchange holding 50% and 50% of its equity interest, respectively
"CICCHKS"	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 an indirectly wholly-owned subsidiary of the 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 2005, which is wholly-owned by Huijin as at the date of this announcement. Unless the context requires otherwise, including when discussing the businesses and financial information of CISC, references to "CISC" also include its subsidiaries
"CISC Group"	CISC and its subsidiaries
"Closing Date"	a date on which the Consideration Shares are issued and registered with CSDCC
"Company" "the 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 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 1 June 2015. Unless the context requires otherwise, including when discussing the businesses and financial information of the Company, references to "Company" "the Company", or "CICC" also include its subsidiaries
"Company Law" or "PRC Company Law"	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

"Consideration Shares"	1,678,461,809 Domestic Shares to be allotted and issued by the Company to Huijin to settle all the consideration under the Equity Transfer Agreement
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Delivery Date"	a date on which the necessary registrations and filings with relevant administration for industry and commerce authorities in relation the change of the shareholder of CISC from Huijin to the Company are completed or such other date as agreed by Huijin and the Company
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
"EGM"	the extraordinary general meeting of the Company for the purpose of approving the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver
"Enlarged Group"	the Company and its subsidiaries upon completion of the Proposed Acquisition
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Company and Huijin dated 4 November 2016, pursuant to which the Company has agreed to purchase and Huijin has agreed to sell 100% of the equity interest of CISC
"Executive"	the executive director of the Corporate Finance Division of the SFC or any delegate of such executive director
"Financial Advisers"	CICCHKS and ABCI
"Group", "the Group"	the Company and its subsidiaries

"H Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and are subscribed for and traded in HK dollars
"HK dollar", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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, which directly and indirectly held approximately 28.57% of the equity interest in the Company as at the date of this announcement
"Independent Board Committee"	the independent board committee established by the Company (comprising Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun, Mr. Cha Mou Daid Johnson, Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin) to advise the Independent Shareholders in connection with the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than Huijin, its associates and parties acting in concert with it, together with those who are interested in, or involved in, the Proposed Acquisition and the Whitewash Waiver. When discussing matters in relation to the Shareholders' Class Meetings, reference to "Independent Shareholders' refer to those Independent Shareholders of relevant class of Shares
"independent third party(ies)"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not connected with the Company (within the meaning of the Listing Rules)
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"PRC Valuer"	China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司), an independent third party
"Proposed Acquisition"	the proposed acquisition by the Company of 100% of the equity interest of CISC from Huijin pursuant to the Equity Transfer Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"ROAE"	the return on average equity, calculated by dividing the profit attributable to owners of a company by the average amount of total equity attributable to owners of such company at the end of the previous period and the end of the current period, and annualizing the result (if applicable)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Shareholders' Class Meetings"	the meeting of the Shareholders holding Domestic Shares and the meeting of the Shareholders holding H Shares, which are to be convened for purpose of approving the Proposed Acquisition (including the proposed issue of the Consideration Shares and the proposed amendments to the Articles of Association) and the Whitewash Waiver
"Somerley" or "Independent Financial Adviser"	Somerley Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Takeovers Code"	The Code on Takeovers and Mergers, which is published by the SFC
"Transitional Period"	the period from 1 July 2016 to the Delivery Date (both days inclusive)
"Valuation Report"	The valuation report dated 7 October 2016, which was prepared by the PRC Valuer for purpose of the Proposed Acquisition
"Whitewash Waiver"	a waiver to be sought from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of Huijin to make a mandatory general offer for all the Shares that are not already owned or agreed to be acquired by it and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares to Huijin

* *The English translation or transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*

* *Certain amounts and percentage figures included in this announcement have been subject to rounding.*

By order of the Board
China International Capital Corporation Limited
Secretary to the Board
Wu Bo

Beijing, the PRC
4 November 2016

As at the date of this announcement, the Executive Director of the Company is Mr. Bi Mingjian; the Non-executive Directors of the Company are Mr. Ding Xuedong, Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson; and the Independent Non-executive Directors of the Company are Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission which would make any statement in this announcement misleading.

The following are a summary of the Valuation Report and a letter received from the PRC Valuer in relation to the valuation of CISC.

A. **Summary of the Valuation Report**

To: Central Huijin Investment Ltd.:

In connection with the proposed acquisition of the entire equity interests in China Investment Securities Company Limited ("**CISC**") by China International Capital Corporation Limited ("**CICC**") from Central Huijin Investment Ltd. ("**Huijin**") and the issue of shares of CICC to Huijin as consideration, China Enterprise Appraisals Co., Ltd. accepted the engagement by Huijin to appraise the market value of the total equity attributable to owners of CISC as of 30 June 2016. The valuation was conducted through necessary valuation procedures by adopting income approach and market approach in accordance with relevant laws, regulations and asset valuation standards and pursuant to the principles of independence, objectiveness and fairness.

I. THE PRINCIPAL, TARGET COMPANY UNDER VALUATION AND OTHER USERS OF THE VALUATION REPORT AS SPECIFIED IN THE ENGAGEMENT LETTER

The principal of this valuation is Huijin and the target company under valuation is CISC. Other users of the valuation report as agreed in the engagement letter include the competent authorities of both parties as well as report users as prescribed by relevant laws.

(1) **Profile of the Principal**

Company Name: Central Huijin Investments Ltd.

Registered Address: New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, China

Legal Representative: Ding Xuedong

Registered Capital: RMB828,208.6272 million

Company Type: limited liability company (wholly state-owned)

Principal Business Scope: Investment in equity interests of major State-owned financial institutions under the authorisation of the State Council and other related businesses approved by the State Council. (Items which require approvals under the law shall be subject to approval from relevant authorities before the commencement of business)

(2) **Profile of the Target Company under Valuation**

1. Company profile

Name of the Target Company Under Valuation: China Investments Securities Company Limited

Registered Address: 18th-21st Floors and part of the units on 4th Floor, Tower A, Rongchao Business Center, at the Junction of Yitian Road and Fuzhong Road, Futian District, Shenzhen

Legal Representative: Gao Tao

Registered Capital: RMB5 billion

Company Type: limited liability company (wholly state-owned)

Principal Business Scope: securities brokerage; securities investment consulting; financial advisory services in relation to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities assets management; margin financing and securities lending; securities investment fund sales agency; and distribution of financial products.

2. CISC's shareholding structure and relevant changes

On 27 September 2005, CISC was formed with the approval of the China Securities Regulatory Commission ("**CSRC**") (approval document reference: (Zheng Jian Ji Gou Zi [2005] No.99). CISC (formerly named as China Jianyin Investment Securities Company Limited) is an integrated securities firm solely sponsored by China Jianyin Investment Ltd. according to the instruction of the State Council and by a market-oriented approach to acquire through bidding for outlets of China Southern Securities Co., Ltd. and its closely related assets. CISC's securities business license No. is Z1687400. Its registered capital is RMB1.5 billion and registration No. is 440301103826399.

According to the relevant official reply of the State Council and the document Cai Jin Han (2009) No.77 issued by the Ministry of Finance, since 31 December 2008, the equity interests of CISC had been transferred from China Jianyin Investment Ltd. to Huijin. The CSRC had approved the change of shareholders in August 2010 and the change of business registration was completed on 2 April 2011. In September 2011, the registered capital of CISC was increased to RMB5 billion with the approval of the CSRC.

In November 2011, CISC's name was changed to "China Investment Securities Company Limited" with the approval of the CSRC and State Administration for Industry and Commerce (SAIC).

As of the Valuation Base Reference Date (as defined below), CISC is a wholly-owned subsidiary of Huijin.

3. Property ownership and operation and management structure

CISC has established 192 security business outlets in large and medium cities nationwide with branches in Beijing, Shanghai, Jiangsu, Sichuan, Guangdong, Henan, Qinghai and Shenzhen. It also owns three wholly-owned holding companies: China Investment Securities (HK) Financial Holdings Limited, Lucky Stone Investment Management Co. Ltd. and China Investment Securities Investment Co. Ltd., and China Investment Tianqi Futures Co. Ltd. with 80% holdings.

CISC has established 23 functional departments, 11 frontline business departments and 12 management support departments:

Brokerage business: Wealth Management Department, Credit Business Department, Trading Operation Department; Investment banking business: Investment Banking Headquarter and Fixed Income Headquarter; Other business: Asset Management Headquarter, Securities Investment Department, International Business Department, Counter Market Management Department, Institutional Sales Trading Department, Internet Finance Department; Board Office, Operation Management Department, Audit Department, Risk Management Department, Legal Compliance Department, Research Headquarter, Planning and Finance Department, Human Resource Department, Information Technology Department, Clearing and Custodian Department, Discipline Inspection and Supervision Department (co-work with Supervisory Committee Office), and Infrastructure Construction Office.

4. Financial Information

The Historical Financial Information (consolidated)

Unit: RMB million

Financial Position	**2013**	**2014**	**2015**	**January to June, 2016**
Total assets	31,620	65,513	96,560	84,555
Total liabilities	22,716	55,308	82,493	69,731
Net assets	8,904	10,206	14,067	14,824
Operating income	3,046	3,920	8,715	2,191
Total profit	1,038	1,687	4,886	1,053
Net profit	760	1,246	3,645	785

The financial statements of CISC for the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 have been audited by Pan-China Certified Public Accountants (LLP), who issued unqualified audit reports in this respect.

5. The relationship between the principal and CISC

CISC is a wholly-owned subsidiary of Huijin.

II. VALUATION PURPOSE

Pursuant to the Requested Instructions on the Restructuring of CICC and CISC (Document Zhong Tou Zi [2016] No.19), and the official reply from the State Council (Ban [2016] No. 02082), Huijin intended to subscribe for the shares to be issued by CICC with the 100% equity interest it held in CISC. For this reason, the market value of total equity attributable to owners of CISC shall be assessed to provide a value reference basis for the above economic behavior.

III. TARGET AND SCOPE OF VALUATION

(1) **Valuation Target**

The valuation target is the market value of total equity attributable to owners of CISC.

(2) **Valuation Scope**

The valuation scope covers the entire assets and liabilities of CISC. On the Valuation Base Reference Date, the assets under the valuation scope include, among others, current assets, long-term investments, fixed assets, construction in progress, intangible assets and other non-current assets; liabilities include, among others, current liabilities and non-current liabilities.

IV. TYPES OF VALUE AND DEFINITIONS

According to the valuation purpose, the type of value for the valuation target is determined to be the market value.

Market value means the estimated value of the normal and equitable transaction conducted by the valuation target at the Valuation Base Reference Date under the circumstances that the willing buyers and sellers act willingly without duress.

V. VALUATION BASE REFERENCE DATE

The valuation base reference date is 30 June 2016 (the "**Valuation Base Reference Date**").

The Valuation Base Reference Date is determined by Huijin.

VI. VALUATION BASIS

(1) **Basis of economic activity**

1. Requested Instructions on the Restructuring of CICC and CISC (Document Zhong Tou Zi [2016]No.19;

2. Official reply from the State Council (Ban [2016]No. 02082).

(2) **Basis of laws and regulations**

1. Company Law of the People's Republic of China (中華人民共和國公司法) (Adopted at the Sixth Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 28 December 2013);

2. Securities Law of the People's Republic of China (中華人民共和國證券法) (Amended at the Third Session of the Standing Committee of the Twelfth National People's Congress on 29 June 2013);

3. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) (Adopted at the Twenty-ninth Session of the Standing Committee of the Tenth National People's Congress on 30 August 2007);

4. Land Administration Law of the People's Republic of China (中華人民共和國土地管理法) (Adopted at the Eleventh Session of the Standing Committee of the Tenth National People's Congress on 28 August 2004);

5. Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法) (Adopted at the Fifth Session of the Standing Committee of the Tenth National People's Congress on 16 March 2007);

6. Enterprise State-owned Assets Law of the People's Republic of China (中華人民共和國企業國有資產法) (Adopted at the Fifth Session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

7. The Interim Regulations for the Supervision and Administration of State-Owned Assets of Enterprises (企業國有資產監督管理暫行條例) (State Council Order No. 378);

8. The Interim Measures for the Administration of the Transfer of State-owned Property Rights in Enterprises (企業國有產權轉讓管理暫行辦法) (the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance Order No. 3);

9. Notice on the Transfer of State-owned Property Rights in Enterprises (關於企業國有產權轉讓有關事項的通知) (Guo Zi Fa Chan Quan [2006] No. 306)

10. Administrative Measures for Valuation of State-owned Assets (國有資產評估管理辦法) (State Council Order No. 91);

11. Notice on Issue of Rules for Implementation of Administrative Measures for Valuation of State-owned Assets (關於印發<國有資產評估管理辦法施行細則>的通知) (Guo Zi Ban Fa [1992] No. 36);

12. Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (企業國有資產評估管理暫行辦法) (the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) Order No. 12);

13. Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises (金融企業國有資產轉讓管理辦法) (Ministry of Finance Order No. 54);

14. Interim Measures for the Supervision and Administration of Valuation of State-owned Assets of Financial Enterprises (金融企業國有資產評估監督管理暫行辦法) (Ministry of Finance Order No. 47);

15. Notice on Issues of Supervision and Administration of Valuation of State-owned Assets of Financial Enterprises (關於金融企業國有資產評估監督管理有關問題的通知) (Cai Jin [2011] No.59);

16. Ministry of Finance's Notice on Issue of the Trading Rules of Non-listed State-owned Property Rights of Financial Enterprises (財政部關於印發<金融企業非上市國有產權交易規則>的通知) (Cai Jin [2011] No.118);

17. Accounting Standards for Business Enterprises — Basic Standards (企業會計準則—基本準則) (Ministry of Finance Order No. 33);

18. Implementation Rules of Interim Regulations on Value-Added Tax of the People's Republic of China (中華人民共和國增值稅暫行條例實施細則) (the Ministry of Finance and the State Administration of Taxation Order No. 50);

19. Measures for Managing the Risk Control Indicators of Securities Companies (證券公司風險控制指標管理辦法) (CSRC Order No.34);

20. Measures for Managing the Risk Control Indicators of Securities Companies (證券公司風險控制指標管理辦法) (Amended in 2008);

21. Decision on Amending the Measures for Managing the Risk Control Indicators of Securities Companies (關於修改<證券公司風險控制指標管理辦法>的決定) (CSRC Order No.55);

22. Decision on Amending the Provisions on the Calculation Standards for the Risk Capital Reserves of Securities Companies (關於修改〈關於證券公司風險資本準備計算標準的規定〉的決定) (CSRC Announcement [2012] No. 36);

23. The Provisions on Adjusting the Calculation Standards for the Net Capital of Securities Companies (關於調整證券公司淨資本計算標準的規定) (amended in 2012) (CSRC Announcement [2012] No.37);

24. The Regulations on Supervision and Management of Securities Companies (證券公司監督管理條例) (the PRC State Council Order No. 522 dated 23 April 2008);

25. The Standards on Corporate Governance of Securities Companies (證券公司治理準則) (CSRC Announcement [2012] No. 41);

26. Notice on Issue of Trial Measures for Managing Risk Regulatory Indicators of Futures Companies (關於發佈<期貨公司風險監管指標管理試行辦法>的通知) (CSRC Zheng Jian Fa [2007] No. 55);

27. Measures for Managing Margin Financing and Securities Lending Business of Securities Companies (證券公司融資融券業務管理辦法) (CSRC Announcement [2011] No. 31);

28. Notice on Issues of Supervision and Administration on Valuation of State-owned Assets of Financial Enterprises (關於金融企業國有資產評估監督管理有關問題的通知) (Cai Jin [2011] No.59);

29. Notice of Comprehensive Roll-out of the Pilot Collection of Value Added Tax in Lieu of Business Tax from Ministry of Finance and State Administration of Taxation (SAT) (財政部、國家稅務總局<關於全面推開營業稅改徵增值稅試點的通知>) (Cai Shui [2016] No. 36);

30. Other relevant legal and regulatory documents.

(3) **Basis of valuation standards**

1. Asset Valuation Standards — Basic Standards (資產評估準則—基本準則) (Cai Qi (2004) No. 20);

2. Asset Valuation Professional Ethical Standards — Basic Standards (資產評估職業道德準則—基本準則) (Cai Qi (2004) No. 20);

3. Guiding Opinions for Certified Public Valuers on Legal Ownership of Subject under Valuation (註冊資產評估師關注評估對象法律權屬指導意見) (Hui Xie [2003] No. 18);

4. Asset Valuation Standards — Valuation Procedure (資產評估準則—評估程式) (Zhong Ping Xie [2007] No. 189);

5. Asset Valuation Standards — Working Paper (資產評估準則—工作底稿) (Zhong Ping Xie [2007] No. 189);

6. Asset Valuation Standards — Machinery & Equipment (資產評估準則—機器設備) (Zhong Ping Xie [2007] No. 189);

7. Guiding Opinions on Types of Value under Asset Valuation (資產評估價值類型指導意見) (Zhong Ping Xie [2007] No. 189);

8. Asset Valuation Standards - Intangible Assets (資產評估準則——無形資產) (Zhong Ping Xie [2008] No. 217);

9. Quality Control Guidelines for Business of Valuation Institutions (評估機構業務質量控制指南) (Zhong Ping Xie [2010] No.214);

10. Asset Valuation Standards — Enterprise Value (資產評估準則——企業價值) (Zhong Ping Xie [2011] No. 227);

11. Asset Valuation Standards - Valuation Report (資產評估準則——評估報告) (Zhong Ping Xie [2011] No. 230);

12. Asset Valuation Standards - Engagement Letter (資產評估準則——業務約定書) (Zhong Ping Xie [2011] No. 230);

13. Asset Valuation Professional Ethical Standards — Independence (資產評估職業道德準則——獨立性) (Zhong Ping Xie [2012] No. 248);

14. Asset Valuation Standards — Making Use of Experts (資產評估準則——利用專家工作) (Zhong Ping Xie [2012] No. 244);

15. Guidelines for the Valuation Reports on State-owned Assets of Financial Enterprises (金融企業國有資產評估報告指南) (Zhong Ping Xie [2011] No. 230).

(4) **Ownership Basis**

1. State-owned Land Use Certificates;

2. Building Ownership Certificates;

3. Motor Vehicles License;

4. Relevant Property Rights Transfer Agreements;

5. Other relevant credentials for property rights.

(5) **Basis of Pricing**

1. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (機動車強制報廢標準規定) (Order No.12 of 2012 issued by Ministry of Commerce, National Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection);

2. Quotation Manual for Electromechanical Products (機電產品報價手冊) (2016);

3. Benchmark interest rates for bank deposits and loans and foreign exchange rates on the valuation base date;

4. Statistical information published on the website of Securities Association of China;

5. Relevant information published on the website of Shanghai Stock Exchange;

6. Relevant information published on the website of Shenzhen Stock Exchange;

7. Relevant information published by Sina Finance News;

8. Relevant information published by Royal Flush;

9. Relevant information published by WIND Info;

10. Other related valuation information recorded and collected by valuers from on-site survey;

11. Other information related to this asset valuation.

(6) **Other References**

1. List of assets and valuation reporting forms provided by China Investment Securities Co., Ltd.;

2. Audit reports issued by Pan-China Certified Public Accountants (LLP);

3. Data base of China Enterprise Appraisals Co., Ltd..

VII. VALUATION APPROACHES

Basic approaches for valuing an enterprise primarily include income approach, market approach and asset-based approach.

The income approach for the valuation of an enterprise refers to the valuation approach whereby the value of the subject under valuation is determined by capitalising or discounting the projected income. The specific methods commonly adopted by the income approach include the discounted dividend method and the discounted cash flow method.

The market approach for the valuation of an enterprise refers to the valuation approach whereby the value of the subject under valuation is determined by comparing the subject under valuation with comparable listed companies or comparable transaction cases. The two specific methods commonly adopted by the market approach are the listed company comparison method and the transaction case comparison method.

The asset-based approach for the valuation of an enterprise refers to the valuation approach whereby the value of the subject under valuation is determined by reasonable valuation of on and off balance sheet assets and liabilities on the basis of the balance sheet of the company under valuation on the valuation base reference date.

As prescribed under "Asset Valuation Standards — Enterprise Value", the Certified Public Valuer engaged in the enterprise's valuation shall properly select one or more basic asset valuation approaches by analyzing the applicability of the three basic approaches; namely, income approach, market approach and asset-based approach, of asset valuation in light of the relevant conditions, such as valuation purpose, subject under valuation, valuation type and information collection condition.

According to the relevant conditions, including valuation purpose, valuation target, valuation type and the information collection condition, and the applicable conditions for the three basic valuation approaches, the valuation approaches selected for this valuation are: income approach and market approach. The reasons of selection are set out below.

Since the subject of this valuation is securities companies and securities companies are light asset companies, all definite and indefinite intangible assets owned by the appraised unit cannot be comprehensively reflected by the asset-based approach, and the market value of securities companies cannot be objectively reflected by the asset-based approach, hence the asset-based approach is not applicable.

Since there are relatively more comparable listed companies, and the operating and financial data of the comparable enterprises are sufficient and reliable, the listed company comparison method under the market approach can be adopted for this valuation of CISC.

Since CISC has a long history of operation, its future revenue is predictable and valuation information is sufficient, the income approach can be adopted for this valuation of CISC.

Accordingly, the market approach and the income approach are adopted for this valuation. The final valuation results are determined based on the analysis of the rationality and accuracy of both of the valuation results.

(1) **Income Approach**

The income approach for the valuation of an enterprise refers to the valuation approach whereby the value of the subject under valuation is determined by capitalising or discounting the projected income. The income approach is the method whereby the value of an enterprise is measured from the perspective of the future profitability of the enterprise based on the expected utility theory of economics.

The specific methods commonly adopted by the income approach include the discounted dividend method and the discounted cash flow method.

The shareholding free cash flow discount model of the cash flow discount method was adopted in this valuation. Combined with the business features and operation model of securities companies, the specific formula is described as below:

Total value of shareholders' equity = Total present value of equity cash flow + Non-operating assets and liabilities + Valuation of long term equity investment

Equity cash flow = net profit - increase in equity + other comprehensive income

Increase in equity = closing balance of owners' equity - opening balance of owners' equity

The present value of equity cash flow is calculated as follows:

$$P = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

where: P: Aggregate present value of equity cash flow as at the valuation base reference date;

F_i: Estimated equity cash flow for Year i after the valuation base reference date;

F_n: Estimated equity cash flow for the last year of the forecast period;

r: Discount rate (cost of equity capital, or K_e);

n: Forecast period;

i: Year i of the forecast period;

g: Growth rate for sustainable period.

The cost of equity capital is calculated using the capital asset pricing model (CAPM) with the following formula:

$$K_e = r_f + MRP \times \beta_L + r_c$$

where: r_f: Risk-free return rate;

MRP: Market risk premium;

β_L: Systematic risk coefficient of equity;

r_c: Enterprise specific risk adjustment coefficient.

Non-operating assets and liabilities represent those not relating to production and operation of the appraised entities and not involved in forecasting its free cash flows after the valuation base reference date. Non-operating assets and liabilities of the appraised entities include deferred income tax assets, land use right of intangible assets, and deferred income tax liabilities. This valuation is conducted using the cost approach.

Long-term equity investment includes three wholly-owned companies, namely China Investment Securities (HK) Financial Holdings Limited, Lucky Stone Investment Management Co. Ltd. and China Investment

Securities Investment Co. Ltd. and one holding company, namely China Investment Tianqi Futures Co. Ltd. The market value of the long-term equity investment in this valuation is determined by the appraised value of the investee entity multiplied by the shareholding ratio after the valuation of the above four companies respectively using appropriate methods.

(2) **Market Approach**

This valuation is conducted using the listed company comparison method, with the basic valuation concept as follows:

1. to analyse the basic conditions of the target company under valuation, including the industry in which it operates, its scope of business, size and financial conditions, etc;

2. to identify comparable listed companies. The comparable companies shall have similar characteristics in terms of operation and finance with the target company under valuation;

3. to analyze and compare the major financial indicators between the company under valuation and comparable companies, mainly including financial indicators relating to various aspects such as size of assets under management, operation capability, profitability, risk management capability, and innovation capability;

4. to select an appropriate value multiplier for comparable companies, revise and adjust by adopting appropriate methods to estimate the value multiplier of the company under valuation; and

5. to determine the final equity value of the appraised entity in accordance with the value multiplier of the company under valuation by taking into consideration the discount for lack of market liquidity.

In accordance with the characteristics of the industry where CISC operates, the total equity attributable to owners of CISC shall be valued using the price to book ratio (P/B) valuation model.

The valuation formula is:

Equity value of the target company = total equity of the target company × P/B of the target company × book value of net assets per share of the target company

Where: P/B of the target company = arithmetic mean of the revised P/B of the comparable companies

Revised P/B of the comparable companies = P/B of the comparable companies× P/B revised coefficient of the comparable companies

P/B revised coefficient of the comparable companies = Π adjustment coefficient of influence Factor Ai

Adjustment coefficient of influence Factor Ai=coefficient of the target company/ coefficient of the comparable companies

VIII. IMPLEMENTATION PROCESS AND CONDITIONS OF VALUATION PROCEDURES

The assets and liabilities related to CISC were valued by our valuers from 20 August 2016 to 7 October 2016. Implementation and conditions of the major valuation procedures are set out as follows:

(1) **Acceptance of Engagement**

We entered into an agreement letter with the entrusting party on the valuation purpose, valuation target, valuation scope, valuation base reference date and other basic issues as well as rights and obligations of the parties, and drafted the valuation plan through negotiation with the entrusting party.

(2) **Preliminary Preparation**

We established a professional valuation team in accordance with the valuation scope, valuation target and time requirement of the entrusting party in this valuation, and prepared a valuation plan which sets out the specific procedures, time schedule, staff allocation and technical plan of the valuation, and conducted internal trainings.

The valuers prepared the "list of materials for asset valuation" and the corresponding requirements on materials, conducted specific trainings for the relevant staff participating in this valuation and provided guidance to the relevant staff in the company under valuation to conduct preliminary self-assessment on the assets and prepare valuation materials.

(3) **On-site Survey**

1. ***Verification of assets***

We provided guidance to the relevant staff in the company under valuation to fill in forms and prepare information required by the valuers.

Through reviewing relevant information, the valuers gained detailed understandings of the specific assets included in the valuation scope. The valuers conducted on-site surveys on certain sales departments and some properties with assistance from the relevant staff of the appraised entities, using the methods specific to different assets' natures and characteristics in accordance with the Asset Valuation Standards, with reference to the type, quantity and distribution of the assets within the valuation scope.

The valuers carefully and accurately registered and verified the assets contained in the materials lists provided by the valuers based on self-assessment of the assets by the appraised entity. Meanwhile they collected and prepared title certificates of appraised assets and the documents and information evidencing their performance, conditions as well as their economic and technical indicators.

2. ***Due diligence investigation***

A necessary due diligence investigation was carried out by the valuers to fully understand the operation and management of CISC and its risk exposure. The main scope of the due diligence includes to:

a) understand the history and evolution, substantial shareholders and shareholding ratios, necessary ownership and operation management structure of the company under valuation;

b) understand the assets, financial situation, production, operation and management status of the company under valuation;

c) understand historical operating conditions such as previous annual income, cost and expenses of the company under valuation;

d) understand the operation plan and development plan of the company under valuation;

e) understand previous valuations and transactions of the company under valuation;

f) understand the macro and regional economic factors affecting the production and operation of the company under valuation;

g) understand the industry development and outlook of the company under valuation;

h) understand the regulatory constraints of the profit distribution and risk control indicators for net capital of the company under valuation;

i) understand the risk rating and the risk capital reserve calculation ratios of the company under valuation;

j) understand the business data such as net trading commission and income from the securities brokerage business, margin financing and securities lending business, and the ranking of the company under valuation in the industry;

k) other relevant information.

(4) ***Collection of Information***

Information relevant to the valuation target was collected by valuers according to the specific situation of the particulars under evaluation, including information sourced directly from the market and other independent channels, information from the entrusting party and relevant parties, and information from government authorities, professional institutions and other relevant authorities. Such information was analysed, summarised and compiled where necessary, to form the basis for valuation and estimation.

(5) ***Valuation and Estimation***

According to the specific conditions of various types of assets, the valuers selected the corresponding formulae and parameters according to the valuation method adopted to conduct analysis, computation and judgment to arrive at the initial valuation results. Based on the summary of initial valuation results for each asset class, the project leader prepared the draft valuation report.

(6) ***Internal Review***

According to the requirements of the Administrative Measures for the Valuation Process (評估業務流程管理辦法), the project leader submitted the first proof of valuation report for client's internal review after the draft valuation report passed the first round of review of the valuer. After the completion of our internal review, a consultation paper on the valuation report was drafted by the project leader and submitted to the client for comments. Based on the feedbacks from the client, reasonable amendments were made and the finalized valuation report was submitted to the entrusting party.

IX. VALUATION ASSUMPTIONS

The assumptions adopted for analysis and estimation in this Valuation Report are as follows:

(1) **General Assumptions**

- CISC will continue its operation after the Valuation Base Reference Date;

- the management of CISC will remain responsible, stable and capable of performing their duties after the Valuation Base Reference Date, and will operate and manage CISC as planned;

- CISC will be in full compliance with all applicable laws and regulations of the PRC; and

- the economic and political climate, legal and regulatory framework and social environment of the PRC are in a normal state of development; and there will be no unforeseeable force majeure events that would materially and adversely affect the development of CISC after the Valuation Base Reference Date.

(2) **Special Assumptions**

- the accounting policies adopted by CISC after the Valuation Base Reference Date are consistent with the accounting policies adopted by CISC when preparing the valuation report in all material respects;

- the forecast on the profitability and distribution capability of CISC is based on the assumption of maximum distributable dividends of CISC, which is the maximum amount of net profits of CISC that can be declared and distributed as dividend, after deducting certain reserves according to the requirements of various risk control indicators stipulated in the "Administrative Measures for Risk Control Indicators of Securities Companies" (《證券公司風險控制指標管理辦法》) and taking into account a reasonable expectation of the future business operational development; and

- in any given forecasted year/period, the cash inflow and outflow of CISC are evenly spread out throughout such year/period.

X. VALUATION CONCLUSION

(1) Valuation Result under the Income Approach

As at the Valuation Base Reference Date, the book values of net assets of CISC was RMB14,375.174 million, CISC's net assets attributable to the parent company in the consolidated statements was RMB14,719.910 million.

The entire shareholders' equity was valued at RMB16,700.695 million under the income approach, representing an appreciation of RMB2,325.521 million or 16.18%. The P/B based on the net assets attributable to the parent company was 1.13.

(2) Valuation Result under the Market Approach

As of the Valuation Base Reference Date, the book values of net assets of CISC was RMB14,375.174 million, CISC's net assets attributable to the parent company in the consolidated statements was RMB14,719.910 million.

The entire shareholders' equity was valued at RMB16,467.060 million under the market approach, representing an appreciation of RMB2,091.886 million or 14.55%. The P/B based on the net assets attributable to the parent company was 1.12.

(3) **Valuation Conclusion**

The entire shareholders' equity was valued at RMB16,700.695 million under the income approach, while the entire shareholders' equity was valued at RMB16,467.060 million under the market approach. Accordingly, the difference is RMB233.635 million, representing a discrepancy rate of 1.42%.

The difference in the valuation results under the two approaches was mainly due to their different perspectives. The valuation result under the market approach was from the perspective of comparable market prices. The valuation result under the income approach was from the perspective of future profitability of the enterprise, which reflected the consolidated profitability of assets of the enterprise.

According to the Asset Valuation Standards Enterprise Value (資產評估準則—企業價值), in the valuation of enterprise value, different valuation approaches may be adopted to arrive at different initial valuation conclusions. Where different initial valuation conclusions are arrived at via more than one valuation approach, a reasonable conclusion shall be established after giving overall consideration to the rationality of each valuation approach and its initial valuation conclusion, as well as the quality and quantity of data used in the valuation.

Under the market approach, comparable listed companies were selected for comparing the financial data of the company under valuation against that of comparable listed companies with adjustments made where necessary. The subject economic activity was in relation to Huijin's proposed subscription for the shares to be issued by CISC with its entire equity interest in CISC and the focus was the swap of Huijin's shareholder's equity in CISC with the equity interests in the shares to be issued by CICC. CICC is listed in Hong Kong and its equity value is measured by the price of its shares listed in Hong Kong. CISC's business is substantially in Mainland China and its assets will be listed on the Hong Kong market upon completion of the subject economic activity. By reference to the above factors and practices for similar transactions, some securities companies with business in Mainland China and listed in Hong Kong were selected as major comparable companies for this valuation. However, the number of securities companies based in China that have issued H-shares is limited, the valuation under market approach suffers certain limitations. The valuation under income approach gave a comprehensive consideration to the corporate business structure, customer resources, management, operation qualifications, human capital and other factors. Therefore, the valuation conclusion arrived at under the income approach is more capable to present a fair and full reflection of the value of the entire shareholders' equity of the enterprise.

Accordingly, the valuation result under the income approach, being the value of the entire shareholders' equity of CISC of RMB16,700.695 million, was taken as the valuation conclusion.

XI. SPECIAL ISSUES EXPLANATIONS

The following issues were identified in the valuation process that might affect the valuation conclusion but they are beyond the professional practice levels and valuation capabilities of our valuers:

(1) **Application of Professional Reports**

The type and carrying amount of assets in this valuation report were based on the Audit Report on China Investment Securities Company Limited (《中國中投證券有限責任公司審計報告》) (Report Number: Tian Jian Shen 〔2016〕No. 3-587) issued by Pan-China Certified Public Accountants LLP. The opinions in the aforesaid audit report are that the financial statements of CISC have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, which fairly reflected its combined and parent company's financial positions as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, and its combined and parent company's operating results and cash flows for 2013, 2014, 2015 and the first half of 2016.

(2) **Ownership of Assets**

1. ***Properties and buildings***

A total of 13 properties and buildings of CISC, with a total gross floor area of 5,815.88 sq.m., were included in the scope of this valuation, including: ① the office building for the Haikou Longhua Road Securities Branch (海口龍華路營業部) located in No. 15 Longhua Road, Haikou, the ownership certificate for which has been obtained with the certificate number of "Haikou Fang Quan Zheng Hai Fang Zi No. 40472 (海口市房權證海房字第40472號)" and "CISC Haikou

Longhua Road Securities Branch (中投證券海口龍華路營業部)" as the owner of the building; ② 12 properties obtained by CISC from the People's Government of Shenzhen Municipality as houses for talents introduced from areas outside Shenzhen. The ownership certificates for these buildings have not been obtained as at the Valuation Base Reference Date and were pending for the introduction of relevant policies for ownership certificate application for such buildings by the government of Shenzhen.

2. ***Land use rights***

a) *Land use rights on the Land B203-0021*

On 29 June 2007, CISC and China Construction Bank Corporation Limited Shenzhen Branch (jointly as the transferees) and Shenzhen Municipal Bureau of Land Resources and Housing Management entered into a Contract for Granting Land Use Rights in Shenzhen, pursuant to which the Land Parcel No. 31-4-1 located in Futian Central District with an area of 7,095.58 sq.m. used for non-commercial housing purpose was not allowed to be used for real estate development and should be used only by itself for the joint construction of the CCB Tower. The land premium of RMB 267,731,292.00 has been settled by China Construction Bank Corporation Limited Shenzhen Branch. According to the agreement entered into between CISC and China Construction Bank Corporation Limited Shenzhen Branch on 30 January 2008, after completion of the construction of CCB Tower, it is owned 20% by CISC and 80% by China Construction Bank Corporation Limited Shenzhen Branch. As of 31 December 2010, CISC made a payment of RMB 55,943,365.81(including land premium). On 10 May 2013, the First Direct Administration Bureau of Urban Planning and Land Resources Committee of Shenzhen (深圳市規劃和國土資源委員會第一直屬管理局), China Construction Bank Corporation Limited Shenzhen Branch and CISC entered into the Second Supplemental Agreement to the Contract for Granting Land Use Rights in Shenzhen with file reference Shen Di He Zi (2006) No. 0230, pursuant to which CISC should return 20% of the land use rights and the First Direct Administration Bureau of Urban Planning and Land Resources Committee of Shenzhen should refund the land premium of RMB 43,693,747.00 for the remaining term. At the Valuation Base Reference Date, the land return mentioned above has not been completed.

b) *Land-Use Rights of T107-0071*

On 28 October 2013, the Company entered into Land Use Rights Grant Contract with file reference Shen Di He Zi (2013) No. 8018 to purchase a land parcel No. T107-0071 located at Houhai Avenue, Nanshan District, Shenzhen, for commercial and office use, with an area of 4,336.83 sq.m., which was a plot for commercial housing use. The land use right was for a term of 40 years commencing on 28 October 2013 and expiring on 27 October 2053 with a land premium of RMB 561 million. According to the Land Use Rights Grant Contract, it is agreed that the construction of the China Investment Building should be completed before 27 October 2016. "Five clearances" and ground leveling on the plot have been completed and there are no buildings and structures erected thereon. Due to changes in corporate decision, as of the Valuation Base Reference Date, the construction of the China Investment Building has been suspended and there is no development plan for the time being.

Up to the Valuation Base Reference Date, the construction of the above land parcel has not commenced while it should have be commenced before 28 October 2014 as stipulated in the Land Use Rights Grant Contract. According to Article 2 of the Measures on the Disposal of Idle Land (《閒置土地處置辦法》) (Ministry of Land and Resources Order No. 53), if the construction of a land parcel has not commenced after one year from the commencement date as agreed / prescribed in the contract for assignment of the right to the use of state-owned construction land, such action is suspected to constitute land idling, and might be exposed to the risk of being fined by the government according to the Measures on the Disposal of Idle Land. Meanwhile, the Measures on the Disposal of Idle Land also stipulates that, if the delay of commencement is caused by government acts, which can be verified, measures such as extending the time period for construction can be consulted on with the government. There are still uncertainties whether the land parcel will be identified as idle land, and this valuation has not considered relevant fees required to be paid if such land parcel being identified as idle land.

(3) Pursuant to the Notice of Comprehensive Roll-out of the Pilot Collection of Value Added Tax in Lieu of Business Tax (關於全面推開營業稅改征增值稅試點的通知) (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Administration of Taxation recently, as well as four supporting policies including the Implementing

Measures for Pilot Collection of Value-Added Tax in Lieu of Business Tax (營業稅改征增值稅試點實施辦法), the Provisions on Matters Concerning the Pilot Collection of Value-Added Tax in Lieu of Business Tax (營業稅改征增值稅試點有關事項的規定), the Provisions on the Transit Policies for the Pilot Collection of Value-Added Tax in Lieu of Business Tax (營業稅改征增值稅試點過渡政策的規定) and the Provisions on VAT Zero Rate and Tax Exemption Policy Applicable to Cross-border Taxable Activities (跨境應稅行為適用增值稅零稅率和免稅政策的規定), pilot collection of Value-Added Tax in Lieu of Business Tax was comprehensively rolled out since 1 May 2016 on a nationwide basis, where Value-Added Tax will replace Business Tax to cover all the sectors such as construction, real estate, financial services and lifestyle services that used to fall under the Business Tax regime. The finance industry is subject to a tax rate of 6%. The effects of Value-Added Tax Reform have been taken into consideration when adopting the income approach in this valuation.

Users of this valuation report should pay attention to the aforementioned effects of special issues on the conclusion of valuation.

XII. Notes of Restriction on the Use of Valuation Report

(1) This valuation report shall only be used for the valuation objectives and purposes specified herein.

(2) This valuation report shall only be used by the users of the valuation report specified herein.

(3) Before any part or all of the contents of this valuation report is extracted, quoted or disclosed to the public media, the related contents shall be reviewed by the valuation institution, unless required by the laws, regulations or otherwise agreed by the relevant parties.

(4) This valuation report must be signed by the valuer and sealed by the valuation institution before it can be officially used.

(5) This valuation report can only be officially used after being approved by the state-owned assets supervision and administration authorities.

(6) The conclusion of the valuation shown in the valuation report shall only be valid for the economic activity described herein. The validity period of the conclusion of valuation is one year commencing from the Valuation Base Reference Date.

XIII. **Valuation Report Date**

This valuation report was issued on 7 October 2016.

Legal Representative: Quan Zhongguang

Valuer: Kang Zhigang

Valuer: Liu Yuhui

Address: Floor 9, Prime Tower, No.22 Chaowai Street, Chaoyang District, Beijing, the PRC

China Enterprise Appraisals Co., Ltd.
7 October 2016

B. **Letter from the PRC Valuer**

To: Central Huijin Investment Ltd.:

In connection with the proposed acquisition of the entire equity interests in China Investment Securities Company Limited ("**CISC**") by China International Capital Corporation Limited ("**CICC**") from Central Huijin Investment Ltd. ("**Huijin**") and the issue of shares of CICC to Huijin as consideration, China Enterprise Appraisals Co., Ltd. accepted the engagement by Huijin to appraise the market value of the total equity attributable to owners of CISC as of 30 June 2016 and has issued the valuation report (valuation report reference number: 2016 No. 1350) (the "**Valuation Report**"). The Valuation Report has been approved by the Ministry of Finance (approval reference number: Cai Jin [2016] No. 94). Based on the Valuation Report, the appraisal value of the total equity attributable to owners of CISC as of 30 June 2016, adopting the income approach, was RMB16,700.695 million.

We have reviewed the financial information of CISC as of 30 September 2016 and conducted analysis on the operation of CISC during the six months ended 30 June 2016 and the three months ended 30 September 2016, and compared those with the statistics and data used in the Valuation Report. We confirm that there was no material change in the assumptions, bases and methods of valuation adopted in the Valuation Report during the period from 30 June 2016 to 30 September 2016. Accordingly, there was no material change in the appraisal value of CISC as at 30 September 2016 as compared to that set out in the Valuation Report.

China Enterprise Appraisals Co., Ltd.
4 November 2016

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

4 November 2016

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF CHINA INVESTMENT SECURITIES CORPORATION LIMITED

TO THE BOARD OF DIRECTORS OF CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED (THE "COMPANY")

We refer to the discounted future cash flows on which the business valuation (the "**Valuation**") dated 7 October 2016 prepared by 北京中企華資產評估有限責任公司 (China Enterprise Appraisals Co., Ltd.) in respect of the appraisal of the fair value of China Investment Securities Corporation Limited ("**CISC**") as at 30 June 2016 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Rule 11.1(a) of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "**Takeovers Code**").

Directors' Responsibilities

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules and Rule 10.3(b) of the Takeovers Code, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of CISC or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and Rule 10.3(b) of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants
Hong Kong

APPENDIX III — LETTER FROM FINANCIAL ADVISERS

The following is the text of a report received from the Financial Advisers for the purpose of inclusion in this announcement.

The Board of Directors
China International Capital Corporation Limited
27th and 28th Floor, China World Office 2
1 Jianguomenwai Avenue
Chaoyang District
Beijing, PRC
4 November 2016

Dear Sirs,

We refer to the announcement of China International Capital Corporation Limited (the "**Company**") dated 4 November 2016 in relation to the Proposed Acquisition which constitutes a very substantial acquisition under the Listing Rules (the "**Announcement**") and also the valuation report dated 7 October 2016 prepared by China Enterprise Appraisals Co., Ltd., the independent valuer of the Company (the "**Independent Valuer**"), in respect of the valuation of CISC (the "**Valuation**"), we understand that the Independent Valuer has applied the discounted cash flow method to implement the Valuation. The Valuation which constitutes a profit forecast (the "**Forecast**") under Rule 14.61 of the Listing Rules and Rule 10 of the Takeovers Code. Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We have discussed with the management of the Company, the management of CISC, the Independent Valuer regarding the bases and assumptions upon which the Forecast in the valuation report has been made. We have also considered the report addressed solely to and for the sole benefit of the Directors from KPMG dated 4 November 2016 set out in the Announcement regarding the calculation of discounted future estimated cash flow.

With regard to the Independent Valuer's qualifications and experience, we have conducted reasonable checks to assess the relevant qualification, experience and expertise of the Independent Valuer, including reviewing the supporting documents on the qualifications of the Independent Valuer and discussion with the Independent Valuer on their qualifications and experience.

We confirm that the assessment, review and discussion carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Independent Valuer, the Group and CISC and opinions expressed by, and representations of, the employees and/or management of the Independent Valuer, the Group and CISC. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Announcement were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation method, we are of the opinion that the bases and assumptions upon which the Valuation is based have been made with due care and objectivity, and on a reasonable basis and that the Forecast has been made with due care and consideration. We are also satisfied that the Independent Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value and market value of CISC. We have had no role or involvement and have not provided and will not provide any assessment of the fair value and market value of CISC. Nothing in this letter should be construed as an opinion or view as to the fair value, market value or any other value of CISC. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value and market value of CISC as determined by the Independent Valuer and set out in the valuation report issued by the Independent Valuer or otherwise.

We are acting as financial advisers to the Company in reviewing the Forecast and will receive fees for such advice. We and our respective directors and affiliates will, neither jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the review of the Forecast, nor will us, our respective directors or affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company.

A copy of this letter in its entirety may be reproduced in the circular on the basis that none of the Company, the Independent Valuer or any other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,
For and an behalf of

China International Capital Corporation Hong Kong Securities Limited	**ABCI Capital Limited**	
CHEN YONGREN	**LEO CHAN**	**MARCO WONG**
Executive Director	*Managing Director*	*Director*

CHINA INVESTMENT SECURITIES CORPORATION LIMITED

FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

(Prepared in accordance with International Financial Reporting Standards)

Independent auditor's report to the directors of
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the accompanying financial statements of China Investment Securities Corporation Limited ("CISC") and its subsidiaries (hereinafter collectively referred to as the "CISC Group") set out on page IV-4 to IV-114, which comprise the consolidated statements of financial position of the CISC Group as at 31 December 2013, 2014, 2015 and 30 June 2016 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the CISC Group, for each of the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. The financial statements have been prepared by the directors of CISC on the accounting policies set out in Note 2 to these financial statements.

Directors' responsibility for the financial statements

The directors of CISC are responsible for the preparation of the financial statements that give a true and fair view in accordance with the accounting policies set out in Note 2 to these financial statements and for such internal control as the directors of CISC determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with our terms of engagement dated 25 July 2016, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated financial position of the CISC Group as at 31 December 2013, 2014, 2015 and 30 June 2016 and the CISC Group's financial performance and cash flows for the Relevant Periods, in accordance with the accounting policies set out in Note 2 to these financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared for the purpose of the preparation of a circular by the directors of the China International Capital Corporation Limited in connection with the proposed acquisition of the CISC Group. As a result, the financial statements may not be suitable for another purpose.

KPMG Huazhen LLP
Beijing, China
4 November 2016

Consolidated statements of profit or loss and other comprehensive income of the CISC Group

(Expressed in Renminbi ("RMB"), unless otherwise stated)

		Year ended 31 December			Six months ended 30 June	
	Note	**2013**	**2014**	**2015**	**2015**	**2016**
					Unaudited	
Revenue						
Fee and commission income	7	2,496,146,507	3,372,960,733	8,205,941,464	4,839,861,785	1,975,699,199
Interest income	8	966,307,918	1,554,099,429	3,778,438,498	1,935,247,587	1,422,587,357
Investment income	9	182,187,733	195,023,497	483,184,561	348,100,738	68,263,713
Total revenue		3,644,642,158	5,122,083,659	12,467,564,523	7,123,210,110	3,466,550,269
Other income and gains	10	18,651,643	27,376,987	14,321,529	8,342,737	8,361,760
Total revenue and other income		3,663,293,801	5,149,460,646	12,481,886,052	7,131,552,847	3,474,912,029
Fee and commission expenses	11	335,070,937	518,882,694	1,450,742,227	841,721,516	396,238,314
Interest expenses	12	261,421,685	689,543,847	2,308,056,824	1,157,947,873	879,129,540
Staff costs	13	1,091,821,194	1,239,182,661	2,388,376,670	1,100,268,444	682,210,669
Depreciation and amortization expenses	16	113,030,375	115,281,296	118,445,459	59,250,103	60,846,321
Business tax and surcharges		163,223,617	226,768,944	552,946,453	321,505,361	110,194,764
Other operating expenses	17	668,344,449	670,027,502	769,180,914	368,265,867	292,122,209
(Reversal of)/provision for impairment losses	18	(8,581,095)	1,835,912	9,310,829	(157,939)	(485,445)
Total expenses		2,624,331,162	3,461,522,856	7,597,059,376	3,848,801,225	2,420,256,372
Operating profit		1,038,962,639	1,687,937,790	4,884,826,676	3,282,751,622	1,054,655,657
Share of (losses)/profits of associates		(998,815)	(1,302,425)	758,342	(484,757)	(1,635,391)
Profit before income tax		1,037,963,824	1,686,635,365	4,885,585,018	3,282,266,865	1,053,020,266
Less: Income tax expense	19	278,326,736	440,146,322	1,240,180,492	824,345,188	268,085,480
Profit for the year/period		759,637,088	1,246,489,043	3,645,404,526	2,457,921,677	784,934,786
Attributable to:						
Owners of CISC	20	756,680,904	1,243,921,070	3,639,377,462	2,453,765,811	783,328,201
Non-controlling interests		2,956,184	2,567,973	6,027,064	4,155,866	1,606,585

The notes on pages IV-14 to IV-114 form part of these financial statements

	Note	Year ended 31 December 2013	2014	2015	Six months ended 30 June 2015 *Unaudited*	2016
Profit for the year/period		759,637,088	1,246,489,043	3,645,404,526	2,457,921,677	784,934,786
Other comprehensive income for the year/period						
Items that may be reclassified to profit or loss in subsequent periods:						
Available-for-sale financial assets:		(2,753,777)	46,636,719	200,525,323	264,367,983	(34,916,098)
- Changes in fair value		(3,766,065)	45,099,259	213,914,439	342,196,933	(27,116,600)
- Reclassified to profit or loss as investment income		(281,759)	15,836,735	53,452,658	10,293,711	(19,438,198)
- Reclassified to profit or loss as impairment losses		376,121	1,246,298	—	—	—
- Income tax effect		917,926	(15,545,573)	(66,841,774)	(88,122,661)	11,638,700
Interest in associates:		—	2,887,164	12,658,133	9,871,375	(13,520,095)
- Share of other comprehensive income		—	3,849,552	16,877,511	13,161,834	(18,026,793)
- Income tax effect		—	(962,388)	(4,219,378)	(3,290,459)	4,506,698
Exchange differences on translation of financial statements of overseas subsidiaries		(2,339,179)	321,300	4,790,583	51,816	6,211,650
Total other comprehensive income for the year/period, net of tax		(5,092,956)	49,845,183	217,974,039	274,291,174	(42,224,543)
Total comprehensive income for the year/period		754,544,132	1,296,334,226	3,863,378,565	2,732,212,851	742,710,243
Attributable to:						
Owners of CISC		751,482,630	1,293,890,927	3,857,128,253	2,727,880,398	741,320,382
Non-controlling interests		3,061,502	2,443,299	6,250,312	4,332,453	1,389,861

The notes on pages IV-14 to IV-114 form part of these financial statements

Consolidated statements of financial position of the CISC Group

(Expressed in RMB, unless otherwise stated)

	Note	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 30 June 2016
Non-current assets					
Property and equipment	21	215,074,123	221,685,111	213,352,414	209,492,614
Intangible assets	22	36,308,103	35,689,858	50,746,946	50,735,404
Interest in associates	24	78,476,038	78,408,889	98,122,743	77,942,686
Goodwill	25	20,000,000	20,000,000	20,000,000	20,000,000
Available-for-sale financial assets	26	185,522,136	176,128,927	3,042,638,606	2,992,077,183
Held-to-maturity investments	27	—	72,435,214	72,266,618	—
Refundable deposits	28	616,784,468	658,150,449	298,250,086	163,243,206
Deferred tax assets	29	128,064,685	154,624,640	365,981,353	328,991,977
Financial assets held under resale agreements (“reverse REPOs”)	35	59,164,842	47,471,434	270,419,699	796,408,995
Other non-current assets	30	819,853,649	756,844,911	741,719,462	720,698,484
Total non-current assets		2,159,248,044	2,221,439,433	5,173,497,927	5,359,590,549
Current assets					
Accounts receivable	31	149,237,354	367,798,711	196,509,817	252,710,536
Receivable from margin clients	32	7,244,532,804	22,265,902,628	25,070,317,998	17,628,951,450
Available-for-sale financial assets	26	450,205,757	356,038,576	88,991,422	525,392,458
Financial assets at fair value through profit or loss	33	2,217,137,643	2,332,438,802	6,392,011,438	7,989,317,197
Held-to-maturity investments	27	310,393,109	30,471,823	—	70,889,372
Reverse REPOs	35	764,278,524	866,878,796	1,529,886,983	4,920,132,566
Interest receivable	36	185,251,555	246,387,578	653,407,143	937,110,895
Cash held on behalf of brokerage clients	37	15,482,805,261	31,477,404,924	48,184,863,755	40,195,573,203
Cash and bank balances	38	2,609,282,977	5,253,705,053	9,078,353,220	6,201,564,740
Other current assets	39	47,450,324	94,804,788	192,160,470	473,945,732
Total current assets		29,460,575,308	63,291,831,679	91,386,502,246	79,195,588,149
Total assets		31,619,823,352	65,513,271,112	96,560,000,173	84,555,178,698
Current liabilities					
Accounts payable to brokerage clients	41	15,552,820,291	31,533,084,356	48,378,909,457	40,353,827,723
Placements from financial institutions	42	2,570,000,000	3,063,062,500	523,625,000	303,418,500
Short-term debt securities issued	43	950,000,000	950,000,000	—	85,700,000
Financial assets sold under repurchase agreements (“REPOs”)	44	2,675,109,027	14,402,150,918	11,606,621,000	11,766,929,253
Employee benefits payable	45	440,608,177	553,339,127	1,355,928,194	1,103,808,416
Income tax payable		75,236,671	250,482,183	445,112,938	117,212,259
Long-term debt securities issued due within one year	46	—	—	2,737,020,238	2,873,560,420
Other current liabilities	47	413,612,001	779,576,493	1,090,345,748	4,315,703,981
Total current liabilities		22,677,386,167	51,531,695,577	66,137,562,575	60,920,160,552

The notes on pages IV-14 to IV-114 form part of these financial statements

	Note	At 31 December 2013	2014	2015	At 30 June 2016
Net current assets		6,783,189,141	11,760,136,102	25,248,939,671	18,275,427,597
Total assets less current liabilities		8,942,437,185	13,981,575,535	30,422,437,598	23,635,018,146
Non-current liabilities					
Long-term debt securities issued	46	—	480,020,000	9,277,392,901	8,492,099,683
REPOs	44	—	3,200,000,000	6,840,000,000	—
Employee benefits payable	45	38,272,279	75,994,902	134,120,591	65,591,721
Deferred tax liabilities	29	608,879	19,850,380	104,416,528	86,230,921
Other non-current liabilities		—	—	—	167,178,000
Total non-current liabilities		38,881,158	3,775,865,282	16,355,930,020	8,811,100,325
Net assets		8,903,556,027	10,205,710,253	14,066,507,578	14,823,917,821
Equity					
Paid-in capital	49	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Reserves	49	2,563,505,386	2,973,833,098	4,493,402,087	4,451,394,268
Retained profits		1,264,003,164	2,147,566,379	4,485,125,643	5,268,453,844
Total equity attributable to owners of CISC		8,827,508,550	10,121,399,477	13,978,527,730	14,719,848,112
Non-controlling interests		76,047,477	84,310,776	87,979,848	104,069,709
Total equity		8,903,556,027	10,205,710,253	14,066,507,578	14,823,917,821

These financial statements have been approved on 4 November 2016.

Gao Tao
Chairman of Board of Directors,
Legal Representative

Liu Jun
Vice President, Responsible for
Finance and Accounting Affairs

Shan Wenjun
General Manager of Finance and
Accounting Department

Company chop

The notes on pages IV-14 to IV-114 form part of these financial statements

Consolidated statements of changes in equity of the CISC Group

(Expressed in RMB, unless otherwise stated)

	Attributable to owners of CISC									
		Reserves								
	Paid-in capital	Capital reserve	Surplus reserve	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Note 49(a))		*(Note 49(b))*	*(Note 49(c))*	*(Note 49(d))*	*(Note 49(e))*				
At 1 January 2013	5,000,000,000	—	792,836,637	1,567,088,924	(11,158,222)	1,581,435	725,677,146	8,076,025,920	71,985,975	8,148,011,895
Profit for the year	—	—	—	—	—	—	756,680,904	756,680,904	2,956,184	759,637,088
Other comprehensive income for the year	—	—	—	—	(2,859,095)	(2,339,179)	—	(5,198,274)	105,318	(5,092,956)
Total comprehensive income for the year	—	—	—	—	(2,859,095)	(2,339,179)	756,680,904	751,482,630	3,061,502	754,544,132
Appropriation to surplus reserve	—	—	72,784,962	—	—	—	(72,784,962)	—	—	—
Appropriation to general reserves	—	—	—	145,569,924	—	—	(145,569,924)	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	1,000,000	1,000,000
At 31 December 2013	5,000,000,000	—	865,621,599	1,712,658,848	(14,017,317)	(757,744)	1,264,003,164	8,827,508,550	76,047,477	8,903,556,027
At 1 January 2014	5,000,000,000	—	865,621,599	1,712,658,848	(14,017,317)	(757,744)	1,264,003,164	8,827,508,550	76,047,477	8,903,556,027
Profit for the year	—	—	—	—	—	—	1,243,921,070	1,243,921,070	2,567,973	1,246,489,043
Other comprehensive income for the year	—	—	—	—	49,648,557	321,300	—	49,969,857	(124,674)	49,845,183
Total comprehensive income for the year	—	—	—	—	49,648,557	321,300	1,243,921,070	1,293,890,927	2,443,299	1,296,334,226
Appropriation to surplus reserve	—	—	120,119,285	—	—	—	(120,119,285)	—	—	—
Appropriation to general reserves	—	—	—	240,238,570	—	—	(240,238,570)	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	5,820,000	5,820,000
At 31 December 2014	5,000,000,000	—	985,740,884	1,952,897,418	35,631,240	(436,444)	2,147,566,379	10,121,399,477	84,310,776	10,205,710,253

The notes on pages IV-14 to IV-114 form part of these financial statements

	Attributable to owners of CISC									
		Reserves								
	Paid-in capital *(Note 49(a))*	Capital reserve	Surplus reserve *(Note 49(b))*	General reserves *(Note 49(c))*	Investment revaluation reserve *(Note 49(d))*	Foreign currency translation reserve *(Note 49(e))*	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2015	5,000,000,000	—	985,740,884	1,952,897,418	35,631,240	(436,444)	2,147,566,379	10,121,399,477	84,310,776	10,205,710,253
Profit for the year	—	—	—	—	—	—	3,639,377,462	3,639,377,462	6,027,064	3,645,404,526
Other comprehensive income for the year	—	—	—	—	212,960,208	4,790,583	—	217,750,791	223,248	217,974,039
Total comprehensive income for the year	—	—	—	—	212,960,208	4,790,583	3,639,377,462	3,857,128,253	6,250,312	3,863,378,565
Appropriation to surplus reserve	—	—	542,424,249	—	—	—	(542,424,249)	—	—	—
Appropriation to general reserves	—	—	—	759,393,949	—	—	(759,393,949)	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	55,300,000	55,300,000
Disposal of subsidiary	—	—	—	—	—	—	—	—	(57,881,240)	(57,881,240)
At 31 December 2015	5,000,000,000	—	1,528,165,133	2,712,291,367	248,591,448	4,354,139	4,485,125,643	13,978,527,730	87,979,848	14,066,507,578
At 1 January 2015	5,000,000,000	—	985,740,884	1,952,897,418	35,631,240	(436,444)	2,147,566,379	10,121,399,477	84,310,776	10,205,710,253
Profit for the period	—	—	—	—	—	—	2,453,765,811	2,453,765,811	4,155,866	2,457,921,677
Other comprehensive income for the period	—	—	—	—	274,062,771	51,816	—	274,114,587	176,587	274,291,174
Total comprehensive income for the period	—	—	—	—	274,062,771	51,816	2,453,765,811	2,727,880,398	4,332,453	2,732,212,851
Appropriation to surplus reserve	—	—	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	—	—	—	—	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	50,400,000	50,400,000
Disposal of subsidiary	—	—	—	—	—	—	—	—	(6,671,095)	(6,671,095)
At 30 June 2015 (Unaudited)	5,000,000,000	—	985,740,884	1,952,897,418	309,694,011	(384,628)	4,601,332,190	12,849,279,875	132,372,134	12,981,652,009

The notes on pages IV-14 to IV-114 form part of these financial statements

	Attributable to owners of CISC									
		Reserves								
	Paid-in capital *(Note 49(a))*	Capital reserve	Surplus reserve *(Note 49(b))*	General reserves *(Note 49(c))*	Investment revaluation reserve *(Note 49(d))*	Foreign currency translation reserve *(Note 49(e))*	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2016	5,000,000,000	—	1,528,165,133	2,712,291,367	248,591,448	4,354,139	4,485,125,643	13,978,527,730	87,979,848	14,066,507,578
Profit for the period	—	—	—	—	—	—	783,328,201	783,328,201	1,606,585	784,934,786
Other comprehensive income for the period	—	—	—	—	(48,219,469)	6,211,650	—	(42,007,819)	(216,724)	(42,224,543)
Total comprehensive income for the period	—	—	—	—	(48,219,469)	6,211,650	783,328,201	741,320,382	1,389,861	742,710,243
Appropriation to surplus reserve	—	—	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	—	—	—	—	—	—	—
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	14,700,000	14,700,000
At 30 June 2016	5,000,000,000	—	1,528,165,133	2,712,291,367	200,371,979	10,565,789	5,268,453,844	14,719,848,112	104,069,709	14,823,917,821

The notes on pages IV-14 to IV-114 form part of these financial statements

Consolidated statements of cash flows of the CISC Group

(Expressed in RMB, unless otherwise stated)

		Year ended 31 December			Six months ended 30 June	
	Note	2013	2014	2015	2015 *Unaudited*	2016
Cash flows from operating activities:						
Profit before income tax		1,037,963,824	1,686,635,365	4,885,585,018	3,282,266,865	1,053,020,266
Adjustments for:						
Interest expense on debt securities issued and other financing expenses		6,811,044	53,598,039	623,867,396	265,066,183	325,214,808
Share of losses/(profits) of associates		998,815	1,302,425	(758,342)	484,757	1,635,391
Net (gains)/losses from disposal of subsidiaries and associates		—	—	(9,512,344)	(21,081)	12,268
Depreciation and amortization expenses		113,030,375	115,281,296	118,445,459	59,250,103	60,846,321
(Reversal of)/provision for impairment losses		(8,581,095)	1,835,912	9,310,829	(157,939)	(485,445)
Net gain on disposal of property, equipment and other assets		(507,507)	(9,627,443)	(1,318,670)	(542,812)	(420,555)
Fair value loss/(gain) on financial instruments at fair value through profit or loss		46,651,422	(29,148,142)	(80,125,847)	(116,073,250)	30,856,520
Foreign exchange loss/(gain)		2,659,419	49,642	(2,496,678)	89,815	355,566
Net gains on disposal of available-for-sale investments and held-to-maturity investments		(801,500)	—	(4,303,752)	—	—
Interest income from held-to-maturity investments		(19,078,336)	(13,893,835)	(5,904,583)	(5,578,759)	(1,184,754)
Operating cash flows before movements in working capital		1,179,146,461	1,806,033,259	5,532,788,486	3,484,783,882	1,469,850,386
(Increase)/decrease in receivable from margin clients		(5,522,783,672)	(15,021,369,824)	(2,804,415,370)	(14,203,534,438)	7,441,366,548
Increase in accounts receivables, other receivables and prepayments		(20,998,018)	(266,257,670)	(166,773,202)	(374,857,457)	(608,474,276)
(Increase)/decrease in reverse REPOs		(795,884,296)	(90,906,864)	(885,956,452)	380,577,101	(3,916,234,879)
Increase in financial instruments at fair value through profit or loss		(540,858,094)	(78,328,290)	(4,056,639,685)	(1,010,495,135)	(1,627,972,171)
(Increase)/decrease in available-for-sale financial assets		(156,724,291)	148,528,455	220,212,529	(22,818,405)	(404,086,437)

The notes on pages IV-14 to IV-114 form part of these financial statements

	Note	Year ended 31 December 2013	2014	2015	Six months ended 30 June 2015 *Unaudited*	2016
Decrease/(increase) in cash held on behalf of brokerage clients		859,081,620	(15,994,599,663)	(16,707,458,831)	(43,236,088,655)	7,989,290,552
(Increase)/decrease in restricted bank deposits		(305,000,000)	(15,000,000)	(20,675,000)	220,000,000	—
(Increase)/decrease in refundable deposits		(239,987,985)	(41,365,981)	357,375,673	(115,661,612)	135,006,880
(Decrease) /increase in accounts payables to brokerage clients		(1,071,470,977)	15,980,264,065	16,845,825,101	43,316,216,957	(8,025,081,734)
Increase/(decrease) in REPOs		2,675,059,027	14,927,041,891	844,470,082	8,710,435,082	(6,679,691,747)
Increase/(decrease) in other liabilities		2,672,398,169	505,667,802	(1,806,759,055)	105,010,570	3,160,282,527
Cash (used in)/generated from operating activities, before tax		(1,268,022,056)	1,859,707,180	(2,648,005,724)	(2,746,432,110)	(1,065,744,351)
Income taxes paid		(307,066,896)	(287,764,836)	(1,238,993,307)	(525,864,458)	(565,543,690)
Net cash (used in)/ generated from operating activities		(1,575,088,952)	1,571,942,344	(3,886,999,031)	(3,272,296,568)	(1,631,288,041)
Cash flows from investing activities:						
Proceeds on disposal of property and equipment, investment property, other non-current assets and other intangible assets		2,565,115	14,956,008	3,322,748	—	1,438,053
Dividend income and interest income from available-for-sale investments and held-to-maturity investments		15,282,364	18,161,993	7,360,418	5,351,528	2,562,000
Proceeds on disposal of held-to-maturity investments		453,823,351	357,000,000	30,000,000	—	—
Proceeds on disposal of subsidiaries		—	—	118,884,918	9,856,445	505,607
Proceeds on disposal of available-for-sale investments		35,000,000	34,800,000	15,218,028	10,914,276	—
Purchases of property and equipment, investment property, other non-current assets and other intangible assets		(651,899,084)	(129,070,393)	(123,314,827)	(48,260,236)	(50,301,861)
Purchases of associates		(64,998,815)	(100,000)	(194,487,656)	(200,100,000)	(13,000,000)
Purchases of held-to-maturity investments		(564,000,000)	(150,000,000)	—	(100,000,000)	—
Purchases of available-for-sale investments		—	(16,117,794)	(2,527,360,000)	(30,220,000)	—
Net cash (used in)/generated from investing activities		(774,227,069)	129,629,814	(2,670,376,371)	(352,457,987)	(58,796,201)

The notes on pages IV-14 to IV-114 form part of these financial statements

	Note	Year ended 31 December 2013	2014	2015	Six months ended 30 June 2015 *Unaudited*	2016
Cash flows from financing activities:						
Proceeds from capital contribution by non-controlling interests		—	5,820,000	55,300,000	50,400,000	14,700,000
Proceeds from borrowings		—	4,093,062,500	297,419,000	308,943,700	—
Proceeds from issuance of short-term commercial papers		950,000,000	3,800,000,000	1,750,000,000	1,750,000,000	—
Proceeds received from subordinated bonds and corporate bonds issued		—	—	8,488,700,000	5,000,000,000	—
Proceeds from issuance of beneficial certificates		—	480,020,000	5,534,590,000	5,534,590,000	140,700,000
Payment of borrowings and debt securities issued		—	(7,400,000,000)	(5,596,946,500)	(1,162,780,000)	(961,226,000)
Interest paid		(356,248)	(51,002,940)	(164,594,062)	(36,762,575)	(380,522,672)
Cash paid relating to other financing activities		—	—	(5,616,547)	(5,616,547)	—
Net cash generated from/(used in) financing activities		949,643,752	927,899,560	10,358,851,891	11,438,774,578	(1,186,348,672)
Effect of changes in foreign exchange rate		(2,659,419)	(49,642)	2,496,678	(89,815)	(355,566)
Net (decrease)/increase in cash and cash equivalents		(1,402,331,688)	2,629,422,076	3,803,973,167	7,813,930,208	(2,876,788,480)
Cash and cash equivalents at the beginning of the year/period		3,706,614,665	2,304,282,977	4,933,705,053	4,933,705,053	8,737,678,220
Cash and cash equivalents at the end of the year/period	40	2,304,282,977	4,933,705,053	8,737,678,220	12,747,635,261	5,860,889,740
Interest received		818,388,700	1,489,186,459	3,332,159,204	1,701,084,755	1,138,883,606
Interest paid		(216,352,202)	(601,463,323)	(1,530,361,336)	(800,140,014)	(611,660,527)

The notes on pages IV-14 to IV-114 form part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB, unless otherwise stated)

1 GENERAL INFORMATION

China Investment Securities Corporation Limited ("CISC") was established on 27 September 2005 in the PRC as approved by China Securities Regulatory Commission (the "CSRC"). The registered address of CISC is 18th-21st Floors and part of the units on 4th Floor, Tower A, Rongchao Business Center, at the Junction of Yitian Road and Fuzhong Road, Futian District, Shenzhen. As at 30 June 2016, the paid-in capital of CISC is RMB 5,000,000,000.

CISC and its subsidiaries (hereinafter collectively referred to as the "CISC Group") principally engage in agency sale of securities and financial product, investment consultancy, securities underwriting and sponsorship, asset management, margin financing and securities lending and other business activities as approved by the CSRC.

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements set out in this report have been prepared in accordance with all applicable IFRSs and related interpretations, issued by the IASB. Further details of the significant accounting policies adopted are set out in Note 3. The financial statements also complies 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. For the purpose of preparing the financial statements, the CISC Group has adopted all applicable new and revised IFRSs in issue which are effective for the accounting period ended 30 June 2016 and relevant to the CISC Group for the Relevant Periods. The CISC Group has not adopted any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 30 June 2016 are set out in Note 6.

(b) Basis of measurement

The financial statements has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, 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 3 (d)(ii).

(c) Functional and presentation currency

The financial statements is presented in RMB, which is the functional currency of the CISC Group. Each entity in the CISC Group determines its own functional currency which is used to measure the items included in its financial statements, currently using the statutory currency of their registered location as the functional currency. The CISC Group translates the financial statements of subsidiaries from their respective functional currencies into the CISC Group's functional currency if the subsidiaries' functional currencies are not the same as that of the CISC Group.

(d) ***Use of estimates and judgments***

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.

Judgements 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 4.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in the financial statements.

(a) ***Basis of consolidation***

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the CISC Group. The CISC 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 CISC Group has power, only substantive rights (held by the CISC 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 CISC, and in respect of which the CISC Group has not agreed any additional terms with the holders of those interests which would result in the CISC 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 CISC 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 the equity holders of CISC. Non-controlling interests in the results of the CISC 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 Relevant Periods between non-controlling interests and the equity holders of CISC.

Changes in the CISC 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.

When the CISC 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 3(d)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3(a) (ii)).

In CISC's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3 (j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Associates and joint ventures

An associate is an entity in which the CISC Group or CISC 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 CISC Group or CISC 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 CISC 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 CISC Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3 (j)). Any acquisition-date excess over cost, the CISC Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognized in the CISC Group's profit or loss, whereas the CISC Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the CISC Group's other comprehensive income.

When the CISC Group's share of losses exceeds its interest in the associate or the joint venture, the CISC Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the CISC Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the CISC Group's interest is the carrying amount of the investment under the equity method together with the CISC Group's long-term interests that in substance form part of the CISC Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the CISC Group and its associate or joint venture are eliminated to the extent of the CISC 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.

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 CISC 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 3(d)).

In CISC's 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).

(iii) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the CISC Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(j)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Foreign currency

(i) Translation of foreign currencies

When the CISC 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.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of each of the Relevant Periods. 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 was 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.

(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 each of the Relevant Periods. 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.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with bank and other institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

(d) ***Financial instruments***

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statements of financial position when the CISC Group becomes a party to the contractual provisions of a financial instrument.

The CISC 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.

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 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 if it is designated 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;

- 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;

- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

- the separation of the embedded derivatives from the financial instrument 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 3(d)(iii)).

(3) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the CISC Group has the positive intention and ability to hold to maturity, other than

- those that the CISC 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 3(d)(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 CISC 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 CISC 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 CISC 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 CISC Group becomes entitled to the dividend (see Note 3(n)(iv)). Impairment losses are recognized in profit or loss (see Note 3(d)(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.

(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 Relevant Periods. Where other pricing models are used, inputs are based on market data at the end of the Relevant Periods.

In estimating the fair value of a financial asset and financial liability, the CISC 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 and financial liability.

The CISC Group obtains market data from the same market where the financial instrument was originated or purchased.

(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 CISC Group at the end of the Relevant Periods 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 assets 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 reorganisation;
- 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 CISC Group assesses impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. 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 flow 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) *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 judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

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 should not be reversed.

(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 CISC Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the CISC Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the CISC 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 CISC 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 statements of financial position when the CISC 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 realising 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 CISC Group. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs paid by the CISC Group for repurchasing its own equity instruments are deducted from equity.

(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 designed 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.

(e) 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.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 3(j)). Property and equipment under construction is stated at cost less impairment losses (Note 3(j)).

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.

(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. 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
Buildings	30-35 years	3%
Office equipment	3-5 years	3%
Furniture and fixtures	5 years	3%
Motor vehicles	5 years	3%
Leasehold improvements	Lease term	0%

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(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.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the CISC 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 CISC 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 CISC Group will obtain ownership of the asset, the life of the asset, as set out in Note 3(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3(j). 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 CISC 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. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) 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 3(j)).

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.

(i) Land use rights

Land use rights are recognised at cost, being the fair value at the time of the consideration paid. The rights are amortised using the straight-line basis over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings.

(j) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property and equipment (other than properties carried at revalued amounts);
- land use rights;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in CISC's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, 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 favourable 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.

(k) Provisions and contingent liabilities

A provision is recognized for other liabilities of uncertain timing or amount when the CISC Group or CISC 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.

(l) 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 CISC Group participated in the social pension schemes for employees arranged by local government labor and security authorities. The CISC 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 government 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 CISC Group's net obligation in respect of long-term employee benefits other than pension plans 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. The discount rate is the yield at the reporting date on government bonds, that have maturity dates approximating the terms of the CISC Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the CISC Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(m) 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 CISC Group's trading activity.

(n) 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 CISC Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Underwriting, sponsoring fees, financial advisory fees and investment advisory fees

Underwriting, 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 CISC 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 relevant period. 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 CISC 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.

(o) 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.

(p) 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 reporting period, 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 utilised, 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 arising from 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 utilised.

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 CISC 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 each reporting period 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 utilised. 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 CISC or the CISC 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, CISC or the CISC Group intends either to settle on a net basis, or to realise 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 realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) 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 each of the Relevant Periods are not recognized as a liability at the end of each of the Relevant Periods but disclosed separately in the notes to the financial statements.

(r) 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 CISC Group will comply with the conditions attaching to them.

Grants that compensate the CISC 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 CISC 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.

(s) Related parties

(i) A person, or a close member of that person's family, is related to the CISC Group if that person:

(1) has control or joint control over the CISC Group;

(2) has significant influence over the CISC Group; or

(3) is a member of the key management personnel of the CISC Group or the CISC Group's parent.

(ii) An entity is related to the CISC Group if any of the following conditions applies:

(1) The entity and the CISC 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 CISC Group or an entity related to the CISC Group;

(6) The entity is controlled or jointly controlled by a person identified in (i);

(7) A person identified in (i)(1) 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.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the CISC Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the CISC 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.

(u) Fiduciary activities

The CISC Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Certain assets management schemes where the CISC Group is involved as both manager and investor were consolidated by the CISC Group (Note 51(a)). Apart from that, assets held by the CISC Group and the related undertakings to return such assets to customers are not included in the consolidated statements of financial position as the risks and rewards of the assets reside with customers.

4 SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Fair value of financial instruments

As indicated in Note 3(d)(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 reporting period 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 3 (d)(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 CISC 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 CISC Group has determined that it meets the definition of financial assets and liabilities held for trading set out in Note 3 (d)(i).

- In designating financial assets or liabilities at fair value through profit or loss, the CISC Group has determined that it has met one of the criteria for this designation set out in Note 3 (d)(i).

- In classifying financial assets as held-to-maturity, the CISC 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 3 (d)(i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the CISC Group's intent and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

(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 CISC Group also takes into account other factors, such as industry and sector performance and financial information regarding the investee. The CISC Group considers a decline to be significant if the fair value of the investment drops below its initial cost by 50% or more or to be prolonged if the fair value of the investment remains below its cost for one year or longer.

(d) Impairment of receivables

Receivables that are measured at amortized cost are reviewed at the end of each reporting period 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 CISC Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a 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 each reporting period 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 CISC 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.

(g) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the CISC 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 CISC Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the CISC Group involves as the manager, the CISC 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 asset management schemes that is of such significance indicating that the CISC Group is a principal. The asset management scheme shall be consolidated if the CISC Group acts in the role of principal.

5 TAXATION

(a) Business tax and surcharges

The type of tax derived from services provided applicable to CISC and its domestic subsidiaries is business tax until 30 April 2016. The business tax rate applicable to CISC 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) Income tax

The income tax rate applicable to CISC 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.

(c) Value-added tax ("VAT") and surcharges

The services provided by CISC and its domestic subsidiaries are subject to VAT since 1 May 2016. The applicable tax rate for the services income is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

6 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods. These include the following which may be relevant to the CISC Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, Disclosure initiative	January 1, 2017
Amendments to IAS 12, Recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IFRS 15, Clarifications to IFRS 15 Revenue from contracts with customers	January 1, 2018
IFRS 15, Revenue from contracts with customers	January 1, 2018
IFRS 9, Financial instruments	January 1, 2018
IFRS 16, Leases	January 1, 2019
Amendment to IFRS 10 and IAS 28	Effective for annual periods beginning on or after a date to be determined

IFRS 9, Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the recognition in other comprehensive income of 'own credit risk' related gains and losses that are part of the fair value changes of financial liabilities designated as measured at fair value through profit or loss. In November 2013 the new requirements for general hedge accounting were added to IFRS 9. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 that are relevant to the CISC Group are:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets, and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The CISC Group is in the process of assessing the potential impact on the financial statements resulting from the adoption of IFRS 9. So far it has concluded that the adoption of IFRS 9 may have an impact on the CISC Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the CISC Group will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the CISC Group classifies and measures its financial assets, and will require the CISC Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Until a detailed review of the impact of adopting IFRS 9 is performed, the CISC Group cannot provide a reasonable estimate that quantifies the impact on its financial statements nor can it yet conclude whether that impact will be significant or not.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduced a 5 steps approach to revenue recognition:

Step 1. Identify the contract(s) with the customer.

Step 2. Identify the performance obligations in the contract.

Step 3. Determine the transaction price.

Step 4. Allocate the transaction price to the performance obligations in the contract.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The CISC 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 CISC Group's results of operations and financial position.

IFRS 16, Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognized for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

When IFRS 16 is adopted in the future, it is expected that certain portion of lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The CISC Group is in the process of assessing the potential impact on the financial statements resulting from the application of IFRS 16. Based on current leasing patterns, the directors of CISC expect the adoption of IFRS 16 as compared with the current accounting policy would result in a certain impact on the CISC Group's financial results.

There are no other new standards and amendments that are not yet effective that would be expected to have a material impact on the CISC Group.

7 FEE AND COMMISSION INCOME

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				Unaudited	
Brokerage commission income	2,277,680,459	3,072,584,031	7,404,686,507	4,341,082,595	1,515,431,279
Underwriting and sponsoring fees	118,677,720	122,579,236	423,882,413	310,576,154	291,044,569
Asset management fees	59,562,178	103,286,074	183,407,887	86,034,046	86,088,144
Financial advisory fees	17,906,160	54,626,951	174,749,703	86,945,915	73,347,132
Investment advisory fees	22,319,990	19,884,441	19,214,954	15,223,075	9,788,075
Total	2,496,146,507	3,372,960,733	8,205,941,464	4,839,861,785	1,975,699,199

8 INTEREST INCOME

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				Unaudited	
Interest income from financial institutions	477,852,209	551,197,946	1,246,455,912	519,992,119	507,621,901
Interest income from margin financing and securities lending	427,810,327	927,121,039	2,443,954,474	1,354,168,318	781,890,954
Interest income from reverse REPOs	44,791,183	66,286,537	85,612,050	59,346,011	128,792,605
Others	15,854,199	9,493,907	2,416,062	1,741,139	4,281,897
Total interest income on financial assets not at fair value through profit or loss	966,307,918	1,554,099,429	3,778,438,498	1,935,247,587	1,422,587,357

9 INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Net gains/(losses) from disposal of subsidiaries and associates	—	—	9,512,344	21,081	(12,268)
Net (losses)/gains from disposal of available-for-sale financial assets	(281,759)	15,836,735	53,452,658	10,293,711	(19,438,198)
Dividend income and interest income from available-for-sale financial assets	15,169,792	7,225,162	60,064,161	52,908,609	3,241,445
Net gains from financial instruments at fair value through profit or loss	134,868,524	202,870,365	268,477,376	279,328,281	83,241,533
Net gains/(losses) from derivative financial instruments	12,551,340	(44,802,600)	85,773,439	2,745,840	46,447
Net gains from held-to-maturity investments	19,879,836	13,893,835	5,904,583	2,803,216	1,184,754
Total	182,187,733	195,023,497	483,184,561	348,100,738	68,263,713

10 OTHER INCOME AND GAINS

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Tax refunds	2,355,517	2,885,383	5,114,047	3,631,034	3,449,185
Government grants	9,381,980	6,167,009	4,308,160	2,152,142	2,748,678
Rental income	1,325,317	2,350,096	3,135,222	1,761,952	1,353,132
Others	5,588,829	15,974,499	1,764,100	797,609	810,765
Total	18,651,643	27,376,987	14,321,529	8,342,737	8,361,760

11 FEE AND COMMISSION EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Brokerage expenses	303,863,807	484,361,338	1,386,550,062	783,409,308	326,066,426
Underwriting and sponsoring expenses	31,207,130	31,581,483	35,522,947	39,181,981	64,906,722
Investment advisory expenses	—	2,029,997	140,184	66,094	1,621,149
Financial advisory expenses	—	909,876	21,698,332	17,831,647	793,484
Asset management expenses	—	—	6,830,702	1,232,486	2,850,533
Total	335,070,937	518,882,694	1,450,742,227	841,721,516	396,238,314

12 INTEREST EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Interest expenses on accounts payable to brokerage clients	60,813,017	67,596,908	192,150,619	85,139,675	72,579,154
Interest expenses on REPOs	43,008,062	356,385,245	1,318,974,689	687,960,125	437,950,107
Interest expenses on placements from financial institutions	124,801,482	181,096,029	136,702,939	80,016,848	4,678,983
Interest expenses on commercial papers	6,811,044	53,208,371	23,963,158	21,187,899	—
Interest expenses on corporate bonds	—	—	57,630,162	—	64,820,196
Interest expenses on subordinated bonds	—	—	261,004,110	110,779,452	148,606,681
Interest expenses on beneficiary certificates	—	389,668	281,269,966	133,098,832	111,787,931
Others	25,988,080	30,867,626	36,361,181	39,765,042	38,706,488
Total interest expenses on financial liabilities not at fair value through profit or loss	261,421,685	689,543,847	2,308,056,824	1,157,947,873	879,129,540

13 STAFF COSTS

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				Unaudited	
Salaries, bonus and allowance	906,665,518	1,037,411,742	2,149,832,080	988,670,830	562,243,750
Retirement scheme contributions	63,261,660	66,967,674	75,253,081	36,228,597	41,399,879
Other social welfare	97,446,627	96,228,186	110,275,069	51,812,943	62,790,278
Other benefits	24,447,389	38,575,059	53,016,440	23,556,074	15,776,762
Total	1,091,821,194	1,239,182,661	2,388,376,670	1,100,268,444	682,210,669

The CISC Group is required to participate in pension schemes in the PRC and Hong Kong jurisdictions whereby the CISC Group is required to pay annual contributions for its employees at certain rate of the wages of employees.

14 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration is as follows:

	Year ended 31 December 2013				
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
Executive Director					
Long Zenglai	—	2,284,831	1,020,000	36,614	3,341,445
Hu Changsheng	—	1,960,777	897,600	36,614	2,894,991
Non-executive Director					
Zhang Jinghua	—	—	—	—	—
Yu Jiannan	—	—	—	—	—
Independent Non-executive Director					
He Jia	110,000	—	—	—	110,000
Jiang Yanfu	110,000	—	—	—	110,000
Supervisor					
Tian Jisi	—	1,668,686	900,000	36,614	2,605,300
Li Hui	—	—	—	—	—
Wang Yingying	—	—	—	—	—
Fu Chaoyang	—	750,431	660,000	36,614	1,447,045
Zhu Qiang	—	553,850	550,000	23,973	1,127,823
	220,000	7,218,575	4,027,600	170,429	11,636,604

Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
		Year ended 31 December 2014			
Executive Director					
Long Zenglai	—	2,292,630	—	39,658	2,332,288
Hu Changsheng	—	2,192,910	1,494,000	39,658	3,726,568
Non-executive Director					
Zhang Jinghua	—	—	—	—	—
Yu Jiannan	—	—	—	—	—
Independent Non-executive Director					
He Jia	110,000	—	—	—	110,000
Jiang Yanfu	110,000	—	—	—	110,000
Supervisor					
Tian Jisi	—	2,280,807	1,460,800	39,658	3,781,265
Li Hui	—	—	—	—	—
Wang Yingying	—	—	—	—	—
Fu Chaoyang	—	737,984	1,090,000	39,658	1,867,642
Zhu Qiang	—	536,037	930,000	25,543	1,491,580
	220,000	8,040,368	4,974,800	184,175	13,419,343

	Year ended 31 December 2015				
Name	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total remuneration**
Executive Director					
Gao Tao[1]	—	388,536	—	11,633	400,169
Long Zenglai[2]	—	1,153,608	—	20,855	1,174,463
Hu Changsheng	—	1,792,008	—	44,122	1,836,130
Non-executive Director					
Yu Jiannan	—	—	—	—	—
Zhang Jinghua[3]	—	—	—	—	—
Independent Non-executive Director					
Jiang Yanfu	110,000	—	—	—	110,000
He Jia	110,000	—	—	—	110,000
Supervisor					
Tian Jisi	—	1,644,576	—	44,122	1,688,698
Li Hui	—	—	—	—	—
Wang Yingying	—	—	—	—	—
Fu Chaoyang	—	767,884	2,277,000	44,122	3,089,006
Zhu Qiang	—	555,569	1,980,000	28,405	2,563,974
	220,000	6,302,181	4,257,000	193,259	10,972,440

1 Mr Gao Tao was appointed as Chairman of the Board of Directors and the Chairman of the Executive Board during the meeting of the Board of directors held on October 23, 2015.

2 Mr Long Zenglai resigned as Chairman of the Board of Directors and the Chairman of the Executive Board during the meeting of the Board of directors held on June 16, 2015.

3 Mr Zhang Jinhua resigned from Non-executive Director during the meeting of the Board of directors held on December 28, 2015.

Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
	Six months ended 30 June 2015 (Unaudited)				
Executive Director					
Long Zenglai	—	1,153,608	—	20,855	1,174,463
Hu Changsheng	—	972,036	—	20,855	992,891
Non-executive Director					
Yu Jiannan	—	—	—	—	—
Zhang Jinghua	—	—	—	—	—
Independent Non-executive Director					
Jiang Yanfu	55,000	—	—	—	55,000
He Jia	55,000	—	—	—	55,000
Supervisor					
Tian Jisi	—	845,415	—	20,855	866,270
Li Hui	—	—	—	—	—
Wang Yingying	—	—	—	—	—
Fu Chaoyang	—	412,811	—	20,855	433,666
Zhu Qiang	—	284,232	—	13,149	297,381
	110,000	3,668,102	—	96,569	3,874,671

Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total remuneration
	Six months ended 30 June 2016				
Executive Director					
Gao Tao	—	776,994	—	22,879	799,873
Hu Changsheng	—	704,694	—	22,879	727,573
Non-executive Director					
Yu Jiannan	—	—	—	—	—
Independent Non-executive Director					
Jiang Yanfu	55,000	—	—	—	55,000
He Jia	55,000	—	—	—	55,000
Liu Junhai[4]	30,555	—	—	—	30,555
Supervisor					
Tian Jisi[5]	—	659,980	—	19,195	679,175
Li Hui	—	—	—	—	—
Wang Yingying	—	—	—	—	—
Fu Chaoyang	—	411,447	—	22,879	434,326
Zhu Qiang	—	324,893	—	15,256	340,149
	140,555	2,878,008	—	103,088	3,121,651

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 CISC Group, or as inducement to join.

4 Mr Liu Junhai was appointed as Independent Non-executive Director during the meeting of the Board of directors held on 21 March 2016.

5 Mr Tian Jisi was retired and no longer served as the Chairman of the Supervisory Board in June 2016.

15 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2013 and 2014, the five individuals with highest emoluments include two directors and supervisors of CISC, whose emoluments are disclosed in Note 14. The emoluments for the rest of the five highest paid individuals for the year ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2015 and 2016 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Salaries and other emoluments	2,282,738	3,449,992	7,952,268	3,938,073	1,848,153
Discretionary bonuses	8,770,000	7,324,142	29,166,600	14,583,300	11,165,662
Retirement scheme contributions	84,559	104,858	220,608	88,863	90,094
Total	11,137,297	10,878,992	37,339,476	18,610,236	13,103,909

The emoluments of these individuals with the highest emoluments are within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
HKD 1,000,001 to HKD 1,500,000	—	—	—	—	3
HKD 2,000,001 to HKD 2,500,000	—	—	—	2	—
HKD 3,000,001 to HKD 3,500,000	2	—	—	1	—
HKD 3,500,001 to HKD 4,000,000	—	—	—	1	—
HKD 4,000,001 to HKD 4,500,000	—	3	—	—	1
HKD 5,500,001 to HKD 6,000,000	—	—	2	—	—
HKD 6,000,001 to HKD 6,500,000	—	—	1	—	—
HKD 6,500,001 to HKD 7,000,000	1	—	—	—	—
HKD 7,000,001 to HKD 7,500,000	—	—	1	—	1
HKD 9,000,001 to HKD 9,500,000	—	—	—	1	—
HKD 18,500,001 to HKD 19,000,000	—	—	1	—	—

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office during the Relevant Periods.

16 DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Depreciation of property and equipment	91,236,923	82,987,968	84,693,691	43,030,555	43,843,640
Amortization of intangible assets	17,184,149	16,639,337	18,202,964	8,445,146	9,228,279
Amortization of land use right	4,609,303	15,653,991	15,548,804	7,774,402	7,774,402
Total	113,030,375	115,281,296	118,445,459	59,250,103	60,846,321

17 OTHER OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Operating lease charges in respect of property and equipment	203,779,822	206,859,118	198,816,956	98,429,944	104,160,558
Business development expenses	269,369,172	249,389,580	327,914,461	150,835,640	87,644,115
Travelling and transportation expenses	33,527,356	34,453,123	36,610,298	15,286,771	15,186,938
Professional service fees	20,867,032	26,728,886	41,147,039	19,092,059	15,342,238
Utilities and maintenance	85,188,438	95,188,959	97,139,464	45,565,798	51,649,293
Securities Investor Protection Fund	18,101,450	22,038,469	47,837,342	28,315,816	11,221,916
Auditors' remuneration	1,766,971	2,978,529	1,878,549	623,226	507,390
Others	35,744,208	32,390,838	17,836,805	10,116,613	6,409,761
Total	668,344,449	670,027,502	769,180,914	368,265,867	292,122,209

18 (REVERSAL OF)/PROVISION FOR IMPAIRMENT LOSSES

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				Unaudited	
(Reversal of)/ provision for impairment losses against accounts receivable and other receivable	(8,957,216)	589,614	9,310,829	(157,939)	(485,445)
Provision for impairment losses against available-for-sale financial assets	376,121	1,246,298	—	—	—
Total	(8,581,095)	1,835,912	9,310,829	(157,939)	(485,445)

19 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				Unaudited	
Current tax					
- PRC income tax	331,638,585	463,972,737	1,438,015,690	796,860,759	233,136,313
Subtotal	331,638,585	463,972,737	1,438,015,690	796,860,759	233,136,313
Deferred tax					
- Origination and reversal of temporary differences	(53,311,849)	(23,826,415)	(197,835,198)	27,484,429	34,949,167
Total	278,326,736	440,146,322	1,240,180,492	824,345,188	268,085,480

(b) Reconciliation between income 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 Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau") and Taiwan) during the Relevant Periods. Taxes on profits assessable outside Mainland China have been calculated at the applicable rates of tax prevailing in the countries/jurisdictions in which the CISC 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 income tax expense in the consolidated statements of profit or loss and other comprehensive income is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Profit before income tax	1,037,963,824	1,686,635,365	4,885,585,018	3,282,266,865	1,053,020,266
Income tax calculated at the PRC statutory income tax rate	259,490,956	421,658,841	1,221,396,255	820,566,716	263,255,067
Non-deductible expenses	14,924,670	18,357,956	20,810,699	6,622,118	5,123,030
Non-taxable interest income	(1,361,180)	(763,544)	(791,598)	(465,608)	(314,300)
Non-taxable dividends income	(565,639)	(294,969)	(1,569,460)	(1,523,584)	(87,986)
Effect of different applicable tax rates of the subsidiaries	1,892,932	1,148,256	624,290	132,099	942,929
Tax effect of unused tax losses not recognized	3,452,946	2,700,152	2,121,601	1,580,146	1,819,311
Others	492,051	(2,660,370)	(2,411,295)	(2,566,699)	(2,652,571)
Total income tax expense	278,326,736	440,146,322	1,240,180,492	824,345,188	268,085,480

20 PROFIT ATTRIBUTABLE TO OWNERS OF CISC

The consolidated profit attributable to owners of CISC includes a profit of RMB 727,849,616, RMB 1,201,192,847, RMB 3,616,161,661, RMB 2,441,084,399 and RMB 777,478,763, which have been dealt with in the financial statements of CISC in 2013, 2014, 2015 and the six months ended 30 June 2015 and 2016, respectively.

21 PROPERTY AND EQUIPMENT

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost						
At 1 January 2013	57,177,275	412,909,015	48,502,084	193,095,741	860,631	712,544,746
Additions	2,410,086	37,393,535	6,706,720	15,602,887	16,519,404	78,632,632
Transfer during the year	—	242,150	—	13,449,512	(13,691,662)	—
Disposal	—	(21,614,746)	(5,066,171)	(49,232,185)	—	(75,913,102)
Effect of changes in foreign exchange rate	—	(88,722)	(16,537)	(86,194)	—	(191,453)
At 31 December 2013	59,587,361	428,841,232	50,126,096	172,829,761	3,688,373	715,072,823
Accumulated depreciation						
At 1 January 2013	(15,296,803)	(332,540,181)	(35,730,760)	(99,632,445)	—	(483,200,189)
Additions	(2,207,102)	(38,961,143)	(4,966,968)	(45,101,710)	—	(91,236,923)
Disposals	—	20,251,362	4,914,186	49,217,715	—	74,383,263
Effect of changes in foreign exchange rate	—	36,219	4,680	14,250	—	55,149
At 31 December 2013	(17,503,905)	(351,213,743)	(35,778,862)	(95,502,190)	—	(499,998,700)
Carrying amount						
At 31 December 2013	42,083,456	77,627,489	14,347,234	77,327,571	3,688,373	215,074,123
At 1 January 2013	41,880,472	80,368,834	12,771,324	93,463,296	860,631	229,344,557
Cost						
At 1 January 2014	59,587,361	428,841,232	50,126,096	172,829,761	3,688,373	715,072,823
Additions	1,467,126	32,628,049	10,878,428	17,663,083	31,230,995	93,867,681
Transfer during the year	—	1,636,092	—	29,308,938	(30,945,030)	—
Disposal	(2,747,813)	(44,997,352)	(7,503,550)	(31,350,057)	—	(86,598,772)
Effect of changes in foreign exchange rate	—	2,687	1,808	1,520	—	6,015
At 31 December 2014	58,306,674	418,110,708	53,502,782	188,453,245	3,974,338	722,347,747

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Accumulated depreciation						
At 1 January 2014	(17,503,905)	(351,213,743)	(35,778,862)	(95,502,190)	—	(499,998,700)
Additions	(2,256,127)	(35,121,637)	(5,679,662)	(39,930,542)	—	(82,987,968)
Disposals	784,708	42,995,710	7,224,658	31,319,672	—	82,324,748
Effect of changes in foreign exchange rate	—	(31)	(251)	(434)	—	(716)
At 31 December 2014	(18,975,324)	(343,339,701)	(34,234,117)	(104,113,494)	—	(500,662,636)
Carrying amount						
At 31 December 2014	39,331,350	74,771,007	19,268,665	84,339,751	3,974,338	221,685,111
At 1 January 2014	42,083,456	77,627,489	14,347,234	77,327,571	3,688,373	215,074,123
Cost						
At 1 January 2015	58,306,674	418,110,708	53,502,782	188,453,245	3,974,338	722,347,747
Additions	—	44,886,892	12,954,402	6,976,053	14,564,074	79,381,421
Transfer during the year	—	896,157	—	15,964,457	(16,860,614)	—
Disposal	—	(31,396,724)	(11,497,086)	(27,540,856)	—	(70,434,666)
Effect of changes in foreign exchange rate	—	304,703	32,739	303,040	—	640,482
At 31 December 2015	58,306,674	432,801,736	54,992,837	184,155,939	1,677,798	731,934,984
Accumulated depreciation						
At 1 January 2015	(18,975,324)	(343,339,701)	(34,234,117)	(104,113,494)	—	(500,662,636)
Additions	(2,200,258)	(37,511,492)	(6,300,761)	(38,681,180)	—	(84,693,691)
Disposals	—	29,996,729	10,893,002	26,360,960	—	67,250,691
Effect of changes in foreign exchange rate	—	(216,324)	(23,708)	(236,902)	—	(476,934)
At 31 December 2015	(21,175,582)	(351,070,788)	(29,665,584)	(116,670,616)	—	(518,582,570)
Carrying amount						
At 31 December 2015	37,131,092	81,730,948	25,327,253	67,485,323	1,677,798	213,352,414
At 1 January 2015	39,331,350	74,771,007	19,268,665	84,339,751	3,974,338	221,685,111

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost						
At 1 January 2016	58,306,674	432,801,736	54,992,837	184,155,939	1,677,798	731,934,984
Additions	—	26,769,715	927,396	4,695,092	8,553,498	40,945,701
Transfer during the Period	—	106,659	—	5,050,207	(5,156,866)	—
Disposal	—	(10,584,446)	(261,600)	(8,301,955)	—	(19,148,001)
Effect of changes in foreign exchange rate	—	107,552	11,315	106,860	—	225,727
At 30 June 2016	58,306,674	449,201,216	55,669,948	185,706,143	5,074,430	753,958,411
Accumulated depreciation						
At 1 January 2016	(21,175,582)	(351,070,788)	(29,665,584)	(116,670,616)	—	(518,582,570)
Additions	(1,100,129)	(22,684,110)	(3,621,541)	(16,437,860)	—	(43,843,640)
Disposal	—	9,596,469	253,752	8,301,955	—	18,152,176
Effect of changes in foreign exchange rate	—	(86,700)	(9,796)	(95,267)	—	(191,763)
At 30 June 2016	(22,275,711)	(364,245,129)	(33,043,169)	(124,901,788)	—	(544,465,797)
Carrying amount						
At 30 June 2016	36,030,963	84,956,087	22,626,779	60,804,355	5,074,430	209,492,614
At 1 January 2016	37,131,092	81,730,948	25,327,253	67,485,323	1,677,798	213,352,414

22 INTANGIBLE ASSETS

	Securities trading seat rights	Software	Total
Cost			
At 1 January 2013	36,854,900	71,511,917	108,366,817
Additions	—	10,603,024	10,603,024
Disposals	—	(1,033,029)	(1,033,029)
Effect of changes in foreign exchange rate	(24,700)	(34,837)	(59,537)
At 31 December 2013	36,830,200	81,047,075	117,877,275
Accumulated amortization			
At 1 January 2013	(25,602,608)	(39,281,817)	(64,884,425)
Additions	(3,604,315)	(13,579,834)	(17,184,149)
Disposals	—	490,790	490,790
Effect of changes in foreign exchange rate	—	8,612	8,612
At 31 December 2013	(29,206,923)	(52,362,249)	(81,569,172)
Carrying amount			
At 31 December 2013	7,623,277	28,684,826	36,308,103
At 1 January 2013	11,252,292	32,230,100	43,482,392
Cost			
At 1 January 2014	36,830,200	81,047,075	117,877,275
Additions	—	16,432,337	16,432,337
Disposals	—	(1,897,029)	(1,897,029)
Effect of changes in foreign exchange rate	2,700	3,758	6,458
At 31 December 2014	36,832,900	95,586,141	132,419,041
Accumulated amortization			
At 1 January 2014	(29,206,923)	(52,362,249)	(81,569,172)
Additions	(3,604,315)	(13,035,022)	(16,639,337)
Disposals	—	1,479,691	1,479,691
Effect of changes in foreign exchange rate	—	(365)	(365)
At 31 December 2014	(32,811,238)	(63,917,945)	(96,729,183)
Carrying amount			
At 31 December 2014	4,021,662	31,668,196	35,689,858
At 1 January 2014	7,623,277	28,684,826	36,308,103

	Securities trading seat rights	Software	Total
Cost			
At 1 January 2015	36,832,900	95,586,141	132,419,041
Additions	—	33,179,456	33,179,456
Disposals	—	(28,000)	(28,000)
Effect of changes in foreign exchange rate	48,900	80,602	129,502
At 31 December 2015	36,881,800	128,818,199	165,699,999
Accumulated amortization			
At 1 January 2015	(32,811,238)	(63,917,945)	(96,729,183)
Additions	(3,061,929)	(15,141,035)	(18,202,964)
Disposals	—	28,000	28,000
Effect of changes in foreign exchange rate	—	(48,906)	(48,906)
At 31 December 2015	(35,873,167)	(79,079,886)	(114,953,053)
Carrying amount			
At 31 December 2015	1,008,633	49,738,313	50,746,946
At 1 January 2015	4,021,662	31,668,196	35,689,858
Cost			
At 1 January 2016	36,881,800	128,818,199	165,699,999
Additions	—	9,191,541	9,191,541
Disposals	—	—	—
Effect of changes in foreign exchange rate	16,900	29,158	46,058
At 30 June 2016	36,898,700	138,038,898	174,937,598
Accumulated amortization			
At 1 January 2016	(35,873,167)	(79,079,886)	(114,953,053)
Additions	(170,833)	(9,057,446)	(9,228,279)
Disposals	—	—	—
Effect of changes in foreign exchange rate	—	(20,862)	(20,862)
At 30 June 2016	(36,044,000)	(88,158,194)	(124,202,194)
Carrying amount			
At 30 June 2016	854,700	49,880,704	50,735,404
At 1 January 2016	1,008,633	49,738,313	50,746,946

23 INTEREST IN SUBSIDIARIES

	At 31 December			At 30 June
	2013	2014	2015	2016
Unlisted shares, at cost	1,407,733,618	1,407,733,618	1,407,733,618	1,676,197,618

Particulars of CISC's principal subsidiaries are as follows:

Name of company	Note	Place of incorporation and operation	Paid up capital	Equity interest held by CISC as at 31 December			Equity interest held by CISC as at 30 June	Principal activity	Auditor
				2013	2014	2015	2016		
China Investment Tianqi Futures Co. Ltd. 中投天琪期貨有限公司	1,2	Shenzhen, PRC	RMB 300,000,000	80%	80%	80%	80%	Commodity futures brokerage, financial futures brokerage, fund sales and asset management	Pan-China Certified Public Accountants LLP
China Securities Lucky Stone Capital Management Co. Ltd. 中投瑞石投資管理有限責任公司	1,2	Shenzhen, PRC	RMB 500,000,000	100%	100%	100%	100%	Direct investment, financial advisory relating to equity investment	Pan-China Certified Public Accountants LLP
China Investment Securities (HK) Financial Holding Limited	3,4	Hong Kong	HKD 500,000,000	100%	100%	100%	100%	Securities brokerage, asset management, research and analysis	Elite Partners CPA Limited
China Investment Securities Investment Co. Ltd. 中投證券投資有限公司	1,2	Tianjin, PRC	RMB 500,000,000	100%	100%	100%	100%	Financial products investment, financial advisory relating to equity investment, direct investment, and asset management	Pan-China Certified Public Accountants LLP

Note:

1. The English translation of the names is for reference only. The official names of these entities are in Chinese.
2. The statutory auditor of these subsidiaries for the year ended 31 December 2013 was BDO China Shu Lun Pan Certified Public Accountants LLP. And the statutory auditor of these subsidiaries of the CISC Group for the year ended 31 December 2014 and 2015 was Pan-China Certified Public Accountants LLP.
3. The statutory auditor of this subsidiary for the year ended 31 December 2013 was SHINEWING (HK) CPA Limited. And the statutory auditor of this subsidiary was Elite Partners CPA Limited for the year ended 31 December 2014 and 2015.
4. The paid up capital of China Investment Securities (HK) Financial Holding Limited was changed from HKD 180 million to HKD 500 million, due to the increased investments of HKD 160 million and HKD 160 million from CISC on 30 March 2016 and 27 April 2016, respectively.

The CISC Group's subsidiaries have no material non-controlling interests ("NCI").

The following tables summarises the information of the total NCI:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Net assets attributable to NCI	76,047,477	84,310,776	87,979,848	104,069,709
Profit allocated to NCI	2,956,184	2,567,973	6,027,064	1,606,585
Other comprehensive income allocated to NCI	105,318	(124,674)	223,248	(216,724)
Total comprehensive income allocated to NCI	3,061,502	2,443,299	6,250,312	1,389,861

24 INTEREST IN ASSOCIATES

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Share of net assets				
- Associates	78,476,038	78,408,889	98,122,743	77,942,686
Total	78,476,038	78,408,889	98,122,743	77,942,686

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest as at 30 June 2016			
Name of associate	**Form of business structure**	**Place of incorporation operation**	**Particulars of issued and paid up capital**	**CISC Group's effective interest**	**Held by CISC**	**Held by a subsidiary**	**Principal activity**
中投長春國家光電信息創業投資基金(有限合夥) ("Electronical Information Fund")	Limited partnership	Changchun, PRC	RMB 250,000,000	21%	—	21%	Direct Investment business

The summary financial information of the CISC Group's material associate and the reconciliation between the financial information of these associates and their carrying amounts in the CISC Group's financial statements are disclosed below:

(a) Electronical Information Fund

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Financial information of the associate				
- Assets	172,581,451	267,663,661	347,146,199	259,519,612
- Liabilities	85,000	10,000	10,000	—
- Net assets	172,496,451	267,653,661	347,136,199	259,519,612
- Operating income	1,391,160	6,133,453	4,129,246	669,172
- Net loss	(3,549)	(673,990)	(886,562)	(1,810,677)
- Other comprehensive income	—	18,331,200	80,369,100	(85,805,910)
- Total comprehensive income	(3,549)	17,657,210	79,482,538	(87,616,587)
Reconciled to the CISC Group's interests in the associate:				
Gross amounts of net assets of the associate	172,496,451	267,653,661	347,136,199	259,519,612
CISC Group's effective interest	30.43%	21%	21%	21%
CISC Group's share of net assets of the associate	52,490,670	56,207,269	72,898,602	54,499,119
Other adjustment	8,301	(161,770)	(161,770)	(161,770)
Carrying amount in the financial statements	52,498,971	56,045,499	72,736,832	54,337,349

(b) Aggregate information of individually immaterial associates:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Aggregate carrying amount of individually immaterial associates in the financial statements	25,977,067	22,363,390	25,385,911	23,605,338
Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates				
- (Losses)/profits for the year / period	(997,787)	(999,401)	944,520	(1,255,149)
- Total comprehensive income	(997,787)	(999,401)	944,520	(1,262,701)

25 GOODWILL

	At 31 December			At 30 June
	2013	2014	2015	2016
Cost	20,000,000	20,000,000	20,000,000	20,000,000
Less:Provision for impairment losses	—	—	—	—
Carrying amount	20,000,000	20,000,000	20,000,000	20,000,000

Impairment testing on goodwill

Goodwill is allocated to the CISC Group's CGU identified according to operating segment as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
Futures brokerage	20,000,000	20,000,000	20,000,000	20,000,000

The CISC Group acquired the entire equity interest in Tianqi Futures Co., Ltd. in 2008. The CISC Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for the risk of the specific CGU.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the CISC Group performed its goodwill impairment test. No impairment losses were recognized for the goodwill related to the futures brokerage CGU since the recoverable amount was greater than its carrying amount.

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current	**At 31 December**			**At 30 June**
	2013	**2014**	**2015**	**2016**
Equity investments	157,360,001	141,392,071	454,999,279	436,782,882
Asset management schemes	28,162,135	34,736,856	2,587,639,327	2,555,294,301
Less: Provision for impairment losses	—	—	—	—
Total	185,522,136	176,128,927	3,042,638,606	2,992,077,183
Analyzed into:				
Unlisted	185,522,136	176,128,927	3,042,638,606	2,992,077,183
Total	185,522,136	176,128,927	3,042,638,606	2,992,077,183

Current	**At 31 December**			**At 30 June**
	2013	**2014**	**2015**	**2016**
Equity investments	51,134,476	79,063,939	6,051,836	3,659,510
Funds	200,521,878	76,766,332	345,607	33,128
Trust schemes	178,780,000	10,000,000	—	—
Wealth management products	4,012,931	191,839,658	—	296,717,689
Asset management schemes	16,141,527	—	83,087,019	225,475,171
Less: Provision for impairment losses	(385,055)	(1,631,353)	(493,040)	(493,040)
Total	450,205,757	356,038,576	88,991,422	525,392,458
Analyzed into:				
Listed outside Hong Kong	50,749,420	154,198,919	5,904,403	3,199,598
Unlisted	399,456,337	201,839,657	83,087,019	522,192,860
Total	450,205,757	356,038,576	88,991,422	525,392,458

CISC has entered into the agreement with China Securities Finance Corporation Limited ("CSF"), and made an investment in the funds managed by CSF at a cost of RMB 2,497,140,000 in September 2015. Risk and income arising from the investment shall be shared by all securities companies according to the proportion of their respective contribution. As at 31 December 2015 and at 30 June 2016, the investment reports provided by CSF were used to determine the fair value of the investment.

27 *Held-to-maturity Investment*

Non-current	**At 31 December**			**At 30 June**
	2013	**2014**	**2015**	**2016**
Debt securities	—	72,435,214	72,266,618	—
Total	—	72,435,214	72,266,618	—
Analyzed as:				
Listed outside Hong Kong (i)	—	72,435,214	72,266,618	—
Total	—	72,435,214	72,266,618	—

Current	**At 31 December**			**At 30 June**
	2013	**2014**	**2015**	**2016**
Debt securities	310,393,109	30,471,823	—	70,889,372
Total	310,393,109	30,471,823	—	70,889,372
Analyzed as:				
Listed outside Hong Kong (i)	310,393,109	30,471,823	—	70,889,372
Total	310,393,109	30,471,823	—	70,889,372

Notes:

i As at 31 December 2013, 2014, 2015 and 30 June 2016, the securities listed outside Hong Kong were government debt securities and subordinated bond listed on Shanghai Stock Exchange and debt securities traded on inter-bank market.

28 REFUNDABLE DEPOSITS

	At 31 December			At 30 June
	2013	2014	2015	2016
Self-owned refundable deposits	561,934,374	579,760,427	31,279,940	32,454,197
Refundable deposits held on behalf of clients	54,850,094	78,390,022	266,970,146	130,789,009
Total	616,784,468	658,150,449	298,250,086	163,243,206

Refundable deposits are mainly placed at China Securities Depository and Clearing Corporation Limited, futures exchanges, CSF, Hong Kong Futures Exchange Clearing Corporation Limited and Hong Kong Securities Clearing Corporation.

29 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 Relevant Periods are as follows:

					31 December 2013		
	1 January 2013	Credited /(charged) to profit or loss	(Charged) /credited to equity	Exchange differences in translation of financial statements of overseas subsidiaries	Deferred tax, net	Deferred tax assets	Deferred tax Liabilities
Deferred tax arising from:							
Staff costs	68,980,476	45,271,154	—	—	114,251,630	114,251,630	—
Changes in fair values of financial instruments at fair value through profit or loss	(5,027,982)	11,417,194	—	—	6,389,212	6,709,476	(320,264)
Changes in fair values of available-for-sale financial assets	2,641,692	—	917,926	—	3,559,618	3,848,233	(288,615)
Impairment losses	5,008,612	(2,149,599)	—	—	2,859,013	2,859,013	—
Others	1,623,233	(1,226,900)	—	—	396,333	396,333	—
Total	73,226,031	53,311,849	917,926	—	127,455,806	128,064,685	(608,879)

31 December 2014

	1 January 2014	Credited /(charged) to profit or loss	Charged to equity	Exchange differences in translation of financial statements of overseas subsidiaries	Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax arising from:							
Staff costs	114,251,630	37,103,945	—	—	151,355,575	151,355,575	—
Changes in fair values of financial instruments at fair value through profit or loss	6,389,212	(8,144,643)	—	—	(1,755,431)	—	(1,755,431)
Changes in fair values of available-for-sale financial assets	3,559,618	—	(15,545,573)	—	(11,985,955)	—	(11,985,955)
Impairment losses	2,859,013	410,052	—	—	3,269,065	3,269,065	—
Others	396,333	(5,542,939)	(962,388)	—	(6,108,994)	—	(6,108,994)
Total	127,455,806	23,826,415	(16,507,961)	—	134,774,260	154,624,640	(19,850,380)

31 December 2015

	1 January 2015	Credited /(charged) to profit or loss	Charged to equity	Exchange differences in translation of financial statements of overseas subsidiaries	Deferred tax, net	Deferred tax assets	Deferred tax Liabilities
Deferred tax arising from:							
Staff costs	151,355,575	210,217,994	—	—	361,573,569	361,573,569	—
Changes in fair values of financial instruments at fair value through profit or loss	(1,755,431)	(18,761,250)	—	16,519	(20,500,162)	—	(20,500,162)
Changes in fair values of available-for-sale financial assets	(11,985,955)	—	(66,841,774)	—	(78,827,729)	(342,832)	(78,484,897)
Impairment losses	3,269,065	1,138,720	—	—	4,407,785	4,407,785	—
Others	(6,108,994)	5,239,734	(4,219,378)	—	(5,088,638)	342,831	(5,431,469)
Total	134,774,260	197,835,198	(71,061,152)	16,519	261,564,825	365,981,353	(104,416,528)

	1 January 2016	(Charged)/credited to profit or loss	Credited to equity	Exchange differences in translation of financial statements of overseas subsidiaries	30 June 2016 Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax arising from:							
Staff costs	361,573,569	(74,808,424)	—	—	286,765,145	286,765,145	—
Changes in fair values of financial instruments at fair value through profit or loss	(20,500,162)	6,665,357	—	—	(13,834,805)	—	(13,834,805)
Changes in fair values of available-for-sale financial assets	(78,827,729)	—	11,638,700	—	(67,189,029)	4,241,527	(71,430,556)
Impairment losses	4,407,785	(659,054)	—	—	3,748,731	3,748,731	—
Others	(5,088,638)	33,852,954	4,506,698	—	33,271,014	34,236,574	(965,560)
Total	261,564,825	(34,949,167)	16,145,398	—	242,761,056	328,991,977	(86,230,921)

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 3(p), the CISC Group has not recognized deferred tax assets in respect of tax losses amounted to RMB 3 million, RMB 3 million, RMB 2 million and RMB 2 million during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively.

Deferred tax assets not recognized in respect of tax losses are mainly attributable to certain overseas subsidiaries of the CISC Group engaged in investment banking and securities brokerage business.

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. Deferred tax asset will be recognized for the carry forward of unused tax losses of these subsidiaries to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

30 OTHER NON-CURRENT ASSETS

	At 31 December			At 30 June
	2013	2014	2015	2016
Land use rights	605,384,660	606,560,669	591,011,865	583,237,463
Prepayment of rental fees	109,881,605	82,700,829	61,672,738	44,756,001
Rental deposits	29,661,388	30,822,758	33,512,126	38,651,248
Others	77,063,203	39,685,776	59,187,767	58,493,355
Less: Provision for impairment loss	(2,137,207)	(2,925,121)	(3,665,034)	(4,439,583)
Total	819,853,649	756,844,911	741,719,462	720,698,484

31 ACCOUNTS RECEIVABLE

(a) Analysed by nature:

	At 31 December			At 30 June
	2013	2014	2015	2016
Unsettled clearing funds receivable	24,584,357	229,270,236	93,246,156	146,229,368
Trading seat rental fees receivable	47,326,623	68,999,830	77,879,896	70,350,415
Asset management fees receivable	6,627,755	12,089,184	17,121,483	28,583,159
Underwriting and advisory fees receivable	1,010,800	5,470,000	3,598,801	1,949,029
Others	78,596,236	60,506,450	13,286,689	15,419,076
Less: Provision for impairment losses	(8,908,417)	(8,536,989)	(8,623,208)	(9,820,511)
Total	149,237,354	367,798,711	196,509,817	252,710,536

(b) Analysed by aging:

	At 31 December 2013			
	Gross amount		Provision for impairment losses	
	Amount	*%*	*Amount*	*%*
Within 1 year (inclusive)	126,274,461	79.84%	(397,934)	4.47%
1-2 years (inclusive)	4,018,534	2.54%	(187,509)	2.10%
2-3 years (inclusive)	1,384,879	0.88%	(147,692)	1.66%
More than 3 years	26,467,897	16.74%	(8,175,282)	91.77%
Total	158,145,771	100.00%	(8,908,417)	100.00%

	At 31 December 2014			
	Gross amount		Provision for impairment losses	
	Amount	*%*	*Amount*	*%*
Within 1 year (inclusive)	329,794,457	87.63%	(550,729)	6.45%
1-2 years (inclusive)	23,575,098	6.26%	(1,184,092)	13.87%
2-3 years (inclusive)	3,261,195	0.87%	(298,508)	3.50%
More than 3 years	19,704,950	5.24%	(6,503,660)	76.18%
Total	376,335,700	100.00%	(8,536,989)	100.00%

	At 31 December 2015			
	Gross amount		Provision for impairment losses	
	Amount	*%*	*Amount*	*%*
Within 1 year (inclusive)	176,385,148	85.98%	(2,077,671)	24.09%
1-2 years (inclusive)	8,114,685	3.96%	(515,439)	5.98%
2-3 years (inclusive)	3,354,297	1.64%	(335,430)	3.89%
More than 3 years	17,278,895	8.42%	(5,694,668)	66.04%
Total	205,133,025	100.00%	(8,623,208)	100.00%

	At 30 June 2016			
	Gross amount		Provision for impairment losses	
	Amount	*%*	*Amount*	*%*
Within 1 year (inclusive)	231,445,930	88.16%	(2,686,513)	27.36%
1-2 years (inclusive)	4,884,136	1.86%	(346,766)	3.53%
2-3 years (inclusive)	8,430,532	3.21%	(945,097)	9.62%
More than 3 years	17,770,449	6.77%	(5,842,135)	59.49%
Total	262,531,047	100.00%	(9,820,511)	100.00%

(c) Analysis of the movement of provision for impairment losses:

	Year ended 31 December			Six months ended 30 June
	2013	**2014**	**2015**	**2016**
At the beginning of the year/ period	9,958,755	8,908,417	8,536,989	8,623,208
(Reversal of)/provided for the year/period	(1,050,338)	(371,428)	86,219	1,197,303
At the end of the year / period	8,908,417	8,536,989	8,623,208	9,820,511

32 RECEIVABLE FROM MARGIN CLIENTS

(a) Analyzed by nature:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Individuals	6,891,839,095	21,857,434,498	24,710,572,090	17,344,954,219
Institutions	352,693,709	408,468,130	359,745,908	283,997,231
Total	7,244,532,804	22,265,902,628	25,070,317,998	17,628,951,450

(b) Analyzed by fair value of collaterals:

	Fair value of collaterals			
	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Funds	16,854,529,754	54,588,054,975	72,741,117,515	53,048,537,634
Cash	517,810,428	2,608,973,795	5,554,030,053	4,054,938,833
Stocks	71,946,465	1,443,418,271	1,540,587,361	1,311,492,256
Debt securities	13,500,503	12,019,048	2,680,158	2,234,441
Total	17,457,787,150	58,652,466,089	79,838,415,087	58,417,203,164

The CISC Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client. As at 31 December 2013, 2014, 2015 and 30 June 2016, no provision for impairment losses was made on receivable from margin clients of the CISC Group.

33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analyzed by type:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Financial asset held for trading:				
- Equity investments	101,790,136	73,398,939	466,855,483	704,936,653
- Debt securities	1,656,348,437	1,734,612,797	4,960,944,675	6,104,393,422
- Funds	230,812,617	524,427,066	964,211,280	979,987,122
- Wealth management products	212,366,904	—	—	—
- Asset management schemes	15,819,549	—	—	—
Financial assets designated as at fair value through profit or loss				
- Debt securities	—	—	—	200,000,000
Total	2,217,137,643	2,332,438,802	6,392,011,438	7,989,317,197

(b) Analyzed by listing status:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Listed				
- Outside Hong Kong	1,776,586,469	1,812,011,735	5,436,421,258	6,818,999,461
Unlisted	440,551,174	520,427,067	955,590,180	1,170,317,736
Total	2,217,137,643	2,332,438,802	6,392,011,438	7,989,317,197

34 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	At 31 December 2013		
	Nominal value	**Fair value**	
		Assets	*Liabilities*
Equity contracts			
- Stock index futures	100,041,840	660,000	—
Total	100,041,840		
Less: settlement		(660,000)	—
Net position		—	—

	At 31 December 2014		
	Nominal value	**Fair value**	
		Assets	*Liabilities*
Equity contracts			
- Stock index futures	155,754,120	—	(6,826,980)
Total	155,754,120		
Less: settlement		—	6,826,980
Net position		—	—

There was no derivative financial assets/liabilities held/bore by the CISC Group as at 31 December 2015 and 30 June 2016.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the CISC Group's position in stock index futures in Mainland China are settled daily and the corresponding receipts and payments are included in "deposits with clearing houses". Accordingly, the net position of the above contracts was nil as at 31 December 2013 and 2014.

35 REVERSE REPOS

(a) Analyzed by collateral type:

Non-current

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Equity securities	59,164,842	47,471,434	270,419,699	796,408,995

Current

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Debt securities	358,852,375	48,001,450	1,106,501,531	597,800,000
Equity securities	405,426,149	818,877,346	423,385,452	4,322,332,566
Total	764,278,524	866,878,796	1,529,886,983	4,920,132,566

(b) Analyzed by market:

Non-current

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Stock exchanges	59,164,842	47,471,434	270,419,699	796,408,995

Current

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Inter-bank market	49,352,255	—	—	—
Stock exchanges	714,926,269	866,878,796	1,529,886,983	4,920,132,566
Total	764,278,524	866,878,796	1,529,886,983	4,920,132,566

The CISC Group evaluates the collectability of Reverse REPOs, as at 31 December 2013, 2014, 2015 and 30 June 2016, no provision for impairment losses was made on s Reverse REPOs of the CISC Group.

36 INTEREST RECEIVABLE

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Interest receivable from debt securities	33,367,381	44,676,230	98,125,428	143,142,975
Interest receivable from reverse REPOs	15,964,265	14,882,217	7,944,306	19,680,758
Interest receivable from margin financing and securities lending	91,878,330	141,444,517	505,362,367	738,574,162
Others	44,041,579	45,384,614	41,975,042	35,713,000
Total	185,251,555	246,387,578	653,407,143	937,110,895

37 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The CISC Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of brokerage business. The CISC Group has classified its clients' monies as cash held on behalf of brokerage clients under the current assets of the consolidated statements of financial position and recognized the corresponding accounts payable to the respective clients on the grounds that the CISC Group is liable for any loss or misappropriation of its clients' monies. In the PRC, the use of clients' monies are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the use of clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

38 CASH AND BANK BALANCES

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Cash on hand	544,945	405,643	472,152	1,100,531
Deposits with banks	2,282,725,860	4,270,896,010	7,960,585,319	5,739,312,680
Deposits with clearing houses	326,012,172	982,403,400	1,117,295,749	461,151,529
Total	2,609,282,977	5,253,705,053	9,078,353,220	6,201,564,740

39 OTHER CURRENT ASSETS

	At 31 December			At 30 June
	2013	2014	2015	2016
Deferred expenses	42,978,567	36,405,231	52,062,772	40,857,574
Prepayments of subscription of shares and bonds	—	—	31,621,800	316,596,800
Others	4,477,129	58,578,057	113,368,995	118,927,158
Less: Provision for impairment loss	(5,372)	(178,500)	(4,893,097)	(2,435,800)
Total	47,450,324	94,804,788	192,160,470	473,945,732

40 CASH AND CASH EQUIVALENTS

	At 31 December			At 30 June
	2013	2014	2015	2016
Cash on hand	544,945	405,643	472,152	1,100,531
Deposits with banks	2,282,725,860	4,270,896,010	7,960,585,319	5,739,312,680
Deposits with clearing houses	326,012,172	982,403,400	1,117,295,749	461,151,529
Less: Fixed or restricted bank deposits	(305,000,000)	(320,000,000)	(340,675,000)	(340,675,000)
Total	2,304,282,977	4,933,705,053	8,737,678,220	5,860,889,740

The fixed or restricted bank deposits mainly include bank deposits with original maturity of over three months held by the CISC Group.

41 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	At 31 December			At 30 June
	2013	2014	2015	2016
Clients' deposits for brokerage trading	14,992,405,898	28,668,577,526	42,485,987,165	36,007,046,622
Clients' deposits for margin financing and securities lending	560,414,393	2,864,506,830	5,892,922,292	4,346,781,101
Total	15,552,820,291	31,533,084,356	48,378,909,457	40,353,827,723

Accounts payable to brokerage clients represents the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients is 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.

42 PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analyzed by funding source:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Due within one year				
- Placements from CSF	2,570,000,000	2,570,000,000	—	—
- Placements from banks	—	493,062,500	523,625,000	303,418,500
Total	2,570,000,000	3,063,062,500	523,625,000	303,418,500

(b) Analyzed by residual maturity:

	At 31 December						At 30 June	
	2013		2014		2015		2016	
	Book value	Interest rate	Book value	Interest rate	Book value	Interest rate	Book value	Interest rate
Within 1 month (inclusive)	—	—	177,502,500	2.08%	226,206,000	2.14%	—	—
1 - 3 months (inclusive)	—	—	315,560,000	2.69%	—	—	—	—
3 months - 1 year (inclusive)	2,570,000,000	7.10%	2,570,000,000	5.80%	297,419,000	2.49%	303,418,500	2.65%
Total	2,570,000,000		3,063,062,500		523,625,000		303,418,500	

43 SHORT-TERM DEBT SECURITIES ISSUED

		At 31 December			At 30 June
	Note	**2013**	**2014**	**2015**	**2016**
Short-term commercial papers	(a)	950,000,000	950,000,000	—	—
Beneficiary certificates	(b)	—	—	—	85,700,000
Total		950,000,000	950,000,000	—	85,700,000

(a) Short-term commercial papers

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2013	Issuance	Redemption	Book value at 31 December 2013
13 CISC CP001	2013-11-21	2014-02-21	6.20%	—	950,000,000	—	950,000,000
Total				—	950,000,000	—	950,000,000

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2014	Issuance	Redemption	Book value at 31 December 2014
13 CISC CP001	2013-11-21	2014-02-21	6.20%	950,000,000	—	(950,000,000)	—
14 CISC CP001	2014-02-18	2014-05-21	5.40%	—	950,000,000	(950,000,000)	—
14 CISC CP002	2014-05-16	2014-08-14	4.57%	—	950,000,000	(950,000,000)	—
14 CISC CP003	2014-08-13	2014-11-13	4.59%	—	950,000,000	(950,000,000)	—
14 CISC CP004	2014-10-20	2015-01-20	4.35%	—	950,000,000	—	950,000,000
Total				950,000,000	3,800,000,000	(3,800,000,000)	950,000,000

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2015	Issuance	Redemption	Book value at 31 December 2015
14 CISC CP004	2014-10-20	2015-01-20	4.35%	950,000,000	—	(950,000,000)	—
15 CISC CP001	2015-04-10	2015-07-13	4.80%	—	1,750,000,000	(1,750,000,000)	—
Total				950,000,000	1,750,000,000	(2,700,000,000)	—

(b) Beneficiary certificates

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2015	Issuance	Redemption	Book value at 31 December 2015
CISC Jinhui No.21	2015-01-15	2015-12-21	6.80%	—	250,000,000	(250,000,000)	—
CISC Jinhui No.23	2015-01-22	2015-07-28	6.30%	—	142,600,000	(142,600,000)	—
CISC Jinhui No.24	2015-01-22	2015-07-27	6.50%	—	500,000,000	(500,000,000)	—
CISC Jinhui No.25	2015-01-23	2015-07-28	6.30%	—	124,710,000	(124,710,000)	—
CISC Jinhui No.26	2015-01-23	2015-07-27	6.50%	—	500,000,000	(500,000,000)	—
CISC Jinhui No.28	2015-03-24	2015-06-29	5.50%	—	24,840,000	(24,840,000)	—
CISC Jinhui No.29	2015-03-24	2015-06-24	5.60%	—	15,210,000	(15,210,000)	—
CISC Jinhui No.30	2015-03-24	2015-06-23	5.70%	—	79,440,000	(79,440,000)	—
CISC Jinhui No.31	2015-03-25	2015-06-29	5.50%	—	18,250,000	(18,250,000)	—
CISC Jinhui No.32	2015-03-25	2015-06-24	5.60%	—	9,310,000	(9,310,000)	—

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2015	Issuance	Redemption	Book value at 31 December 2015
CISC Jinhui No.33	2015-03-25	2015-06-23	5.70%	—	65,730,000	(65,730,000)	—
CISC Jinhui No.41	2015-05-25	2015-11-24	6.00%	—	400,000,000	(400,000,000)	—
CISC Jinhui No.42	2015-05-26	2015-11-25	6.00%	—	350,000,000	(350,000,000)	—
CISC Jinhui No.43	2015-05-28	2015-11-25	6.00%	—	150,000,000	(150,000,000)	—
Total				—	2,630,090,000	(2,630,090,000)	—

Name	Issuance date	Maturity date	Nominal Interest rate *(Note)*	Book value at 1 January 2016	Issuance	Redemption	Book value at 30 June 2016
CISC Zhishubao Kanzhang No.1	2016-06-29	2016-07-28	3% plus floating interest rate	—	9,850,000	—	9,850,000
CISC Zhishubao Kandie No.1	2016-06-29	2016-07-28	3% plus floating interest rate	—	4,750,000	—	4,750,000
CISC Xinhubao No.1	2016-04-26	2016-05-24	6.00%	—	3,950,000	(3,950,000)	—
CISC Xinhubao No.2	2016-04-27	2016-05-26	6.00%	—	3,800,000	(3,800,000)	—
CISC Xinhubao No.3	2016-05-06	2016-06-06	6.00%	—	20,000,000	(20,000,000)	—
CISC Xinhubao No.4	2016-05-18	2016-06-15	6.00%	—	7,250,000	(7,250,000)	—
CISC Xinhubao No.5	2016-06-07	2016-06-27	4.50%	—	20,000,000	(20,000,000)	—
CISC Xinhubao No.6	2016-06-13	2016-08-11	4.80%	—	16,300,000	—	16,300,000
CISC Xinhubao No.7	2016-06-21	2016-07-19	4.50%	—	20,000,000	—	20,000,000
CISC Xinhubao No.8	2016-06-23	2016-08-22	4.80%	—	17,100,000	—	17,100,000
CISC Jiejiegao 14days No.1	2016-06-27	2016-07-11	4.50%	—	2,700,000	—	2,700,000
CISC Jiejiegao 20days No.1	2016-06-27	2016-07-18	4.70%	—	5,000,000	—	5,000,000
CISC Jiejiegao 40days No.1	2016-06-27	2016-08-08	5.00%	—	5,000,000	—	5,000,000
CISC Jiejiegao 60days No.1	2016-06-27	2016-08-25	5.50%	—	5,000,000	—	5,000,000
Total				—	140,700,000	(55,000,000)	85,700,000

Note: The floating interest rate is calculated based on Shanghai & Shenzhen 300 index.

44 REPOS

(a) *Analyzed by collateral type:*

Non-current

	At 31 December			At 30 June
	2013	2014	2015	2016
Debt securities	—	—	—	—
Rights and interests in margin financing	—	3,200,000,000	6,840,000,000	—
Total	—	3,200,000,000	6,840,000,000	—

Current

	At 31 December			At 30 June
	2013	2014	2015	2016
Debt securities	1,175,109,027	1,176,660,918	3,306,621,000	4,741,929,253
Equity securities	—	—	—	285,000,000
Rights and interests in margin financing	1,500,000,000	13,225,490,000	8,300,000,000	6,740,000,000
Total	2,675,109,027	14,402,150,918	11,606,621,000	11,766,929,253

(b) *Analyzed by market:*

	At 31 December			At 30 June
	2013	2014	2015	2016
Inter-bank market	1,174,994,027	1,110,521,918	2,799,100,000	4,116,678,253
Stock exchanges	115,000	66,139,000	507,521,000	910,251,000
Over-the-counter market	1,500,000,000	16,425,490,000	15,140,000,000	6,740,000,000
Total	2,675,109,027	17,602,150,918	18,446,621,000	11,766,929,253

(c) Analyzed by transaction type:

	At 31 December			At 30 June
	2013	2014	2015	2016
Pledged	2,576,671,000	17,294,829,000	18,446,621,000	11,213,851,000
Sold	98,438,027	307,321,918	—	553,078,253
Total	2,675,109,027	17,602,150,918	18,446,621,000	11,766,929,253

(d) Analyzed by collateral:

At the end of Relevant Periods, the carrying amount of the financial assets at fair value through profit or loss and margin accounts receivables that had been placed as financial assets sold under repurchase agreements of the CISC Group are set out as below:

	At 31 December			At 30 June
	2013	2014	2015	2016
Financial assets at fair value through profit or loss	1,195,966,730	759,234,431	3,516,386,078	5,303,225,102
Receivable from margin clients	2,027,869,682	20,401,486,609	17,802,700,720	8,342,690,053
Total	3,223,836,412	21,160,721,040	21,319,086,798	13,645,915,155

45 EMPLOYEE BENEFITS PAYABLE

	At 31 December			At 30 June
	2013	2014	2015	2016
Short-term employee benefits	413,312,132	538,975,977	1,326,538,218	1,092,931,452
Retirement scheme contributions	1,172,603	1,358,024	1,668,008	1,668,905
Other social welfare	20,887,764	4,920,457	3,313,690	3,694,835
Other benefits	5,235,678	8,084,669	24,408,278	5,513,224
Long-term employee benefits *(Note)*	38,272,279	75,994,902	134,120,591	65,591,721
Total	478,880,456	629,334,029	1,490,048,785	1,169,400,137

Note: The long-term employee benefits mainly represent the deferred bonus.

46 LONG-TERM DEBT SECURITIES ISSUED

	Note	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 30 June 2016
Due within one year					
- Beneficiary certificates	(a)	—	—	2,737,020,238	2,873,560,420
Due after one year					
- Beneficiary certificates	(a)	—	480,020,000	787,109,589	—
- Corporate bonds	(b)	—	—	3,490,283,312	3,492,099,683
- Subordinated bonds	(c)	—	—	5,000,000,000	5,000,000,000
Subtotal		—	480,020,000	9,277,392,901	8,492,099,683
Total		—	480,020,000	12,014,413,139	11,365,660,103
Fair value		—	480,020,000	12,245,947,327	11,489,134,420

(a) ***Beneficiary certificates:***

	Nominal value	Issuance date	Due date	Interest rate	Book value at 1 January 2014	Issuance	Accrued Interest	Redemption	Book value at 31 December 2014
14 CISC Jinhui No.1	38,520,000	2014-12-24	2016-06-27	6.80%	—	38,520,000	—	—	38,520,000
14 CISC Jinhui No.2	199,780,000	2014-12-24	2016-06-27	6.90%	—	199,780,000	—	—	199,780,000
14 CISC Jinhui No.3	43,480,000	2014-12-25	2016-06-27	6.80%	—	43,480,000	—	—	43,480,000
14 CISC Jinhui No.4	108,240,000	2014-12-25	2016-06-27	6.90%	—	108,240,000	—	—	108,240,000
14 CISC Jinhui No.5	90,000,000	2014-12-26	2016-06-29	6.96%	—	90,000,000	—	—	90,000,000
Total	480,020,000				—	480,020,000	—	—	480,020,000

	Nominal value	Issuance date	Due date	Interest rate	Book value at 1 January 2015	Issuance	Accrued Interest	Redemption	Book value at 31 December 2015
14 CISC Jinhui No.1	38,520,000	2014-12-24	2016-06-27	6.80%	38,520,000	—	2,662,418	—	41,182,418
14 CISC Jinhui No.2	199,780,000	2014-12-24	2016-06-27	6.90%	199,780,000	—	14,011,420	—	213,791,420
14 CISC Jinhui No.3	43,480,000	2014-12-25	2016-06-27	6.80%	43,480,000	—	2,980,941	—	46,460,941
14 CISC Jinhui No.4	108,240,000	2014-12-25	2016-06-27	6.90%	108,240,000	—	7,529,945	—	115,769,945
14 CISC Jinhui No.5	90,000,000	2014-12-26	2016-06-29	6.96%	90,000,000	—	6,298,323	—	96,298,323
14 CISC Jinhui No.6	60,000,000	2014-12-31	2016-07-05	7.40%	—	60,000,000	4,379,178	—	64,379,178
15 CISC Jinhui No.7	22,250,000	2015-01-06	2016-07-11	6.80%	—	22,250,000	1,483,984	—	23,733,984
15 CISC Jinhui No.8	19,320,000	2015-01-06	2016-07-11	6.85%	—	19,320,000	1,298,039	—	20,618,039
15 CISC Jinhui No.9	48,480,000	2015-01-06	2016-07-11	6.90%	—	48,480,000	3,280,967	—	51,760,967
15 CISC Jinhui No.10	31,130,000	2015-01-07	2016-07-12	6.80%	—	31,130,000	2,070,444	—	33,200,444
15 CISC Jinhui No.11	154,540,000	2015-01-07	2016-07-12	7.00%	—	154,540,000	10,580,698	—	165,120,698
15 CISC Jinhui No.12	20,460,000	2015-01-08	2016-07-12	6.80%	—	20,460,000	1,349,351	—	21,809,351
15 CISC Jinhui No.13	73,520,000	2015-01-08	2016-07-12	6.85%	—	73,520,000	4,884,347	—	78,404,347
15 CISC Jinhui No.14	8,710,000	2015-01-12	2016-07-18	6.80%	—	8,710,000	571,185	—	9,281,185
15 CISC Jinhui No.15	5,540,000	2015-01-12	2016-07-18	6.85%	—	5,540,000	365,974	—	5,905,974
15 CISC Jinhui No.16	11,690,000	2015-01-12	2016-07-19	6.90%	—	11,690,000	777,881	—	12,467,881
15 CISC Jinhui No.17	14,850,000	2015-01-13	2016-07-18	6.80%	—	14,850,000	971,068	—	15,821,068
15 CISC Jinhui No.18	144,700,000	2015-01-13	2016-07-19	7.00%	—	144,700,000	9,740,490	—	154,440,490
15 CISC Jinhui No.19	10,850,000	2015-01-14	2016-07-18	6.80%	—	10,850,000	707,480	—	11,557,480
15 CISC Jinhui No.20	28,460,000	2015-01-14	2016-07-19	6.85%	—	28,460,000	1,869,393	—	30,329,393
15 CISC Jinhui No.22	350,000,000	2015-03-26	2017-03-27	6.45%	—	350,000,000	17,317,808	—	367,317,808
15 CISC Jinhui No.27	800,000,000	2015-01-23	2016-08-01	6.70%	—	800,000,000	—	—	800,000,000
15 CISC Jinhui No.37	100,000,000	2015-03-25	2016-09-26	6.45%	—	100,000,000	4,965,616	—	104,965,616
15 CISC Jinhui No.38	300,000,000	2015-03-26	2016-09-26	6.45%	—	300,000,000	14,843,836	—	314,843,836
15 CISC Jinhui No.39	400,000,000	2015-03-26	2017-03-28	6.45%	—	400,000,000	19,791,781	—	419,791,781
15 CISC Jinhui No.40	100,000,000	2015-03-30	2016-09-28	6.45%	—	100,000,000	4,877,260	—	104,877,260
15 CISC Jinhui No.44	200,000,000	2015-06-25	2016-06-27	5.80%	—	200,000,000	—	—	200,000,000
Total	3,384,520,000				480,020,000	2,904,500,000	139,609,827	—	3,524,129,827

	Nominal value	Issuance date	Due date	Interest rate	Book value at 1 January 2016	Issuance	Accrued Interest	Redemption	Book value at 30 June 2016
14 CISC Jinhui No.1	38,520,000	2014-12-24	2016-06-27	6.80%	41,182,418	—	1,277,387	(42,459,805)	—
14 CISC Jinhui No.2	199,780,000	2014-12-24	2016-06-27	6.90%	213,791,420	—	6,722,460	(220,513,880)	—
14 CISC Jinhui No.3	43,480,000	2014-12-25	2016-06-27	6.80%	46,460,941	—	1,441,868	(47,902,809)	—
14 CISC Jinhui No.4	108,240,000	2014-12-26	2016-06-27	6.90%	115,769,945	—	3,642,202	(119,412,147)	—
14 CISC Jinhui No.5	90,000,000	2014-12-26	2016-06-29	6.96%	96,298,323	—	3,089,096	(99,387,419)	—
14 CISC Jinhui No.6	60,000,000	2014-12-31	2016-07-05	7.40%	64,379,178	—	2,213,918	—	66,593,096
15 CISC Jinhui No.7	22,250,000	2015-01-06	2016-07-11	6.80%	23,733,984	—	754,427	—	24,488,411
15 CISC Jinhui No.8	19,320,000	2015-01-06	2016-07-11	6.85%	20,618,039	—	659,897	—	21,277,936
15 CISC Jinhui No.9	48,480,000	2015-01-06	2016-07-11	6.90%	51,760,967	—	1,667,978	—	53,428,945
15 CISC Jinhui No.10	31,130,000	2015-01-07	2016-07-12	6.80%	33,200,444	—	1,055,520	—	34,255,964
15 CISC Jinhui No.11	154,540,000	2015-01-07	2016-07-12	7.00%	165,120,698	—	5,394,081	—	170,514,779
15 CISC Jinhui No.12	20,460,000	2015-01-08	2016-07-12	6.80%	21,809,351	—	693,734	—	22,503,085
15 CISC Jinhui No.13	73,520,000	2015-01-08	2016-07-12	6.85%	78,404,347	—	2,511,161	—	80,915,508
15 CISC Jinhui No.14	8,710,000	2015-01-12	2016-07-18	6.80%	9,281,185	—	295,329	—	9,576,514
15 CISC Jinhui No.15	5,540,000	2015-01-12	2016-07-18	6.85%	5,905,974	—	189,225	—	6,095,199
15 CISC Jinhui No.16	11,690,000	2015-01-12	2016-07-19	6.90%	12,467,881	—	402,200	—	12,870,081
15 CISC Jinhui No.17	14,850,000	2015-01-13	2016-07-18	6.80%	15,821,068	—	503,517	—	16,324,585
15 CISC Jinhui No.18	144,700,000	2015-01-13	2016-07-19	7.00%	154,440,490	—	5,050,625	—	159,491,115
15 CISC Jinhui No.19	10,850,000	2015-01-14	2016-07-18	6.80%	11,557,480	—	367,889	—	11,925,369
15 CISC Jinhui No.20	28,460,000	2015-01-14	2016-07-19	6.85%	30,329,393	—	972,084	—	31,301,477
15 CISC Jinhui No.22	350,000,000	2015-03-26	2017-03-27	6.45%	367,317,808	—	11,256,575	—	378,574,383
15 CISC Jinhui No.27	800,000,000	2015-01-23	2016-08-01	6.70%	800,000,000	—	—	—	800,000,000
15 CISC Jinhui No.37	100,000,000	2015-03-25	2016-09-26	6.45%	104,965,616	—	3,216,164	—	108,181,780
15 CISC Jinhui No.38	300,000,000	2015-03-26	2016-09-26	6.45%	314,843,836	—	9,648,493	—	324,492,329
15 CISC Jinhui No.39	400,000,000	2015-03-26	2017-03-28	6.45%	419,791,781	—	12,864,658	—	432,656,439
15 CISC Jinhui No.40	100,000,000	2015-03-30	2016-09-28	6.45%	104,877,260	—	3,216,165	—	108,093,425
15 CISC Jinhui No.44	200,000,000	2015-06-25	2016-06-27	5.80%	200,000,000	—	—	(200,000,000)	—
Total	3,384,520,000				3,524,129,827	—	79,106,653	(729,676,060)	2,873,560,420

(b) ***Corporate bonds:***

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2015	Increase	Decrease	Book value at 31 December 2015
15 CISC G1(i)	2015-07-24	2018-07-23	3.62%	—	3,490,283,312	—	3,490,283,312
Total				—	3,490,283,312	—	3,490,283,312

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2016	Increase	Decrease	Book value at 30 June 2 016
15 CISC G1(i)	2015-07-24	2018-07-23	3.62%	3,490,283,312	1,816,371	—	3,492,099,683
Total				3,490,283,312	1,816,371	—	3,492,099,683

(i) CISC issued a corporate bond with a principal amount of RMB 3.5 billion on 24 July 2015 with a maturity date of 23 July 2018. Interests of the corporate bond are payable annually. This corporate bond is listed on Shanghai Stock Exchange.

(c) ***Subordinated bonds:***

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2015	Issuance	Redemption	Book value at 31 December 2015
15 CISC 01(i)	2015-01-26	2019-01-26	1st-2nd years 6.20% 3rd-4th years 9.20%	—	2,000,000,000	—	2,000,000,000
15 CISC 02(ii)	2015-03-02	2019-03-02	1st-2nd years 5.80% 3rd-4th years 8.80%	—	3,000,000,000	—	3,000,000,000
Total				—	5,000,000,000	—	5,000,000,000

Name	Issuance date	Maturity date	Nominal Interest rate	Book value at 1 January 2016	Issuance	Redemption	Book value at 30 June 2016
15 CISC 01(i)	2015-01-26	2019-01-26	1st -2nd years 6.20% 3rd-4th years 9.20%	2,000,000,000	—	—	2,000,000,000
15 CISC 02(ii)	2015-03-02	2019-03-02	1st -2nd years 5.80% 3rd-4th years 8.80%	3,000,000,000	—	—	3,000,000,000
Total				5,000,000,000	—	—	5,000,000,000

Notes:

(i) CISC issued subordinated bonds with a principal amount of RMB 2 billion on 26 January 2015 with a maturity date of 26 January 2019. Interests of the subordinated bonds are payable annually. CISC has an option to redeem the bonds on 26 January 2017.

(ii) CISC issued subordinated bonds with a principal amount of RMB 3 billion on 2 March 2015 with a maturity date of 2 March 2019. Interests of the subordinated bonds are payable annually. CISC has an option to redeem the bonds on 2 March 2017.

47 OTHER CURRENT LIABILITIES

	At 31 December			At 30 June
	2013	2014	2015	2016
Taxes payable	76,316,253	92,609,990	119,300,169	78,752,379
Interests payable	48,295,730	85,378,452	520,987,685	376,667,062
Accrued expenses	33,481,056	41,423,927	81,162,561	94,987,027
Trade payables	5,702,858	271,044,318	253,312,392	159,308,577
Payables to the investors of consolidated structured entities	193,904,331	98,523,114	35,695,713	3,526,274,883
Others	55,911,773	190,596,692	79,887,228	79,714,053
Total	413,612,001	779,576,493	1,090,345,748	4,315,703,981

48 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the CISC Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in CISC's components of equity between the beginning and the end of the Relevant Periods are set out below:

		Reserves					
	Paid-in capital *(Note 49(a))*	Capital reserve	Surplus reserve *(Note 49(b))*	General reserves *(Note 49(c))*	Investment revaluation reserve *(Note 49(d))*	Retained profits	Total
At 1 January 2013	5,000,000,000	—	792,836,637	1,567,088,924	(13,818,297)	688,120,033	8,034,227,297
Profit for the year	—	—	—	—	—	727,849,616	727,849,616
Other comprehensive income for the year	—	—	—	—	1,084,602	—	1,084,602
Total comprehensive income for the year	—	—	—	—	1,084,602	727,849,616	728,934,218
Appropriation to surplus reserve	—	—	72,784,962	—	—	(72,784,962)	—
Appropriation to general reserves	—	—	—	145,569,924	—	(145,569,924)	—
At 31 December 2013	5,000,000,000	—	865,621,599	1,712,658,848	(12,733,695)	1,197,614,763	8,763,161,515

		Reserves					
	Paid-in capital *(Note 49(a))*	**Capital reserve**	**Surplus reserve** *(Note 49(b))*	**General reserves** *(Note 49(c))*	**Investment revaluation reserve** *(Note 49(d))*	**Retained profits**	**Total**
At 1 January 2014	5,000,000,000	—	865,621,599	1,712,658,848	(12,733,695)	1,197,614,763	8,763,161,515
Profit for the year	—	—	—	—	—	1,201,192,847	1,201,192,847
Other comprehensive income for the year	—	—	—	—	62,805,959	—	62,805,959
Total comprehensive income for the year	—	—	—	—	62,805,959	1,201,192,847	1,263,998,806
Appropriation to surplus reserve	—	—	120,119,285	—	—	(120,119,285)	—
Appropriation to general reserves	—	—	—	240,238,570	—	(240,238,570)	—
At 31 December 2014	5,000,000,000	—	985,740,884	1,952,897,418	50,072,264	2,038,449,755	10,027,160,321
At 1 January 2015	5,000,000,000	—	985,740,884	1,952,897,418	50,072,264	2,038,449,755	10,027,160,321
Profit for the year	—	—	—	—	—	3,616,161,661	3,616,161,661
Other comprehensive income for the year	—	—	—	—	(34,213,596)	—	(34,213,596)
Total comprehensive income for the year	—	—	—	—	(34,213,596)	3,616,161,661	3,581,948,065
Appropriation to surplus reserve	—	—	542,424,249	—	—	(542,424,249)	—
Appropriation to general reserves	—	—	—	759,393,949	—	(759,393,949)	—
At 31 December 2015	5,000,000,000	—	1,528,165,133	2,712,291,367	15,858,668	4,352,793,218	13,609,108,386
At 1 January 2015	5,000,000,000	—	985,740,884	1,952,897,418	50,072,264	2,038,449,755	10,027,160,321
Profit for the period	—	—	—	—	—	2,441,084,399	2,441,084,399
Other comprehensive income for the period	—	—	—	—	17,470,097	—	17,470,097
Total comprehensive income for the period	—	—	—	—	17,470,097	2,441,084,399	2,458,554,496
Appropriation to surplus reserve	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	—	—	—	—
At 30 June 2015 (Unaudited)	5,000,000,000	—	985,740,884	1,952,897,418	67,542,361	4,479,534,154	12,485,714,817
At 1 January 2016	5,000,000,000	—	1,528,165,133	2,712,291,367	15,858,668	4,352,793,218	13,609,108,386
Profit for the period	—	—	—	—	—	777,478,763	777,478,763
Other comprehensive income for the period	—	—	—	—	(11,412,978)	—	(11,412,978)
Total comprehensive income for the period	—	—	—	—	(11,412,978)	777,478,763	766,065,785
Appropriation to surplus reserve	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	—	—	—	—
At 30 June 2016	5,000,000,000	—	1,528,165,133	2,712,291,367	4,445,690	5,130,271,981	14,375,174,171

49 PAID-IN CAPITAL AND RESERVES

(a) Paid-in capital

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Paid in capital	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000

(b) Surplus reserve

(i) ***Statutory surplus reserve***

CISC 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 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 the equity holder, the statutory reserve may be used to offset accumulated losses, or converted into capital of CISC 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.

(ii) ***Discretionary surplus reserve***

After making the appropriation to the statutory surplus reserve and other non-discretionary surplus reserves, CISC may also appropriate its after-tax profit for the year, as determined under China Accounting Standards, to its discretionary surplus reserve upon approval by the equity holder.

In accordance with the resolutions of the board of directors on 26 August 2014, CISC is required to appropriate 5% of its net profit to discretionary surplus reserve since 2015.

(c) 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, CISC is required to appropriate an amount equivalent to 10% of its net profit to general risk reserve.

In accordance with the resolutions of the board of directors on 26 August 2014, CISC is required to appropriate 11% of its net profit to general risk reserve since 2015.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, CISC is required to appropriate an amount equivalent to 10% of the net profit to its trading risk reserve.

(d) ***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 Relevant Periods.

(e) ***Foreign currency translation reserve***

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the CISC Group entities from their respective reporting currencies to RMB.

50 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2013, 2014 and 2015 and 30 June 2016 not provided for in the statements of financial position were as follows:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Contracted, but not provided for	10,000,000	30,000,000	66,469,875	66,469,875

(b) ***Operating lease commitments***

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Within 1 year (inclusive)	121,659,728	110,715,636	110,895,801	144,152,325
1 - 2 years (inclusive)	86,504,998	76,581,969	122,615,729	140,894,267
2 - 3 years (inclusive)	53,016,194	89,507,878	99,535,638	113,432,416
More than 3 years	148,358,119	157,540,312	108,322,637	100,406,150
Total	409,539,039	434,345,795	441,369,805	498,885,158

(c) ***Underwriting commitments***

There was no underwriting commitments taken but not provided for by the CISC Group at 31 December 2013, 2014 and 2015 and 30 June 2016.

51 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the CISC Group

Structured entities consolidated by the CISC Group are certain asset management schemes where the CISC Group is involved as both manager and investor. The CISC Group assesses whether the combination of its investments in these schemes and its remuneration generated from the investments creates an exposure to the variability of returns from the activities of these asset management schemes to a level of such significance that it indicates that the CISC Group is a principal.

As at 31 December 2013, 2014, 2015 and 30 June 2016, the total assets of the consolidated asset management schemes are RMB 298 million, RMB 223 million, RMB 107 million and RMB 4,004 million respectively, and the carrying amount of interests held by the CISC Group in the consolidated asset management schemes are RMB 104 million, RMB 125 million, RMB 71 million and RMB 478 million respectively.

(b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the CISC Group does not consolidate but holds an interest 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.

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Carrying amount of interests held by the CISC Group				
- Financial assets at fair value through profit or loss	458,999,070	524,427,066	964,211,280	979,987,122
- Available-for-sale financial assets	399,456,336	278,605,990	2,521,750,856	2,989,614,477

The CISC Group's exposure to the variable returns in these structured entities is not significant and the maximum exposure to loss is limited to the carrying amount of the interests held by the CISC Group.

(c) Interests in structured entities sponsored by the CISC Group but not consolidated

Structured entities for which the CISC Group serves as general partner or manager, therefore has power over them during the relevant periods include asset management products. These structured entities are mainly financed through issuing units to investors.

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Carrying amount of interests held by the CISC Group				
- Available-for-sale financial assets	28,162,135	34,736,856	149,321,097	87,905,812
- Accounts receivable	6,627,755	12,089,184	17,150,050	28,687,252

For the year ended 31 December 2013, 2014, 2015, and the six months ended 30 June 2016, the CISC Group obtained management fee and performance fee amounting to RMB 55 million, RMB 93 million, RMB 161 million and RMB 74 million respectively from these unconsolidated structured entities.

The CISC Group's exposure to the variable returns in these structured entities is not significant, except for those which have been consolidated by the CISC Group as set out in Note 51(a). The maximum exposure to loss is limited to the carrying amount of the interests held by the CISC Group presented above.

52 CONTINGENCIES

As of 30 June 2016, CISC held one property under construction for which CISC had obtained the relevant land use right certificates and the construction permits required under PRC law. Up to the date of the approval of these financial statements, construction of this property has not commenced. According to relevant laws and regulations, in the event of delay in commencement of construction work on land, a company may be subject to a penalty on idle land equivalent to no more than 20% of the property grant premium and/or the forfeiture of the land. However, if the delay of commencement is caused by government actions or force majeure, CISC may negotiate with the relevant authorities for postponing the commencement date and extending the time period for development and construction of the property. CISC is still in the process of communicating with the relevant government authorities to postpone the construction commencement date and to extend the construction period. The amount of penalty is subject to the decision of the relevant government authorities, and the directors are in the view that such amount cannot be reliably estimated. As such, no provision was made as at 30 June 2016.

Except for the above, the CISC Group has no other outstanding matters which have a material impact on its financial position as at 31 December 2013, 2014 and 2015 and 30 June 2016.

53 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related party transactions with parent company and its related parties

CISC is wholly owned by Central Huijin Investment Ltd. (“Huijin”).

Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC and is incorporated in Beijing, PRC. Huijin has total registered and paid-in capital of RMB 828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation Limited. It was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations in the CISC Group on behalf of the PRC Government.

Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC under the direction of the Chinese government (collectively referred to as the “Huijin Group”). The CISC Group enters into transactions with Huijin Group under normal commercial terms.

The material transactions and balances with Huijin Group are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Brokerage commission income	16,666,437	9,651,802	26,856,200	14,498,085	10,590,381
Interest income	236,915,883	360,790,594	813,467,568	332,139,328	249,601,533
Interest expenses	(139,338)	(92,650,599)	(32,739,212)	(11,042,410)	(10,192,784)
Other income and gains	1,046,419	1,046,419	1,046,419	523,210	518,667

The balances of transactions with Huijin Group are as follows:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Cash and bank balances (Note)	11,182,564,885	23,808,581,108	33,819,732,643	27,818,096,440
Financial assets at fair value through profit or loss	—	—	100,000,000	—
Financial assets held under resale agreements	49,352,255	—	—	—
Financial assets sold under repurchase agreements	178,000,000	4,442,100,000	1,238,000,000	522,837,552
Other current liabilities	(1,775,830)	(2,041,398)	(2,413,793)	(2,742,886)

Note:

The balance of cash and bank balances with Huijin Group includes balance of cash and bank balances and cash held on behalf of brokerage clients.

(b) 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 CISC Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the CISC Group, including amounts paid to CISC's directors and supervisors as disclosed in Note 14, is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Salaries, allowances and benefits in kind	17,578,603	20,378,405	14,946,731	8,068,827	6,484,819
Discretionary bonuses *(Note)*	10,687,600	13,326,260	4,257,000	—	—
Retirement scheme contributions	376,157	365,657	395,127	190,874	194,614
Total	28,642,360	34,070,322	19,598,858	8,259,701	6,679,433

Note: The discretionary bonuses of the CISC Group's key management personnel for the year ended 31 December 2015 and the six months ended 30 June 2016 have not yet been finalized.

Total remuneration of key management personnel is included in "staff costs" (see Note 13).

54 SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the CISC Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the CISC Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the CISC Group's management for the purposes of resources allocation and performance evaluation; and
- for which financial information regarding financial position, results of operations and cash flows is available.

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 CISC Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the CISC 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:

- Brokerage segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products, margin financing and securities-backed lending.
- Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as National Equities Exchange and Quotations ("NEEQ") services.
- Assets Management segment provides a wide range of wealth management products and services, including collective asset management schemes, targeted asset management schemes and specialized asset management schemes.
- Proprietary Trading segment engages in trading of equities, funds, derivatives and other financial products including bonds, currencies products and other fixed-income products, using the CISC Group's own capital.
- Others segment mainly represents head office operations, institutional sales and trading services, over-the-counter business, private equity services, alternative investments and Hong Kong business.

(a) Segment results

	Year ended 31 December 2013					
	Brokerage	Investment Banking	Assets Management	Proprietary trading	Others	Total
Segment revenue						
- Fee and commission income	2,137,261,669	138,144,468	69,106,865	—	151,633,505	2,496,146,507
- Interest income	874,865,165	43,465	1,955,474	15,481,031	73,962,783	966,307,918
- Investment income	4,944,974	—	36,459,416	96,292,640	44,490,703	182,187,733
- Other income and gains	9,247,053	2,960,356	—	300,000	6,144,234	18,651,643
Segment revenue and other income	3,026,318,861	141,148,289	107,521,755	112,073,671	276,231,225	3,663,293,801
Segment expenses	(1,857,411,050)	(191,943,249)	(59,446,697)	(49,593,784)	(465,936,382)	(2,624,331,162)
Segment operating profit/ (loss)	1,168,907,811	(50,794,960)	48,075,058	62,479,887	(189,705,157)	1,038,962,639
Share of losses of associates	—	—	—	—	(998,815)	(998,815)
Profit / (loss) before income tax	1,168,907,811	(50,794,960)	48,075,058	62,479,887	(190,703,972)	1,037,963,824
Interest expenses	(210,736,732)	—	(26,068,555)	(24,561,100)	(55,298)	(261,421,685)
Depreciation and amortization expenses	(78,399,533)	(2,589,242)	(886,287)	(565,912)	(30,589,401)	(113,030,375)
Reversal of/(provision for) impairment losses	8,368,386	(3,254)	1,500	(38,604)	253,067	8,581,095

	Year ended 31 December 2014					
	Brokerage	Investment Banking	Assets Management	Proprietary trading	Others	Total
Segment revenue						
- Fee and commission income	2,886,448,331	170,404,686	102,119,397	—	213,988,319	3,372,960,733
- Interest income	1,464,370,935	33,170	990,631	3,254,070	85,450,623	1,554,099,429
- Investment income	2,869,939	—	55,636,433	80,795,230	55,721,895	195,023,497
- Other income and gains	21,755,150	2,573,235	—	—	3,048,602	27,376,987
Segment revenue and other income	4,375,444,355	173,011,091	158,746,461	84,049,300	358,209,439	5,149,460,646
Segment expenses	(2,538,289,946)	(222,813,285)	(68,086,429)	(83,327,004)	(549,006,192)	(3,461,522,856)
Segment operating profit/ (loss)	1,837,154,409	(49,802,194)	90,660,032	722,296	(190,796,753)	1,687,937,790
Share of losses of associates	—	—	—	—	(1,302,425)	(1,302,425)
Profit/(loss) before income tax	1,837,154,409	(49,802,194)	90,660,032	722,296	(192,099,178)	1,686,635,365
Interest expenses	(593,995,409)	—	(33,240,929)	(58,151,113)	(4,156,396)	(689,543,847)
Depreciation and amortization expenses	(67,805,892)	(2,718,957)	(1,102,572)	(431,340)	(43,222,535)	(115,281,296)
Reversal of/(provision for) impairment losses	(1,602,559)	(157,963)	(5,504)	14,504	(84,390)	(1,835,912)

	Year ended 31 December 2015					
	Brokerage	**Investment Banking**	**Assets Management**	**Proprietary trading**	**Others**	**Total**
Segment revenue						
- Fee and commission income	7,045,187,756	580,215,075	186,325,057	—	394,213,576	8,205,941,464
- Interest income	3,569,146,869	58,458	905,474	19,673,904	188,653,793	3,778,438,498
- Investment income	2,698,589	—	70,313,145	232,772,871	177,399,956	483,184,561
- Other income and gains	10,863,940	2,804,563	—	—	653,026	14,321,529
Segment revenue and other income	10,627,897,154	583,078,096	257,543,676	252,446,775	760,920,351	12,481,886,052
Segment expenses	(5,700,961,997)	(384,234,799)	(110,862,442)	(181,793,758)	(1,219,206,380)	(7,597,059,376)
Segment operating profit/(loss)	4,926,935,157	198,843,297	146,681,234	70,653,017	(458,286,029)	4,884,826,676
Share of profits of associates	—	—	—	—	758,342	758,342
Profit/(loss) before income tax	4,926,935,157	198,843,297	146,681,234	70,653,017	(457,527,687)	4,885,585,018
Interest expenses	(2,102,645,749)	—	(45,925,480)	(138,355,141)	(21,130,454)	(2,308,056,824)
Depreciation and amortization expenses	(65,489,053)	(3,029,883)	(1,222,785)	(508,335)	(48,195,403)	(118,445,459)
Reversal of/(provision for) impairment losses	(1,595,143)	(2,259)	3,542	(5,920)	(7,711,049)	(9,310,829)
Segment revenue						
- Fee and commission income	4,149,664,600	393,470,434	83,551,596	—	213,175,155	4,839,861,785
- Interest income	1,871,927,310	21,307	371,672	8,724,134	54,203,164	1,935,247,587
- Investment income	877,895	—	78,966,393	94,057,796	174,198,654	348,100,738
- Other income and gains	6,555,630	50	—	—	1,787,057	8,342,737
Segment revenue and other income	6,029,025,435	393,491,791	162,889,661	102,781,930	443,364,030	7,131,552,847
Segment expenses	(2,965,116,770)	(222,826,713)	(70,800,408)	(82,299,974)	(507,757,360)	(3,848,801,225)
Segment operating profit / (loss)	3,063,908,665	170,665,078	92,089,253	20,481,956	(64,393,330)	3,282,751,622
Share of losses of associates	—	—	—	—	(484,757)	(484,757)
Profit / (loss) before income tax	3,063,908,665	170,665,078	92,089,253	20,481,956	(64,878,087)	3,282,266,865
Interest expenses	(1,041,878,028)	—	(43,937,496)	(64,105,758)	(8,026,591)	(1,157,947,873)
Depreciation and amortization expenses	(33,760,234)	(1,552,982)	(584,795)	(262,720)	(23,089,372)	(59,250,103)
Reversal of/(provision for) impairment losses	(190,952)	18,643	(3,625)	(11,029)	344,902	157,939

	Six months ended 30 June 2016					
	Brokerage	Investment Banking	Assets Management	Proprietary trading	Others	Total
Segment revenue						
- Fee and commission income	1,406,287,892	359,067,754	85,294,766	—	125,048,787	1,975,699,199
- Interest income	1,199,100,792	33,923	83,614,004	7,845,220	131,993,418	1,422,587,357
- Investment income	(33,534)	—	(27,875,141)	45,948,903	50,223,485	68,263,713
- Other income and gains	4,801,865	486,314	944	—	3,072,637	8,361,760
Segment revenue and other income	2,610,157,015	359,587,991	141,034,573	53,794,123	310,338,327	3,474,912,029
Segment expenses	(1,669,869,668)	(176,623,605)	(72,023,570)	(146,543,370)	(355,196,159)	(2,420,256,372)
Segment operating profit/(loss)	940,287,347	182,964,386	69,011,003	(92,749,247)	(44,857,832)	1,054,655,657
Share of losses of associates	—	—	—	—	(1,635,391)	(1,635,391)
Profit/(loss) before income tax	940,287,347	182,964,386	69,011,003	(92,749,247)	(46,493,223)	1,053,020,266
Interest expenses	(672,571,927)	(6,825)	(50,795,900)	(133,392,187)	(22,362,701)	(879,129,540)
Depreciation and amortization expenses	(29,413,010)	(1,119,635)	(861,658)	(108,478)	(29,343,540)	(60,846,321)
Reversal of/(provision for) impairment losses	(766,363)	400	(1,171)	2,545	1,250,034	485,445

(b) Geographical information

The following table sets out the CISC Group's operating income from external clients and the CISC Group's non-current assets (excluding financial instruments, 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			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				Unaudited	
Mainland China	3,647,518,333	5,087,859,554	12,365,047,068	7,072,598,040	3,434,911,104
Overseas	15,775,468	61,601,092	116,838,984	58,954,807	40,000,925
Total	3,663,293,801	5,149,460,646	12,481,886,052	7,131,552,847	3,474,912,029

	Non-current assets			
	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Mainland China	1,734,204,009	1,759,025,518	1,409,525,465	1,231,543,381
Overseas	7,292,372	11,753,700	12,666,186	10,569,013
Total	1,741,496,381	1,770,779,218	1,422,191,651	1,242,112,394

	Non-current assets			
	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Total non-current assets for segment	1,888,105,181	1,917,388,018	1,568,800,451	1,657,185,194
Elimination of inter-segment non- current assets	(146,608,800)	(146,608,800)	(146,608,800)	(415,072,800)
Total	1,741,496,381	1,770,779,218	1,422,191,651	1,242,112,394

(c) Major clients

The CISC Group's customer base is diversified and no customer had transactions which exceeded 10% of the CISC Group's revenue for the Relevant Periods.

55 FAIR VALUE INFORMATION

The CISC 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 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 CISC 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 CISC Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(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 CISC Group refers to the yield of financial instruments with similar characteristics such as similar credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow. The fair values of long-term debt securities issued are disclosed in Note 46. The carrying amounts of short-term debt securities issued approximate to their fair values.

(iv) Accounts receivable from margin clients 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 CISC 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.

The table below analyzes financial instruments measured at fair value at the end of the Relevant Periods, by the level in the fair value hierarchy into which the fair value measurement is categorize:

	At 31 December 2013			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
— Equity investments	98,296,861	3,493,275	—	101,790,136
— Debt securities	80,050,199	1,576,298,238	—	1,656,348,437
— Funds	18,447,896	212,364,721	—	230,812,617
— Wealth Management products	—	212,366,904	—	212,366,904
— Asset management schemes	—	15,819,549	—	15,819,549
Available-for-sale financial assets				
— Equity investments	50,185,123	564,298	157,360,001	208,109,422
— Funds	—	200,521,878	—	200,521,878
— Trust schemes	—	—	178,780,000	178,780,000
— Asset management schemes	—	44,303,662	—	44,303,662
— Wealth Management products	—	4,012,931	—	4,012,931
Total	246,980,079	2,269,745,456	336,140,001	2,852,865,536

	At 31 December 2014			
	Level I	**Level II**	**Level III**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
— Equity investments	55,489,111	3,432,648	14,477,180	73,398,939
— Debt securities	108,799,057	1,625,813,740	—	1,734,612,797
— Funds	4,000,000	520,427,066	—	524,427,066
Available-for-sale financial assets				
— Equity investments	76,460,198	972,388	141,392,071	218,824,657
— Funds	76,766,332	—	—	76,766,332
— Trust schemes	—	—	10,000,000	10,000,000
— Asset management schemes	—	34,736,856	—	34,736,856
— Wealth management products	—	191,839,658	—	191,839,658
Total	321,514,698	2,377,222,356	165,869,251	2,864,606,305

	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	167,410,725	75,697,190	223,747,568	466,855,483
— Debt securities	980,958,975	3,979,985,700	—	4,960,944,675
— Funds	8,621,100	955,590,180	—	964,211,280
Available-for-sale financial assets				
— Equity investments	4,650,316	317,042,516	138,865,243	460,558,075
— Funds	345,607	—	—	345,607
— Asset management schemes	—	2,670,726,346	—	2,670,726,346
Total	1,161,986,723	7,999,041,932	362,612,811	9,523,641,466

	At 30 June 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	154,585,503	46,623,345	503,727,805	704,936,653
— Debt securities	832,094,458	5,272,298,964	200,000,000	6,304,393,422
— Funds	31,033,136	948,953,986	—	979,987,122
Available-for-sale financial assets				
— Equity investments	2,327,573	301,434,142	136,187,637	439,949,352
— Funds	33,128	—	—	33,128
— Asset management schemes	—	2,780,769,472	—	2,780,769,472
— Wealth management products	-	296,717,689	—	296,717,689
Total	1,020,073,798	9,646,797,598	839,915,442	11,506,786,838

(i) For the six months ended 30 June 2016, investment in less active stocks listed in NEEQ which were classified as financial assets at fair value through profit or loss of the CISC Group with the carrying amount of RMB 84,601,213 were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available.

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 2013, 2014, 2015 and 30 June 2016, it is estimated that the sensitivity of the CISC 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**	**Total**
At 1 January 2013	—	212,360,001	212,360,001
Gains or losses for the year	—	—	—
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	—	178,780,000	178,780,000
Sales and settlements	—	(55,000,000)	(55,000,000)
Transfer into Level III	—	—	—
Transfer out of Level III	—	—	—
At 31 December 2013	—	336,140,001	336,140,001
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	—	—
At 1 January 2014	—	336,140,001	336,140,001
Gains or losses for the year	3,640,070	12,480,000	16,120,070
Changes in fair value recognized in other comprehensive income	—	—	—
Purchases	10,837,110	24,032,070	34,869,180
Sales and settlements	—	(221,260,000)	(221,260,000)
Transfer into Level III	—	—	—
Transfer out of Level III	—	—	—
At 31 December 2014	14,477,180	151,392,071	165,869,251
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	3,640,070	—	3,640,070

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
At 1 January 2015	14,477,180	151,392,071	165,869,251
Gains or losses for the year	83,670,294	—	83,670,294
Changes in fair value recognized in other comprehensive income	—	1,019,473	1,019,473
Purchases	229,834,754	30,727,975	260,562,729
Sales and settlements	(93,579,840)	(20,914,276)	(114,494,116)
Transfer into Level III	—	—	—
Transfer out of Level III	(10,654,820)	(23,360,000)	(34,014,820)
At 31 December 2015	223,747,568	138,865,243	362,612,811
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	55,236,959	—	55,236,959
At 1 January 2016	223,747,568	138,865,243	362,612,811
Gains or losses for the period	40,691,760	—	40,691,760
Changes in fair value recognized in other comprehensive income	—	(2,677,606)	(2,677,606)
Purchases	503,744,704	—	503,744,704
Sales and settlements	(157,999,638)	—	(157,999,638)
Transfer into Level III	99,673,121	—	99,673,121
Transfer out of Level III	(6,129,710)	—	(6,129,710)
At 30 June 2016	703,727,805	136,187,637	839,915,442
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	18,001,931	—	18,001,931

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
Unlisted equity investments	Level III	Market comparable companies	Discount for lack of marketability	The lower the discount rate, the higher the fair value
Unlisted debts	Level III	Discounted cash flows models	Risk adjusted discount rates	The lower the risk adjusted discount rate, the higher the fair value

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of held-to-maturity investments 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 issuers, which are classified as Level II categories and similar to the investments' book values.

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 CISC, which are classified as Level II categories and disclosed in Note 46.

Except for the above, the directors of CISC consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated statements of financial position of the CISC Group approximate their fair values.

56 FINANCIAL RISK MANAGEMENT

The CISC Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational 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 CISC Group.

Currently, the CISC 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 CISC Group has fulfilled its delivery obligation.

To mitigate direct credit risk, the CISC 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 CISC Group undertakes various means to mitigates 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 CISC Group without taking into account of any collateral or other credit enhancements

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Refundable deposits	616,784,468	658,150,449	298,250,086	163,243,206
Financial assets at fair value through profit or loss	2,081,080,062	2,255,039,863	5,916,534,855	7,242,802,546
Derivative financial assets	—	—	—	—
Reverse REPOs	823,443,366	914,350,230	1,800,306,682	5,716,541,561
Receivable from margin clients	7,244,532,804	22,265,902,628	25,070,317,998	17,628,951,450
Cash held on behalf of brokerage clients	15,482,805,261	31,477,404,924	48,184,863,755	40,195,573,203
Bank balances	2,608,738,032	5,253,299,410	9,077,881,068	6,200,464,209
Accounts receivable	149,237,354	367,798,711	196,509,817	252,710,536
Held-to-maturity investments	310,393,109	102,907,037	72,266,618	70,889,372
Available-for-sale financial assets	182,792,931	201,839,658	—	296,717,689
Interest receivable	185,251,555	246,387,578	653,407,143	937,110,895
Others	108,861,260	119,801,922	195,893,064	213,244,393
Total maximum credit risk exposure	29,793,920,202	63,862,882,410	91,466,231,086	78,918,249,060

(ii) Risk concentrations

The CISC Group's maximum credit risk exposure without taking into account of any collateral and other credit enhancements, as categorized by geographical area:

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2013			
Refundable deposits	615,408,926	1,375,542	616,784,468
Financial assets at fair value through profit or loss	2,081,080,062	—	2,081,080,062
Reverse REPOs	823,443,366	—	823,443,366
Receivable from margin clients	7,240,548,728	3,984,076	7,244,532,804
Cash held on behalf of brokerage clients	15,392,480,549	90,324,712	15,482,805,261
Cash and Bank balances	2,530,715,785	78,022,247	2,608,738,032
Accounts receivable	124,652,997	24,584,357	149,237,354
Held-to-maturity investments	310,393,109	—	310,393,109
Available-for-sale financial assets	182,792,931	—	182,792,931
Interest receivable	185,251,555	—	185,251,555
Others	103,511,910	5,349,350	108,861,260
Total maximum credit risk exposure	29,590,279,918	203,640,284	29,793,920,202
31 December 2014			
Refundable deposits	653,752,763	4,397,686	658,150,449
Financial assets at fair value through profit or loss	2,252,090,027	2,949,836	2,255,039,863
Reverse REPOs	914,350,230	—	914,350,230
Receivable from margin clients	22,023,974,036	241,928,592	22,265,902,628
Cash held on behalf of brokerage clients	30,845,233,455	632,171,469	31,477,404,924
Cash and Bank balances	4,944,283,158	309,016,252	5,253,299,410
Accounts receivable	138,528,475	229,270,236	367,798,711
Held-to-maturity investments	102,907,037	—	102,907,037
Available-for-sale financial assets	201,839,658	—	201,839,658
Interest receivable	246,387,578	—	246,387,578
Others	111,559,095	8,242,827	119,801,922
Total maximum credit risk exposure	62,434,905,512	1,427,976,898	63,862,882,410

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2015			
Refundable deposits	292,798,617	5,451,469	298,250,086
Financial assets at fair value through profit or loss	5,909,994,494	6,540,361	5,916,534,855
Reverse REPOs	1,800,306,682	—	1,800,306,682
Receivable from margin clients	24,730,346,780	339,971,218	25,070,317,998
Cash held on behalf of brokerage clients	47,188,302,269	996,561,486	48,184,863,755
Bank balances	8,855,975,125	221,905,943	9,077,881,068
Accounts receivable	103,263,661	93,246,156	196,509,817
Held-to-maturity investments	72,266,618	—	72,266,618
Available-for-sale financial assets	—	—	—
Interest receivable	653,407,143	—	653,407,143
Others	192,170,107	3,722,957	195,893,064
Total maximum credit risk exposure	89,798,831,496	1,667,399,590	91,466,231,086
30 June 2016			
Refundable deposits	158,640,723	4,602,483	163,243,206
Financial assets at fair value through profit or loss	7,242,802,546	—	7,242,802,546
Reverse REPOs	5,716,541,561	—	5,716,541,561
Available-for-sale financial assets	296,717,689	—	296,717,689
Receivable from margin clients	17,304,500,069	324,451,381	17,628,951,450
Cash held on behalf of brokerage clients	39,433,242,792	762,330,411	40,195,573,203
Bank balances	5,920,861,992	279,602,217	6,200,464,209
Accounts receivable	106,481,168	146,229,368	252,710,536
Held-to-maturity investments	70,889,372	—	70,889,372
Interest receivable	937,110,895	—	937,110,895
Others	210,234,335	3,010,058	213,244,393
Total maximum credit risk exposure	77,398,023,142	1,520,225,918	78,918,249,060

(iii) Credit rating analysis of financial assets

The CISC 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 Relevant Periods are as follows:

	At 31 December			At 30 June
	2013	**2014**	**2015**	**2016**
Other comprehensive rating				
- AAA	71,022,091	110,670,110	433,294,306	1,725,072,915
- From AA- to AA+	614,326,191	880,635,741	2,241,031,336	3,440,717,538
- From A- to A+	584,473,240	630,349,530	738,794,140	6,094,503
- Below A-	—	—	—	59,483,516
Sub-total	1,269,821,522	1,621,655,381	3,413,119,782	5,231,368,472
Non-rated (Note)	696,920,024	215,864,453	1,620,091,511	1,143,914,322
Total	1,966,741,546	1,837,519,834	5,033,211,293	6,375,282,794

Note: Non-rated financial assets mainly represent debts instruments and trading securities issued by the MOF, the PBOC, and other policy banks, which are creditworthy issuers in the market but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk arises when the CISC 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 CISC 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 CISC 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 reporting period), categorized by their remaining contractual maturities at the end of the reporting period calculated based on the earliest date the CISC Group can be required to pay:

	At 31 December 2013					
	Overdue/ repayable on demand	**Within 1 year (inclusive)**	**1-5 years (inclusive)**	**More than 5 years**	**Undated**	**Total**
Accounts payable to brokerage clients	15,552,820,291	—	—	—	—	15,552,820,291
Placements from financial institutions	—	2,626,267,014	—	—	—	2,626,267,014
REPOs	—	3,268,048,295	—	—	—	3,268,048,295
Short-term debt securities issued	—	958,229,863	—	—	—	958,229,863
Others	33,436,853	2,609,751	—	—	—	36,046,604
Total	15,586,257,144	6,855,154,923	—	—	—	22,441,412,067

	At 31 December 2014					
	Overdue/ repayable on demand	**Within 1 year (inclusive)**	**1-5 years (inclusive)**	**More than 5 years**	**Undated**	**Total**
Accounts payable to brokerage clients	31,533,084,356	—	—	—	—	31,533,084,356
Placements from financial institutions	—	3,171,303,011	—	—	—	3,171,303,011
REPOs	—	14,892,655,199	3,506,332,877	—	—	18,398,988,076
Short-term debt securities issued	—	952,151,164	—	—	—	952,151,164
Long-term debt securities issued	—	—	529,286,393	—	—	529,286,393
Others	182,961,885	247,947,710	261,028	—	—	431,170,623
Total	31,716,046,241	19,264,057,084	4,035,880,298	—	—	55,015,983,623

	At 31 December 2015					
	Overdue/ repayable on demand	**Within 1 year (inclusive)**	**1-5 years (inclusive)**	**More than 5 years**	**Undated**	**Total**
Accounts payable to brokerage clients	48,378,909,457	—	—	—	—	48,378,909,457
Placements from financial institutions	—	229,189,874	315,838,115	—	—	545,027,989
REPOs	—	11,783,411,590	7,273,573,671	—	—	19,056,985,261
Long-term debt securities issued	—	2,838,227,492	10,592,315,266	—	—	13,430,542,758
Others	223,300,602	75,776,940	—	—	—	299,077,542
Total	48,602,210,059	14,926,605,896	18,181,727,052	—	—	81,710,543,007

	At 30 June 2016					
	Overdue/ repayable on demand	**Within 1 year (inclusive)**	**1-5 years (inclusive)**	**More than 5 years**	**Undated**	**Total**
Accounts payable to brokerage clients	40,353,827,723	—	—	—	—	40,353,827,723
REPOs	—	12,014,319,508	—	—	—	12,014,319,508
Short-term debt securities issued	—	86,265,061	—	—	—	86,265,061
Long-term debt securities issued	—	3,185,847,104	9,129,443,333	—	—	12,315,290,437
Others	159,185,986	84,269,931	316,329,298	—	—	559,785,215
Total	40,513,013,709	15,370,701,604	9,445,772,631	—	—	65,329,487,944

(c) Market risk

Market risk is the risk of loss in the CISC 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.

(i) *Interest rate risk of proprietary trading portfolios*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

For those financial instruments held by the CISC Group which expose the CISC Group to fair value interest rate risk at the end of each of the relevant periods, the CISC Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the CISC Group's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity			
	At 31 December			At 30 June
	2013	2014	2015	2016
Change in basis points				
Increase by 50 basis points	8,040,671	11,035,285	(18,265,704)	(43,332,889)
Decrease by 50 basis points or decrease to 0	(7,857,293)	(10,867,522)	19,041,130	45,126,013

The sensitivity analysis is based on the static rate risk profile of the CISC 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 CISC 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 Relevant Periods apply to all of the CISC Group's debt 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 CISC Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the CISC Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

(ii) ***Currency risk***

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The CISC Group adopts sensitivity analysis to measure currency risk.

Assuming a 10% weakening of the RMB against the USD, the HKD and other currencies at the end of each of the Relevant Periods which would apply to the next 12 months with all other variables unchanged and all risk management measures undertaken by the CISC Group set aside, the CISC Group's net profit or loss and equity would have been affected as follows:

	Sensitivity of net profit			
	At 31 December			At 30 June
Currency Changes	**2013**	**2014**	**2015**	**2016**
USD10%	2,099,890	1,898,852	2,914,978	3,077,401
HKD10%	623,432	899,802	1,557,701	1,731,754

	Sensitivity of equity			
	At 31 December			At 30 June
Currency Changes	**2013**	**2014**	**2015**	**2016**
USD10%	2,099,890	1,898,852	2,914,978	3,077,401
HKD10%	389,515	931,932	2,036,760	2,352,919

A 10% strengthening of the RMB against the USD, the HKD and other currencies at the reporting date would have had the equal but opposite effect on the CISC Group's net profit or loss and equity, on the basis that all other variables remain unchanged.

Due to the above assumptions, the actual changes in foreign currency rate and the impact to the CISC Group's net profit or loss and equity might vary from the estimated results of the sensitivity analysis.

57 CAPITAL MANAGEMENT

The CISC 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 CISC 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 CISC Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The CISC 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. CISC calculates net capital in accordance with the Regulations on the Adjustment of the Calculation Standards of Net Capital for Securities Companies (2012 Amendment) (CSRC Announcement [2012] No. 37) issued by the CSRC on 16 November 2012 and other relevant regulations. Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures").

In accordance with the Administrative Measures issued by the CSRC, CISC is required to meet the following standards for risk control indicators on a continual basis:

(i) The ratio of net capital divided by the sum of its various risk-weighted capital reserves shall be no less than 100% ("Ratio 1");

(ii) The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");

(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");

(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");

(vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6");

As at 31 December 2013, 2014 and 2015 and 30 June 2016, CISC maintained the above ratios as follows:

	At 31 December			**At 30 June**
	2013	**2014**	**2015**	**2016**
Net Capital	5,881,604,174	6,425,445,445	14,004,359,897	13,436,747,078
Ratio 1	741.13%	530.31%	863.54%	723.00%
Ratio 2	67.12%	64.08%	102.90%	93.47%
Ratio 3	85.18%	28.09%	42.01%	53.04%
Ratio 4	126.91%	43.84%	40.82%	56.75%
Ratio 5	8.77%	3.67%	21.52%	24.84%
Ratio 6	29.64%	28.04%	39.19%	52.91%

Similar to CISC, certain subsidiaries of the CISC 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.

58 STATEMENTS OF FINANCIAL POSITION OF CISC

		At 31 December			At 30 June
	Note	**2013**	**2014**	**2015**	**2016**
Non-current assets					
Property and equipment		179,667,435	182,780,100	183,512,472	180,790,582
Intangible assets		32,185,200	31,933,257	45,266,786	45,820,393
Interest in subsidiaries	23	1,407,733,618	1,407,733,618	1,407,733,618	1,676,197,618
Available-for-sale financial assets		96,039,638	117,691,570	2,649,044,665	2,665,188,710
Held-to-maturity investments		—	72,435,214	72,266,618	—
Refundable deposits		619,238,335	658,179,543	282,655,533	148,541,410
Deferred tax assets		126,747,861	153,488,958	364,246,082	327,501,226
Reverse REPOs		59,164,842	47,471,434	270,419,699	279,508,995
Other non-current assets		755,710,600	741,538,169	731,440,280	712,070,280
Total non-current assets		3,276,487,529	3,413,251,863	6,006,585,753	6,035,619,214
Current assets					
Accounts receivable		70,503,567	94,512,376	97,285,248	100,769,259
Receivable from margin clients		7,240,548,728	22,023,974,036	24,730,346,779	17,304,500,070
Available-for-sale financial assets		287,547,394	196,141,989	128,436,549	413,518,613
Financial assets at fair value through profit or loss		1,649,070,898	1,710,230,302	5,863,561,519	7,734,041,377
Held-to-maturity investments		101,180,835	30,471,823	—	70,889,372
Reverse REPOs		752,278,404	818,877,346	1,223,685,452	1,527,542,566
Interest receivable		164,506,634	218,884,622	642,061,692	919,137,206
Cash held on behalf of brokerage clients		13,810,349,113	28,818,923,830	45,079,893,602	37,330,783,403
Cash and bank balances		2,130,412,474	4,421,269,114	8,351,234,225	5,341,031,808
Other current assets		41,687,482	35,329,998	86,894,467	371,047,086
Total current assets		26,248,085,529	58,368,615,436	86,203,399,533	71,113,260,760
Total assets		29,524,573,058	61,781,867,299	92,209,985,286	77,148,879,974

	Note	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 30 June 2016
Current liabilities					
Accounts payable to brokerage clients		13,856,549,384	28,882,987,370	45,262,070,760	37,443,230,648
Placements from financial institutions		2,570,000,000	2,570,000,000	—	—
Short-term debt securities issued		950,000,000	950,000,000	—	85,700,000
REPOs		2,675,109,027	14,402,150,918	11,606,621,000	11,766,929,253
Employee benefits payable		420,876,028	536,221,474	1,338,303,300	1,088,602,285
Income tax payable		64,621,549	241,149,155	437,419,598	111,852,765
Long-term debt securities issued due within one year		—	—	2,737,020,238	2,873,560,420
Other current liabilities		185,983,276	397,883,202	942,308,969	663,664,936
Total current liabilities		20,723,139,264	47,980,392,119	62,323,743,865	54,033,540,307
Net current assets		5,524,946,265	10,388,223,317	23,879,655,668	17,079,720,453
Total assets less current liabilities		8,801,433,794	13,801,475,180	29,886,241,421	23,115,339,667
Non-current liabilities					
Long-term debt securities issued		—	480,020,000	9,277,392,901	8,492,099,683
REPOs		—	3,200,000,000	6,840,000,000	—
Employee benefits payable		38,272,279	75,994,902	134,120,591	65,591,721
Deferred tax liabilities		—	18,299,957	25,619,543	15,296,092
Other non-current liabilities		—	—	—	167,178,000
Total non-current liabilities		38,272,279	3,774,314,859	16,277,133,035	8,740,165,496
Net assets		8,763,161,515	10,027,160,321	13,609,108,386	14,375,174,171
Equity					
Paid-in capital		5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Reserves		2,565,546,752	2,988,710,566	4,256,315,168	4,244,902,190
Retained profits		1,197,614,763	2,038,449,755	4,352,793,218	5,130,271,981
Total equity		8,763,161,515	10,027,160,321	13,609,108,386	14,375,174,171

59 EVENTS AFTER THE REPORTING DATE

From July to October 2016, CISC has issued beneficiary certificates with a total principal amount of RMB 1,187 million. CISC has also redeemed beneficiary certificates with a total principal amount of RMB 2,177 million during the same period.

The information set forth in this appendix does not form part of the audited financial statements as set forth in Appendix IV to this announcement, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the audited financial statements set forth in appendix IV to this announcement.

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of China International Capital Corporation Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") has been prepared by the directors of the Company in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purposes of illustrating the effect of the financial information of the Group as if its acquisition of all equity interest in China Investment Securities Corporation Limited (the "**CISC**") and its subsidiaries (collectively the "**CISC Group**", and together with the Group referred to as the "**Enlarged Group**") (the "**Acquisition**") had been completed on 30 June 2016 for the unaudited pro forma consolidated statement of financial position and 1 January 2015 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma financial information was comprised of the unaudited pro forma consolidated statement of financial position as at 30 June 2016 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015 of the Enlarged Group. The pro forma financial information of the Enlarged Group is based upon the interim financial report of the Group for the period ended 30 June 2016 as set out in the Group's 2016 interim report and the consolidated financial statement of the Group for the year ended 31 December 2015 as set out in the Group's 2015 annual report, and adjusted to reflect the effect of the Acquisition.

The unaudited pro forma financial information of the Enlarged Group has been prepared for illustrative purposes and because of its hypothetical nature, it may not give a true picture of the financial position or results of the Group had the Acquisition been completed as at the specified dates or any future date.

Unaudited pro forma consolidated statement of financial position
(Expressed in Renminbi ("RMB"), unless otherwise stated)

	At 30 June 2016				
			Pro forma adjustments		
	The Group	The CISC Group	Purchase adjustment	Elimination	Pro forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current asset					
Property and equipment	183,937,363	209,492,614	53,937,300	—	447,367,277
Intangible assets	962,068	50,735,404	105,411,500	—	157,108,972
Interest in associates and joint ventures	486,709,379	77,942,686	—	—	564,652,065
Available-for-sale financial assets	675,829,713	2,992,077,183	—	—	3,667,906,896
Refundable deposits	804,184,708	163,243,206	—	—	967,427,914
Deferred tax assets	428,194,938	328,991,977	—	—	757,186,915
Goodwill	—	20,000,000	1,388,241,563	—	1,408,241,563
Financial assets held under resale agreements ("reverse REPOs")	—	796,408,995	—	—	796,408,995
Other non-current assets	65,360,646	720,698,484	633,576,200	—	1,419,635,330
Total non-current assets	**2,645,178,815**	**5,359,590,549**	**2,181,166,563**	**—**	**10,185,935,927**
Current assets					
Cash and bank balances	12,186,769,410	6,201,564,740	—	—	18,388,334,150
Accounts receivable	5,759,950,351	252,710,536	—	—	6,012,660,887
Receivable from margin clients	2,547,119,336	17,628,951,450	—	—	20,176,070,786
Available-for-sale financial assets	858,759,196	525,392,458	—	—	1,384,151,654
Financial assets at fair value through profit or loss	57,034,618,669	7,989,317,197	—	—	65,023,935,866
Derivative financial assets	2,085,671,243	—	—	—	2,085,671,243
Reverse REPOs	3,263,174,112	4,920,132,566	—	(522,837,552)	7,660,469,126
Held-to-maturity investments	—	70,889,372	—	—	70,889,372
Interest receivable	593,979,163	937,110,895	—	—	1,531,090,058
Cash held on behalf of brokerage clients	20,523,945,792	40,195,573,203	—	—	60,719,518,995
Other current assets	73,167,977	473,945,732	—	—	547,113,709
Total current assets	**104,927,155,249**	**79,195,588,149**	**—**	**(522,837,552)**	**183,599,905,846**
Total assets	**107,572,334,064**	**84,555,178,698**	**2,181,166,563**	**(522,837,552)**	**193,785,841,773**

Unaudited pro forma consolidated statement of financial position (continued)
(Expressed in RMB, unless otherwise stated)

	At 30 June 2016				
			Pro forma adjustments		
	The Group	The CISC Group	Purchase adjustment	Elimination	Pro forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current liabilities					
Financial liabilities at fair value through profit or loss	9,340,828,311	—	—	—	9,340,828,311
Derivative financial liabilities	1,430,831,595	—	—	—	1,430,831,595
Account payables to brokerage clients	21,439,355,519	40,353,827,723	—	—	61,793,183,242
Placements from financial institutions	6,439,592,000	303,418,500	—	—	6,743,010,500
Short-term debt securities issued	4,919,200,877	85,700,000	—	—	5,004,900,877
Financial assets sold under repurchase agreements ("REPOs")	15,920,045,282	11,766,929,253	—	(522,837,552)	27,164,136,983
Employee benefits payable	1,310,594,049	1,103,808,416	—	—	2,414,402,465
Income tax payable	101,601,080	117,212,259	—	—	218,813,339
Long-term debt securities issued due within one year	3,000,000,000	2,873,560,420	—	—	5,873,560,420
Other current liabilities	20,731,013,725	4,315,703,981	—	—	25,046,717,706
Total current liability	**84,633,062,438**	**60,920,160,552**	**—**	**(522,837,552)**	**145,030,385,438**
Net current assets	**20,294,092,811**	**18,275,427,597**	**—**	**—**	**38,569,520,408**
Total assets less current liabilities	**22,939,271,626**	**23,635,018,146**	**2,181,166,563**	**—**	**48,755,456,335**
Non-current liability					
Non-current employee benefits payable	522,722,617	65,591,721	—	—	588,314,338
Long-term debt securities issued	5,292,601,160	8,492,099,683	—	—	13,784,700,843
Deferred tax liabilities	43,156,434	86,230,921	198,231,250	—	327,618,605
Other non-current liabilities	12,909,022	167,178,000	—	—	180,087,022
Total non-current liabilities	**5,871,389,233**	**8,811,100,325**	**198,231,250**	**—**	**14,880,720,808**
Total liabilities	**90,504,451,671**	**69,731,260,877**	**198,231,250**	**(522,837,552)**	**159,911,106,246**
Net assets	**17,067,882,393**	**14,823,917,821**	**1,982,935,313**	**—**	**33,874,735,527**

Unaudited pro forma consolidated statement of financial position (continued)
(Expressed in RMB, unless otherwise stated)

	At 30 June 2016				
			Pro forma adjustments		
	The Group	The CISC Group	Purchase adjustment	Elimination	Pro forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Equity					
Share capital	2,306,669,000	5,000,000,000	(3,321,538,191)	—	3,985,130,809
Reserves	9,163,420,425	4,451,394,268	10,570,838,923	—	24,185,653,616
Other equity instruments	1,000,000,000	—	—	—	1,000,000,000
Retained profits	4,567,775,797	5,268,453,844	(5,268,453,844)	—	4,567,775,797
Total equity attributable to shareholders/ equity holders of the Company and holders of other equity instruments	17,037,865,222	14,719,848,112	1,980,846,888	—	33,738,560,222
Non-controlling Interest	30,017,171	104,069,709	2,088,245	—	136,175,305
Total equity	**17,067,882,393**	**14,823,917,821**	**1,982,935,313**	**—**	**33,874,735,527**

Unaudited pro forma consolidated statement of profit or loss and other comprehensive income (Expressed in RMB, unless otherwise stated)

	Year ended 31 December 2015				
			Pro forma adjustments		
	The Group	The CISC Group	Purchase adjustment	Elimination	Pro forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Revenue					
Fee and commission income	6,587,816,025	8,205,941,464	—	—	14,793,757,489
Interest income	1,020,499,994	3,778,438,498	—	—	4,798,938,492
Investment income	1,853,336,139	483,184,561	—	—	2,336,520,700
Total revenue	**9,461,652,158**	**12,467,564,523**	**—**	**—**	**21,929,216,681**
Other income and gains	45,032,477	14,321,529	—	—	59,354,006
Total revenue and other income	**9,506,684,635**	**12,481,886,052**	**—**	**—**	**21,988,570,687**
Fee and commission expenses	419,557,701	1,450,742,227	—	—	1,870,299,928
Interest expenses	1,094,781,365	2,308,056,824	—	—	3,402,838,189
Staff costs	4,050,985,852	2,388,376,670	—	—	6,439,362,522
Depreciation and amortization expenses	51,081,279	118,445,459	55,651,227	—	225,177,965
Business tax and surcharges	406,279,919	552,946,453	—	—	959,226,372
Other operating expenses	963,710,851	769,180,914	—	—	1,732,891,765
Provision for impairment losses	3,375,632	9,310,829	—	—	12,686,461
Total expenses	**6,989,772,599**	**7,597,059,376**	**55,651,227**	**—**	**14,642,483,202**
Operating profit	**2,516,912,036**	**4,884,826,676**	**(55,651,227)**	**—**	**7,346,087,485**
Share of profits and losses of associates and joint ventures	103,665,364	758,342	—	—	104,423,706
Profit before income tax	**2,620,577,400**	**4,885,585,018**	**(55,651,227)**	**—**	**7,450,511,191**
Less: Income tax expense	667,927,437	1,240,180,492	(13,912,807)	—	1,894,195,122
Profit for the period	**1,952,649,963**	**3,645,404,526**	**(41,738,420)**	**—**	**5,556,316,069**
Attributable to:					
Shareholders/equity holders of the Company and holders of other equity instruments	1,952,649,963	3,639,377,462	(41,727,169)	—	5,550,300,256
Non-controlling interests	—	6,027,064	(11,251)	—	6,015,813

Unaudited pro forma consolidated statement of cash flows
(Expressed in RMB, unless otherwise stated)

	Year ended 31 December 2015				
			Pro forma adjustments		
	The Group	The CISC Group	Purchase adjustment	Elimination	Pro forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Cash flows from operating activities:					
Profit before income tax	2,620,577,400	4,885,585,018	(55,651,227)	—	7,450,511,191
Adjustments for:					
Interest expense on debt securities issued and other financing expenses	440,534,761	623,867,396	—	—	1,064,402,157
Depreciation and amortization expenses	51,081,279	118,445,459	55,651,227	—	225,177,965
Provision for impairment losses	3,375,632	9,310,829	—	—	12,686,461
Net losses / (gains) on disposal of property, equipment and other assets	6,166,012	(1,318,670)	—	—	4,847,342
Fair value gains on financial instruments at fair value through profit or loss	(26,461,310)	(80,125,847)	—	—	(106,587,157)
Foreign exchange gain	(59,877,579)	(2,496,678)	—	—	(62,374,257)
Net gains on disposal of investments in financial assets	(92,441,537)	(4,303,752)	—	—	(96,745,289)
Dividend income from available-for-sale financial assets, held-to-maturity and share of profit of associates and joint ventures	(116,541,567)	(16,175,269)	—	—	(132,716,836)
Operating cash flows before movements in working capital	**2,826,413,091**	**5,532,788,486**	**—**	**—**	**8,359,201,577**

Unaudited pro forma consolidated statement of cash flows (continued)
(Expressed in RMB, unless otherwise stated)

	Year ended 31 December 2015				
			Pro forma adjustments		
	The Group	The CISC	Purchase adjustment	Elimination	Pro forma Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Cash flows from operating activities (continued):					
Decrease/(increase) in receivables from margin clients	161,571,430	(2,804,415,370)	—	—	(2,642,843,940)
Increase in accounts receivable, other receivables and prepayments	(853,351,799)	(166,773,202)	—	—	(1,020,125,001)
Decrease/(increase) in reverse REPOs	60,234,810	(885,956,452)	—	—	(825,721,642)
Increase in financial instruments at fair value through profit or loss	(20,907,609,384)	(4,056,639,685)	—	—	(24,964,249,069)
Decrease in available-for-sale financial assets	16,841,306	220,212,529	—	—	237,053,835
Increase in cash held on behalf of brokerage clients	(13,216,773,085)	(16,707,458,831)	—	—	(29,924,231,916)
Increase in restricted bank deposits	(375,325,979)	(20,675,000)	—	—	(396,000,979)
(Increase)/decrease in refundable deposits	(192,774,607)	357,375,673	—	—	164,601,066
Increase in accounts payables to brokerage clients	10,163,787,101	16,845,825,101	—	—	27,009,612,202
Increase in REPOs	3,843,250,245	844,470,082	—	—	4,687,720,327
Increase/(decrease) in other liabilities	13,629,305,951	(1,806,759,055)	—	—	11,822,546,896
Cash used in operating activities, before tax	**(4,844,430,920)**	**(2,648,005,724)**	**—**	**—**	**(7,492,436,644)**
Income taxes paid	(382,169,980)	(1,238,993,307)	—	—	(1,621,163,287)
Net cash used in operating activities	**(5,226,600,900)**	**(3,886,999,031)**	**—**	**—**	**(9,113,599,931)**

Unaudited pro forma consolidated statement of cash flows (continued)
(Expressed in RMB, unless otherwise stated)

	Year ended 31 December 2015				
			Pro forma adjustments		
	The Group	**The CISC Group**	**Purchase adjustment**	**Elimination**	**Pro forma Enlarged Group**
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Cash flows from investing activities:					
Proceeds from sale of investments	122,951,135	164,102,946	—	—	287,054,081
Net gains on disposal of available-for-sale financial assets	262,597,073	—	—	—	262,597,073
Dividends received	12,876,203	7,360,418	—	—	20,236,621
(Payment for)/proceeds from disposal of property and equipment	(694,360)	3,322,748	—	—	2,628,388
Proceeds from acquisition of CISC	—	—	4,933,705,053	—	4,933,705,053
Payment for acquisition of investments	(1,067,043,221)	(2,721,847,656)	—	—	(3,788,890,877)
Payment for the purchase of property, equipment and other long-term assets	(94,831,996)	(123,314,827)	—	—	(218,146,823)
Net cash (used in)/generated from investing activities	**(764,145,166)**	**(2,670,376,371)**	**4,933,705,053**	**—**	**1,499,183,516**
Cash flows from financing activities:					
Net proceeds from issue of share capital	5,300,309,410	—	—	—	5,300,309,410
Cash received from beneficiary certificates issued	3,470,000,000	5,534,590,000	—	—	9,004,590,000
Capital contribution from non-controlling interests	—	55,300,000	—	—	55,300,000
Cash received from short-term commercial papers issued	4,100,000,000	1,750,000,000	—	—	5,850,000,000
Cash received from subordinated bonds and corporate bonds issued	2,000,000,000	8,488,700,000	—	—	10,488,700,000
Cash received from other equity instruments issued	1,000,000,000	—	—	—	1,000,000,000
Cash received from syndication loan and other bank loans	1,623,400,000	297,419,000	—	—	1,920,819,000
Repayment of borrowings and securities issued	(6,770,000,000)	(5,596,946,500)	—	—	(12,366,946,500)
Cash paid for interest	(352,555,403)	(164,594,062)	—	—	(517,149,465)
Cash paid relating to other financing activities	(11,202,668)	(5,616,547)	—	—	(16,819,215)
Net cash generated from financing activities	10,359,951,339	10,358,851,891	—	—	20,718,803,230
Effect of changes in foreign exchange rate	271,212,046	2,496,678	—	—	273,708,724
Net increase in cash and cash equivalents	**4,640,417,319**	**3,803,973,167**	**4,933,705,053**	**—**	**13,378,095,539**
Cash and cash equivalents at the beginning of the period	**3,351,782,566**	**4,933,705,053**	**(4,933,705,053)**	**—**	**3,351,782,566**
Cash and cash equivalents at the end of the period	**7,992,199,885**	**8,737,678,220**	**—**	**—**	**16,729,878,105**

Notes:

1. The unadjusted financial information of the Group as at 30 June 2016 and for the year ended 31 December 2015 is extracted from the interim financial report of the Group for the six months ended 30 June 2016 as set out in the Group's 2016 interim report and the consolidated financial statements of the Group for the year ended 31 December 2015 as set out in the Group's 2015 annual report.

2. The financial information of the CISC Group as at 30 June 2016 and for the year ended 31 December 2015 is extracted from the consolidated financial statements as set out in Appendix IV to this announcement.

3. The identifiable assets and liabilities of the CISC Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard 3, Business Combinations ("**IFRS 3**").

   Purchase adjustments made represent:

   (i) The consolidation entry to eliminate the paid-in capital of CISC and pre-acquisition reserves on consolidation.

   (ii) The recognition of fair value adjustment of identifiable net assets and related tax impact, as well as the goodwill recognition in accordance with the applicable standards under IFRS 3, being illustrated by the table below:

	RMB
Fair value of consideration *(Note(iv))*	16,700,695,000
Net assets acquired	
Net assets value of the CISC Group as at 30 June 2016	14,823,917,821
Fair value adjustments *(Note(iii))*	792,925,000
Deferred tax liabilities *(Note(iii))*	(198,231,250)
Total net assets acquired	15,418,611,571
Non-controlling interests in CISC	(106,158,134)
Identified assets acquired and liabilities assumed	15,312,453,437
Goodwill arising on acquisition	1,388,241,563

   (iii) The identifiable assets acquired and the liabilities assumed shall be measured at their acquisition-date fair value, which results in fair value adjustments on property and equipment, intangible assets and other non-current assets held by the CISC Group amounting to RMB53,937,300, RMB105,411,500 and RMB633,576,200 respectively, as well as recognition of the related deferred tax liabilities of RMB198,231,250. For the purpose of the unaudited pro forma financial information, the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed is determined with reference to the valuation results of the CISC Group as at 30 June 2016 issued by the independent valuer.

The additional depreciation of approximately RMB 55,651,227 arising from the fair value adjustments to property and equipment, intangible assets and other non-current assets on a straight-line basis over the estimated useful lives ranged from 3 to 35 years. The adjustments are expected to have a continuing effect on the Enlarged Group.

For the purpose of the unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Acquisition with reference to the principles set out International Accounting Standard 36, Impairment of Assets. Based on the Directors' assessment, the Directors consider that there is no impairment indicator on the goodwill with assumed values set out above.

(iv) The consideration is RMB 16,700,695,000 and it will be satisfied by issuing 1,678,461,809 new shares ("**Consideration Shares**"). For the purpose of this Unaudited Pro Forma Financial Information, the fair value of each Consideration Share is deemed to be RMB 9.95 per share (equivalent to approximately HK$11.55 per share), being the Issue Price as per the equity transfer agreement dated 4 November 2016 ("**Equity Transfer Agreement**"). Following the issuance of Consideration Shares, the share capital and reserves of the Company will be increased by RMB1,678,461,809 and RMB 15,022,233,191 respectively.

(v) Since the fair values of the identifiable assets and liabilities of the CISC Group and the Consideration Shares on the date of completion of the Acquisition may be substantially different from their fair values used in the preparation of this unaudited pro forma financial information, the actual amounts of assets and liabilities of the CISC Group, increases in share capital and reserves and the resulting goodwill at the date of completion, and depreciation for subsequent periods, could be different from the estimated amounts stated herein.

4. The elimination mainly includes REPOs agreements involving the Group and the CISC Group, and the consequent interest payable and receivable as at 30 June 2016.

5. No adjustment has been made to the pro forma financial information for acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) as the directors determined that such costs are insignificant.

6. No adjustment has been made to reflect trading results or other transactions of the Group and the CISC Group entered into subsequent to 30 June 2016 for the unaudited pro forma consolidated statement of financial position and 31 December 2015 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this announcement.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong
4 November 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China International Capital Corporation Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016 and the unaudited pro forma consolidated profit or loss and other comprehensive income and pro forma consolidated statement of cash flows for the year ended 31 December 2015 and related notes as set out in Part A of Appendix V to the announcement dated 4 November 2016 (the "**Announcement**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix V to the Announcement.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of China Investment Securities Corporation Limited (the "**CISC**") (the "**Proposed Acquisition**") on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Proposed Acquisition had taken place at 30 June 2016 and 1 January 2015, respectively. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the

Directors from the interim financial report of the Group for the six months ended 30 June 2016, on which a review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2015 has been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 December 2015, on which an audit report has been published.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2016 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

OPINION

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants

Hong Kong