中信建投証券股份有限公司

CSC Financial Co., Ltd.

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

(Stock Code: 6066)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors of the Company hereby announces the consolidated results of the Group for the year ended 31 December 2016 together with comparative figures for the previous financial year as follows:

FINANCIAL HIGHLIGHTS

Key Accounting Data

Unit: RMB million

Items	**2016**	2015	Increase/ decrease as compared to the same period last year *(%)*	2014
Total revenue and other income	**17,584**	24,512	-28.26	11,452
Operating profit	**7,060**	11,461	-38.40	4,543
Profit before income tax	**7,057**	11,461	-38.43	4,543
Net profit attributable to equity holders of the Company	**5,259**	8,639	-39.12	3,407
Net cash flow from operating activities	**20,411**	-11,418	N/A	-4,636

Unit: RMB million

Items	**31 December 2016**	31 December 2015	Increase/ decrease as compared to the same period last year *(%)*	31 December 2014
Total assets	**181,695**	183,188	-0.82	123,406
Total liabilities	**140,432**	153,005	-8.22	106,678
Equity attributable to equity holders of the Company	**41,063**	30,106	36.39	16,669
Total share capital	**7,176**	6,100	17.64	6,100

Key financial indicators

Items	**2016**	2015	Increase/ decrease as compared to the same period last year *(%)*	2014
Basic earnings per share *(Yuan/Share)*	**0.81**	1.37	-40.88	0.56
Diluted earnings per share *(Yuan/Share)*	**0.81**	1.37	-40.88	0.56
Return on weighted average equity *(%)*	**18.10**	40.00	Decreased by 21.90 percentage points	22.90

Items	**31 December 2016**	31 December 2015	Increase/ decrease as compared to the same period last year *(%)*	31 December 2014
Net assets per share attributable to equity holders of the Company *(Yuan/Share)*	**5.72**	4.94	15.79	2.73
Gearing ratio *(%)*	**66.98**	72.84	Decreased by 5.86 percentage points	79.07

Note: In calculating the gearing ratio for the reporting periods of the table above, accounts payable to brokerage clients have been excluded from the assets and the liabilities.

Net capital and relevant risk control indicators of the Company

On 16 June 2016, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (Revision in 2016) and Provisions for Standard of Calculating Risk Control Indicators of Securities Companies with amendments to the framework and criteria of risk control indicators with which securities companies must comply on an on-going basis, and such amendments are required to become effective on 1 October 2016. The Company has restated various risk control indicators including net capital as at 31 December 2015 in accordance with the above-mentioned requirements.

As at 31 December 2016, the net capital of the Company amounted to RMB36,198 million, representing an increase of RMB7,368 million as compared to net capital of RMB28,830 million as at 31 December 2015 (restated), mainly due to the public issuance of H shares by the Company and the increase in net profit during the reporting period.

Unit: RMB million

Items	**31 December 2016**	31 December 2015
Net capital *(RMB million)*	**36,198**	28,830
Net assets *(RMB million)*	**40,068**	29,488
Total risk capital reserves *(RMB million)*	**15,778**	10,830
Risk coverage ratio *(%)*	**229.43**	266.19
Capital leverage ratio *(%)*	**27.83**	20.80
Liquidity coverage ratio *(%)*	**172.00**	253.07
Net stable funding ratio *(%)*	**154.52**	136.30
Net capital/net assets *(%)*	**90.34**	97.77
Net capital/liabilities *(%)*	**52.92**	42.70
Net assets/liabilities *(%)*	**58.58**	43.68
Proprietary equity securities and securities derivatives/net capital *(%)*	**14.02**	18.57
Proprietary non-equity securities and securities derivatives/net capital *(%)*	**127.56**	122.53

Note: All risk control indicators including net capital of the Company comply with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies (Revision in 2016) issued by the CSRC.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

(In RMB thousands, unless otherwise stated)

	Note	**Year ended 31 December 2016**	2015
Revenue			
Fee and commission income	3	**10,584,156**	14,900,872
Interest income	4	**4,440,820**	5,572,959
Net investment gains	5	**2,411,771**	3,979,922
		17,436,747	24,453,753
Other income	6	**147,968**	58,713
Total revenue and other income		**17,584,715**	24,512,466
Fee and commission expenses	7	**(1,388,863)**	(2,237,463)
Interest expenses	7	**(2,848,795)**	(3,218,608)
Staff costs	7	**(4,282,080)**	(4,743,028)
Tax and surcharges	7	**(347,347)**	(1,144,428)
Other operating expenses and costs	7	**(1,658,540)**	(1,552,589)
Impairment (reversal)/losses	8	**1,667**	(154,875)
Total expenses		**(10,523,958)**	(13,050,991)
Operating profit		**7,060,757**	11,461,475
Share of profits and losses of associates		**(3,337)**	–
Profit before income tax		**7,057,420**	11,461,475
Income tax expense	9	**(1,744,198)**	(2,809,622)
Profit for the year		**5,313,222**	8,651,853
Attributable to:			
Equity holders of the Company		**5,259,251**	8,638,825
Non-controlling interests		**53,971**	13,028
		5,313,222	8,651,853
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	11	**0.81**	1.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2016	2015
Profit for the year	**5,313,222**	8,651,853
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years		
Available-for-sale financial assets:		
Changes in fair value	**(414,304)**	257,455
Income tax effect on changes in fair value	**103,878**	(64,507)
Gains reclassified to the consolidated income statements	**(133,531)**	(146,444)
	(443,957)	46,504
Foreign currency translation differences	**57,161**	45,883
Other comprehensive (losses)/income for the year, net of tax	**(386,796)**	92,387
Total comprehensive income for the year	**4,926,426**	8,744,240
Attributable to:		
Equity holders of the Company	**4,872,430**	8,731,200
Non-controlling interests	**53,996**	13,040
	4,926,426	8,744,240

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(In RMB thousands, unless otherwise stated)

	Note	**31 December 2016**	31 December 2015
Non-current assets			
Property, plant and equipment		**523,317**	514,422
Investment properties		**56,282**	65,511
Intangible assets		**144,420**	121,553
Investment in associates		**172,163**	50,000
Available-for-sale financial assets	14	**6,112,058**	1,457,190
Held-to-maturity investments		**277,480**	374,416
Financial assets held under resale agreements		**625,444**	–
Refundable deposits		**3,460,337**	2,144,517
Deferred tax assets		**811,153**	747,397
Other non-current assets		**192,303**	162,864
Total non-current assets		**12,374,957**	5,637,870
Current assets			
Margin accounts	12	**31,006,673**	35,931,133
Accounts receivable		**378,468**	153,325
Financial assets held for trading	13	**27,227,912**	28,485,993
Financial assets designated as at fair value through profit or loss		**325,211**	1,503,783
Available-for-sale financial assets	14	**28,482,732**	15,890,616
Held-to-maturity investments		**376,828**	13,997
Derivative financial assets		**49,108**	142,052
Financial assets held under resale agreements		**7,079,669**	6,896,446
Cash held on behalf of clients	15	**55,082,662**	70,663,754
Cash and bank balances	16	**17,525,589**	16,154,266
Other current assets		**1,785,231**	1,715,140
Total current assets		**169,320,083**	177,550,505
Total assets		**181,695,040**	183,188,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2016
(In RMB thousands, unless otherwise stated)

	Note	**31 December 2016**	31 December 2015
Current liabilities			
Accounts payable to brokerage clients	17	**56,736,034**	72,045,265
Derivative financial liabilities		**132,576**	190,752
Financial liabilities held for trading		**2,972,738**	93,191
Financial assets sold under repurchase agreements	18	**24,531,442**	27,462,271
Placements from banks and other financial institutions		**9,360,000**	2,284,000
Taxes payable		**755,982**	1,591,758
Short-term borrowings		**1,781,481**	1,122,779
Short-term financing instruments payable		**7,757,199**	11,322,686
Other current liabilities		**22,184,460**	19,786,250
Total current liabilities		**126,211,912**	135,898,952
Net current assets		**43,108,171**	41,651,553
Total assets less current liabilities		**55,483,128**	47,289,423
Non-current liabilities			
Financial liabilities designated as at fair value through profit or loss		**9,938**	–
Financial assets sold under repurchase agreements	18	**500,000**	1,800,000
Bonds in issue		**13,653,036**	15,072,207
Deferred tax liabilities		**46,847**	218,610
Other non-current liabilities		**10,628**	15,703
Total non-current liabilities		**14,220,449**	17,106,520
Net assets		**41,262,679**	30,182,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2016
(In RMB thousands, unless otherwise stated)

	Note	**31 December 2016**	31 December 2015
Equity			
Share capital		**7,176,470**	6,100,000
Other equity instruments		**5,000,000**	5,000,000
Reserves		**15,099,052**	8,601,818
Retained earnings		**13,787,528**	10,404,347
Equity attributable to equity holders of the Company		**41,063,050**	30,106,165
Non-controlling interests		**199,629**	76,738
Total equity		**41,262,679**	30,182,903

NOTE TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), as issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group. In addition, the Group does not adopt any standards or explanation that are not yet effective in the current accounting period.

2 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities, among others.

Wealth management segment: serves as an agent for business and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients, among other things.

Trading and institutional client services segment: engages in trading of financial products; serves as an agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

Investment management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and other operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

	Year ended 31 December 2016					
	Investment banking	Wealth management	Trading and institutional client services	Investment management	Others	Total
Segment revenue and other income						
Fee and commission income	4,682,209	3,671,108	1,130,692	1,100,147	–	10,584,156
Interest income	–	3,495,818	483,089	11,157	450,756	4,440,820
Net investment gains	–	–	1,961,314	450,457	–	2,411,771
Other income	–	67,226	–	2,696	78,046	147,968
Total revenue and other income	4,682,209	7,234,152	3,575,095	1,564,457	528,802	17,584,715
Segment expenses	(2,070,144)	(4,917,409)	(2,731,989)	(621,179)	(183,237)	(10,523,958)
Including: Interest expenses	(36,509)	(1,065,057)	(1,604,569)	(142,660)	–	(2,848,795)
Impairment losses	(358)	15,985	(13,960)	–	–	1,667
Operating profit	2,612,065	2,316,743	843,106	943,278	345,565	7,060,757
Share of profits and losses of associates	–	–	–	(1,608)	(1,729)	(3,337)
Profit before tax	2,612,065	2,316,743	843,106	941,670	343,836	7,057,420
Income tax expense						(1,744,198)
Net profit for the year						5,313,222
Total assets	952,625	85,438,883	65,694,454	13,420,725	16,188,353	181,695,040
Total liabilities	3,394,369	66,760,579	55,773,761	10,960,103	3,543,549	140,432,361
Supplemental information:						
Depreciation and amortization	68,036	57,425	36,881	21,854	21,285	205,481
Capital expenditure	80,117	76,187	45,901	34,947	24,940	262,092

	Year ended 31 December 2015					
	Investment banking	Wealth management	Trading and institutional client services	Investment management	Others	Total
Segment revenue and other income						
Fee and commission income	3,397,595	9,181,015	1,531,354	790,908	–	14,900,872
Interest income	–	4,578,103	537,768	10,481	446,607	5,572,959
Net investment gains	–	–	3,374,968	593,136	11,818	3,979,922
Other income	–	26,963	–	5,628	26,122	58,713
Total revenue and other income	3,397,595	13,786,081	5,444,090	1,400,153	484,547	24,512,466
Segment expenses	(1,507,617)	(7,965,550)	(2,862,522)	(402,871)	(312,431)	(13,050,991)
Including: Interest expenses	(8,183)	(1,810,950)	(1,339,530)	(59,945)	–	(3,218,608)
Impairment losses	–	(114,943)	(27,893)	–	(12,039)	(154,875)
Profit before tax	1,889,978	5,820,531	2,581,568	997,282	172,116	11,461,475
Income tax expense						(2,809,622)
Net profit for the year						8,651,853
Total assets	510,241	107,478,581	55,308,541	11,812,500	8,078,512	183,188,375
Total liabilities	1,537,332	98,024,312	40,311,185	9,688,253	3,444,390	153,005,472
Supplemental information:						
Depreciation and amortization	36,735	59,720	35,649	13,578	23,820	169,502
Capital expenditure	46,107	133,333	53,484	19,445	29,637	282,006

3 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2016	2015
Brokerage services	**4,731,029**	10,686,326
Investment banking	**4,682,209**	3,397,595
Asset and fund management	**1,100,147**	776,313
Others	**70,771**	40,638
Total	**10,584,156**	14,900,872

4 INTEREST INCOME

	Year ended 31 December	
	2016	2015
Margin financing and securities lending	**2,416,812**	3,238,062
Financial assets held under resale agreements	**198,141**	109,398
Bank deposits	**1,790,100**	2,217,215
Others	**35,767**	8,284
Total	**4,440,820**	5,572,959

5 NET INVESTMENT GAINS

	Year ended 31 December	
	2016	2015
Net gains from disposal of available-for-sale financial assets	**480,187**	835,995
Dividend and interest income from available-for-sale financial assets	**989,488**	800,889
Net gains from financial assets held for trading	**844,301**	2,852,096
Net gains/(losses) from financial liabilities held for trading	**98,447**	(35,626)
Net gains from financial assets designated as at fair value through profit or loss	**7,460**	52,789
Net gains/(losses) from derivatives	**258,970**	(163,689)
Interest income from held-to-maturity investments	**40,013**	12,737
Net gains from disposal of long-term equity investment	**–**	11,818
Net gains attributable to other interest holders of consolidated structured entities	**(307,095)**	(387,087)
Total	**2,411,771**	3,979,922

6 OTHER INCOME

	Year ended 31 December 2016	2015
Government grants	**66,097**	41,167
Rental income	**14,991**	17,183
Gains on disposal of property, plant and equipment	**255**	684
Net gains/(losses) on foreign exchange	**31,943**	(14,375)
Others	**34,682**	14,054
Total	**147,968**	58,713

7 EXPENSES

	Year ended 31 December 2016	2015
Fee and commission expenses		
Brokerage services expenses	**835,533**	1,882,637
Investment banking expenses	**519,382**	327,753
Others	**33,948**	27,073
Total	**1,388,863**	2,237,463
Interest expenses		
Accounts payable to brokerage clients	**227,628**	311,105
Financial assets sold under repurchase agreements	**676,713**	1,051,761
Placements from banks and other financial institutions	**230,549**	281,335
Borrowings	**39,708**	32,201
Bonds in issue and short-term financing instruments payable	**1,457,294**	1,385,462
Others	**216,903**	156,744
Total	**2,848,795**	3,218,608
Staff costs (including directors' and supervisors' remuneration)		
Salaries, bonuses and allowances	**3,682,156**	4,268,723
Staff benefits	**368,818**	300,865
Contributions to defined contribution schemes	**231,106**	173,440
Total	**4,282,080**	4,743,028

Other operating expenses and costs:

	Year ended 31 December 2016	2015
Leasing expenses	**284,704**	228,490
Depreciation and amortization	**205,481**	169,502
Business travel expenses	**162,347**	131,621
Electronic equipment operating expenses	**153,339**	204,003
Office operating expenses	**120,754**	99,860
Postal and communication expenses	**103,027**	90,809
Business entertainment expenses	**95,829**	152,762
Membership fees of exchanges	**63,599**	83,168
Securities investor protection fund	**62,431**	97,740
Vehicle operating and transportation expenses	**56,922**	46,868
Property management expenses	**35,908**	32,972
Auditors' remuneration	**3,447**	1,529
Including: Audit services	**3,089**	1,529
Non-audit services	**358**	–
Others	**310,752**	213,265
Total	**1,658,540**	1,552,589

8 IMPAIRMENT (REVERSAL)/LOSSES

	Year ended 31 December	
	2016	2015
Available-for-sale financial assets	**14,775**	24,120
Margin financing and securities lending	**(38,259)**	116,626
Financial assets held under resale agreements	**21,454**	2,082
Others	**363**	12,047
Total	**(1,667)**	154,875

9 INCOME TAX EXPENSE

(1) Income tax

	Year ended 31 December	
	2016	2015
Current income tax		
– Mainland China	**1,820,662**	3,202,665
– Hong Kong and Macau	**10,667**	2,475
Subtotal	**1,831,329**	3,205,140
Deferred income tax	**(87,131)**	(395,518)
Total	**1,744,198**	2,809,622

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2016	2015
Profit before income tax	**7,057,420**	11,461,475
Income tax at the PRC statutory income tax rate	**1,764,355**	2,865,369
Effects of different applicable rates of tax prevailing in various regions	**(27,439)**	(14,896)
Non-deductible expenses	**29,410**	20,492
Non-taxable income	**(56,131)**	(51,307)
Others	**34,003**	(10,036)
Income tax expenses at the Group's effective income tax rate	**1,744,198**	2,809,622

10 DIVIDENDS

	Year ended 31 December	
	2016	2015
Dividends on ordinary shares declared and paid	**–**	–
Dividends per ordinary share *(expressed in RMB yuan per share)*	**–**	–
Distribution to other equity instrument holders	**294,000**	294,000

11 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2016	2015
Profits:		
Net profit attributable to equity holders of the Company	**5,259,251**	8,638,825
Less: Profit attributable to other equity instrument holders of the Company *(i)*	**(294,000)**	(294,000)
Net profit attributable to ordinary equity holders of the Company	**4,965,251**	8,344,825
Shares:		
Weighted average number of ordinary shares in issue *(thousand) (ii)*	**6,164,706**	6,100,000
Basic and diluted earnings per ordinary share *(expressed in RMB yuan per share)*	**0.81**	1.37

Basic earnings per ordinary share was calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue.

For each of the years ended 31 December 2016 and 31 December 2015, there were no potential dilutable ordinary share. Therefore, the diluted earnings per share equals to the basic earnings per share.

(i) The Company issued two batches of perpetual subordinated bonds in 2015.

For the purpose of calculating basic earnings per ordinary share for 2016 and 2015, an aggregate distribution of RMB294.00 million attributable to other equity instrument holders of the Company for that year had been deducted from the net profit attributable to ordinary equity holders of the Company.

(ii) The time-weighting factor of weighted average number of ordinary shares in issue in 2016 is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

12 MARGIN ACCOUNTS

	31 December 2016	31 December 2015
Margin accounts		
– Individuals	**29,502,776**	34,812,008
– Institutions	**1,590,840**	1,244,327
Subtotal	**31,093,616**	36,056,335
Allowance for impairment losses	**(86,943)**	(125,202)
Total	**31,006,673**	35,931,133

13 FINANCIAL ASSETS HELD FOR TRADING

	31 December 2016	31 December 2015
Debt instruments	**21,512,825**	20,983,191
Equity investments	**1,246,894**	1,864,558
Fund investments	**1,210,008**	4,372,398
Others	**3,258,185**	1,265,846
Total	**27,227,912**	28,485,993

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2016	31 December 2015
Non-current		
At fair value:		
Equity investments	**515,068**	463,873
Fund investments	**10,016**	–
Others *(i)*	**4,638,008**	407,751
At cost:		
Equity investments	**948,966**	585,566
Total	**6,112,058**	1,457,190
Current		
At fair value:		
Debt instruments	**20,168,666**	9,919,416
Equity investments	**143,218**	137,352
Fund investments	**413,300**	60,615
Others *(i)*	**7,757,548**	5,711,284
At cost:		
Equity investments	**–**	61,949
Total	**28,482,732**	15,890,616

(i) Classified as others in available-for-sale financial assets of the Group primarily include investments in asset management plans which belong to the structured entities where the Group held investment.

In addition, as at 31 December 2016 and 31 December 2015, others of the above available-for-sale financial assets included specific accounts invested by the Company together with several other securities companies and managed by China Securities Finance Corporation Limited (the "**CSFC**"). According to the relevant contracts, the Company made investments on 6 July 2015 and 1 September 2015, respectively, in the aggregate amount of RMB4,244.00 million. Risks and returns of the specific accounts are shared by the Company and other investing securities companies based on investment proportion and the accounts are operated and managed by China Securities Finance Corporation Limited.

As at 31 December 2016, the fair value of the Company's specific investment managed by China Securities Finance Corporation Limited was RMB3,990.58 million, the cumulative decline in the fair value of the investment position amounted to RMB253.42 million (a decrease of 5.97%). Considering the purpose of this investment, investment management decision-making patterns and specificity of disposition, the investment is not impaired as there has not been a significant or prolonged decline in its fair value as at 31 December 2016.

15 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients. In the Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" under the Securities and Futures Ordinance impose similar restrictions.

16 CASH AND BANK BALANCES

	31 December 2016	31 December 2015
Cash	**105**	183
Bank balances	**17,525,484**	16,154,083
Total	**17,525,589**	16,154,266

17 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represent the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Note 15 Cash Held on Behalf of Clients.

18 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2016	31 December 2015
Current		
Analysed by collateral:		
Debt securities	**16,710,093**	18,503,053
Beneficial rights over margin financing and securities lending	**300,000**	2,715,000
Gold	**6,721,358**	5,517,528
Others	**799,991**	726,690
Total	**24,531,442**	27,462,271

	31 December 2016	31 December 2015
Non-current		
Analysed by collateral:		
Beneficial rights over margin financing and securities lending	**500,000**	1,800,000

19 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital expenditure commitments

	31 December 2016	31 December 2015
Contracted, but not provided for	**7,064**	8,208

The above-mentioned capital expenditure commitments are primarily in respect of the purchase and construction of properties and equipment by the Group.

(2) Operating lease commitments

At the end of the reporting years, the Group leased certain office properties under operating lease arrangements. The total future minimum lease payments under irrevocable operating lease arrangements are summarized below.

	31 December 2016	31 December 2015
Within one year	**266,957**	219,449
One to two years	**238,517**	214,895
Two to three years	**182,688**	153,227
Over three years	**239,094**	206,558
Total	**927,256**	794,129

(3) Legal proceedings

From time to time in the ordinary course of business, the Group are subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2016 and 31 December 2015, the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, the Group would have expected to have material impact on its financial position or results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Strategy and Operating Model

Competition Landscape and Development Trend of the Industry

In 2016, China's economy achieved the optimization and upgrade of the economic structure on the basis of stabilized growth. The financial market of China maintained a stable development. Regulatory approval for IPO was accelerated while the size of bond issuance hit a historically high level, of which the issuance of corporate bonds was particularly robust. The direct financing ability of the capital market in China increased significantly in 2016 with the NEEQ and M&A business growing continuously. However, both the amount and volume of market transactions decreased, and commission rates continued to decrease unilaterally. The performance of securities companies' brokerage business was sluggish as compared to that of 2015. The raise of leverage ratio limits of the industry is favorable to the lending business of securities companies. Nevertheless, due to the decrease in the balance of margin financing and securities lending business, the average leverage level of the industry has not increased significantly. In 2016, asset prices were affected by a series of events which have political and economic influence globally including the Brexit, US presidential election, referendum in Italy and interest rate hike by the US Federal Reserve. They will continue to be under huge fluctuation, thereby driving the demand for asset allocation and investment portfolio management. In general, it is estimated that the securities companies in China will adhere to the principle of maintaining stability while making progress in 2017.

Our Business Plan for 2017

In 2017, we will implement a multi-faceted plan which will further build upon our industry-leading value creation capabilities. We will focus on enlarging client base and improving client services. We will raise the professional expertise of our team to even higher levels based on our talent strategy. We will also boost capital strength to make a better and healthier balance sheet. There will also be focus on continuous development of our information technologies while adhering to the compliance and risk protocols which ensure healthy growth. We will also strengthen management and operating capability to enhance efficiency and returns.

For investment banking business, the Company will capture the opportunities of the booming direct financing and maintain its leading edge in the sector. For brokerage business, the Company will strive to develop business through Internet to build a wealth management brand. For asset management business, the Company will seize the business opportunities of general asset management and continue to promote the scale and competitiveness of asset management business, and in turn enhance the investment and management capabilities of the Company. For overseas business, leveraging on its H shares listing, the Company will take more efforts in developing overseas business to promote the balanced development of the domestic and overseas business. For compliance and risk control, we will endeavor to enhance risk control and compliance management to ensure compliant business operations of the Company.

Capital Requirement

In 2017, the Company will deliberately manage the size of liabilities based on business development needs and maintain a healthy gearing ratio. In 2016, the Company successfully completed a series of debt fundraising, including: two tranches of RMB-denominated corporate bonds with an offering size of RMB4,500 million; one tranche of short-term corporate bonds by securities companies with an offering size of RMB3,000 million; one tranche of short-term commercial papers with an offering size of RMB3,000 million (which have been fully repaid as at December 31, 2016); and 88 tranches of structured notes with an aggregate offering size of approximately RMB8,800 million. The cumulative debt financing of the Company for the year reached approximately RMB19,300 million, and the balance of structured notes was approximately RMB4,800 million. The financial leverage ratio decreased to 3.04 times from 3.69 times at the beginning of the year.

Potential Risks

Entering 2017, the economic growth of China is still under great downside pressure. There are multiple challenges posed to the target of "stabilized growth" and risks associated with the economic and financial systems are non-negligible. Risks that the Company may be exposed to include: (i) credit risk. The economy is at the bottom of the economic cycle and events of default occur more frequently, thus increasing the credit risk of distressed industries and areas; (ii) bond market risk. The stable and neutral monetary policy at the backdrop of reducing leverage and preventing asset bubble, combined with the hike of US dollar exchange rate and interest rate, may pose pressure on valuation level of the bond market which leads to the fluctuation of interest rate and yield; and (iii) with money supply estimated to be further tightened overall, the Company shall prevent liquidity risk as a result of tightened money supply at specified time and the surge of lending rate. In addition, the Company is subject to strategic risk, operational risk, compliance risk, legal risk, technical risk, reputational risk, etc. In general, due to the intertwined risks mentioned above, the Company will face certain challenges in its operation.

Business Overview

As of the end of 2016, the total assets of the Group were RMB181,695 million, representing a year-on-year ("**YoY**") decrease of 0.82% as compared to that at the end of 2015. Equity attributable to equity holders of the Company was RMB41,063 million, representing a YoY increase of 36.39% as compared to that at the end of 2015. During the reporting period, total revenue and other income of the Group amounted to RMB17,584 million, representing a YoY decrease of 28.26%. Total expenses amounted to RMB10,524 million, representing a YoY decrease of 19.36%. Net profit attributable to equity holders of the Company amounted to RMB5,259 million, representing a YoY decrease of 39.12%.

Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business, wealth management business, trading and institutional client services business and investment management business. During the reporting period, total revenue and other income of the investment banking segment amounted to RMB4,682 million, representing a YoY increase of 37.79%. Total revenue and other income of the wealth management segment amounted to RMB7,234 million, representing a YoY decrease of 47.53%. Total revenue and other income of the trading and institutional client services segment amounted to RMB3,575 million, representing a YoY decrease of 34.33%. Total revenue and other income of the investment management segment amounted to RMB1,564 million, representing a YoY increase of 11.71%.

1. Investment banking segment

The investment banking segment of the Group mainly comprises equity financing business, debt financing business and financial advisory business.

(1) Equity financing business

In 2016, the A share primary market remained robust and, with the normalization of IPO approval procedures, the issuance of shares on such market has been gradually accelerated accordingly. A total of 1,033 equity financing deals were launched in the A share market throughout the year, representing a YoY decrease of 4.79%. The amount of proceeds raised reached RMB1,975,600 million, representing a significant increase of 27.81% as compared to that in 2015 (source: Wind Info). Refinancing business also achieved solid progress in 2016. During the reporting period, the investment banking business of the Company continued to grow and maintained a leading position in the market. The Company completed 63 equity financing transactions, ranking No. 1 in the industry. The aggregate amount of equity offerings underwritten by us as a lead underwriter was approximately RMB103,400 million, ranking No. 2 in the industry. In particular, the number and aggregate amount of IPOs underwritten by us as a lead underwriter was 14 and approximately RMB18,300 million, ranking No. 3 and No. 1 in the industry, respectively.

Details of equity sponsorship and underwriting in 2016:

Item	**2016** Aggregate amount underwritten *(RMB'00 million)*	**2016** Number of offerings	2015 Aggregate amount underwritten *(RMB'00 million)*	2015 Number of offerings
IPO	**183.49**	**14**	28.66	5
Follow-on offerings	**850.33**	**49**	575.33	44
Total	**1,033.82**	**63**	603.99	49

Source: Wind Info and the Company

For overseas business, in 2016, China Securities International completed 7 IPOs, 2 follow-on offerings, 2 financial advisory transactions and 13 overseas bond issuance transactions in Hong Kong.

Outlook for 2017

In 2017, the Company will continue to leverage on its advantage in balanced investment banking product offerings and take more efforts in exploring large enterprises with significant industry position and SMEs with growth potential to proactively build a stronger deal pipeline.

(2) *Debt financing business*

In 2016, the Company's debt underwriting business (see table below) grew significantly as compared to that of the previous year and ranked No. 1 in the industry, The number and aggregate amount of corporate bond offerings underwritten by us had the highest growth and ranked No. 1 in the industry. In 2016, the Company completed the offerings of 284 corporate bonds as a lead underwriter, representing a YoY increase of 242.17%; and the aggregate amount underwritten was approximately RMB571,800 million, representing a YoY increase of 187.16%.

Details of debt sponsorship and underwriting business of the Company in 2016:

	2016		2015	
Item	**Aggregate amount underwritten** ***(RMB'00 million)***	**Number of offerings**	Aggregate amount underwritten *(RMB'00 million)*	Number of offerings
Corporate bonds	**5,718.18**	**284**	1,991.32	83
Enterprise bonds	**204.50**	**17**	202.00	18
Convertible bonds	**11.11**	**1**	24.00	1
Financial bonds	**1,168.00**	**23**	1,401.70	27
Others	**1,750.44**	**140**	2,299.61	127
Total	**8,852.23**	**465**	5,918.63	256

Source: Wind Info and the Company

Note: Others mainly consist of medium-term notes, short-term commercial papers, private placement notes, asset securitization, government-backed agency bonds and exchangeable bonds; for joint lead underwriting transactions, the aggregate offering size represents the aggregate amount underwritten.

Outlook for 2017

In 2017, along with the continuous development of traditional products for which we have already built competitive advantages such as corporate bonds and enterprise bonds, the Company will also focus on innovative products such as panda bonds, green bonds, exchangeable bonds, innovation and entrepreneurship corporate bonds and ABS, so as to adapt to market changes with a widened bond product offering.

(3) Financial advisory business

The Company's financial advisory business mainly comprises M&A of listed companies, as well as NEEQ quotation recommendations.

In September 2016, the CSRC revised the Administrative Measures for Significant Asset Restructuring to restrain "speculation in stocks with poor performance", "speculation in stocks of shell companies", as well as pursuit of market hot spots by way of cross-industry M&A. This had certain impact on the M&A business, whilst, accelerated the approval for those M&A projects which do not fall into the above situations. In 2016, 300 companies in the A share market completed M&A with an aggregate transaction amount of RMB823,900 million, representing a YoY decrease of 18.92% and 11.02% as compared to that of 2015 in terms of number of transactions and aggregate transaction amount, respectively. During the reporting period, the M&A business of the Company continued to develop rapidly. In 2016, the Company acted as financial advisor in 18 significant asset restructuring projects, ranking No. 5 in the industry. The transaction amount of acquisition was RMB42,200 million, representing a YoY increase of 15.10%.

The NEEQ market continued to grow rapidly in 2016. During the year, a record high of 5,034 companies was quoted on the NEEQ, representing a YoY increase of 42%. The number of NEEQ quoted companies has exceeded 10,000 in total. Issues such as lack of liquidity, difficulty in fundraising and divergence among different types of indices have also emerged along with the rapid growth of market size. In June 2016, the NEEQ market implemented bifurcated management, under which quoted companies are categorized into three levels based on factors including corporate governance, operating revenue, market capitalization, etc. Companies which satisfy any one set of standards may enter into the innovation level. As of the end of 2016, there were 9,211 and 952 companies in the basic level and innovation level, respectively (source: NEEQ Company). Meanwhile, the NEEQ Company applied more stringent requirements on the selection of quotation candidates, internal approval by chief agency brokers and other aspects, with increasingly stringent regulations.

As a chief agency broker, the Company recommended 156 companies in 2016 and 359 companies in aggregate to be quoted on the NEEQ, ranking No. 4 in the industry.

Outlook for 2017

In 2017, it is expected that market-driven M&A and consolidation of state-owned enterprises will remain active. The Company will seize the market opportunities to actively explore the financial advisory business and pursue opportunities in investment and financing business brought by by M&A transactions to raise revenue from capital-based intermediary and other services. With respect to NEEQ business, in 2017, the Company will continue to pay attention to the quality of quoted companies, select high-quality enterprises to nourish their value growth and strive for excellent operating results and economic benefits.

2. *Wealth management segment*

The Company's wealth management segment mainly comprises brokerage and wealth management business, margin financing and securities lending business and repurchase business.

(1) Brokerage and wealth management business

The Company provides individual and corporate clients with brokerage of stocks, bonds, funds, derivatives and other tradable securities. During the reporting period, the total trading volume of equity and funds in the market was RMB138.91 trillion, representing a YoY decrease of 48.72% (source: Shanghai and Shenzhen Stock Exchanges). The competition among securities firms is increasingly fierce on commission rate, business flow, service approach, service provided and expertise of employees. As the stock trading amount decreased in general, the brokerage business encountered great challenges.

In 2016, the Company endeavored to establish an ecological chain of integrated client services platform and to develop businesses covering financial products, margin financing and securities lending, the NEEQ, private equity, investment advisory services, futures, precious metals and IB business through resource integration. The Company continued to strengthen the core competitiveness of brokerage business with clients as the focus, and strive to fulfil diversified wealth management, investment and financing needs of retail, high net worth, institutional, corporate and other clients at different levels.

In 2016, the net income from the securities brokerage business of the Company comprised 3.21% of the market, ranking No. 10 in the industry. Trading volume of the agency sales of equity funds amounted to RMB7.75 trillion with a market share of 2.98%, ranking No. 10 in the industry. The distribution of standardized products for the year amounted to RMB78,000 million, and the net income from the distribution of financial products had a market share of 5.60%, ranking No. 4 in the industry, up one place from last year. The number of new shareholder accounts was 2,918,200, representing a YoY increase of 62.62%; the total number of clients' capital accounts at year end was 6,014,400. The market value of securities in our client accounts was RMB1.61 trillion with a market share of 4.77%, ranking No. 5 in the industry, up five place from last year; in which new client assets amounted to RMB383,745 million (sources: Shanghai and Shenzhen Stock Exchanges, China Securities Depositary and Clearing Corporation (中國證券登記結算有限責任公司), the Securities Association of China (中國證券業協會) and the Company). As of the end of 2016, the Group had 225 securities branches, of which 56% were located in the relatively affluent Five Provinces and Two Municipalities (Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong), and among which 36 were located in Beijing. Being the securities company with largest number of securities branches in Beijing, the Company has established a solid client base for its brokerage and wealth management businesses.

For the overseas business, China Securities International provides wealth management services to clients of our securities brokerage business including institutional clients. As of the end of 2016, the total asset value under custody for our retail clients reached HK$8,500 million, representing a YoY increase of 30%; and the total asset value under custody for our institutional clients reached HK$25,000 million, representing a YoY increase of 73%.

Outlook for 2017

In 2017, the brokerage business of the Company will adhere to the basis of compliance and risk management, focus on the development of and services for three major types of clients, namely individual, institutional and corporate clients, pursuant to the Internet strategy, in order to enhance the satisfaction of clients and employees. The Company will raise its core competitiveness with an aim to build the best investment advisory and transaction brand in the industry and establish the "Invincible Army of Wealth Management" for stable development with a long-term vision and steady pace, so as to achieve a robust growth of the revenue from brokerage services. Meanwhile, the Company will maintain its leading position by expanding its network of securities branches in Beijing and expand its securities branches in line with the nationwide strategy, so as to lay a solid foundation for the prosperous development of its brokerage business.

(2) Margin financing and securities lending business

In 2016, the margin financing and securities lending business has declined in terms of scale with a relatively low overall standard. As of the end of 2016, the balance of margin financing and securities lending of the Shanghai Stock Exchange and Shenzhen Stock Exchange was RMB939,249 million, which decreased by 20.01% as compared to that of the end of 2015 (source: Wind Info).

As of the end of 2016, the closing balance of the Company's advances to client and securities lending business was RMB29,900 million, representing a decrease of 15.58% as compared to that at the end of 2015; and the market share was 3.18%, ranking No. 11 on a combined basis, among which the balance of margin accounts ranked No. 10. The number of margin financing and securities lending accounts was 127,020, representing an increase of 5.41% as compared to that at the end of 2015.

Outlook for 2017

In 2017, the Company will further strengthen the dynamic monitoring of and adjustment to the leverage ratio of margin financing and securities lending business and establish a more comprehensive compliance and risk management system for the margin financing and securities lending business. Besides, the Company will continue its efforts in client service and quality enhancement so as to provide more extensive and comprehensive services. Moreover, the Company will further increase the core competitiveness of the business by way of product and service innovations.

(3) Repurchase business

In 2016, the collateralized stock repurchase business of the whole market maintained a momentum of rapid growth. As of the end of 2016, the scale of collateralized stock repurchase business of the whole market amounted to RMB1,284,005 million, representing an increase of 85.04% (source: Shanghai and Shenzhen Stock Exchanges) as compared to that at the end of 2015. The scale of collateralized stock repurchase business has surpassed the scale of margin financing and securities lending business.

During the reporting period, the collateralized stock repurchase business of the Company accomplished a consistent growth. As of the end of 2016, the balance of the collateralized stock repurchase business of the Company amounted to RMB35,600 million, representing an increase of 66.15% as compared to that at the end of 2015, ranking No. 9 in the industry, which was 2 ranks higher as compared to last year. As of the end of 2016, the balance of margin accounts of the contractual stock repurchase transaction business of the Company amounted to RMB370 million, representing a decrease of 5.55% as compared to that at the end of 2015, ranking No. 5 in the industry, which was 1 rank higher as compared to last year.

Outlook for 2017

Looking ahead, in 2017, the collateralized stock repurchase business is expected to maintain a momentum of relatively rapid growth. It is expected that the scale of collateralized stock repurchase business of the whole market will grow rapidly in 2017.

3. Trading and institutional client services segment

The trading and institutional client services segment of the Group mainly comprises equity sales and trading business, fixed income sales and trading business, investment research business, prime brokerage business and the QFII business.

(1) Equity sales and trading business

The equity sales and trading business of the Company mainly provides trading, advisory and research services, and distribute equity securities underwritten by the Company to institutional clients. The Company also engages in proprietary trading and market-making activities of stocks, funds, and financial derivatives including stock index futures, commodity futures, options and total return swaps. It provides the clients with customized options and swaps products linked to various types of assets to meet the hedging and investment demand of institutional clients.

With respect to the securities and trading business, the Company successfully guarded its bottom line for risk management. The Company put more efforts on the deployment in the blue-chip segment in the stock market, and carried out its NEEQ market-making business based on the fundamentals for companies to pursue a balance between value and growth. The Company became qualified to conduct NEEQ market-making business in July 2014. The NEEQ team provided market-making services to 84 listed companies in 2016, representing an increase of 64.71% as compared to that at the end of 2015. The on-floor trade amount ranked among the top 20% in the market with full score in the review of transaction management. The accumulated trading volume was RMB1,040 million, representing an increase of 56.86% as compared to that at the end of 2015.

Along with the stable development of the existing business, the derivatives trading business actively explored new business models to enhance its investment strategies using its own funds to fulfil various business needs of clients. With respect to on-floor business, the Company constantly improved its traditional business such as quantitative investment and liquidity services while developing bulk commodities related business. With respect to over-the-counter ("OTC") business, the Company consistently enriched the business models of swap transactions and OTC options with new linked subjects and revenue structure to meet the personalized investment needs of clients.

As one of the first batch of participants in the stock index futures market, the Company was licensed to provide liquidity to ETF options on the Shanghai Stock Exchange in April 2015.

Outlook for 2017

In 2017, as the macro-economy and the capital market tend to be stable, the Company will keep strengthening its tracking and research on stock index futures, stock options, commodity futures and other new products, contribute more resources on commodities segment, and explore cross-border investments and business cooperation to provide clients with hedging and risk management services. Meanwhile, leveraging on its advantage in fundamental pricing and based on the concept of value investment, the Company will continue to boost the diversification of its investment products and strategies to achieve a stable income in line with the market environment.

(2) Fixed income sales and trading business

Since 2016, under the rapid development of the bond offering size and intensified market competition, the Company successfully built a cross-region sales network with no blind spots by product categories according to its business development needs. Account managers maintain and provide professional service to satisfy the requirements of institutions in their respective responsible regions by such product categories. Whilst securing existing major clients, the Company focused on the development of investors including city commercial banks, rural commercial banks and private equity investment firms by province, and dug deep into the bond investments needs of various types of clients to achieve satisfactory sales performance. The sales of interest rate products for the year grew by 53%, and the scale of corporate bond sales ranked No. 1 in the industry.

With respect to the FICC business, the Company actively explored the FICC segment for opportunities of investment in gold, foreign exchange and derivatives while investment transactions under traditional fixed income proprietary business maintaining good performance in, so as to bring the synergy of FICC related business into full play by the cooperation between the FICC business and traditional fixed income products. Under the frequent occurrence of credit bond default events, the Company successfully issued the "Credit Risk Mitigation Warrant (First Tranche) 2016 for CSC Financial Co., Ltd.", which targeted troubled assets and set securities company as the subject of credit sharing for the first time. This is a new attempt in the credit derivatives market of China after five years' break, and provided credit risk hedge product for the market and the investors. Besides, the Company established an industry flagship brand in the credit derivatives sector and further strengthened its leading position in the fixed income derivatives industry.

With respect to the proprietary business, the Company continued to maintain a prudent proprietary investment approach, and the proprietary corporate bonds business was at a good pace of development. As of the end of 2016, among the proprietary investment assets of the Company, the size of bond investments reached RMB30,475 million, representing an increase of 52.77% as compared to that in 2015. Bond investments accounted for 59.16% of the total size of proprietary investment. The average return of bond investments outpaced the market, while the risk of significant market investments was hedged against. In 2016, the annualized rate of return of corporate bond investments reached 6.41%, far surpassing the level of return of major bond indices in the market.

The investment advisory business of the Company kept market risks and credit risks well managed, and also kept abreast with the market pace to seize trading opportunities and to utilize derivatives for risk hedging properly to accomplish better investment results. In addition, the Company put more efforts in the marketing, product design and media coverage of the investment advisory business, proactively reached out to extensive market participants, and established cooperation with interested and potential clients to enhance its market influence.

With respect to the asset securitization business, in 2016, the Company steadily developed its asset securitization business, of which both the total size and individual size of asset securitization projects underwritten by us as lead underwriter ranked among the top in the market. Our underwriting capability, sales ability and project development capability were widely recognized by the market. The Company successfully issued the Nong Ying Phase I Troubled Asset Securitization Project with the largest offering size among all NPL securitization products and the lowest interest rate among products of the same type during the same period. It had an extensive market influence and was well recognized by clients and investors. According to the statistics provided by Wind Info, in terms of the size of underwriting, the asset securitization projects underwritten by the Company ranked No. 6 in the market in 2016, among which the interbank asset securitization projects ranked No. 4 in the market.

Outlook for 2017

In 2017, the Company will continue to develop the underwriting, issuance and sales business of bonds and asset securitization products, enhance market research and seize market opportunities to enhance investment in fixed income products and proactively explore investment advisory business.

(3) Investment research business

Specialized research capability is the foundation for institutional client services. The Company's research is well recognized and highly influential in the industry, and highly trusted by institutional clients. The investment research business of the Company mainly provides institutional clients with research consultation services covering macro-economy, fixed income, strategy, industry, corporate, financial engineering and other aspects. Clients mainly include mutual funds, insurance companies, the National Social Security Fund, private equity funds, securities firms and other institutions. The research business of the Company provides clients with research reports and various kinds of tailored research consultation services. In 2016, the Company had a research and sales team comprising 143 members, and published a total of 2,073 research reports of various types. The Company's stock research covered 24 industries and 486 domestic listed companies.

The Company's research business is highly influential in the industry. In the "14th New Fortune Best Analyst" competition in 2016, the Company's research team ranked No. 10, No. 9 and No. 3 in the categories of "Best Domestic Research Team", "Most Influential Research Institution" and "Research Institution with Best Progress", respectively. Of all the 34 sectors of research for the competition, the Company ranked No. 1 in three sectors, namely the fixed income, military and communications sectors, and No. 2 in the sectors of coal mining.

Outlook for 2017

In recent years, the competition for research talents has been extremely intense. In 2017, the Company will continue to reinforce the establishment of the research team to improve its research capability.

(4) Prime brokerage business

The Company provides market-leading full-chain prime brokerage services to institutional investors, including trading service, account service, product design and agency sales, institutional investment and financing service, custody and outsourcing, research service, financing solution and value-added services. In 2016, the total assets under the custody and outsourcing business of the Company amounted to RMB129,100 million, representing an increase of 125%, ranking among the top in the industry. The number of products under custody was 996, ranking No. 6 in the industry according to the statistics provided by Wind Info. The number of outsourced products was 793 at a scale of services RMB62,700 million, representing an increase of 90% and 2.3 times, respectively.

Outlook for 2017

Institutional clients will play a more important role in capital market, and their demand for products and services will be more diversified and complicated. The Company will endeavor to develop prime brokerage business to provide institutional clients with investment and financing services.

(5) QFII business

The QFII business of the Company mainly comprises QFII and RQFII brokerage agency business. With years of development, our QFII and RQFII businesses have developed a professional service brand featuring advanced transaction system and trading algorithm and extensive research information services. In 2016, the average AUM of our QFII and RQFII business clients reached RMB3,300 million, with a trading volume of RMB6,700 million.

Outlook for 2017

In 2017, the Company will expand the number of QFII and RQFII clients on top of the existing clients and potential clients and increase the AUM. Furthermore, leveraging on the advantages and resource consolidation of its domestic business as well as the overseas platform of China Securities International, the Company will increasingly explore the international market and proactively carry out QFII and RQFII businesses to provide high-level, all-round, diversified, differentiated and integrated financial services.

4. Investment management segment

The investment management segment of the Group mainly comprises asset management business, fund management business and private equity investment business.

(1) Asset management business

The Group provides asset management services to manage the financial assets of its clients. We has established a comprehensive product line covering currency, bonds, stocks, hybrid products, project investment, index-linked products, quantitative investment and asset securitization. We are qualified to conduct business related to insurance fund trust management and QDII, and we are a member of the Insurance Asset Management Association of China and the Securities Investment Association of China, respectively. The Group manages its investment through three types of schemes, namely the CAM scheme, the TAM scheme and the SAM scheme.

As of the end of 2016, our AUM reached approximately RMB811,400 million, ranking No. 5 in the industry, representing an increase of 47.08% as compared to that at the end of 2015. The targeted wealth management products of the Company have been transforming from channel-based business to actively managed business. As of the end of 2016, the AUM of actively managed wealth management products of the Company amounted to approximately RMB153,200 million, representing an increase of 27.54% as compared to that at the end of 2015.

The scale of our asset management business is as follows:

	AUM *RMB'00 million*	
	31 December 2016	31 December 2015
CAM business	**224.90**	194.86
TAM business	**7,808.45**	5,278.88
SAM business	**80.96**	43.35
Total	**8,114.31**	5,517.09

Source: The Securities Association of China, Asset Management Association of China and the Company

For the overseas business, China Securities International provides consultation services and asset management with various investment instruments. In 2016, its total AUM reached US$658 million with 14 debt investment products, one designated account for overseas investment by state-owned enterprises, one designated account for RQFII equity investment and four designated accounts for equity investment under its management. On November 30, 2016, "China Securities International High Yield Bond Fund" was awarded first runner-up for "Best Total Return – Greater China Fixed Income (1 Year)" in the 2016 HKCAMA-Bloomberg Offshore China Fund Awards.

Outlook for 2017

In 2017, the Company will continue to strengthen the development of traditional asset management business together with business expansion to enhance its sales ability and client service capabilities. Moreover, the Company will implement stringent risk management on top of overall improvement in product performance and establish an asset management team with expertise.

(2) Fund management business

The Group established a fund management subsidiary, China Securities Funds, in September 2013 and has strived to develop it into an advanced fund management platform with robust and prudent investment style. China Securities Funds has a highly diversified client base covering commercial banks, securities firms, trust companies, financial companies, private equity funds and other clients. As of the end of 2016, the AUM of the fund management business was RMB212,400 million, representing an increase of 146.65% as compared to that at the end of 2015. Among which the AUM of mutual fund and segregated account management (including that of Yuandaxin Capital Management (Beijing) Company Limited* (元達信資本管理（北京）有限公司), being its subsidiary) was RMB9,500 million and RMB202,900 million, respectively, representing an increase of 64.56% and 152.51% as compared to that at the end of 2015, respectively. The fund management business of the Company has survived the challenge of significant fluctuation in the stock market in 2015. As of the end of 2016, all fund products of the Company reported good results, among which 10 out of 12 mutual fund products recorded accumulated profits.

Outlook for 2017

In 2017, the Company will strive for innovative development and sound operation, and endeavor to enhance investment and research capabilities to accelerate product innovation and expansion of sales channels. The Company will also highlight the advantages of fixed income products to enhance core competitiveness, so as to achieve steady growth in the AUM and to build a first-class fund management company in China.

(3) Private equity investment business

In 2016, in view of the grim domestic economy and a further optimized economic structure driven by the economic structure transformation in China, state-owned capital, private capital and direct investment companies established by securities firms competed for supremacy by utilizing their respective advantages, which has brought new opportunities, new landscape and new challenges to investments in the primary market. By leveraging on internal and external resources of the Company, China Securities Capital fully explored projects with potential, while striving to enlarge existing funds and develop new funds, eventually achieving the healthy operation and steady growth of the Company.

As of the end of 2016, China Securities Capital managed a total of 12 funds, including six integrated funds, two industrial funds and four designated funds. The newly established funds amounted to RMB890 million, representing a YoY increase of 26.64%. As of the end of 2016, China Securities Capital completed over 70 investment projects, including six main board listings, 18 NEEQ quotations, and nine exit projects, with average investment yield of 360%. According to China's annual equity investment rankings published by Zero2IPO Research Center in 2016, China Securities Capital ranked No. 9 among direct investment companies established by securities firms in the top 100 private equity investment institutions in China.

Outlook for 2017

In 2017, China Securities Capital will enhance its presence in the industry by improving channel construction to acquire more high-quality projects with higher expected return. China Securities Capital will further expand the scale by way of designated funds and parent funds to raise its ranking to progressively build an integrated brand of private equity investment fund.

Financial Statement Analysis

Profitability Analysis

In 2016, the Group continued to maintain a positive development in respect of its various business operations and both of its revenue and net profit grew higher as compared to previous years.

In 2016, the Group recognized total revenue and other income of RMB17,584 million, representing a YoY decrease of 28.26%. Net profit attributable to equity holders of the Company amounted to RMB5,259 million, representing a YoY decrease of 39.12%. Basic earnings per share amounted to RMB0.81, representing a YoY decrease of 40.88%. Weighted average return on net assets was 18.10%, representing a YoY decrease of 21.90 percentage points.

Asset Structure and Asset Quality

Total assets and total liabilities decreased at different levels. In 2016, the Group completed the listing of H Shares and the issuance of RMB-denominated corporate bonds, enabling the Group to supplement its working capital and maintain good liquidity. During the reporting period, due to market fluctuations, the Group made corresponding allowances for impairment losses in respect of assets which had indication of impairment, enabling the Group to maintain more prudent operations and high asset quality.

As of December 31, 2016, the Group's total assets amounted to RMB181,695 million, representing a YoY decrease of RMB1,493 million, or 0.82%. Excluding accounts payable to brokerage clients, the Group's total assets amounted to RMB124,959 million, representing a YoY increase of RMB13,816 million, or 12.43%. As of December 31, 2016, the Group's total liabilities amounted to RMB140,432 million, representing a YoY decrease of RMB12,573 million, or 8.22%. Excluding accounts payable to brokerage clients, the Group's total liabilities amounted to RMB83,696 million, representing a YoY increase of RMB2,736 million, or 3.38%. As of December 31, 2016, the Group's equity attributable to owners of the Company amounted to RMB41,063 million, representing a YoY increase of RMB10,957 million, or 36.39%.

A stable asset and liability structure was maintained. As of December 31, 2016, excluding accounts payable to brokerage clients, the Group's total assets amounted to RMB124,959 million, among which investments, including investments in associates and investments in financial assets, accounted for 50.43% of the total assets; margin accounts and financial assets held under resale agreements accounted for 30.98% of the total assets; cash and bank balances accounted for 14.03% of the total assets; and other assets in aggregate accounted for 4.56% of the total assets.

As of December 31, 2016, excluding accounts payable to brokerage clients, the Group's total liabilities amounted to RMB83,696 million with a high proportion of short-term liabilities, among which the amount from financial assets sold under repurchase agreements was RMB25,031 million, accounting for 29.91% of the total liabilities; short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year were RMB24,899 million in aggregate, accounting for 29.75% of the total liabilities; debt instruments issued and long-term borrowings were RMB13,653 million in aggregate, accounting for 16.31% of the total liabilities; financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss and derivative financial liabilities were RMB3,115 million in aggregate, accounting for 3.72% of the total liabilities; and other liabilities were RMB16,998 million in aggregate, accounting for 20.31% of the total liabilities.

The gearing ratio of the Group slightly decreased. As of December 31, 2016, excluding accounts payable to brokerage clients, the gearing ratio of the Group was 66.98%, representing a YoY decrease of 5.86 percentage points.

Cash flow status

Excluding accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB1,372 million in 2016, representing a YoY decrease of RMB3,116 million, which was mainly due to the significant increase in cash outflow from investing activities YoY and the significant decrease in cash inflow from financing activities YoY.

Net cash inflow from operating activities in 2016 was RMB20,411 million, representing a YoY increase of cash inflow of RMB31,829 million as compared to an outflow of RMB11,418 million in 2015, which was mainly attributable to the increase in net cash inflows from financial assets held for trading, margin accounts and placements from banks and other financial institutions.

Net cash outflow from investing activities in 2016 was RMB17,294 million, representing a YoY increase of cash outflow of RMB13,170 million as compared to an outflow of RMB4,124 million in 2015, which was mainly attributable to the YoY increase in net cash outflow from purchase of available-for-sale financial assets.

Net cash outflow from financing activities in 2016 was RMB1,745 million, representing a YoY decrease of cash inflow of RMB21,775 million as compared to cash inflow of RMB20,030 million in 2015, which was mainly attributable to the decrease in net cash inflow from bond issuances by the Group during the reporting period.

In view of the above conditions, the net increase in cash flow from operating activities of the Group in 2016 was higher than that during the same period in 2015, and as the operating results continued to grow, the capital strength, profitability, investment and solvency capabilities of the Group were also strengthened gradually.

Analysis on Income Statement

Financial Highlights

In 2016, the Group accomplished a profit before income tax of RMB7,057 million, representing a YoY decrease of 38.43%. Major financial highlights of the Group are as below:

Unit: RMB million

Items	**2016**	2015
Fee and commission income	**10,584**	14,901
Interest income	**4,441**	5,573
Net investment gains	**2,412**	3,980
Other income	**147**	58
Total expenses	**10,524**	13,051
Share of profits and losses of associates	**-3**	–
Profit before income tax	**7,057**	11,461
Income tax expenses	**1,744**	2,810
Profit attributable to equity holders of the Company	**5,259**	8,639

Structure of Total Revenue and Other Income

In 2016, the total revenue and other income of the Group amounted to RMB17,584 million, representing a YoY decrease of 28.26%. The structure of revenue remained relatively stable. The revenue structure of the Group in the past four years is as follows:

Items	**2016**	2015	2014	2013
Fee and commission income	**60.19%**	60.79%	57.12%	59.93%
Interest income	**25.25%**	22.73%	25.59%	22.14%
Net investment gains	**13.72%**	16.24%	16.61%	17.03%
Other income	**0.84%**	0.24%	0.68%	0.90%
Total	**100.00%**	100.00%	100.00%	100.00%

Fee and Commission Income

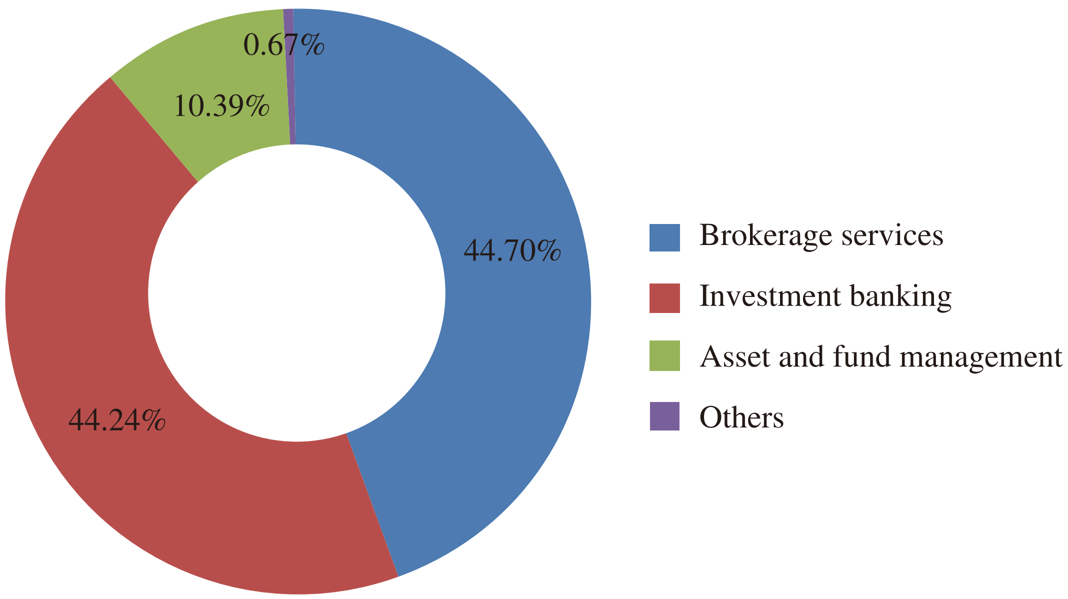
In 2016, the net fee and commission income of the Group amounted to RMB9,195 million, representing a YoY decrease of 27.39%. Such decrease was mainly due to the decrease in fee and commission income from brokerage business. The breakdown of fee and commission income of the Group during 2015 and 2016 is as follows:

Unit: RMB million

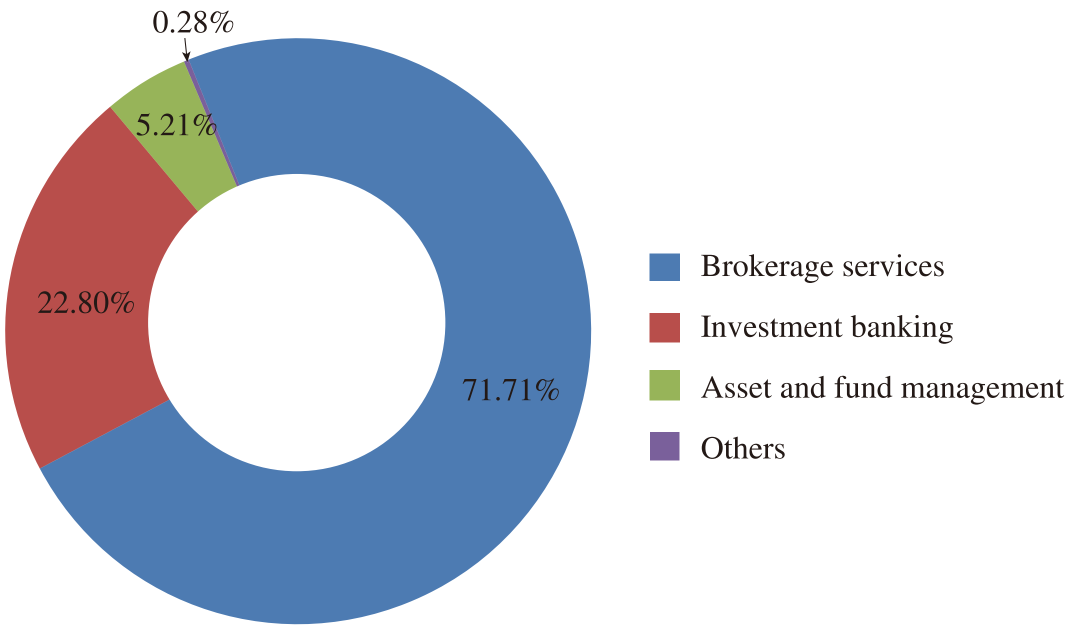
Items	**2016**	2015	Change	Change (%)
Fee and commission income				
Brokerage services	**4,731**	10,686	-5,955	-55.73%
Investment banking	**4,682**	3,398	1,284	37.79%
Asset and fund management	**1,100**	776	324	41.75%
Others	**71**	41	30	73.17%
Fee and commission expenses	**1,389**	2,237	-848	-37.91%
Net fee and commission income	**9,195**	12,664	-3,469	-27.39%

The Breakdown of Fee and Commission Income in 2015 and 2016

Breakdown of Fee and Commission Income in 2016



Breakdown of Fee and Commission Income in 2015



The fee and commission income from brokerage business decreased by RMB5,955 million, or 55.73% YoY. In 2016, the trading volume of stocks and funds in A share market in the PRC decreased by nearly 50% YoY.

The fee and commission income from investment banking business increased by RMB1,284 million, or 37.79% YoY. In 2016, the Company's investment banking business has continued to grow and maintained its market leading position with a significant increase in the fee and commission income from investment banking business (source: Wind Info).

The fee and commission income from asset and fund management business increased by RMB324 million, or 41.75% YoY. As of December 31, 2016, the AUM of entrusted assets of the Company amounted to RMB811,431 million, representing an increase of RMB259,722 million as compared to that at the end of 2015, ranking No. 5 in the industry in terms of the total AUM of entrusted assets in the asset management business (source: the Securities Association of China, Asset Management Association of China and the Company).

Interest Income

In 2016, the net interest income of the Group amounted to RMB1,592 million, representing a YoY decrease of RMB762 million. The table below sets out the major composition of the net interest income of the Group during the indicated periods:

Unit: RMB million

Items	**2016**	2015	Change	Change (%)
Interest income				
– Margin financing and securities lending	**2,417**	3,238	-821	-25.36%
– Financial assets held under resale agreements	**198**	110	88	80.00%
– Bank deposits	**1,790**	2,217	-427	-19.26%
– Others	**36**	8	28	350.00%
Interest expenses				
– Accounts payable to brokerage clients	**228**	311	-83	-26.69%
– Financial assets sold under repurchase agreements	**677**	1,052	-375	-35.65%
– Placements from banks and other financial institutions	**231**	281	-50	-17.79%
– Borrowings	**40**	32	8	25.00%
– Bonds issued and short-term financing instruments payable	**1,457**	1,385	72	5.20%
– Others	**216**	158	58	36.71%
Net interest income	**1,592**	2,354	-762	-32.37%

Interest income on margin financing and securities lending decreased by RMB821 million, or 25.36% YoY, which was mainly due to a decrease in interest income resulting from the decline of scale in margin financing and securities lending business as a result of the weaker A share market performance in China during 2016.

Interest income on financial assets held under resale agreements increased by RMB88 million, or 80.00% YoY, which was mainly due to an increase in interest income arising from collateralized stock business.

Interest income on bank deposits decreased by RMB427 million, or 19.26% YoY, which was mainly due to a decrease in interest income arising from capital deposits of clients.

Interest expenses decreased by RMB370 million, or 11.49% YoY, which was mainly due to a decrease in interest expenses arising from financial assets sold under repurchase agreements.

Net Investment Gains

In 2016, the net investment gains of the Group amounted to RMB2,412 million, representing a YoY decrease of 39.40%. The table below sets out the major composition of the net investment gains of the Group during the indicated periods:

Unit: RMB million

Items	**2016**	2015	Change	Change (%)
Net gains from available-for-sale financial assets	**1,470**	1,637	-167	-10.20%
Net gains from financial instruments held for trading and financial instruments designated as at fair value through profit or loss	**950**	2,869	-1,919	-66.89%
Others	**-8**	-526	518	-98.48%
Total	**2,412**	3,980	-1,568	-39.40%

Net gains from available-for-sale financial assets decreased by RMB167 million, or 10.20% YoY, attributable to a decrease of RMB356 million, or 42.56% in gains from the disposal of available-for-sale financial assets, and an increase of RMB189 million, or 23.55% in dividend income and interest income from available-for-sale financial assets held by the Group.

Net gains from financial instruments held for trading and financial instruments designated as at fair value through profit or loss decreased by RMB1,919 million, or 66.89% YoY. Investment gains arising from the holding and disposal of such instruments by the Group decreased by RMB1,758 million and the gains arising from changes in the fair value decreased by RMB161 million.

Other investment gains increased by RMB518 million YoY, which was mainly attributable to an increase of investment gains from derivative financial instruments.

Total Expenses

In 2016, the total expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB6,286 million, representing a YoY decrease of RMB1,309 million, or 17.24%.

The table below sets out the major composition of the expenses of the Group during the indicated periods:

Unit: RMB million

Items	**2016**	2015	Change	Change (%)
Staff costs	**4,282**	4,743	-461	-9.72%
Tax and surcharges	**347**	1,144	-797	-69.67%
Other operating expenses and costs	**1,659**	1,553	106	6.83%
Impairment (reversal)/losses	**-2**	155	-157	-101.29%
Total	**6,286**	7,595	-1,309	-17.24%

Staff costs for the year recorded a decrease of RMB461 million, or 9.72% YoY, which was mainly due to the decrease in performance-based remuneration.

Tax and surcharges for the year recorded a decrease of RMB797 million, or 69.67% YoY, which was mainly due to the transformation from business tax to value-added tax in the parent and domestic subsidiaries in the PRC in May 2016.

Asset impairment losses for 2016 amounted to RMB-2 million, representing a decrease of RMB157 million YoY, which was mainly due to a decrease in asset impairment losses of margin financing and securities lending business.

The table below sets out the composition of the impairment losses of the Group during the indicated periods:

Unit: RMB million

Items	**2016**	2015	Change	Change (%)
Available-for-sale financial assets	**15**	24	-9	-37.50%
Margin financing and securities lending	**-38**	117	-155	-132.48%
Financial assets held under resale agreements	**21**	2	19	950.00%
Others	**–**	12	-12	-100.00%
Total	**-2**	155	-157	-101.29%

Analysis on Financial Position

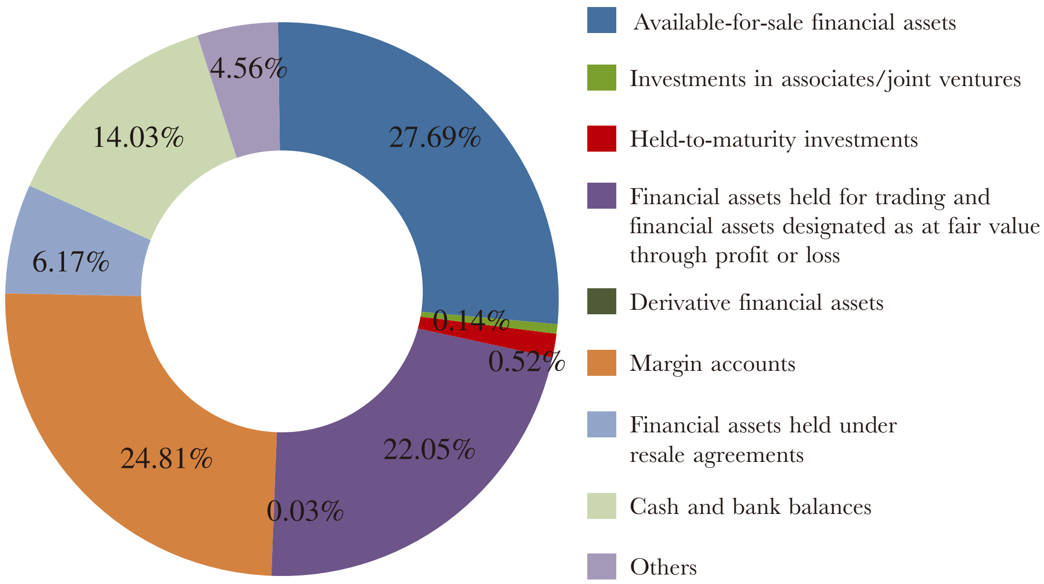
As of 31 December 2016, the total assets of the Group were RMB181,695 million, representing a YoY decrease of 0.82%. Excluding the effect of accounts payable to brokerage clients, the total assets of the Group amounted to RMB124,959 million as at 31 December 2016, representing a YoY increase of 12.43%. Major changes in the total assets of the Group were as follows:

Unit: RMB million

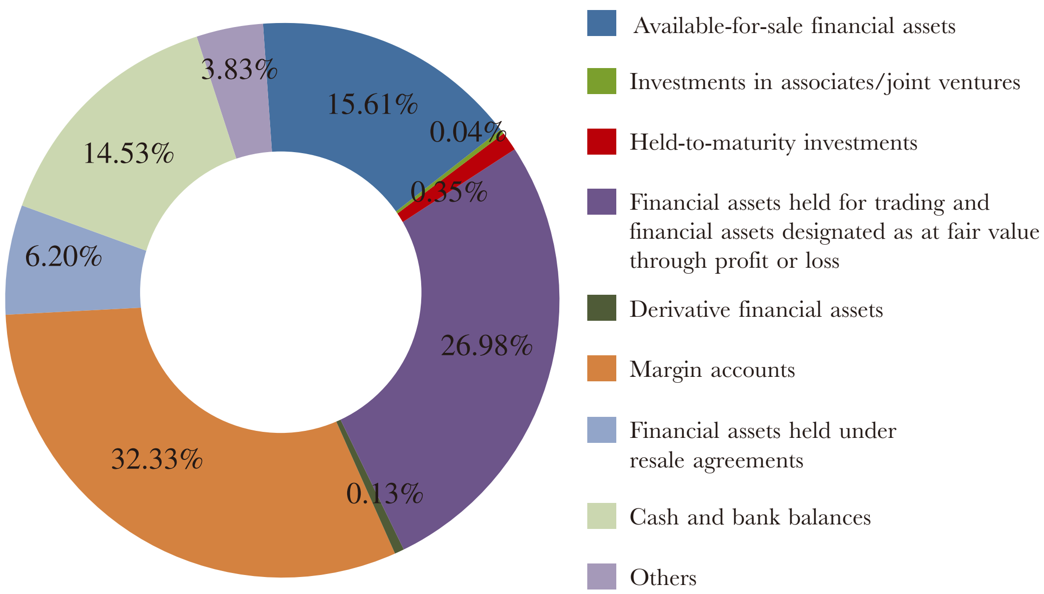
Items	**31 December 2016**	31 December 2015	Change	Change (%)
Available-for-sale financial assets	**34,595**	17,348	17,247	99.42%
Investments in associates	**172**	50	122	244.00%
Held-to-maturity investments	**654**	388	266	68.56%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	**27,553**	29,990	-2,437	-8.13%
Derivative financial assets	**49**	142	-93	-65.49%
Margin accounts	**31,007**	35,931	-4,924	-13.70%
Financial assets held under resale agreements	**7,705**	6,896	809	11.73%
Cash and bank balances	**17,526**	16,154	1,372	8.49%
Others	**5,698**	4,244	1,454	34.26%
Total	**124,959**	111,143	13,816	12.43%

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

Analysis of the Components of Assets in 2016



Analysis of the Components of Assets in 2015



Investments

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

As of 31 December 2016, the total external investments of the Group were RMB63,023 million, representing a YoY increase of RMB15,105 million, or 31.52%. Its total external investments accounted for 50.43% of the total assets, representing a YoY increase of 7.32 percentage points.

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

Unit: RMB million

Items	**31 December 2016** Amount	**31 December 2016** Percentage to total assets	31 December 2015 Amount	31 December 2015 Percentage to total assets
Available-for-sale financial assets	**34,595**	**27.69%**	17,348	15.61%
Investments in associates	**172**	**0.14%**	50	0.04%
Held-to-maturity investments	**654**	**0.52%**	388	0.35%
Financial assets held for trading and financial assets designated as at fair value through profit or loss	**27,553**	**22.05%**	29,990	26.98%
Derivative financial assets	**49**	**0.03%**	142	0.13%
Total	**63,023**	**50.43%**	47,918	43.11%

Available-for-Sale Financial Assets

As of 31 December 2016, available-for-sale financial assets of the Group increased by RMB17,247 million, or 99.42% YoY, accounting for 27.69% of the total assets of the Group, which was mainly due to the increase in the Company's investments in debt instruments and wealth management products. The following table sets forth the available-for-sale financial assets portfolio of the Group:

Unit: RMB million

Items	**31 December 2016** Amount	**31 December 2016** Percentage to total available-for-sale financial assets	31 December 2015 Amount	31 December 2015 Percentage to total available-for-sale financial assets
Debt securities	**20,169**	**58.30%**	9,919	57.18%
Equity investments	**1,607**	**4.65%**	1,249	7.20%
Fund investments	**423**	**1.22%**	61	0.35%
Others	**12,396**	**35.83%**	6,119	35.27%
Total	**34,595**	**100.00%**	17,348	100.00%

Investments in Associates

Unit: RMB million

Items	**31 December 2016**	31 December 2015	Change	Change *(%)*
Investments in associates	**172**	50	122	244.00%

As of 31 December 2016, the Group's investments in associates increased by RMB122 million, or 244.00% YoY, which was mainly due to the increase in the number of associates during the reporting period.

Financial Assets held for Trading and Financial Assets Designated as at Fair Value through Profit or Loss

As of 31 December 2016, the Group's financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for 22.05% of the total assets of the Group, and decreased by RMB2,437 million, or 8.13% YoY, which was mainly due to the significant decrease in fund investments held for trading and financial assets designated as at fair value through profit or loss.

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

Unit: RMB million

Items	**31 December 2016**	31 December 2015	Change	Change *(%)*
Debt instruments held for trading	**21,513**	20,983	530	2.53%
Equity investments held for trading	**1,247**	1,865	-618	-33.14%
Fund investments held for trading	**1,210**	4,372	-3,162	-72.32%
Financial assets designated as at fair value through profit or loss	**325**	1,504	-1,179	-78.39%
Others	**3,258**	1,266	1,992	157.35%
Total	**27,553**	29,990	-2,437	-8.13%

Cash and bank balances

As of 31 December 2016, cash and bank balances increased by RMB1,372 million YoY, which was mainly attributable to the issuance of new shares by the Group during the year.

Unit: RMB million

Items	**31 December 2016**	31 December 2015	Change	Change *(%)*
Cash and bank balances	**17,526**	16,154	1,372	8.49%

Liabilities

As of 31 December 2016, total liabilities of the Group amounted to RMB140,432 million, representing a YoY decrease of RMB12,573 million, or 8.22%. Excluding the effect of accounts payable to brokerage clients, total liabilities of the Group would have amounted to RMB83,696 million as at 31 December 2016, representing a YoY increase of 3.38%. The following table sets out the breakdown of the total liabilities of the Group as of the dates indicated:

Unit: RMB million

Items	**31 December 2016**	31 December 2015	Change	Change *(%)*
Accounts payable to brokerage clients	**56,736**	72,045	-15,309	-21.25%
Short-term borrowings, placements from banks and other financial institutions, short-term commercial papers payable and non-current liabilities falling due within one year	**24,899**	22,733	2,166	9.53%
Financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss and derivative financial liabilities	**3,115**	284	2,831	996.83%
Financial assets sold under repurchase agreements	**25,031**	29,262	-4,231	-14.46%
Debt instruments in issue and long-term borrowings	**13,653**	15,072	-1,419	-9.41%
Others	**16,998**	13,609	3,389	24.90%
Total	**140,432**	153,005	-12,573	-8.22%

During the year, the A share market in China recorded a decrease in overall trading volume as compared to that of 2015. As of 31 December 2016, the domestic accounts payable to brokerage clients decreased significantly. Total accounts payable to brokerage clients of the Group amounted to RMB56,736 million and accounted for 40.40% of the total liabilities of the Group, representing a YoY decrease of RMB15,309 million, or 21.25%.

The following table sets out the Group's accounts payable to brokerage clients by geographical locations and types of customers as of the dates indicated:

Unit: RMB million

Items	31 December 2016	31 December 2015	Change	Change (%)
Mainland China	**54,898**	71,350	-16,452	-23.06%
– Individual	**42,742**	57,208	-14,466	-25.29%
– Corporate	**12,156**	14,142	-1,986	-14.04%
Outside Mainland China	**1,838**	695	1,143	164.46%
Total	**56,736**	72,045	-15,309	-21.25%

As of 31 December 2016, short-term borrowings, placements from banks and other financial institutions, short-term commercial papers payable and non-current liabilities falling due within one year amounted to RMB24,899 million in aggregate, representing an increase of 9.53% YoY, mainly attributable to the increase in refinanced funds.

As of 31 December 2016, financial liabilities held for trading, financial liabilities designated as at fair value through profit or loss and derivative financial liabilities amounted to RMB3,115 million, representing a YoY increase of 996.83%, mainly attributable to the increase in financial liabilities held for trading.

As of 31 December 2016, financial assets sold under repurchase agreements decreased by RMB4,231 million, or 14.46% YoY, which was mainly attributable to the decrease in beneficial rights over margin financing and securities lending sold under repurchase agreements.

As of 31 December 2016, the Group's total outstanding amount of bonds payable due beyond one year amounted to RMB13,653 million, representing a YoY decrease of RMB1,419 million. In 2016, the Group issued corporate bonds of RMB4,500 million.

Equity

As of 31 December 2016, the total equity of the Group amounted to RMB41,263 million, representing a YoY increase of 36.71%, mainly attributable to the initial public offering of H Shares and the increase in net profit in 2016. The following table sets out the components of the Group's total equity as at the dates indicated:

Unit: RMB million

Items	31 December 2016	31 December 2015
Share capital	**7,176**	6,100
Other equity instruments	**5,000**	5,000
Capital reserve	**6,740**	1,436
Surplus reserves	**2,294**	1,752
General reserve	**6,152**	5,114
Investment revaluation reserve	**-188**	256
Foreign currency translation reserve	**102**	44
Retained earnings	**13,787**	10,404
Non-controlling interests	**200**	77
Total	**41,263**	30,183

Analysis of Principal Subsidiaries and Non-Controlling Companies

The Company has four subsidiaries, a summary of which is set out below:

Name	Shareholding of the Company (%)	Date of Establishment	Registered/ Issued Share Capital	Place of Business	Registered Address	Contact Number
China Securities Futures	100%	16 March 1993	RMB700 million	11-B (Parallel to Ground Level)/11-A, 8-B4, 9-B&C (Nominal Level), Shangzhan Building, 107 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路107號上站大樓平街11-B，名義層11-A，8-B4，9-B、C)	11-B (Parallel to Ground Level)/11-A, 8-B4, 9-B&C (Nominal Level), Shangzhan Building, 107 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路107號上站大樓平街11-B，名義層11-A，8-B4，9-B、C)	8623–86769699
China Securities Capital	100%	31 July 2009	RMB650 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座12層)	Room 2, East Side, 6/F, 188 Chaoyangmennei Avenue, Dongcheng District, Beijing (北京市東城區朝陽門內大街188號6層東側2間)	8610–85130648
China Securities International	100%	12 July 2012	HK$1,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	00852–34655600
China Securities Funds	55%	9 September 2013	RMB300 million	17&19/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座17、19層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑3號樓1室)	8610–59100211

The associate of the Company also includes:

Name	Shareholding Held by the Company (%)	Date of Establishment	Registered/ Issued Share Capital
Zhongguancun Equity Exchange Services Group Limited	10%	January 28, 2013	RMB500 million

Explanation of Changes in Scope of Statement Consolidation

During the reporting period, the number of structured entities included in the consolidated financial statements of the Company changed to six. The number of primary subsidiaries included in the consolidated financial statements of the Company changed to 10.

No Change in the Income Tax Policy of the Company during the Reporting Period

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company and its subsidiaries excluding China Securities Futures and China Securities International. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57) (國家稅務總局公告[2012]57號《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》). The income tax rate applicable to the Company is 25%.

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy issued by local taxation bureau in Yuzhong District, Chongqing, the applicable income tax rate for China Securities Futures is 15%.

The applicable income tax rate for China Securities International is 16.5%.

SUBSEQUENT EVENTS

Partial Exercise of the Over-allotment Option

On 30 December 2016, the over-allotment option described in the prospectus of the Company's H Share global offering was partially exercised by the joint representatives, on behalf of the international underwriters, in respect of an aggregate of 73,411,000 H Shares (including 69,915,238 H Shares newly issued by the Company and 3,495,762 H Shares converted from Domestic Shares and offered for sale by the selling shareholders). Listing of and dealings in such over-allotment shares commenced on the Main Board of the Hong Kong Stock Exchange on 5 January 2017.

After the partial exercise of the over-allotment option, the total shares of the Company were 7,246,385,238. The additional net proceeds of approximately HK$464.2 million received by the Company from the issue and allotment and sale of the over-allotment shares will be used by the Company for the purposes as set out in the prospectus.

For the details of partial exercise of the over-allotment option, please refer to the announcement published by the Company on 3 January 2017.

The Issuance of Corporate Bonds

In January 2017, the Company has non-publicly issued a short-term corporate bond with a nominal value of RMB3,000 million ("**17 Xintou D1**"), with a term of 183 days. The bonds shall bear interests at a fixed coupon form with a coupon rate of 4.00%. The bond will be redeemed in full as they fall due at the end of the term. The bond is non-guaranteed.

In February 2017, the Company has non-publicly issued a short-term corporate bond with a nominal value of RMB3,000 million ("**17 Xintou D2**"), with a term of 179 days. The bonds shall bear interests at a fixed coupon form with a coupon rate of 4.53%. The bond will be redeemed in full as they fall due at the end of the term. The bond is non-guaranteed.

The Company plans to complete the non-public issuance of a short-term RMB corporate bond ("**17 Xintou D3**") with a term of one year and an offering size of no more than RMB4,500 million by the end of March 2017.

Legal Proceedings

Reference is made to the Dispute with Yu Xiaofeng over Margin Financing and Securities Lending Business disclosed in the "Business — Legal Proceedings" section of the Company's prospectus date 29 November 2016. On 9 February 2017, Ms. Yu Xiaofeng indicated to the Third Intermediate People's Court of Beijing (the "**Court of Second Instance**") that she would follow the judgement made by the People's Court of Chaoyang District of Beijing (the "**Court of First Instance**"), and applied for withdrawal of the appeal. On the same day, the Court of Second Instance issued a civil ruling with the consent on the withdrawal of appeal of Ms. Yu Xiaofeng. The judgement of the Court of First Instance in relation to dismissal of Ms. Yu's claims came into effect.

Change in Directors

On 17 March 2017, Mr. Qiu Jianyang has resigned from his position as a non-executive Director, a member of the Development Strategy Committee and a member of the Risk Management Committee of the Company due to personal work arrangements. On the same date, Mr. Xu Gang was nominated by the Board as a candidate of the non-executive director of the Company. Mr. Xu will officially assume the office from the date on which the proposal on his appointment is considered and approved at the general meeting of the Company and his directorship qualification is approved by China securities regulatory institutions, and his term of office shall end on the date on which the term of the first session of the Board is expired. For details, please refer to the announcement published by the Company on the same date.

FINAL DIVIDEND

The Board of Directors proposes that the Company adopt cash dividend payment method for its 2016 profit distribution (i.e., 100% cash dividend), and distribute to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date of the 2016 cash dividend, a proposed total cash dividend of RMB1,304,349,342.84 (tax inclusive), representing 24.80% of the net profit attributable to the equity holders of the Company and 39.73% of the distributable profits for the year of the Company. Based on the total number of share of the Company of 7,246,385,238 shares as of the date of this announcement, cash dividend of RMB1.80 (tax inclusive) will be distributed for every 10 shares. In case of any change in the total number of issued share of the Company on the record date as a result of placing or repurchase, the amount of cash dividend per share will be adjusted accordingly based on the total amount of RMB1,304,349,342.84 (tax inclusive).

Cash dividend is denominated and declared in RMB and payable in RMB to the holders of Domestic Shares and in Hong Kong dollars to the H Shareholders. The actual amounts to be paid in Hong Kong dollars will be calculated based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five business days before the date of the 2016 Annual General Meeting of the Company. The proposal of 2016 profits distribution shall be subject to consideration and approval at the 2016 annual general meeting. Upon approval, the Company will distribute the cash dividend for 2016 within two months from the date of the 2016 annual general meeting.

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》（國稅函[2011]348號）), the dividends received by overseas resident individual shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China and the tax arrangements between Mainland and Hong Kong (Macau). The relevant dividend tax rate under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. In circumstances where the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements subject to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement to the relevant agreed preferential treatments, and upon approval by the tax authorities, excessive withheld tax amounts will be refunded; (2) for citizens from countries under agreements subject to tax rates higher than 10% but lower than 20%, the withholding agents shall withhold individual income tax at the agreed-upon effective tax rate upon distribution of dividends (bonus), and are not obligated to file an application; and (3) for citizens from countries without tax agreements or under other circumstances, the withholding agents shall withhold individual income tax at a tax rate of 20% upon distribution of dividends.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》（國稅函[2008]897號）), a PRC resident enterprise, when distributing dividends for the year 2008 and the years thereafter to H shareholders who are overseas non-resident enterprises, shall be subject to enterprise income tax withheld at a uniform rate of 10%.

Pursuant to the "Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets" (Cai Shui [2016] No. 127) (《財政部國家稅務總局證監會關於深港通股票市場交易互聯互通機制試點有關稅收政策的通知》（財稅[2016]127號）), for dividends derived by Mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect shall be added to the total income of such investors and subject to enterprise income tax levied according to the requirements of the law. The Company will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. For dividends derived by Mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

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

Further announcement on the date of the 2016 annual general meeting, closure of book, entitlement date of dividend distribution and dividend payment date in compliance with Rule 13.66 of the Listing Rule will be made in due course.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies or any significant investments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 31 December 2016, apart from the global offering of the H shares of the Company and partial exercise of the over-allotment option as detailed in the partial exercise of the over-allotment option, stabilization actions and end of stabilization period announcement of the Company published on 3 January 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. During the period from the Listing Date to 31 December 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in the Appendix 10 of the Listing Rules regarding securities transactions by its Directors. The Company has made enquiries of all Directors regarding their compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the period commencing from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. DAI Deming, Mr. WANG Chenyang, Ms. WANG Shumin, Mr. FENG Genfu and Ms. ZHU Shengqin. The Audit Committee is chaired by Mr. DAI Deming. Majority of the members of the Audit Committee are independent non-executive directors. The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of final results of the Group for the year ended 31 December 2016.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of final results for the year ended 31 December 2016 is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the Company at http://www.csc108.com. The annual report for the year ended 31 December 2016 of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

IMPORTANT NOTICE

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"CSC" or "Company"	CSC Financial Co., Ltd. (中信建投証券股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6066)
"Group"	CSC Financial Co., Ltd. and its subsidiaries
"China Securities Capital"	China Capital Management Limited (中信建投資本管理有限公司)
"China Securities Funds"	China Securities Funds Management Limited (中信建投基金管理有限公司)
"China Securities Futures"	China Futures Co., Ltd. (中信建投期貨有限公司)
"China Securities International"	China Securities (International) Finance Holding Company Limited (中信建投（國際）金融控股有限公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)

"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each in PRC, which are subscribed for or credited as paid in Renminbi
"FICC"	fixed-income, currencies and commodities
"H Shareholder(s)"	Holder of H Share(s)
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HK dollars
"HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IPO"	initial public offering
"Listing Date"	the date, i.e., 9 December 2016, on which the H Shares of the Company are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"QDII"	Qualified Domestic Institutional Investor (合格境內機構投資者)
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"RMB" or "Renminbi"	the lawful currency of the PRC
"RQFII"	Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC securities and funds companies to facilitate investments of offshore Renminbi into PRC capital markets
"Shanghai and Shenzhen Stock Exchanges"	Shanghai Stock Exchange and Shenzhen Stock Exchange

"US$"	United States dollars, the lawful currency of the United States
"Wind Info"	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC and a service provider of financial data, information and software

By order of the Board
CSC Financial Co., Ltd.
Wang Changqing
Chairman

Beijing, the PRC, 17 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. WANG Changqing and Mr. QI Liang; the non-executive Directors of the Company are Mr. YU Zhongfu, Ms. HU Donghui, Mr. WANG Chenyang, Mr. WANG Shouye, Mr. LIU Dingping and Ms. WANG Shumin; and the independent non-executive Directors of the Company are Mr. FENG Genfu, Ms. ZHU Shengqin, Mr. DAI Deming, Mr. BAI Jianjun and Mr. LIU Qiao.