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

(Stock Code: 03958)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

The board of directors (the "**Board**") of 東方證券股份有限公司 (the "**Company**") hereby announces the audited results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2016. This announcement, containing the full text of the 2016 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.

The Group's final results for the year ended December 31, 2016 have been reviewed by the audit committee of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.dfzq.com.cn).

The Company's 2016 annual report will be despatched to holders of H shares and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
PAN Xinjun
Chairman

Shanghai, PRC
March 30, 2017

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

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Important Notice

The Board of Directors, the supervisory committee of the Company and its directors, supervisors and senior management warrant that the information contained herein is true, accurate and complete and there are no false representations, misleading statements contained in or material omissions from this annual report, and severally and jointly accept legal liability.

This report has been approved in the 28th meeting of the 3rd session of the Board of the Company.

Position of absent director	Name of absent director	Reason for being absent	Name of proxy
Non-executive director	Wu Junhao	Due to official affairs	Zhang Qian
Non-executive director	Huang Laifang	Due to official affairs	Pan Xinjun

There was no objection from the Directors or Supervisors to this report.

The 2016 annual financial report of the Company, prepared in accordance with the China Accounting Standards for Business Enterprises ("**CASBE**") and the International Financial Reporting Standards ("**IFRS**"), was audited by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu respectively, who each issued a standard unqualified audit reports to the Company. Unless otherwise stated, all units are denominated in RMB.

Mr. Pan Xinjun, the head of the Company, and Mr. Zhang Jianhui, the accounting chief and person-in-charge of the accounting department (head of the accounting department), warrant the truthfulness, accuracy and completeness of the financial report set out in the annual report.

The profit distribution proposal or proposal on transfer of capital reserve fund into share capital for the Reporting Period reviewed by the Board are as follows:

Based on the total share capital of 6,215,452,011.00 Shares (A Shares and H Shares) as at the end of 2016, a cash dividend of RMB1.50 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date, with a total cash dividend of RMB932,317,801.65 while the outstanding distributable profit of RMB4,939,168,346.15 is being carried forward to next year.

The forward-looking statements contained in this report including future plans and development strategies do not constitute substantial commitments to investors by the Company. Investors are advised to pay attention to such investment risks involved.

No appropriation of funds on a non-operating basis by the Company's controlling shareholders or their respective related parties has occurred during the Reporting Period.

The Company did not provide any external guarantee in violation of the decision-making procedures during the Reporting Period.

Chinese and English versions of this report are provided by the Company. In the event of any discrepancy between the Chinese and English versions, the Chinese shall prevail.

Unless otherwise stated, all analysis and explanations in this report are on consolidated basis.

Important Notice

MATERIAL RISK WARNINGS

The business of the Company is highly dependent on economic and market conditions in China and other jurisdictions where it operates. General economic and political conditions, such as macroeconomic and monetary policies, laws and regulations on the financial and securities industries, upward and downward trends in the market, business and financial sectors, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and financing cost, could affect the business of the Company. As a securities firm, the business of the Company is directly affected by the inherent risks associated with the securities markets, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes, and the creditworthiness or the perceived creditworthiness of the securities industry in the marketplace. Downturns in general economic conditions and adverse market conditions could materially and adversely affect the Company's business, results of operations, financial conditions and prospects in various ways, for example, the demand of its clients for securities trading could decrease, resulting in a decline in its revenue from the securities brokerage; the value and returns on financial assets the Company holds for securities trading and investment and the value of investment portfolio for the asset management products of the Company may be adversely affected by market volatility; the Company may face increased default risks that a client or counterparty may fail to perform his contractual obligations; the financing cost of the Company may increase due to the limited access to liquidity and the capital markets, and therefore restricting its ability to raise funds to develop its business; the Company may not be able to effectively formulate its business plans and strategies.

In addition to the extensive competition in the securities industry in the PRC, the Company also faces intense competition from other financial institutions, such as commercial banks, fund management companies, insurance companies, trust companies, futures companies and asset management companies. Some of the competitors of the Company may have certain competitive advantages over it, including greater financial resources, stronger brand recognition, broader product and service offerings and wider branch network coverage. Failure by the Company to effectively compete may have a material and adverse effect on the Company's business, financial conditions, results of operations and prospects.

The Company relies on banks and other external financing and bond issuances to fund a significant portion of its working capital requirements. The financial conditions, liquidity and business operations of the Company will be adversely affected to the extent the Company is not able to service or repay its debt in a timely manner due to lack or unavailability of internal resources or inability to obtain alternative financing. Even if the Company is able to meet its debt service obligations, the amount of debt the Company borrows could also adversely affect it in a number of ways, for example, limiting the ability of the Company to obtain any necessary financing in the future for working capital, strategic investment, debt service requirement, or other purposes; limiting the flexibility of the Company in planning for, or reacting to, changes in its business; placing the Company at a competitive disadvantage relative to its competitors who have lower levels of debt; affecting the credit ratings of the Company and increasing its financial cost; making the Company more vulnerable to a downturn in its business or the economy generally; subjecting the Company to the risk of being forced to refinance its debts at higher interest rates.

The Company has described the risks such as market risk and credit risk in detail in this report. Please refer to the contents of the Potential Risks and Prevention Measures under the Discussion and Analysis on the Company's Future Development in the section entitled Discussion and Analysis on Operations for details.

Section I Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definitions of the frequently used terms

"A Share(s)"	the domestic shares of the Company with a nominal value of RMB1 each, which are listed and traded on the SSE
"Articles of Association"	the articles of association of 東方證券股份有限公司
"BDO"	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
"Board" or "Board of Directors"	the board of directors of DFZQ
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, the Special Administrative Region of Macau of the PRC and Taiwan
"China Universal"	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司), an investee company of the Company
"Citi Orient"	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a controlling subsidiary of the Company
"Company" or "the Company" or "Parent Company" or "DFZQ"	東方證券股份有限公司
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
"CSRC"	the China Securities Regulatory Commission
"Group" or "the Group" or "We"	東方證券股份有限公司 and its subsidiaries
"H Share(s)"	the ordinary shares of the Company with a nominal value of RMB1 each, which are listed and traded in Hong Kong dollars on the Hong Kong Stock Exchange
"HK$", "HKD" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong"	the Special Administrative Region of Hong Kong of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IPO"	Initial Public Offering

Section I Definitions

"Listing Date"	July 8, 2016, on which the H Shares of the Company were listed on the main board of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NSSF"	the National Council for Social Security Fund of the PRC
"Orient Hong Kong"	Orient Finance Holdings (Hong Kong) Limited (東方金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
"Orient Securities Asset Management"	Shanghai Orient Securities Asset Management Co., Ltd. (上海東方證券資產管理有限公司), a wholly-owned subsidiary of the Company
"Orient Securities Capital Investment"	Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司), a wholly-owned subsidiary of the Company
"Orient Securities Futures"	Shanghai Orient Securities Futures Co., Ltd. (上海東證期貨有限公司), a wholly owned subsidiary of the Company
"Orient Securities Innovation Investment"	Shanghai Orient Securities Innovation Investment Co., Ltd. (上海東方證券創新投資有限公司), a wholly-owned subsidiary of the Company
"Reporting Period"	January 1, 2016 to December 31, 2016
"RMB, RMB'000, RMB'0000, RMB100 million"	Renminbi Yuan, Renminbi '000, Renminbi '0000, Renminbi 100 million (unless otherwise specified)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Bureau of the CSRC"	the Shanghai Securities Regulatory Bureau of the China Securities Regulatory Commission
"Shanghai Haiyan Investment"	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)
"Shenergy Group"	Shenergy (Group) Company Limited
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"SSE"	Shanghai Stock Exchange
"SSE Composite Index"	Shanghai Stock Exchange Composite Index
"SZSE Component Index"	Shenzhen Stock Exchange Component Index
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Wenhui-Xinmin Press Group"	Wenhui-Xinmin United Press Group

Section II Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

Chinese name of the Company	東方證券股份有限公司
Chinese abbreviation of the Company	東方證券
English name of the Company	ORIENT SECURITIES COMPANY LIMITED
English abbreviation of the Company	DFZQ
Legal representative of the Company	Pan Xinjun
General manager of the Company	Jin Wenzhong
Authorized representatives of the Company	Pan Xinjun, Jin Wenzhong
Joint company secretaries	Yang Yucheng, Leung Wing Han Sharon

Registered capital and net capital of the Company

In RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	6,215,452,011.00	5,281,742,921.00
Net capital	33,890,090,462.99	31,019,279,251.56

Note:

1. In July 2016, the Company issued the overseas listed foreign shares (H Shares), which were listed on the Main Board of the Hong Kong Stock Exchange, and partially exercised the over-allotment option in August, which contributed to an increase in the total shares to 6,215,452,011 shares and change in registered capital to RMB6,215,452,011. On February 28, 2017, the Company completed the relevant changes in industrial and commercial registration.

2. All net capital and indicators of risk management as at the end of last year in this report are restated in accordance with the Administrative Measures for the Risk Control Indicators of Securities Companies and its related rules published by CSRC in June 2016.

Business scope of the Company

Securities brokerage; margin financing and securities lending; securities investment advisory; financial consultancy in relation to securities transactions and securities investment activities; proprietary of securities; distribution of securities investment funds; provision of intermediary and referral business for futures companies; distribution of financial products; security underwriting (limited to national bonds, political banking and financial debts, short-term financial bills and mid-term bills); stock and options market making business. 【legally approved items and operating activities approved by relevant departments.】

Section II Company Profile and Key Financial Indicators

Each individual business qualification of the Company

No.	Name of business qualification	Approval authority and approval number
1	Permit to operate securities business	CSRC (No.: 10160000)
2	Entry qualification for national inter-bank lending market and bonds market to conduct lending, bonds purchase, spot transaction of bonds and bonds repurchase business	Monetary Policy Department of the People's Bank of China (Yin Huo Zheng [2000] No. 108)
3	Qualification for conducting online securities commissioning	CSRC (Zheng Jian Xin Xi Zi [2001] No. 8)
4	Qualification for conducting distribution business of open-ended securities investment funds	CSRC (Zheng Jian Ji Jin Zi [2004] No. 50)
5	Qualification for conducting SSE Fund Connect business	SSE Membership Department (SSE [2005])
6	Qualification for conducting underwriting business of short term financing bills	People's Bank of China (Yin Fa [2005] No. 275)
7	Pilot securities companies conducting relevant innovative businesses	Securities Association of China (Review Notice No. 2 on Securities Companies Engaging in Innovation Businesses Issued by Securities Association of China)
8	Qualification for conducting share transfer agency business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 158)
9	Qualification for conducting quotation and transfer business	Securities Association of China (Zhong Zheng Xie Han [2006] No. 173)
10	Dealer qualification for Integrated Electronic Platform of Fixed-income Securities of SSE	SSE (Shang Zheng Hui Zi [2007] No. 45)
11	Approval of brokerage business qualification on financial futures	CSRC (Zheng Jian Qi Huo Zi [2007] No. 351)
12	Qualification of Type A clearing participants of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 25)
13	Qualification for clearing business of financial futures transaction	CSRC (Zheng Jian Xu Ke [2008] No. 684)
14	Qualification for trial operation of direct investment business	CSRC (Ji Gou Bu Bu Han [2009] No. 475)
15	Qualification for provision of intermediary and referral services to futures companies	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 132)
16	Establishment of wholly-owned subsidiary, Shanghai Orient Securities Asset Management Co., Ltd. and qualification for conducting securities assets management business	CSRC (Zheng Jian Xu Ke [2010] No. 518)

No.	Name of business qualification	Approval authority and approval number
17	Qualification for conducting margin financing and securities lending business	CSRC (Zheng Jian Xu Ke [2010] No. 764)
18	Type 1 Licence – Dealing in securities Type 4 Licence – Advising on securities	Securities and Futures Commission of Hong Kong (CE No. AVD362)
19	Type 9 Licence – Asset management	Securities and Futures Commission of Hong Kong (CE No. AVH864)
20	Qualification for implementation of the securities broker system	CSRC (Hu Zheng Jian Ji Gou Zi [2010] No. 514)
21	Type 2 Licence – Dealing in futures contracts	Securities and Futures Commission of Hong Kong (CE No. AWD036)
22	Establishment of Citi Orient Securities Co., Ltd., qualification for conducting investment banking business	CSRC (Zheng Jian Xu Ke [2011] No. 2136)
23	Qualification for trial operation of dealer-quoted collateralized bond repurchase business	CSRC (Ji Gou Bu Bu Han [2012] No. 20)
24	Qualification for provision of integrated services to insurance institutional investors	China Insurance Regulatory Commission (Zi Jin Bu Han [2012] No. 4)
25	Qualification for conducting securities repurchase agreement transaction business	CSRC (Ji Gou Bu Bu Han [2012] No. 481) SSE (Shang Zheng Hui Zi [2012] No. 167) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 15)
26	Qualification for investment manager of insurance funds	Announcement of the China Insurance Regulatory Commission
27	Qualification of pilot margin refinancing	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2012] No. 149 and Zhong Zheng Jin Han [2012] No. 153)
28	Qualification for assets management business	CSRC (Zheng Jian Xu Ke [2012] No. 1501)
29	Qualification for conducting special institutional client business of insurance institutions	China Insurance Regulatory Commission (Notice on Conducting Special Institutional Client Business of Insurance Institutions)
30	Qualification of sponsor	CSRC (Zheng Jian Xu Ke [2013] No. 33)
31	Permit to operate futures business	CSRC (No.: 31350000)
32	Qualification for financial products distribution business	Shanghai Bureau of the CSRC (Hu Zheng Jian Ji Gou Zi [2013] No. 52)
33	Qualification for conducting brokerage business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2013] No. 44)
34	Conducting comprehensive custodian business for private equity fund (limited partnership)	CSRC (Ji Gou Bu Bu Han [2013] No. 174)

No.	Name of business qualification	Approval authority and approval number
35	Qualification for conducting pilot consumption and payment service of securities funds of clients	CSRC (Ji Gou Bu Bu Han [2013] No. 207)
36	Permit to operate securities investment business	CSRC (RQF2013HKS015)
37	Qualification for collateralized stock repurchase business	SSE (Shang Zheng Hui [2013] No. 77) Shenzhen Stock Exchange (Shen Zheng Hui [2013] No. 60)
38	Qualification for conducting securities pledge registration agency business	China Securities Depository and Clearing Corporation Limited (Confirmation on Qualification for Securities Pledge Registration Agency Business)
39	Qualification for management business of publicly offered securities investment fund	CSRC (Zheng Jian Xu Ke [2013] No. 1131)
40	Qualification for equity-based return swaps and OTC options business	Securities Association of China (Zhong Zheng Xie Han [2013] No. 923)
41	Qualification for conducting pilot securities refinancing business	China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 227)
42	Qualification for conducting securities underwriting business (limited to government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2013] No. 265)
43	Permit to operate securities business	CSRC (No.: 10168001)
44	Qualification for brokerage business of marketable securities in foreign currencies	Shanghai Bureau of State Administration of Foreign Exchange (Shang Hai Hui Fu [2014] No. 15)
45	License of Securities Business in Foreign Currency	State Administration of Foreign Exchange (SC201102)
46	Qualification for conducting market maker business in NEEQ as host broker	National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Gong Gao [2014] No. 54, Gu Zhuan Xi Tong Han [2014] No.707)
47	Qualification of first batch of quotation and service participants of private fund products trading between companies	China Securities Capital Market Development Monitoring Centre Company Limited (List of Participants of Quotation System [First Batch])
48	Type 6 Licence – Advising on corporate finance	Securities and Futures Commission of Hong Kong (CE No. BDN128)
49	Permit to conduct Shanghai-Hong Kong Stock Connect business	SSE (Shang Zheng Han [2014] No. 626)
50	Qualification for pilot OTC market business	Securities Association of China (Zhong Zheng Xie Han [2014] No. 632)

No.	Name of business qualification	Approval authority and approval number
51	Qualification for pilot proprietary business of gold spot contract	CSRC (Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1876)
52	Pilot online securities business	Securities Association of China (Announcement on List of Securities Companies Conducting Pilot Online Securities Business (No. 3))
53	Qualification for underwriting business of debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Announcement of National Association of Financial Market Institutional Investors [2014] No. 16)
54	Qualification of options transaction participants of SSE and permit to operate stock and options brokerage and proprietary business and qualification for options clearing business	SSE (Shang Zheng Han [2015] No. 61) China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2015] No. 11)
55	Qualification for conducting transfer and deposit service of clients' deposits	China Securities Investor Protection Fund Corporation (Zheng Bao Han [2015] No. 67)
56	Qualification for stock and options market making business	CSRC (Zheng Jian Xu Ke [2015] No. 163)
57	Qualification of general market maker for SSE 50 ETF Options	SSE (Shang Zheng Han [2015] No. 433)
58	Qualification for conducting quotation business for debt financing instruments of non-financial institutions	National Association of Financial Market Institutional Investors (Zhong Shi Xie Bei [2015] No. 32)
59	Qualification for sales of securities investment fund	Shanghai Bureau of the CSRC (Hu Zheng Jian Xu Ke [2015] No. 61)
60	Qualification for company conducting pilot market making business for quotation system	China Securities Internet System Co., Ltd.
61	Permit to operate securities business, with business scope of underwriting and sponsoring of securities (excluding government bonds, financial bonds of policy banks, short-term financing bills and medium-term notes)	CSRC (No.: 13790000)
62	Qualification for funds sales business	CSRC (No.: 000000519)
63	Contractor of service in relation to private equity fund business	Asset Management Association of China
64	Qualification for issue of short-term financing bills	CSRC (Ji Gou Bu Han [2015] No. 3337)
65	License of Money Lenders	Eastern Magistrates' Courts of Hong Kong (No. 0048/2016)
66	Permit to conduct Southbound Trading business under the Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange (Shen Zheng Hui [2016] No. 326)

In addition, the Company was a member of the Securities Association of China, SSE, Shenzhen Stock Exchange, National Debt Association of China and Shanghai Gold Exchange. It was also a clearing participant of China Securities Depository and Clearing Corporation Limited and a member of the Asset Management Association of China.

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of securities affairs
Name	Wang Rufu	Li Tingting
Correspondence address	23/F, Building 2, No. 318 Zhongshan South Road, Shanghai, the PRC	23/F, Building 2, No. 318 Zhongshan South Road, Shanghai, the PRC
Tel	+86-021-63325888	+86-021-63325888
Fax	+86-021-63326010	+86-021-63326010
E-mail	wangrf@orientsec.com.cn	litingting@orientsec.com.cn

III. BASIC COMPANY INFORMATION

Registered address	22/F, 23/F and 25-29/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Postal code of registered address	200010
Business address	13/F, 21-23/F, 25-29/F, 32/F, 36/F, 39/F and 40/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Postal code of business address	200010
Place of business in Hong Kong	28-29/F, 100 Queen's Road Central, Central, Hong Kong
Internet website	www.dfzq.com.cn
E-mail	ir@orientsec.com.cn

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by CSRC for publication of annual reports	www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual reports	www.hkexnews.hk
Place where the annuals report of the Company are available	23/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC

V. BRIEF INFORMATION ON SHARES OF THE COMPANY

	Brief information on shares of the Company		
Type of shares	Stock exchange on which shares are listed	Stock abbreviation	Stock code
A Shares	SSE	DFZQ	600958
H Shares	Hong Kong Stock Exchange	DFZQ	03958

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, mainly including its restructuring, capital increase and others in previous years

On December 10, 1997, Orient Securities Limited Liability Company (東方證券有限責任公司, refer as "Orient Securities Limited"), the Company's predecessor, was established in Shanghai, the PRC with a registered capital of RMB1.0 billion, at the same time, it obtained the business licence with a registration number of 150050030000 issued by the Shanghai Administration for Industry and Commerce. On February 23, 1998, the People's Bank of China approved the establishment of Orient Securities Limited Liability Company and approved its articles of association by the Reply on the Establishment of Orient Securities Limited Liability Company (Yin Fu [1998] No. 52).

On August 13, 2003, the Shanghai Municipal People's Government approved the Orient Securities Limited to be restructured into a joint-stock limited company in accordance with the Reply on Approving the Establishment of 東方證券股份有限公司 (Hu Fu Ti Gai Shen [2003] No. 004). On September 12, 2003, the CSRC approved Orient Securities Limited to be restructured into a joint-stock limited company in accordance with the Reply on Approving the Restructuring, Share Capital Increase and Change of Name by Orient Securities Limited Liability Company (Zheng Jian Ji Gou Zi [2003] No. 184). The original shareholders of Orient Securities Limited converted the audited net assets as of December 31, 2002 into shares based on a ratio of 1:1, meanwhile, ten of the new and existing shareholders, including Shenergy Group, Shanghai Tobacco Group Co., Ltd (上海煙草(集團)公司), and Wenhui-Xinmin Press Group, increased the capital in an amount of RMB1 billion by currency, as such, Orient Securities Limited was reorganized into a joint-stock limited company by way of overall alteration. Upon the completion of overall alteration, the registered capital of the Company was RMB2,139,791,800. On October 8, 2003, the Company obtained an updated business licence from the Shanghai Administration for Industry and Commerce.

In order to further expand its scale, in May 2007, as approved by the document (Zheng Jian Ji Gou Zi [2007] No. 101) issued by the CSRC, the Company carried out a capital increase by placing shares to all of its shareholders in the proportion of 10:5. Upon the completion of such capital increase, the registered capital of the Company increased from RMB2,139,791,800 to RMB3,079,853,836.

In August 2007, as approved by the document (Zheng Jian Ji Gou Zi [2007] No. 187) issued by the CSRC, the Company implemented the profit distribution plan for 2006 on the basis of one bonus share for every ten shares. Upon the completion of transfer of retained profits into share capital, the total share capital of the Company increased from RMB3,079,853,836 to RMB3,293,833,016.

In November 2011, as approved by the document (Zheng Jian Xu Ke [2011] No. 1769) issued by the CSRC, the Company increased its share capital through rights issue to its shareholders. Upon the completion of such rights issue, the registered capital of the Company increased from RMB3,293,833,016 to RMB4,281,742,921.

In March 2015, as approved by the document (Zheng Jian Xu Ke [2015] No. 305) issued by the CSRC, the Company was listed on the Main Board of the SSE. As such, the registered capital of the Company increased from RMB4,281,742,921 to RMB5,281,742,921.

In September 2015, the Proposal on Issue of H Shares and Listing in Hong Kong by the Company was considered and approved at the Company's first extraordinary general meeting for 2015. In May 2016, the CSRC approved the issue of up to 1,000,000,000 shares of overseas listed foreign shares by the Company by the document (Zheng Jian Xu Ke [2016] No. 1026). On June 2, 2016, the Listing Committee of the Hong Kong Stock Exchange held a listing hearing to consider the application of the Company for its issue of up to 1,000,000,000 shares of overseas listed foreign shares and the listing on the Main Board of the Hong Kong Stock Exchange. On July 8, 2016, 870,000,000 shares of H Shares under the initial public offering and 87,000,000 shares of H Shares to be sold by the selling shareholders, which amounted to 957,000,000 shares of overseas listed foreign shares (H Shares) of the Company, were listed and traded on the Main Board of the Hong Kong Stock Exchange. In July 2016, the over-allotment option was partially exercised by the joint global coordinators (on behalf of the international underwriters) and the Company was required to issue 63,709,090 additional H Shares and 6,370,910 H Shares to be sold as a result of the fulfillment of the obligations on the reduction of state-owned shares by the selling shareholders, which amounted to 70,080,000 H Shares listed and traded on the Main Board of the Hong Kong Stock Exchange on August 3, 2016. As such, the registered capital of the Company was increased from RMB5,281,742,921 to RMB6,215,452,011.

(II) Organizational structure of the Company

1. Organizational structure of the Company

The shareholders' general meeting shall be the source of authority of the Company; the Board shall be the institution for decision-making and is responsible for the shareholders' general meeting; the Board has established four special committees including the strategic development committee, the remuneration and nomination committee, the audit committee as well as the compliance and risk management committee. Each of the special committees shall be accountable to the Board. The supervisory committee shall be the internal supervisory institution of the Company, which is responsible for the shareholders' general meeting. The supervisory committee has established the office of the supervisory committee.

The Company implements the president accountability system under the leadership of the Board; the president shall be appointed or dismissed by the Board and shall be accountable to the Board. The Board and the special committees have established the Board's office, strategic development department, audit department, risk management department as well as compliance and legal management department. The management has established business functional units including the office, party committee office, trade union office, Beijing office, inspection department, human resources management department, finance planning management department, capital management department, operation management department, system research and development department, system operation department, administrative management department, wealth management business department, fixed income business department, securities investment business department, securities research institute, securities financing business department, financial derivatives business department, overseas business department, OTC business department, entrusted business department, equity investment department and transaction business department.

Please refer to Appendix I to this report for the detailed organizational structure of the Company.

2. The wholly-owned subsidiaries, controlling subsidiaries and major investee companies of the Company

As at the end of the Reporting Period, the Company's wholly-owned subsidiaries, controlling subsidiaries and investee companies mainly include Shanghai Orient Securities Futures, Co., Ltd., Shanghai Orient Securities Capital Investment Co., Ltd., Orient Finance Holdings (Hong Kong) Limited, Shanghai Orient Securities Asset Management Co., Ltd., Shanghai Orient Securities Innovation Investment Co., Ltd., Citi Orient Securities Co., Ltd. and China Universal Asset Management Company Limited.

3. Briefings of the wholly-owned subsidiaries and controlling subsidiaries of the Company

(1) Shanghai Orient Securities Futures, Co., Ltd.

Address:	14/F, Shanghai Futures Building, No. 500 Pudian Road, China (Shanghai) Pilot Free Trade Zone
Time of incorporation:	December 8, 1995
Registered capital:	RMB1.0 billion
Percentage of shareholding:	100%
Legal representative:	Lu Dayin
Tel:	+86-021-68400610

(2) Shanghai Orient Securities Capital Investment Co., Ltd.

Address:	36/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Time of incorporation:	February 8, 2010
Registered capital:	RMB4.0 billion
Percentage of shareholding:	100%
Legal representative:	Jin Wenzhong
Tel:	+86-021-63325888

(3) Orient Finance Holdings (Hong Kong) Limited

Address:	28-29/F, 100 Queen's Road Central, Central, Hong Kong
Time of incorporation:	February 17, 2010
Registered capital:	HK$2.1 billion
Percentage of shareholding:	100%
Chairman:	Yang Yucheng
Tel:	+852-35191188

(4) *Shanghai Orient Securities Asset Management Co., Ltd.*

Address:	31/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Time of incorporation:	June 8, 2010
Registered capital:	RMB0.3 billion
Percentage of shareholding:	100%
Legal representative:	Chen Guangming
Tel:	+86-021-63325888

(5) *Shanghai Orient Securities Innovation Investment Co., Ltd.*

Address:	40/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Time of incorporation:	November 19, 2012
Registered capital:	RMB1.1 billion
Percentage of shareholding:	100%
Legal representative:	Zhang Jianhui
Tel:	+86-021-63325888

(6) *Citi Orient Securities Co., Ltd.*

Address:	24/F, Building 2, No. 318 Zhongshan South Road, Huangpu District, Shanghai, the PRC
Time of incorporation:	June 4, 2012
Registered capital:	RMB0.8 billion
Percentage of shareholding:	66.67%
Legal representative:	Ma Ji
Tel:	+86-021-23153888

(III) Number and distribution of securities branches of the Company

As at the end of the Reporting Period, the total amount of the branches of the Company amounted to 122. (Please refer to Appendix II to this report for details.)

VII. OTHER RELEVANT INFORMATION

Domestic accounting firm appointed by the Company	Name	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
	Office address	4/F, No. 61 Nanjing Road East, Shanghai, the PRC
	Name of the signing accountants	Wang Bin, Tang Cheng
Overseas accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
	Name of the signing accountant	Ma Qinghui
Sponsor performing continuous supervisory duty during the Reporting Period	Name	Everbright Securities Company Limited
	Office address	No. 1508 Xinzha Road, Jing'an District, Shanghai, the PRC
	Name of the signing sponsor representatives	Zhou Ping, Yu Jian
	Period of continuous supervision	March 23, 2015 to December 31, 2017
Chief Risk Officer and Compliance Controller	Yang Bin	
Legal Advisor to the Company as to the PRC law	Grandall Law Firm (Shanghai)	
Legal Advisor to the Company as to Hong Kong law	Clifford Chance	
Compliance Advisor	Anglo Chinese Corporate Finance, Limited	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

VIII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE RECENT THREE YEARS

(I) Key accounting data

In RMB '000

Items	2016	2015	Change compared with previous period	2014
Operating results (RMB'000)				
Total revenue and other income	**12,242,382**	20,459,275	(40.16)%	7,887,893
Profit before income tax	**2,813,323**	9,499,086	(70.38)%	2,933,689
Profit of the period attributable to shareholders of the Company	**2,313,975**	7,325,225	(68.41)%	2,341,671
Net cash used in operating activities	**3,612,152**	(22,727,048)	(115.89)%	(1,688,689)
Other comprehensive income	**(1,333,907)**	827,306	(261.24)%	889,337

Items	As at the end of 2016	As at the end of 2015	Change as at the end of this period over the previous year	As at the end of 2014
Indicators of scale (RMB'000)				
Total assets	**212,411,087**	207,897,562	2.17%	107,530,123
Total liabilities	**171,473,262**	172,521,817	(0.61)%	88,904,625
Accounts payable to brokerage clients	**35,651,787**	43,193,275	(17.46)%	21,783,072
Equity attributable to owners of the Company	**40,482,898**	34,958,119	15.80%	18,353,133
Total share capital ('000)	**6,215,452**	5,281,743	17.68%	4,281,743
Net assets per share attributable to owners of the Company (RMB/share)	**6.51**	6.62	(1.66)%	4.29
Gearing ratio (%)[Note]	**76.76**	78.52	Down by 1.76 percentage points	78.28

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients – Funds payable to securities issuers)/(Total assets – Accounts payable to brokerage clients – Funds payable to securities issuers)

Section II Company Profile and Key Financial Indicators

(II) Key accounting data and financial indicators for the latest four years

1. *Profit*

In RMB million

Items	2016	2015	2014	2013
Total revenue and other income	**12,242**	20,459	7,888	4,587
Total expenses	**9,828**	11,396	5,090	3,576
Share of results of associates	**399**	436	136	123
Profit before income tax	**2,813**	9,499	2,934	1,134
Profit for the year attributable to shareholders of the Company	**2,314**	7,325	2,342	1,007

2. *Assets*

In RMB million

Items	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Share capital	**6,215**	5,282	4,282	4,282
Total equity	**40,938**	35,376	18,625	15,778
Equity attributable to shareholders of the Company	**40,483**	34,958	18,353	15,550
Total liabilities	**171,473**	172,522	88,905	45,074
Accounts payable to brokerage clients	**35,652**	43,193	21,783	10,894
Total assets	**212,411**	207,898	107,530	60,852

3. Key financial indicators

In RMB million

Key financial indicators	2016	2015	Change compared with previous period	2014	2013
Basic earnings per share (RMB/share)	**0.41**	1.46	(71.92)%	0.55	0.24
Diluted earnings per share (RMB/share)	**0.41**	1.46	(71.92)%	0.55	0.24
Basic earnings per share after non-recurring gain or loss (RMB/share)	**0.38**	1.44	(73.61)%	0.54	0.23
Weighted average returns on net assets (%)	**6.25**	25.11	Down by 18.86 percentage points	13.81	6.65
Weighted average returns on net assets after non-recurring gain or loss (%)	**5.85**	24.86	Down by 19.01 percentage points	13.60	6.46

Note: The Group's financial statements for 2012 and previous years were prepared under the generally accepted accounting principles of China, instead of the IFRS.

(III) Net capital and risk control indicators of the Company

In RMB million

Items	As at the end of this Reporting Period	As of the end of last year
Net capital	**33,890,090.46**	31,019,279.25
Net assets	**38,530,671.53**	33,875,145.05
Risk coverage rate (%)	**221.73**	228.20
Capital gearing ratio (%)	**16.06**	15.54
Liquidity coverage ratio (%)	**190.68**	179.62
Stable funding ratio (%)	**112.44**	141.34
Net capital/net assets (%)	**87.96**	91.57
Net capital/liabilities (%)	**27.62**	25.89
Net assets/liabilities (%)	**31.40**	28.28
Proprietary equity securities and its derivatives/net capital (%)	**51.26**	60.23
Proprietary non-equity securities and its derivatives/net capital (%)	**204.45**	206.59

Notes:

1) All net capital and indicators of risk management as at the end of last year in this report are restated in accordance with the Administrative Measures for the Risk Control Indicators of Securities Companies and its related rules published by CSRC in June 2016.

2) All the above-mentioned data are based on the financial information prepared in accordance with Chinese Enterprise Accounting Standards.

IX. DIFFERENCES BETWEEN IFRS AND CASBE

Net profits for year 2016 and year 2015, and net assets as at December 31, 2016 and December 31, 2015 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those prepared in accordance with IFRS.

X. ITEMS MEASURED AT FAIR VALUE

In RMB

Project name	Opening balance	Closing balance	Current changes	Effects on current profits
1. Financial assets at fair value through profit or loss	31,870,854,119.17	23,329,193,641.39	(8,541,660,477.78)	(407,308,507.52)
2. Derivative financial instruments	(104,117,549.64)	(348,667,862.89)	(244,550,313.25)	(521,471,668.82)
3. Available-for-sale financial assets	59,876,720,287.65	77,261,927,834.81	17,385,207,547.16	3,384,969,438.62
4. Financial liabilities at fair value through profit or loss	3,147,266,227.29	7,471,177,366.88	4,323,911,139.59	(12,449,892.20)
Total	94,790,723,084.47	107,713,630,980.19	12,922,907,895.72	2,443,739,370.08

Note: Amounts affecting the current profit include: (1) investment profit acquired through holding and disposal of above-mentioned projects; (2) profit or loss from change in fair value of projects other than available-for-sale financial assets; (3) impairment loss from available-for-sale financial assets. All amounts above-mentioned affecting the current profit are amounts before enterprise income tax.

Section III Summary of the Company's Business

I. EXPLANATIONS ON THE PRINCIPLE BUSINESSES ENGAGED BY THE COMPANY, OPERATIONAL MODELS AND INDUSTRIAL CONDITIONS DURING THE REPORTING PERIOD

The Company holds full licenses of the businesses that securities firms in the PRC are permitted to conduct, and it primarily engages in the following five businesses during the Reporting Period:

- Securities Sales and Trading

  The Company conducts securities sales and trading business with its own capital, including equity investment and trading, fixed income investment and trading, financial derivatives trading business, NEEQ market-making business, alternative investment and securities research services.

  – The Company engages in professional equity investment and trading business and fixed income investment and trading business, which includes various stocks, funds, bonds, derivatives and others, in the meantime, it actively expands FICC business.

  – The Company conducts financial derivatives trading business by means of arbitrage trading to obtain absolute income with low risk exposure.

  – The Company actively conducts NEEQ market-making business through the difference between the purchase price and the selling price of the Company's inventory stocks as well as the bid-ask spread the Company collects when facilitating trading in shares to obtain income.

  – The Company engages in alternative investment business through Orient Securities Innovation Investment, a wholly-owned subsidiary of the Company, and its investment products include structured products in secondary market, banks' non-performing assets backed securitization, NEEQ investment projects, private equity fund management and others.

  – The Company provides its institutional clients with research services. The clients allocate funds to the seats through the Company, and determine to lease special unit trading seats from the Company, and determine the trading volume allocated based on the quality of the research services provided by the Company.

- Investment Management

  The Company provides its clients with securities asset management scheme, mutual securities investment funds products and direct investment.

  – The Company conducts asset management business through Orient Securities Asset Management, a wholly-owned subsidiary of the Company, providing a complete product line of asset management business including collective asset management, targeted asset management, specialized asset management and mutual funds raised by securities firms.

- The Company conducts fund management business for its clients through China Universal, an associate in which the Company is the largest shareholder with a shareholding of 35.412%.

- The Company engages in private investment fund management business through Orient Securities Capital Investment.

- Brokerage and Securities Financing

  The Company conducts securities brokerage business and futures brokerage business, and provides its clients with securities financing services including margin financing and securities lending, collateralized stock repurchase and repurchase agreement transactions.

  - The Company's securities brokerage business primarily focuses on trading stocks, funds and bonds on behalf of its clients according to the instructions given to the authorized branches.

  - The Company conducts futures brokerage business through Orient Securities Futures, a wholly-owned subsidiary of the Company as well as a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and China Financial Futures Exchange, who provides the clients with commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and other services.

  - The Company's margin financing and securities lending business mainly refers to a transaction in which an investor provides the Company with collateral to borrow funds and purchase securities (margin financing transaction) or borrow securities and sell them (securities lending transaction). The Company helps its clients to utilize financial leverage and capture potential opportunities in the market with a view to enhancing investment returns for clients.

  - The Company's collateralized stock repurchase transaction business refers to a transaction in which qualified borrowers pledge their stocks or other securities as collateral to obtain financing from the Company and agree to repay the funds on a future date to release such pledge.

  - The Company's repurchase agreement transaction refer to a transaction in which qualified clients sell subject securities to the Company at an agreed-upon price, and agree to repurchase the subject securities from the Company at another agreed-upon-price on a specific date in the future.

- Investment Banking

  The Company carries out investment banking business mainly through its relevant functional departments and Citi Orient, a subsidiary in which the Company has a shareholding of 66.67%.

  - The Company provides equity underwriting and sponsorship services, including initial public offerings, and refinancing projects including non-public offerings and rights issue.

- The Company provides debt underwriting business, including underwriting and sponsorship services for corporate bonds as well as underwriting services for enterprise bonds, treasury bonds, financial bonds and others.

- The Company provides corporate clients in the PRC with financial advisory services in areas such as mergers & acquisitions and restructuring, NEEQ securities recommendation and listing as well as enterprise reform.

• Headquarters and Others

The Company's headquarters and others businesses mainly include headquarters' treasury business and overseas business.

- Headquarters' treasury business mainly includes headquarters financing business and liquidity reserves investment.

- The Company conducts internationalization business through Orient Hong Kong, a wholly-owned subsidiary of the Company with its business place in Hong Kong. Orient Hong Kong conducts securities trading, financing business, securities underwriting, asset management and other business through its wholly-owned subsidiaries.

The year 2016 experienced drops in both trading prices and volume. During the whole year, the SSE Index decreased by 12.31%, the SZSE Component Index decreased by 19.64%, and the transaction volume of A Shares in Shanghai and Shenzhen stock market both decreased greatly as compared with 2015. "Legitimate supervision, strict supervision and comprehensive supervision" becomes the new normal state where a fresh development stage has arrived with more intensified, more complicated and more versatile competition. In 2016, the Company kept focusing on its four transformations and based on strict risk management and compliance with limits, and thus achieved great success in the listing of its H Shares against the sluggish environment. All lines of business acquired breakthroughs in development and maintained the highest rating in AA within A class, making further progress in achieving its goal of becoming the first-class investment bank in the PRC. As at the end of the Reporting Period, the securities sale and transaction, investment management and other business of the Company continued to maintain it leading position in the industry. Securities financing, investment banking and other business made further new progress while its compliance and risk management arrangement ranked top among the peers.

According to the statistics published by the Securities Association of China, due to effect of market environment, in 2014, 2015 and 2016, the net income from securities brokerage business of securities firms in the PRC accounted for 40.32%, 46.79% and 32.10% of the operating income, respectively, and securities investment gains (including changes in fair value), another major income source, accounted for 27.29%, 24.58% and 17.33% of the operating income, respectively, both of which decreased in 2016; due to effect of verification pace of IPO and refinancing, net income from securities underwriting and sponsorship as well as financial advisory business accounted for 11.89%, 9.24% and 20.85%, respectively, which recorded a significant increase; net income from asset management on behalf of clients business accounted for 4.78%, 4.78% and 9.04%, respectively, which recorded an obvious improvement.

II. EXPLANATIONS ON MATERIAL CHANGE IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Please refer to "(I) Principle businesses of the Group under paragraph II in Section IV" and "(II) Major items in consolidated statement of profit or loss under paragraph II in Section IV" for details.

Of which: offshore assets amounted to RMB10.605 billion, accounting for 4.99% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company kept pace with the times and constantly deepened its strategic transformations by actively promoting the transformation from traditional brokerage business to wealth management, from business through traditional channels to comprehensive financial services, from traditional trading business to capital intermediary business, and from traditional investment business to sales trading business, with a view to making the Company a modern investment bank which has the domestic first-class core competitiveness and provides comprehensive financial services for clients. Through strategic transformations, the Company witnessed an overall improvement in clients management, products pricing and sales, investment and trading, liquidity management and other capabilities, as well as a continuous enhancement in its strength in areas such as serving real economy and social wealth management, and it also formed the core competitiveness in the following four aspects:

1. Distinguished Investment Management Capability

Leveraging its distinguished investment management capability, the Company has long maintained a leading position in the industry in asset management and fund management fields.

For asset management business, Orient Securities Asset Management, a wholly-owned subsidiary of the Company, is the first asset management company established by a securities firm in China, which provides full-spectrum asset management products and services. It was awarded the "Best Asset Management Securities Firm" by the Securities Times, the China Securities Journal and other media for many times. At the end of the Reporting Period, the Company's entrusted assets under management exceeded RMB150.0 billion, recording excellent medium- and long-term results as well as constant growth in assets under active management.

China Universal, in which the Company is the largest shareholder, conducts fund management business. During the Reporting Period, China Universal's business line all kept a steady and rapid development trend. As at the end of the Reporting Period, China Universal's assets under management achieved RMB483.8 billion for the whole year; China Universal successfully obtained the qualification of investment manager for basic pension funds; at the end of the Reporting Period, results of the equity mutual funds under China Universal's active management for the latest three years and five years both ranked first among the top ten fund companies. The Company has been awarded the "Best Debt Investment Company" in the PRC published by Asia Asset Management for three consecutive years.

2. Outstanding Innovative Capability

The Company focuses on new business opportunities that enables it to meet the increasing demands of clients for financial services. During the Reporting Period, the Company has generally obtained comprehensive qualifications for innovative business, and formed certain brand influences and first-mover advantages in collateralized stock repurchase, assets securitization, cross-border investment and mergers & acquisitions, NEEQ market-making and OTC market fields. The Company experienced a rapid expansion of innovative business and constant optimization of income structure, making it a new profit growth driver for the Company.

3. Prudent and Efficient Risk Management Capability

"Compliance creates value" and "Every employee is responsible for the risk management" are at the core of the risk management of the Company. The Company always focused on monitoring its own risks and those of its clients, and established a comprehensive risk management system and effective internal control mechanism, which integrated risk management, compliance management and internal control functions, covering all businesses, departments, branches and staff as well as the entire process from decision-making, execution, supervision to seeking feedback.

The Company was leading in the industry in terms of the risk management capability. The Company has received AA or A ratings for consecutive 8 years recently. In 2016, the Company continued to maintain its AA rating, making it one of the eight securities firms with AA rating in the industry.

4. Stable Management Team and Professionals

With internationalized philosophies and horizons, the experienced senior management of the Company has a deep understanding of the development of the securities and financial industries in China. The management team has over ten years of management experience in the securities and financial industries on average and remains stable, which ensures the continuity and consistency of the Company's strategies.

A professional, high caliber and stable talent team constitutes an integral part of the Company's core competitiveness. The Company has established a talent cultivation method at multiple levels, through multiple channels and in multiple forms by online training, special training, rotation system and mentorship so as to constantly improve the professional skills and expertise of its employees. As at the end of the Reporting Period, many of the Company's employees have been elected "National Thousand Talents Plan (國家千人計劃)" and "Shanghai Outstanding Academic Leaders Plan (上海領軍人才計劃)".

Section IV Directors' Report

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, financial markets both home and abroad saw deteriorated systemic risks amidst a complicated and changing economic environment. Main Board on SSE and Shenzhen Stock Exchange, the Growth Enterprise Market plummeted by 12.31%, 19.64% and 27.71% respectively. The whole industry also recorded significant decline in operating performance.

Facing extreme conditions, the Company took a prudential attitude and tackled all the tough problems by focusing on the four major transformations, pressing ahead with all work while sticking to the principles on strict risk control and compliance with limits. With its successful listing on H share market, breakthroughs in innovation-driven transformation, coupled with its leading position in compliance and risk control across the industry and the rating of Class A Grade AA, the Company went further on its journey to becoming a leading domestic investment bank.

During the Reporting Period, the Company overcame the adverse influence from stock market volatility, Brexit and Renminbi depreciation, and completed listing in Hong Kong Stock Exchange on July 8, 2016, becoming the fifth securities company listed both in the A share and H share markets. Net proceeds from the listing amounted to HK$7,417 million, which timely financed the Company's capital requirement and expanded our financing channels to the overseas capital market. After listing in the H share market, the Company improved its operating system for information disclosure in A share and H share markets, and its investor relationship management platform, all contributing to improvement in standardized operation. The Company was rated as A (highest grade) by SSE in the annual review of information disclosure practice, and was listed among "20 Companies of Best Practice (最佳實踐20強)" in the Poll on Best Supervision Committee Practice (上市公司監事會最佳實踐評選活動) jointly sponsored by SSE, Shenzhen Stock Exchange and the China Association for Public Companies.

During the Reporting Period, the Company abided by compliance and integrity principles and reinforced integrated risk management. Under the new normal for supervision "in accordance with law and regulation, of most strict in nature and in all-round manner", the Company reiterated the importance of compliance in business activities, and strengthened compliance management regarding employees' conduct. The Company also set up a digital platform for internal control, improved integrated risk management system and carried out the Measures for the Risk Control Indicators of Securities Companies (《證券公司風控指標管理辦法》) and related rules according to its own conditions. No significant violation events or non-compliance incidents were reported throughout the whole year.

During the Reporting Period, business segments of the Company took the initiative to realize innovation and transformation. The Company maintained its leading position in both securities sales and trading, and investment management. Although it was confronted with many adversities, the segment of proprietary trading managed to break through and consolidate its strengths. NEEQ market-making business secured a spot in the list of "Most Powerful NEEQ Market Maker (新三板最具影響力做市券商)" selected by Chinese Business Network ("CBN") for three consecutive years. Both Orient Securities Asset Management and China Universal outperformed their industry peers; brokerage and securities financing, and investment banking saw further progress. The transformation from business through traditional channels to capital intermediary business saw significant progress. Securities financing business recorded both expanding scale and growing revenue for six years in row, and Citi Orient achieved a higher ranking in the chart with improvement in all business indicators.

II. OPERATION DURING THE REPORTING PERIOD

As at the end of December 2016, total asset of the Group amounted to RMB212.411 billion, and owners' equity attributable to the Company reached RMB40.483 billion. In 2016, the Group realized RMB12.242 billion of revenue and other income, down by 40.16% year on year. Net profit attributable to owners of the Company was RMB2.314 billion, representing a decrease of 68.41% over the same period of last year. Weighted average returns on net assets stood at 6.25%, down by 18.86 percentage points year on year.

(I) Principle businesses of the Group

Unit:'000 Currency: RMB

Segment	Segment revenue and other income	Segment expenditure	Profit margin (%)	Change in segment revenue and other income over last year (%)	Change in segment expenditure over last year (%)	Change in profit margin over last year (%)
Securities sales and trading	1,704,517	1,452,137	14.81	(80.44)	31.08	Down by 72.48 percentage points
Investment management	1,449,204	685,793	52.68	(17.89)	(34.79)	Up by 12.27 percentage points
Brokerage and securities financing	5,641,683	2,953,198	47.65	(27.97)	(22.42)	Down by 3.75 percentage points
Investment banking	1,619,977	875,068	45.98	71.34	49.14	Up by 8.04 percentage points
Headquarters and Others	2,243,785	3,999,630	(78.25)	41.56	(19.25)	Up by 134.22 percentage points

1. *Securities sales and trading*

The Company conducts securities sales and trading business with its own capital, including proprietary trading (equity trading, fixed income proprietary trading, derivatives trading business), NEEQ market-making business, innovative investment and securities research services. During the Reporting Period, the securities sales and trading segment realized RMB1.705 billion of segment revenue and other income, taking up 13.46% of the total. (Calculation of segment revenue and other income, segment expenditure and relevant proportions has not taken account of any consolidation and offsetting factors; the same approach is adopted below)

Proprietary trading

The following table sets forth our balance of proprietary trading business by asset

(In RMB million)	As at December 31, 2015	As at December 31, 2016
Stocks	9,265.9	**7,914.2**
Funds	4,899.5	**2,743.5**
Bonds	34,014.1	**40,529.5**
Others (Note 1)	2,170.3	**4,294.7**
Total	50,349.8	**55,481.9**

Note 1: Primarily include investment into asset management schemes and wealth management products via self-owned capital.

During the Reporting Period, the Company followed the concept of value investment when conducting equity proprietary trading business and vied for absolute returns by deepening traditional industry and equity research services in A share market. According to statistics released by Wind, the Company's equity investment remained among market leaders throughout 2016, ranking the fourth in terms of relative gains from equity-focused fund investment with RMB5.0 billion of asset-under-management ("AUM"), and coming into second place in terms of relative gains from common equity fund investment. In the meantime, the Company put forth efforts to foster overseas team to expand the width of overseas equity research. It diversified investment risks and warded off volatilities caused by domestic systemic risks through overseas asset allocation, and accumulated returns from overseas investments.

Fixed income proprietary trading business kept sound development. In 2016, ChinaBond All-bond Full Price Index (中債總全價指數), ChinaBond Government Bond All-bond Full Price Index (中債國債總全價指數) and ChinaBond Corporate Bond All-bond Full Price Index (中債企業債總全價指數) dropped by 1.81%, 1.21% and 7.82% respectively. During the Reporting Period, the Company realized RMB3.36 trillion of spot bond settlement on interbank market. Among them, RMB2.78 trillion of spot bond settlement were conducted via China Central Depository & Clearing Co., Ltd, with total settlement reaching RMB4.13 trillion, up by 116% and 82.7% respectively from the same period of last year and heading the list of securities companies. RMB575.555 billion of spot bond settlement was conducted via clearing house, up by 254% year on year. Market transactions of RMB1.6 trillion were conducted via stock exchanges. The Company saw steady growth in its interbank bond market-making business in 2016, securing higher ranking in the market. During the Reporting Period, total number of transaction conducted on interbank market was 22,000 and total amount of turnover was RMB1.1 trillion. The Company was heading the list of market making business in the interbank market in 2016.

The Company booked rapid expansion in its investment advisory services, and more efforts were made to develop FICC business. During the Reporting Period, three segments, namely investment, interbank lending and gold-linked investment products, were structured in gold business. With the assistance from the Company, Orient Hong Kong obtained international membership (Class A), being approved to conducted proprietary business and agent services in international gold market and expanding its footprint in forex market.

The derivatives trading business proactively diversified revenue sources. During the Reporting Period, stock index futures trading was still restrained; therefore, the Company explored new businesses including OTC derivatives, gold ETF market making and 50 ETF options, and expanded commodities arbitrage transactions and OTC commodities options at the same time.

NEEQ market making

In 2016, NEEQ Market Making Component Index accumulated 22.66% of decline. Facing a gloomy market, the Company refined its market making strategy, enhanced post-investment management of existing shares under its scope, and optimized investment portfolio. When selecting new targets, the Company assessed potential, industry development, business scale and valuation safety margin more carefully. As a result, the NEEQ market-making business remained at leading position in the market. As at the end of the Reporting Period, the Company offered NEEQ market-making business for 140 enterprises.

From January to April 2016, the Company carried out proactive market making strategy. According to "Weekly Report of Market Makers (做市商執業情況週報)" published by NEEQ listed companies (but no more report published starting from May 2016), the Company secured the first spot in the chart in terms of market share and average turnover. In the quality rating for sponsors from April to December 2016, the Company came into second place among 88 market makers in terms of transaction volume and timeliness. During the Reporting Period, the Company was recognized as most powerful NEEQ market maker in 3rd Huaxin Award (華新獎) sponsored by CBN (第一財經), and as "Best Market Maker on China Equities Exchange and Quotations System 2016 (2016中國區股轉系統最佳做市商)" by Securities Times.

As at the end of the Reporting Period, the Company invested in 185 NEEQ listed enterprises (including shares invested via market-making account and proprietary account). 112 out of these investments were qualified to transfer to NEEQ innovation board (創新層), accounting for 60.5% of the total and contributing 78.3% to the total market value of assets held by the Company. In the meantime, 18 qualified enterprises have announced that they had attended relevant tutoring on initial public offering and listing.

Innovative investment

In alternative investment field, the Company conducted business through Orient Securities Innovation Investment, a wholly-owned subsidiary, focusing on innovative businesses including acquisition and disposal of bank asset package. As at the end of the Reporting Period, Orient Securities Innovation Investment had invested into 74 projects and accumulated investment scale totaled RMB2.89 billion, up by 26.5% as compared with the same period of last year.

Securities research services

In 2016, research center of the Company was devoted to the public offering market and obtained a higher ranking in the chart of public offering research. The Company actively expanded its non-public offering clients. In response to clients' needs, the Company organized about a hundred research sessions, winning support and recognition from clients, which in turn helped mould the Company's brand image. With such efforts, the Company was honored in many securities research awards by New Fortune (新財富), Golden Bull (金牛獎) and CBN (第一財經).

2. *Investment management*

The Company provided clients with securities asset management schemes, publicly offered securities investments and private equity investments. During the Reporting Period, investment management realized RMB1.449 billion of segment revenue and other income, taking up 11.45% to the total.

Asset management

The Company conducts asset management through its wholly-owned subsidiary, Orient Securities Asset Management. As at the end of the Reporting Period, 163 investment portfolios were under management of the Company, and fiduciary assets under management reached RMB154.11 billion, up by 42.9% over the same period of last year. Assets under active management amounted to RMB142.80 billion, accounting for 92.7% of fiduciary assets under management and representing further improvement from 89.7% in 2015. According statistics of Securities Association of China, Orient Securities Asset Management ranked tenth in terms of net income from fiduciary asset management.

The table below sets forth asset management of the Company by product:

(In RMB million)	As at December 31, 2015	As at December 31, 2016
Collective asset management scheme	25,202.5	**29,202.1**
Targeted asset management scheme	53,655.1	**77,909.9**
Special asset management scheme	1,487.1	**10,723.3**
Publicly offered fund issued by securities dealer	27,525.8	**36,273.0**
Total	107,870.5	**154,108.3**

The table below sets forth the scale of assets under active management and those under non-active management:

(In RMB million, except for percentage)	As at December 31, 2015 Assets under management	Percentage	As at December 31, 2016 Assets under management	Percentage
Assets under active management	96,748.1	89.7%	**142,798.7**	**92.7%**
Assets under non-active management	11,122.4	10.3%	**11,309.5**	**7.3%**
Total	107,870.5	100.0%	**154,108.2**	**100.0%**

As the PRC first securities deal engaged in asset management and a company listed among the first batch of asset management companies qualified for fiduciary insurance asset management and the first asset management company obtaining the qualification of publicly offered securities investment fund business, Orient Securities Asset Management focused on assets under active management, remained committed to client interests and pursued value investment and absolute returns to create long-term rewards to clients, with a goal to become a market leader and "a reputable asset management company" with client interests in the first place. Assets management products of the Company have performed well continuously. From 2005 to 2016, the average annualized rate of returns was 22.77% for equity products actively managed by us while the annualized rate of returns for CSI 300 Index was 12.05% for the same period.

Orient Securities Asset Management has been a pioneer for securities dealers engaged in asset management. It has proven record in launching first large-cap collective product, first small-cap collective product, first micro the credit asset backed security, first publicly offered fund issued by securities dealer. As at the end of the Reporting Period, six funds under the "Shanghai–Hong Kong-Shenzhen" series (滬港深系列) issued through Shanghai–Hong Kong Stock Connect were available for investments in H share market, ranking second across the market in terms of "Shanghai–Hong Kong–Shenzhen" fund number. In addition, Orient Securities Asset Management is the first securities dealer and ranks among the first batch of fund companies qualified for conducting Shenzhen-Hong Kong Connect business. In June 2016, Orient Securities Asset Management launched the first asset backed securities project focusing on large commercial complex, Orient Securities Asset Management – Injoy Plaza asset backed special scheme (東證資管 – 青浦吾悦廣場資產支持專項計劃). The scheme was eye-catching and earned acclaim from financial and property sectors, being listed among "Top 10 Chinese Commercial Property Funds (中國商業地產基金TOP10)" on the Summit of Top 100 Property Companies and Most Valuable Property Companies (中國商業地產百強峰會暨中國房企商業價值榜).

Orient Securities Asset Management was widely recognized by peers for its comprehensive management capabilities. During the Reporting Period, Orient Securities Asset Management won nearly 20 honors, which included "Golden Bull Securities Dealer Acting as Collective Asset Manager (金牛券商集合資產管理人)" by China Securities Journal in 2015, "Best Asset Management Institutions (中國最佳財富管理機構) by Securities Times in 2016", "Securities Dealers with Best Wealth Management Performance (中國最佳資產管理券商)", "Growth Award for Blockbuster Fund Companies 2015 (2015年度明星基金公司成長獎)" by the 11th Star Fund Management Company Selection organized by Securities Times, "Golden Fund•Growth Fund Manager 2015 (2015年度金基金 • 成長基金管理公司)" by the 13th Gold Fund Presentation organized by Shanghai Securities News and "Five-year Outstanding Award (2011-2015) (五年優勝獎 (2011-2015))" on the Eighth China Private Fund Conference sponsored by Sinolink Securities.

Fund management through China Universal

The Company conducts fund management business through China Universal, an associated company in which the Company has 35.41% of shareholding and becomes the largest shareholder. China Universal has full license for conducting fund management business in Chinese securities industry. As at the end of the Reporting Period, total fund assets under management of China Universal reached RMB483.8 billion. 75 out of these assets were publicly offered fund products with RMB270.7 billion of AUM, ranking 12th across the industry.

In 2016, China Universal vigorously explored index tracking funds and capital guaranteed funds and enriched its product lines. In the meantime, China Universal also pursued integration of investment and research, for the purpose of realizing the best active investment management. Data from Fund Research Center of China Galaxy Securities showed that as at the end of the Reporting Period, publicly offered equity funds under active management of China Universal recorded best three-year and five-year performance among top ten fund companies. It was a leader in e-commerce market, heading the list of fund companies with e-commerce platform in terms of capacity.

During the Reporting Period, China Universal obtained the qualification for acting as investment manager of basic pension insurance fund. It also won many honors, including three major honors of "Golden Bull Award (金牛奬)" for Chinese fund industry sponsored by China Securities Journal, three major honors of "Golden Fund Award (金基金)" sponsored by Shanghai Securities News, and "Golden Tripod Award (金鼎奬)" for Chinese fund industry sponsored by National Business Daily in 2016.

Private equity investment

The Company conducts private equity investment business through its wholly-owned subsidiary, Orient Securities Capital Investment. During the Reporting Period, Orient Securities Capital Investment launched 12 funds and completed private equity fund via fund raising, up by 66.67% over the same period of last year. AUM saw an increase of RMB13,652 million or 155.6% as compared with same period of last year, with 29 new investment projects. As at the end of the Reporting Period, Orient Securities Capital Investment, together with funds under its management, invested into 66 projects accumulatively, with investment amount totaling RMB9,004.152 million and USD1,077.55 million. Among them, 5 projects withdrew successfully. As at the end of the Reporting Period, assets managed by the funds under Orient Securities Capital Investment amounted to RMB22.43 billion.

3. *Brokerage and securities financing*

The Company's brokerage and securities financing segment primarily comprises securities brokerage business, futures brokerage business and securities financing business (including margin financing and securities lending, collateralized stock repurchase). Focusing on customer is the core of business, the Company seeks to realize "light" network expansion in a low-cost and high-efficient manner and to expand online service platform. It also pursues differentiated and customized value-added services in line with clients' requirements. All these efforts are aimed for "whole business chain" financial platform with diversified and integrated functions, and for transformation from traditional brokerage business to wealth management. During the Reporting Period, brokerage and securities financing segment realized RMB5,642 million of segment revenue and other income, accounting for 44.57% of the total.

During the Reporting Period, the Company was permitted to set up 33 securities branches. As at the end of the Reporting Period, there were 122 securities branches and 24 futures branches in total.

During the Reporting Period, while improving its online trading platform, the Company vigorously promoted Internet securities business innovation and improved functions and user experience on mobile internet platform. It created unified mobile portal and launched integrated internet front that incorporated APP, WeChat and website, offering users a diversified financial service platform. As the online account opening system was optimized, customer experience has been comprehensively improved. The Company sought to enrich its product portfolio, so as to build a wealth management ecosystem. Internet marketing model was expanded to facilitate customer attracting and product sales. Internet smart service system was built and smart customer services were improved, which saved labor input and optimized customer experience. During the Reporting Period, stock and fund brokerage turnover via the Internet and mobile phone platforms took up 87% of total stock and fund brokerage turnover. As at the end of the Reporting Period, customer trading via the Internet and mobile devices accounted for 94% of total stock and fund brokerage customers; 88% of new accounts were opened online.

Securities brokerage

During the Reporting Period, securities trading on behalf of clients realized RMB13,976.7 billion of turnover, with 1.85% of market share, ranking the 16th in the industry. Turnover of stocks and funds amounted to RMB3,548.1 billion, securing 1.26% of market share and ranking the 21st in the industry (according to Wind statistics).

The table below sets forth securities brokerage turnover, as the period indicated, by product (according to the statistics of Wind):

	As at December 31,	
(RMB in millions)	2015	2016
Stocks and funds		
Stocks	6,389,536.3	**3,243,359.2**
Funds	330,014.5	**304,714.7**
Sub-total	6,719,550.8	**3,548,073.9**
Bonds	5,350,489.7	**10,428,581.7**
Total	12,070,040.5	**13,976,655.6**

During the Reporting Period, the Company distributed wealth management products through its extensive securities branch network and via its internet platform, which improved its capabilities in conducting financial product sales business.

The table below sets forth, as the period indicated, the categories of financial products sold on a commission basis and relevant amounts, including OTC products:

	As at December 31,	
(RMB in millions)	2015	2016
Publicly offered funds	216,752.9	**121,865.6**
Collective wealth management products issued by securities dealer	1,359.9	**937.6**
Trust schemes	509.2	**0.0**
Private fund products	1,064.3	**1,122.1**
Other financial products	24,472.8	**16,841.3**
Total	244,159.1	**140,766.6**

Futures brokerage

The Company conducts futures brokerage business through its wholly-owned subsidiary, Orient Securities Futures. During the Reporting Period, Orient Securities Futures maintained robust development momentum. It realized RMB455 million of operating revenue, up by 22.18% over same period of last year, and recorded RMB152 million of net profits, which represented an increase of 68.38% over same period from the last year. There were 232.8 million board lots of brokerage volume accomplished, and related turnover reached RMB11,591.6 billion, which included RMB10,413.1 billion of commodity futures turnover and RMB1,178.5 billion of financial futures turnover.

During the Reporting Period, Orient Securities Futures received many awards, including "Best Futures Company (最佳期貨公司獎)", "Best Financial Futures Service (最佳金融期貨服務獎)" and "Best Futures IT System Construction Award (最佳期貨IT系統建設獎)" awarded by Futures Daily and Securities Times, "Most Reputable Futures Company 2016 (2016年度金口碑期貨公司)" honored by hexun.com, "Outstanding Member in Market Development (市場發展優秀會員)" selected by Zhengzhou Commodity Exchange and "Outstanding Member (優秀會員獎)" selected by Dalian Commodity Exchange.

Securities financing

As at the end of the Reporting Period, securities financing business totaled RMB45.21 billion, with a year-on-year growth of 19%.

As at the end of the Reporting Period, balance of margin financing and securities lending on SSE and Shenzhen Stock Exchange totaled RMB939,249 million, down by 20% from the same period of last year. The Company had 25,788 customers of margin financing and securities lending, up by 5.4% over the same period of last year. Balance of margin financing and securities lending declined to RMB10.31 billion, representing a drop of 24% and taking up 1.1% in the market from the same period of last year and ranking 20th across the industry (according to the statistics of Wind).

As at the end of the Reporting Period, balance of stock collateralized repurchase business of Shanghai and Shenzhen markets amounted to RMB1,284.01 billion while the scale of corporate stock collateralized repurchase business amounted to RMB34.86 billion, with a net increase of RMB10.6 billion or a year-on-year growth of 43.5%, and taking up 2.8% in the market and ranking 10th among the peers (according to the statistics of the stock exchanges). Repurchase agreement of stock trading business amounted to RMB0.05 billion (according to the statistics of the stock exchanges).

Others

The Company is one of the earliest securities firms implementing interaction and intercommunication with interinstitutional market. In August 2014, the Company obtained qualifications for conducting five types of interinstitutional business for price quotation for private equity products and services system. The Company obtained the qualification for pilot OTC market business and also became the first securities firm obtaining the qualification of market maker among the interinstitutional business in October 2014. Currently, the Company's OTC business has covered income certificate, private fund, asset management scheme, private equity financing, and entrusted scheme. Meanwhile, the Company has actively explored its business to OTC derivatives, private bonds, asset securitization, collateralized repurchase and etc., with all operation indicators and innovation capabilities heading the list among the peers. During the Reporting Period, the Company has expanded its scale of OTC product issuance (sale) to RMB18.76 billion. As at the end of the Reporting Period, the scale of OTC products of the Company amounted to approximately RMB20.54 billion. The total issuance of income certificates of the parent company ranked 3rd among the interinstitutional market.

During the Reporting Period, the Company vigorously developed lead broker business, promoted private fund entrust and outsourcing comprehensive business in all-round manner, proactively prepared for publicly offered fund custody business, and showed strong momentum. As at the end of the Reporting Period, 416 product portfolios were in operation, growing 275% year on year; business scale reached RMB23.87 billion, representing 229% of growth as compared with same period of last year.

4. *Investment banking*

The Company conducts investment banking business through Citi Orient (a subsidiary 66.67% held by the Company) and the head office of fixed-income business. Citi Orient is engaged in underwriting and acting as sponsor of corporate stocks and debentures, underwriting of corporate bonds and asset backed securities, merger and restructuring, and financial advisory services relating to NEEQ listing and corporate restructuring. The head office of fixed-income business is engaged in underwriting services for government bonds and financial bonds. During the Reporting Period, investment banking business realized RMB1.620 billion of segment revenue and other income, accounting for 12.80% of the total.

Stock underwriting and sponsorship

During the Reporting Period, Citi Orient completed 22 equity financing projects (7 of which were related to financial advisory auxiliary facilities). Amount lead underwritten totalled RMB18.77 billion, up by 233.1%.

The table below sets forth breakdown of equity financing transactions with the Company acting as lead underwriter:

	As at December 31,	
(In RMB million)	2015	2016
Initial public offering:		
Times of offering	3	**7**
Amount lead underwritten (in RMB million)	1,070.1	**2,348.6**
Refinancing:		
Times of offering	8	**15**
Amount lead underwritten (in RMB million)	4,566.0	**16,423.6**
Total:		
Times of offering	11	**22**
Amount lead underwritten (in RMB million)	5,636.1	**18,772.2**

Bond underwriting

During the Reporting Period, the bond underwriting business remained in leading position. Amount lead underwritten grew 50.1% year on year to RMB89.79 billion. The Company ranked 17th in the industry and 1st among joint-venture securities dealers in terms of times of bond underwriting, and ranked 20th and 1st respectively in terms of amount underwritten (according to WIND INFO).

The table below sets forth the breakdown of bond underwriting with the Company acting as the lead underwriter:

	As at December 31,	
(In RMB million)	2015	2016
Corporate debentures:		
Times of lead underwriting	8	**27**
Amount lead underwritten	24,550.0	**34,860.0**
Corporate bonds:		
Times of lead underwriting	11	**15**
Amount lead underwritten	10,850.0	**18,920.0**
Financial bonds:		
Times of lead underwriting	4	**2**
Amount lead underwritten	8,712.9	**12,130.0**
Asset backed securities:		
Times of lead underwriting	6	**14**
Amount lead underwritten	14,201.4	**20,082.0**
Debt financing instruments for non-financial enterprises:		
Times of lead underwriting	3	**9**
Amount lead underwritten	1,500.0	**3,797.0**
Total:		
Times of lead underwriting	32	**67**
Amount lead underwritten	59,814.7	**89,789**

Financial advisory services

During the Reporting Period, Citi Orient steadily pressed ahead with its financial advisory services. In 2016, Citi Orient completed merger and restructuring for 11 projects, with a total transaction amount of RMB37.2 billion. Of which, the Company, acted as an independent financial advisor for major assets reorganization for seven projects (according to the statistics of merger and restructuring committee of CSRC) and was ranked 11th among the industry and the first among the joint-venture securities firms. The Company also acted as an independent financial advisor for cross-border for merger and restructuring transactions of 2 listed companies, with a total transaction amount of RMB26.6 billion, ranking the second among the peers and ranking the first among joint-venture securities firms. Citi Orient was listed among the 11 securities dealers which were rated by the Securities Association of China for three consecutive year as Class A financial advisory services for merger and restructuring of listed companies.

During the Reporting Period, Citi Orient completed 21 listing projects, which involved 1.255 billion shares. It accomplished 30 batches of private placement for listed companies, with amount accumulated to RMB1.987 billion. As at the end of the Reporting Period, Citi Orient made listing recommendation for 67 companies accumulatively, and was honored "Best Lead Securities Dealer on Equity Exchange and Quotations System 2016 (2016中國區股轉系統最佳主辦券商)" by Securities Times.

5. Headquarters and others

Headquarters and others business of the Company mainly include headquarters treasury business and overseas business. During the Reporting Period, headquarters and others business realize RMB2.244 billion of revenue and other income, accounting for 17.72% of the total.

Treasury business and others

Treasury business is aimed to enhance the comprehensive fund management of the Company, mainly including liquidity risk management, liabilities management and liquidity reserve investment. During the Reporting Period, the Company kept improving liquidity management system to improve the margin of safety of liquidity and optimize the liability structure. In the meantime, it conducted capital operations and its capital efficiency was improved. As at the end of the Reporting Period, the Company had sufficient liquidity, and liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") of parent company stood at 190.68% and 112.44% respectively, in line with regulatory requirements.

Overseas business

The Company conducts overseas business through Orient Hong Kong, the wholly-owned subsidiary and its subsidiaries, with their place of business located in Hong Kong. Orient Hong Kong, through its wholly-owned subsidiaries holds business licenses for securities trading, providing advice on securities, futures contractual transaction, asset management, providing advice on institutional financing and lending, with a comprehensive business portfolio.

As an overseas platform for the Company's internationalization strategy, during the Reporting Period, Orient Hong Kong took advantage of resources and strengths of parent company, reinforced its business operation capabilities, expanded customer base and business scope, and improved business platform, so as to enhance its comprehensive financial service capabilities.

(II) Major items in consolidated statement of profit or loss

(1) Revenue and other income

During the Reporting Period, the Group realized RMB12.242 billion of revenue and other income, down by RMB8.217 billion or 40.16% over the same period of last year, which was attributable to significant decrease in revenue from wealth management business, asset management business and securities proprietary business as affected by unfavorable market factors. Details were as follows:

Commission and fee income amounted to RMB4,620 million, accounting for 37.74% of the total and representing 30.22% of decline from last year. The reason was that in a gloomy securities market, stocks and funds trading volume contracted significantly, which caused commission rate to drop and securities transaction, brokerage commission and service charge income to decrease on year-on-year basis. In addition, affected by market changes, performance-based rewards provided for asset management products plummeted as compared with same period of last year, which dragged down asset management fee income and fund management fee income from the level of last year.

Interest income declined 0.42% year on year to RMB4,272 million, accounting for 34.89% of the total. Although stock collateralized repurchase business expanded in the year, margin financing and securities lending saw a drop from the level of last year; therefore, overall interest income basically remained the same as last year.

Net investment gains decreased 69.88% year on year to RMB2,814 million, accounting for 22.98% of the total, which was mainly attributable to a significant contraction in proprietary business as compared with last year due to decline in both transaction volume and price in domestic capital market.

Other income and gains or losses grew 159.75% year on year to RMB537 million, accounting for 4.39% of the total, which was mainly attributable to increased government grant received and influence of exchange rate fluctuations.

Components of the Group's revenue and other income for the Reporting Period are set out below:

In RMB'000

Item	From January to December 2016		From January to December 2015		Changes	
	Amount	Proportion	Amount	Proportion	Amount	Percentage
Commission and fee income	**4,620,340**	**37.74%**	6,620,956	32.36%	(2,000,616)	(30.22)%
Interest income	**4,271,636**	**34.89%**	4,289,716	20.97%	(18,080)	(0.42)%
Net investment gains	**2,813,575**	**22.98%**	9,341,932	45.66%	(6,528,357)	(69.88)%
Other income and gains or losses	**536,831**	**4.39%**	206,671	1.01%	330,160	159.75%
Total revenue and other income	**12,242,382**	**100.00%**	20,459,275	100.00%	(8,216,893)	(40.16)%

(2) Total expenditure

During the Reporting Period, total expenditure of the Company reached RMB9,828 million, down by RMB1,569 million or 13.77% year on year, which was mainly attributable to decrease in employee cost, brokerage transaction fee and other service expenditure and other expenses. Details were as follows:

Staff costs were RMB2,406 million, down by 37.11% year on year for the reason that declined revenue from major businesses of the Company due to weakening market brought down remuneration payment.

Interest expenses grew 12.53% year on year to RMB5,118 million. Such increase was caused by increasing active liabilities (including corporate debentures, subordinated debts and beneficiary certificate) due to expanding financing channels and capital replenishment.

Commission and fee expenses dropped 46.07% year on year to RMB427 million, which was mainly attributable to decreased securities brokerage service charge expenditure because of significant contraction in stock fund transaction volume.

Depreciation and amortization grew 15.36% year on year to RMB173 million, which was mainly attributable to increasing fixed assets and other long-term assets because of more branches established.

Other operating expenses, including operation expense, and tax and surcharges, declined 31.99% year on year to RMB1,415 million. Reasons for such decline included decreased relevant operation expenses because of contracted business volume, and decreased business tax due to levying value-added tax in lieu of business tax.

Impairment losses amounted to RMB288 million, representing significant increase from last year due to provision for impairment of available-for-sale financial assets.

Expenditure components of the Group for 2016 are set out as follows:

In RMB'000

Item	From January to December 2016	From January to December 2015	Changes Amount	Changes Percentage
Depreciation and amortization	**172,790**	149,785	23,005	15.36%
Staff costs	**2,406,474**	3,826,660	(1,420,186)	(37.11)%
Commission and fee expenses	**426,638**	791,028	(364,390)	(46.07)%
Interest expenses	**5,118,370**	4,548,512	569,858	12.53%
Other operating expenses	**1,415,113**	2,080,873	(665,760)	(31.99)%
(Provision for)/reversal of impairment losses	**288,257**	(373)	288,630	(77,380.70)%
Total	**9,827,642**	11,396,485	(1,568,843)	(13.77)%

3. *Input in social welfare*

In 2016, the Group input a total of RMB8,378 thousand in charitable donations and other public welfare events.

4. *Cash flows*

During the Reporting Period, the Group recorded RMB2,001 million of net decrease in cash and cash equivalents, including:

(1) Net cash used in operating activities amounted to RMB3,612 million, which includes:

i. RMB8,061 million of net cash inflow was attributable to decrease in cash held on behalf of customers and clearing settlement funds;

ii. RMB12,708 million of net cash inflow was attributable to decrease in financial instruments and derivatives at fair value through profit or loss;

iii. RMB3,555 million of net cash inflow was attributable to decrease in advance to financing customers;

iv. RMB7,541 million of net cash outflow was attributable to decrease in amount payable to brokerage customers;

v. RMB5,100 million of net cash outflow was caused by decrease in borrowing capital;

vi. RMB8,061 million of net cash outflow was attributable to increase in financial assets purchased under resale.

(2) Net cash used in investment activities was RMB-16,696 million, which was primarily attributable to RMB17,886 million of net cash outflow caused by increased investment in available-for-sale assets, held-to-maturity investments, loans advances to customers and other investments.

(3) Net cash from financing activities amounted to RMB11,082 million, which was mainly attributable to RMB6,376 million of cash inflow from fund raising via listing in H share market, RMB9,168 million of cash inflow from issuance of debentures and short-term financing bonds, and RMB5,048 million of cash outflow due to interest and dividend payment.

(III) Analysis on principal components of consolidated statement of financial position

1. *Analysis on principal components of consolidated statement of financial position*

During the Reporting Period, the total assets of the Group amounted to RMB212,411 million, representing an increase of RMB4,513 million, or 2.17%, as compared with the beginning of the year; the total liabilities amounted to RMB171,413 million, representing a decrease of RMB1,049 million, or 0.61%, as compared with the beginning of the year. Among the current assets of the Group, available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial assets and other financial assets represented 42.34% of its total assets; advances to customers and financial assets held under resale agreements represented 14.00% of its total assets; clearing settlement funds and cash and bank balance represented 25.53% of its total assets; among non-current assets, property and equipment represented 0.88% of its total assets. The assets of the Company were under reasonable structure with strong liquidity.

Analysis on items of consolidated statement of financial position of the Company:

In RMB'000

	December 31, 2016	Percentage	December 31, 2015	Percentage	Increase/Decrease Amount	Increase/Decrease Percentage
Non-current assets	**32,288,003**		**25,945,769**		**6,342,234**	**24.44%**
Property and equipment	**1,844,486**	**0.88%**	1,718,155	0.82%	126,331	7.35%
Goodwill	**32,135**	**0.02%**	32,135	0.02%	–	0.00%
Other intangible assets	**114,884**	**0.05%**	96,549	0.05%	18,335	18.99%
Investments in associates	**3,514,660**	**1.65%**	1,908,526	0.92%	1,606,134	84.16%
Available-for-sale financial assets	**10,712,807**	**5.04%**	11,369,355	5.47%	(656,548)	(5.77)%
Held-to-maturity investments	**140,500**	**0.07%**	293,921	0.14%	(153,421)	(52.20)%
Financial assets held under resale agreements	**15,456,170**	**7.28%**	10,209,680	4.91%	5,246,490	51.39%
Deferred tax assets	**253,903**	**0.12%**	317,448	0.15%	(63,545)	(20.02)%
Other receivables and prepayments	**218,458**	**0.10%**	–	0.00%	218,458	N/A

	December 31, 2016	Percentage	December 31, 2015	Percentage	Increase/Decrease Amount	Increase/Decrease Percentage
Current assets	**180,123,084**		**181,951,793**		**(1,828,709)**	**(1.01)%**
Advances to customers	**10,651,586**	**5.01%**	14,241,083	6.85%	(3,589,497)	(25.21)%
Accounts receivable	**737,500**	**0.35%**	502,401	0.24%	235,099	46.80%
Other receivables and prepayments	**3,837,759**	**1.81%**	4,315,193	2.08%	(477,434)	(11.06)%
Available-for-sale financial assets	**66,549,121**	**31.33%**	48,507,365	23.33%	18,041,756	37.19%
Held-to-maturity investments	**71,560**	**0.03%**	920,078	0.44%	(848,518)	(92.22)%
Financial assets held under resale agreements	**19,102,771**	**8.99%**	16,288,535	7.83%	2,814,236	17.28%
Financial assets at fair value through profit or loss	**23,329,193**	**10.98%**	31,870,854	15.33%	(8,541,661)	(26.80)%
Derivative financial assets	**70,509**	**0.03%**	77,362	0.04%	(6,853)	(8.86)%
Deposits with exchanges and non-bank financial institutions	**1,099,849**	**0.52%**	1,060,011	0.51%	39,838	3.76%
Clearing settlement funds	**10,504,501**	**4.95%**	8,825,404	4.25%	1,679,097	19.03%
Cash and bank balances	**43,718,835**	**20.58%**	55,343,507	26.62%	(11,624,672)	(21.00)%
Restricted deposit	**449,900**	**0.21%**	–	0.00%	449,900	N/A
Total assets	**212,411,087**		207,897,562		4,513,525	2.17%
Current liabilities	**123,973,035**		**112,763,629**		**11,209,406**	**9.94%**
Borrowings	**480,727**	**0.28%**	383,780	0.22%	96,947	25.26%
Amount due to banks and other financial institutions	**5,100,000**	**2.97%**	10,200,000	5.91%	(5,100,000)	(50.00)%
Accounts payable to brokerage clients	**35,651,787**	**20.80%**	43,193,275	25.03%	(7,541,488)	(17.46)%
Accrued staff costs	**1,377,921**	**0.80%**	1,928,933	1.12%	(551,012)	(28.57)%
Other account payable, other payable and accruals	**3,591,833**	**2.09%**	2,203,981	1.28%	1,387,852	62.97%
Current tax liabilities	**237,925**	**0.14%**	1,682,468	0.98%	(1,444,543)	(85.86)%
Bonds payable	**24,020,769**	**14.01%**	4,781,294	2.77%	19,239,475	402.39%
Short-term financing bills payables	**4,942,779**	**2.88%**	8,396,061	4.87%	(3,453,282)	(41.13)%
Financial liabilities at fair value through profit or loss	**7,471,177**	**4.36%**	3,147,266	1.82%	4,323,911	137.39%
Derivative financial liabilities	**419,177**	**0.24%**	181,480	0.11%	237,697	130.98%
Financial assets sold under repurchase agreements	**40,678,940**	**23.72%**	36,665,091	21.25%	4,013,849	10.95%
Total net assets	**56,150,049**		**69,188,164**		**(13,038,115)**	**(18.84)%**

	December 31, 2016	Percentage	December 31, 2015	Percentage	Increase/Decrease Amount	Increase/Decrease Percentage
Non-current liabilities	**47,500,227**		**59,758,188**		**(12,257,961)**	**(20.51)%**
Borrowings	**859,034**	**0.50%**	385,388	0.22%	473,646	122.90%
Financial assets sold under repurchase agreements	**5,720,000**	**3.34%**	11,215,000	6.50%	(5,495,000)	(49.00)%
Deferred tax liabilities	**357,851**	**0.21%**	976,606	0.57%	(618,755)	(63.36)%
Bonds payable	**40,563,342**	**23.66%**	47,181,194	27.35%	(6,617,852)	(14.03)%
Total liabilities	**171,473,262**		172,521,817		(1,048,555)	(0.61)%
Total equity	**40,937,825**		35,375,745		5,562,080	15.72%

Note: Percentages for assets and liabilities refer to the share in total assets and the share in total liabilities respectively.

2. *Non-current assets*

As at the end of the Reporting Period, the Company's non-current assets were RMB32,288 million, representing an increase of RMB6,342 million, or 24.44%, as compared with the beginning of the year, mainly due to the increase in funds from collateralized stock repurchase and investments in associates.

3. *Current assets and liabilities*

As at the end of the Reporting Period, the Company's net current assets were RMB56,150 million, representing a decrease of RMB13,038 million, or 18.84%, as compared with the beginning of the year, mainly due to the decrease in advances to customers, financial assets at fair value through profit or loss, cash and bank balance and other current assets as compared with the beginning of the year.

4. *Non-current liabilities*

As at the end of the Reporting Period, the Company's non-current liabilities were RMB47,500 million, representing a decrease of RMB12,258 million, or 20.51%, as compared with the beginning of the year, mainly due to the decrease in the size of bonds payable and financial assets sold under repurchase agreements.

5. *Borrowings and bond financing*

As at the end of the Reporting Period, the Company's total borrowings and bond financing were RMB75,967 million. Set out below is the breakdown of borrowings and bond financing of the Company at the end of the Reporting Period:

In RMB'000

	December 31, 2016	December 31, 2015
Bonds payable	**64,584,111**	51,962,488
Borrowings	**1,339,761**	769,168
Short-term financing bills payables	**4,942,779**	8,396,061
Amount due to banks and other financial institutions	**5,100,000**	10,200,000
Total	**75,966,651**	71,327,717

For details of interest rate and maturity profiles of borrowings and bonds financing, please refer to Notes 37, 42 and 43 to the appended annual financial report.

As at the end of the Reporting Period, the Company's borrowings, amount due to banks and other financial institutions, short-term financing bills payables and bonds payable due within one year amounted to RMB34,544 million, and the Company's net current assets amounted to RMB56,150 million. There is no liquidity risk in bonds payable, borrowings, amount due to banks and other financial institutions and other interest-bearing liabilities due after one year.

Except for the liabilities disclosed in this report, as at the end of the Reporting Period, the Company had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

(IV) Explanations on change in the scope of consolidation of the statements

(1) As compared to the end of last year, the Group added ten entities into its scope of consolidation, which included eight entities newly consolidated by Shanghai Orient Securities Capital Investment Co., Ltd., and two structured entities newly consolidated.

(2) As compared to the end of last year, the Group excluded five entities from its scope of consolidation, which included closure of three entities by Shanghai Orient Securities Capital Investment Co., Ltd., and two structured entities.

(V) Analysis on industrial operations

1. New establishment and disposal of the Company's securities branches, branches and subsidiaries during the Reporting Period

Capital increase into subsidiaries

1) The Proposal on Capital Increase into Shanghai Orient Securities Futures Co., Ltd. was considered and approved at the 12th meeting of the second session of the Board of the Company, pursuant to which the Company was approved to increase capital in the amount of RMB1.0 billion (which can be made in installments) to Orient Securities Futures, a wholly-owned subsidiary of the Company, and the management of the Company was authorized to determine, within the above cap, the scale of capital increase in each installment based on the funding conditions of the Company, and to carry out the formalities of the capital injection.

On March 11, 2016, the Company completed the capital increase of RMB0.5 billion to Orient Securities Futures and the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Futures to RMB1.0 billion.

2) In October 2016, the Company increased capital in the amount of RMB1.5 billion to Orient Securities Capital Investment and completed the changes in industrial and commerce registration in relation to the change in registered capital of Orient Securities Capital Investment to RMB4.0 billion (Announcement Index: 2016-054). This capital increase has been considered and approved at the president working meeting of the Company.

3) The Proposal on Capital Increase into Orient Finance Holdings (Hong Kong) Limited was considered and approved at the 25th meeting of the second session of the Board of the Company, pursuant to which the Company was approved to increase capital in the amount of HK$1.5 billion (which can be made in installments within five years) in cash to Orient Hong Kong, and the management of the Company was authorized to determine, within the above cap, the scale of capital increase in each installment based on the funding conditions of the Company, and to carry out the formalities of the capital injection.

In July 2014, the Company received the Letter of No Objection on Capital Increase into Hong Kong Subsidiaries by 東方證券股份有限公司 (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 738) issued by the China Securities Regulatory Commission, which expressed no objection to the increase in the registered capital in the amount of HK$1.5 billion equivalent RMB to Orient Hong Kong by the Company.

In October 2016, the Company completed the 3rd capital increase of HK$1.1 billion to Orient Hong Kong and the changes in industrial and commerce registration (Announcement Index: 2016-053); together with the previous capital increase of HK$0.4 billion (namely, the 1st capital increase of HK$0.1 billion completed in July 2014 and the 2nd capital increase of HK$300 million completed in July 2015 respectively), the Company has completed the whole capital increase of HK$1.5 billion to Orient Hong Kong whose registered capital is thus changed to HK$2.1 billion.

Newly-established securities branches of the Company

The Company received the Reply on Approving Establishment of 33 Securities Branches by 東方證券股份有限公司 (Hu Zheng Jian Xu Ke [2016] No. 74) from the Shanghai Bureau of the CSRC, pursuant to which the Company was authorized to establish one securities branch in each of the 33 cities including Beijing and Shanghai. The branches would engage in securities brokerage; margin financing and securities lending; securities investment consultancy; financial advisory in relation to securities transactions and securities investment activities; securities investment fund agency; provision of intermediary and referral business for futures companies; financial products agency. All the establishment model of the information system is B-type.

During the Reporting Period, the Company completed the establishment of two securities branches, as a result of which the total number of the Company's securities branches amounted to 122. Details of the newly-established branches are as follows:

Name of branch	Address	Number of approval document	Date of approval	Date on which the license was obtained
Taiyuan Gaoxin Street Securities Branch of Orient Securities Company Limited	Level 15, No. 15 Gaoxin Street, Gaoxin District, Taiyuan, the PRC	Hu Zheng Jian Xu Ke [2016] No. 74	July 15, 2016	December 6, 2016
Baotou Youth Road Securities Branch of Orient Securities Company Limited	1-A4, Commercial Building, Hengyuan Yinzuo, No. 28 Youth Road, Qingshan District, Baotou City, Inner Mongolia Autonomous Region, the PRC	Hu Zheng Jian Xu Ke [2016] No. 74	July 15, 2016	December 19, 2016

In January 2017, the Company completed the establishment of Zhangjiagang Donghuan Road Securities Branch, Changshu Lizha Road Securities Branch, Yangzhou Wenhui East Road Securities Branch and Jinhua Bayi North Street Securities Branch.

On January 12, 2017, the Company received the Letter on Approving Extension of the Establishment Duration of 27 Securities Branches for Orient Securities Company Limited (Hu Zheng Jian Ji Gou Zi [2017] No. 21) from the Shanghai Bureau of the CSRC, which approved the extension of the establishment duration of 27 securities branches but required the Company to complete the establishment of such securities branches within six months with immediate effect.

Relocation of the Company's securities branches

1) Shanghai Putong New Area Jinkou Road Securities Branch was relocated within the city, from No. 510 Jinkou Road, Putong New Area, Shanghai, the PRC to Room 247, Building 3, No. 258 Pingdu Road, Putong New Area, Shanghai, the PRC. The name of the branch was changed to Shanghai Putong New Area Pingdu Road Securities Branch of Orient Securities Company Limited.

2) Suzhou Lindun Road Securities Branch was relocated within the city, from 4/F, Hongxin Commercial Building, No. 82 Lindun Road, Suzhou City, the PRC to 1/F North, Podium Building, No. 2115 Xihuan Road, Suzhou City, the PRC. The name of the branch was changed to Suzhou Xihuan Road Securities Branch of Orient Securities Company Limited.

3) Fushun Qingyuan Securities Branch was relocated within the city, from No. 49 Honghe Road, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun City, Liaoning Province, the PRC to No. 1 Store, No. 26 Changling Street, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun City, Liaoning Province, the PRC. The name of the branch was not changed.

4) Putian Lihuadong Road Securities Branch, which was located at Room 502, 503, 504, No. 1 Building, Qidi Wenquan Community, No. 598 Lihuadong Road, Xialin Street, Chengxiang District, Putian City, Fujian Province, the PRC, expanded to Room 501. The name of the branch was not changed.

5) Shanghai Huangpu District Zhongshan South Road No. 1 Securities Branch was relocated within the city, from Room 1303, 13/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai City to Room 402, 4/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai City, the PRC. The name of the branch was not changed.

2. *Specific explanation on account standardization*

In strict compliance with the relevant requirements on account management by the CSRC and the China Securities Depository and Clearing Corporation Limited, the Company advanced its account management works and further improved the long-term effective mechanism of account management, and made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which had been reserved separately. During the Reporting Period, the Company has totally cleaned up 69 unqualified capital accounts, 36 unqualified securities accounts; 1,041 activated small-amount-dormant capital accounts, 1,607 small-amount-dormant securities accounts; and 41 activated dormant capital accounts without risk management, 33 dormant securities accounts without risk management.

As at the end of the Reporting Period, the Company still had 10,423 unqualified capital accounts, 1,564 China Securities Depository and Clearing Corporation Limited (CSDC) unqualified securities accounts (including 109 judicially frozen dormant securities accounts without risk management); 256,000 small-amount-dormant capital accounts, 237,186 small-amount- dormant securities accounts; and 33,741 dormant capital accounts without risk management, 14,480 dormant securities accounts without risk management.

3. Development of innovative business and its risk control

(1) Analysis on development of innovative business

During the Reporting Period, the Company continued to value the role of innovative business in its strategic development. To implement the strategy-driven principles, in respect of organizations, the Company continued to enhance the leadership, decision-making and coordination over innovative business by the leading team on innovative business and the innovation and development committee, continued to utilize the functions and roles of innovative projects pool, and carried out entire-process track on framework design, innovation declaration and business development of key innovative projects. In respect of compliance and risk management, the Company carried out continuous and entire-process track on framework design, innovation declaration and business development of key projects while implementing verification and monitoring on the compliance points and risk points. In respect of incentive measures, the Company strengthened its performance appraisal on innovations and further expanded investment into and support to it. In the meantime, the Company increased its employees' creative awareness and initiated a creative cultural atmosphere through various promotion carriers and activity forms. In 2016, the Company made positive progress in terms of incentive mechanism, such as the establishment of Internet financing committee, to further utilize the overall planning and overall management of Internet financing business; improved the internal cross-selling business's cooperative income allocation and the incentive mechanism to further exert the Group's overall advantages and promote expansion and enhancement of cross-selling business. Through years accumulation, innovation has become one of the core competitiveness of the Company with increasingly outstanding innovative results. Its major innovative results achieved in 2016 are presented as follows:

1) The income from the Company's innovative business has accounted for nearly half of the total operating income. Such income not only serves as the new income source and profit growth driver of the Company. In particular, against the weak market in 2016, innovative business played an obvious supporting role in the Company's operating income.

2) Partial innovative business of the Company have formed brand influences and first-mover advantages. The interest income from the Company's collateralized stock repurchase and market-making volume of NEEQ were leading the industry. Other business fields, such as Internet financing, assets securitization, cross-border investment and mergers & acquisitions, NEEQ market-making and OTC market, have also formed brand influences and first-mover advantages in the industry.

(2) *Risk control for innovative business*

With the promotion of the Company's development strategies, its innovative businesses maintained a steady development during the Reporting Period. Based on the actual conditions, the Company closely followed business innovation and emphasized on strengthening business risk verification mainly by adopting the following measures:

1) In terms of organizational structure, the risk management department strengthened the communication with the business department, and kept track of and monitored innovative business, and also actively conduct risk identification and assessment, with risk management staff from business department as the 1st defense line and risk manager from risk management department serving as the 2nd defense line, so as to jointly prevent business risk.

2) In terms of management procedures, the Company further improved the spontaneous risk management mechanism of innovative business, and closely followed the compliance and risk management of its innovative businesses, and also established the assessment and verification mechanism of innovative business to keep track of the entire process of framework design, innovation declaration and business development of innovative business.

3) In terms of risk identification and assessment, the Company earnestly performed its duties for risk verification of innovative products, and formulated independent professional risk verification opinions on the options pricing for products including income receipts of OTC options and embedded options, hedging strategies and testing results, and also constantly improved the stress testing mechanism so as to strongly guarantee the successful carrying out of complicated financial derivatives business.

4) In terms of risk report, the Company integrated the risk measurement and carrying out of innovative business into the overall risk management report system to earnestly summarize risk management experience in the innovative business.

5) In terms of system building, the Company considered innovative business in building an overall risk management report system. The Company steadily conducted its innovative business under controllable, measurable and endurable risks.

4. Risk control indicators and establishment of net capital replenishment mechanism of the Company

(1) Establishment of dynamic monitoring mechanism on risk control indicators

During the Reporting Period, pursuant to the requirements under the Administrative Measures for the Risk Control Indicators of Securities Companies and the auxiliary rules revised and issued by the CSRC, the Company earnestly carried out various works by completing system revision, system building and staff training in a timely manner.

In order to strengthen risk monitoring, and carry out businesses under measurable, controllable and endurable risks, the Company established a dynamic monitoring mechanism on risk control indicators and built the auxiliary organizational system and internal management system based on the requirements from regulators and its own risk management demands. The monitoring system can realize an accurate measurement, dynamic monitoring and automated pre-warning on risk control indicators. Based on changes in the market, business development, technology and regulatory environment, the Company constantly makes adjustment to and improvement on the system to make it cover various business activities conducted by the Company.

The Company has set risk monitoring positions for all business lines and its overall indicators, each of which has been allocated with explicit works and clear duties; with the monitoring system for various businesses and the dynamic monitoring mechanism on risk control indicators as the working platform, conducts immediate monitoring and pre-warning on unusual changes, triggering of relevant risk control indicators; prepares monitoring report on a regular and irregular basis; and responsible for tracking the rectifications of the risks involved.

(2) Capital replenishment mechanism

Based on the changes in regulated risk control indicators and its own risk tolerance, the Company makes dynamic adjustment to the business scope, the scale and structure of various businesses, and also replenishes or increases net capital according to its business development.

The Company formulates allocation of assets and liabilities as well as risk limit indicators at the beginning of each year, and the risk management department is responsible for the dynamic monitoring on risk control indicators. Upon discovery of any risk control indicators triggering the Company's self-set pre-warning limit or the regulatory standard, the Company will replenish its net capital in a timely manner by reducing investment products with relatively high risk exposures or its business scale, adjusting investment structure of financial assets, clearing up fixed assets and through various financing channels including borrowing long-term subordinated bonds, capital increase and rights issue.

(3) Establishment of stress testing mechanism

The Company has established the stress testing mechanism to carry out "prior assessment and prejudgment" on the Company's overall risks. The Company specifies in the system that, prior to conducting innovative businesses, expanding business scale and distributing profits, it shall conduct stress testing on the risk control indicators, and put forward any suggestions on adjustment to business scale based on the testing result and this has become an important reference for the Company's management to make decisions.

During the Reporting Period, according to the requirements under the Guideline on Stress Testing of Securities Companies issued by the Securities Association of China, the Company constantly optimized the comprehensive stress testing mechanism in terms of organizational guarantee, system building and system support. The Company carried out comprehensive stress testing and special stress testing including annual stress testing for many time throughout the year. The special testing was targeted at the key risk control indicators and liquidity indicators, covering proprietary investment, financing business and material decision-making of annual profit distribution and external guarantee, which played a positive and effective role in guaranteeing its business and decision-making under controllable, measurable and endurable risks.

(4) Standard-meeting of risk control indicators during the Reporting Period

During the Reporting Period, the Company was profitable with standardized operations and high assets liquidity. Its risk control indicators were in continuous compliance with the regulatory standards under the Administrative Measures for the Risk Control Indicators of Securities Companies with certain safety margin.

5. Explanations on financing

(1) Financing channels of the Company

In terms of financing method, the Company's financing channels include equity financing and debt financing. In terms of financing term, the Company satisfies its short-term capital needs mainly through money lending, bonds repurchase, issue of short-term commercial papers, issue of short-term income receipts, short-term corporate bonds of securities companies, refinancing; and satisfies its medium- and long-term capital needs through issue of or borrowing long-term subordinated bonds, issue of corporate bonds, issue of long-term income receipts and equity financing.

(2) Analysis on financing capability

The Company operated properly within the authorized scope with high reputation, strong financing capability and solvency, together with sound partnerships with various financial institutions, which enabled the Company to conduct financing by various ways as approved or flied by various competent authorities.

During the Reporting Period, the Company has tried many forms of equity financing, including credit lending, bonds repurchase, income receipts, short-term commercial papers of securities companies, subordinated bonds, short-term bonds of securities companies. Please refer to "II Issue and Listing of Securities in Section VI" for details on the issue of various debt financial instruments by the Company.

(3) The Company's liabilities structure

Please refer to "(II) Major items in consolidated statement of profit or loss under paragraph II in Section IV".

(4) *Measures adopted by the Company for liquidity and the relevant management policies*

The Company always sticks to a consistent capital management and operation, and continues to strengthen establishment of capital management system and an overall management on allocation of its capital; in the meantime, it conducts a layered allocation of liquidity assets based on its realizable capability to constantly improve its capability to withstand various liquidity impacts.

The Company strictly implements a centralized capital management and collective decision-making procedures. As a functional department for liquidity risk, the capital management department is responsible for planning, financing, adjustment, investment and pricing for its own capital to, conditional upon preventing liquidity risk, optimize the efficiency and gains of the Company's capital use.

During the Reporting Period, the Company actively broadened short-term and long-term financing channels, strengthened liabilities management, and improved the diversification of internal and external liabilities type, term, financing market, counterparty and financing collaterals. Through issuing short-term corporate bonds, subordinated bonds, subordinated debt, offshore RMB bonds, offshore USD bonds, short-term commercial papers and other debt instruments, the Group constantly optimized debt structure and term to meet the capital needs of the Company for ordinary operations and to facilitate the rapid growth of stock collateralized repurchase business. The Company focused on maintaining sound partnerships with its financing counterparties including various commercial banks, and satisfied its short-term capital needs through inter-bank lending, bonds repurchase, transfer of assets income rights and other financing methods.

The Company further strengthened monitoring on liquidity risk, and improved liquidity indicators system in terms of risk exposure, leverage ratio, capital and scale so as to increase the effectiveness of daily monitoring; emphasized on strengthening daytime liquidity risk management to guarantee sufficient daytime liquidity position and meet the payment and settlement requirements under normal and stressed conditions. During the Reporting Period, the Company maintained sufficient liquidity assets reserves with continuous compliance of liquidity risk regulatory indicators with the relevant regulations.

(VI) Analysis on investments

1. *Overall analysis on external equity investments*

As at the end of the Reporting Period, the Group's long-term equity investments amounted to RMB3,515 million, representing an increase of RMB1,606 million, or 84.16%, as compared with the beginning of the year. The increase was mainly due to new investment of RMB1,231 million made by Orient Securities Capital Investment and other subsidiaries, and investment income of RMB399 million recognized under the equity method during the Reporting Period.

(1) *Material equity investments*

Unit: '0000 Currency: RMB

Name of targets to be held	Percentage of the equity of the company	Carrying value as at the end of the period	Profit or loss during the Reporting Period	Changes in owners' equity interest, during the Reporting Period
China Universal Asset Management Company Limited Liability Company (匯添富基金管理股份有限公司)	35.41%	154,781.29	43,098.67	1,511.74

Notes: Profit or loss during the Reporting Period refers to effects of that investment to net profit of the Company during the Reporting Period.

Changes in owners' equity interest during the Reporting Period exclude effects to profit or loss during the Reporting Period.

(2) *Material non-equity investments*

No significant non-equity investment of the Company during the year.

(3) Financial assets at fair value

In RMB

Items	Investment cost as at the end of the period	Book value as at the end of the period	Net amount purchased from or sold during the Reporting Period	Changes of fair value during the Reporting Period	Investment income during the Reporting Period
1. Financial assets at fair value through profit or loss	22,930,515,366.16	23,329,193,641.39	(8,260,882,550.88)	(270,143,673.76)	(137,164,833.76)
2. Derivative financial assets	–	70,509,142.37	–	(14,009,899.03)	7,156,717.61
3. Available-for-sale financial assets	76,698,410,019.44	77,261,927,834.81	19,560,617,008.45	(1,907,163,744.54)	3,644,324,943.05

Note: Changes in fair value of current derivative financial assets include the current investment income obtained.

(VII) Material assets and equity disposal

There was no substantial disposal of assets and equity during the year.

(VIII) Analysis on major controlling/investee companies

(1) The registered capital of Shanghai Orient Securities Futures Co., Ltd. was RMB1.0 billion and the Company held 100% of its equity. As at December 31, 2016, total assets of Shanghai Orient Securities Futures Co., Ltd. amounted to RMB17,821,299.9 thousand, and its net assets amounted to RMB1,478,918.8 thousand. In 2016, its operating income and net profit amounted to RMB454,910.6 thousand and RMB151,851.3 thousand respectively.

Principal businesses: commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sales.

(2) The registered capital of Shanghai Orient Securities Capital Investment Co., Ltd. was RMB4.0 billion and the Company held 100% of its equity. As at December 31, 2016, total assets of Shanghai Orient Securities Capital Investment Co., Ltd. amounted to RMB5,088,428.1 thousand, and its net assets amounted to RMB3,760,281.4 thousand. In 2016, its operating income and net profit amounted to RMB248,715.8 thousand and RMB93,450.1 thousand respectively.

Principal businesses: private equity investments fund business and other businesses permitted by CSRC.

(3) The registered capital of Shanghai Orient Securities Asset Management Co., Ltd. was RMB0.3 billion and the Company held 100% of its equity. As at December 31, 2016, total assets of Shanghai Orient Securities Asset Management Co., Ltd. amounted to RMB1,479,236.6 thousand, and its net assets amounted to RMB1,003,888.4 thousand. In 2016, its operating income and net profit amounted to RMB1,027,488.5 thousand and RMB390,206.5 thousand respectively.

Principal businesses: securities asset management business and publicly raised securities investment funds management business.

(4) The registered capital of Citi Orient Securities Co., Ltd. was RMB0.8 billion and the Company held 66.67% of its equity. As at December 31, 2016, total assets of Citi Orient Securities Co., Ltd. amounted to RMB2,244,209.0 thousand, and its net assets amounted to RMB1,106,469.1 thousand. In 2016, its operating income and net profit amounted to RMB1,155,109.3 thousand and RMB258,473.0 thousand respectively.

Principal businesses: securities (excluding treasury bonds, financial bonds of policy banks, short-term financing bills and medium-term notes) underwriting and sponsorship; other businesses permitted by CSRC.

(5) The registered capital of Shanghai Orient Securities Innovation Investment Co., Ltd. was RMB1.1 billion and the Company held 100% of its equity. As at December 31, 2016, total assets of Shanghai Orient Securities Innovation Investment Co., Ltd. amounted to RMB3,702,674.0 thousand, and its net assets amounted to RMB1,665,413.7 thousand. In 2016, its operating income and net profit amounted to RMB203,542.2 thousand and RMB126,067.3 thousand respectively.

Principal businesses: financial products investment, securities investment, investment management and investment consultancy.

(6) The registered capital of Orient Finance Holdings (Hong Kong) Limited was HK$2.1 billion and the Company held 100% of its equity. As at December 31, 2016, total assets of Orient Finance Holdings (Hong Kong) Limited amounted to HK$10,635,843.2 thousand, and its net assets amounted to HK$1,755,677.7 thousand. In 2016, its operating income and net profit amounted to HK$243,198.9 thousand and HK$72,930.2 thousand respectively.

Principal businesses: Investment holding, in particular, operation of brokerage business, corporate financing and asset management business as permitted by the relevant securities regulation rules in Hong Kong through establishment of various subsidiaries.

(7) The registered capital of China Universal Asset Management Company Limited was RMB132,724.2 thousand, and it is owned as to 35.412% by the Company. As at December 31, 2016, total assets of China Universal Asset Management Company Limited amounted to RMB6,951,263.2 thousand, and its net assets amounted to RMB4,371,118.1 thousand. In 2016, its operating income and net profit amounted to RMB2,987,145.6 thousand and RMB1,041,010.9 thousand respectively.

Principal businesses: fund raising, fund sales, asset management and other businesses permitted by CSRC.

(IX) Structured Entities Controlled by the Company

For the structured entities with subsidiaries acting as managers, the Company has considered in overall that companies within the scope of our consolidated statements are entitled to realizable returns from those structured entities and are subject to the risks. Thus, the Group has included 26 structured entities into its consolidated statements.

During the year, the two newly-added structured entities were included in the consolidated statements. Four structured entities were excluded due to changes in shareholding or other reasons of loss of controlling right or liquidation.

The consolidated structured entities for current period are set out below:

Unit: '0000 Currency: RMB

Consolidated structured entities	As at December 31, 2016 or the year then ended
Total assets	768,589.00
Total liabilities	30,886.43
Total net assets	737,702.57
Operating income	32,918.74
Net profit	29,267.04

(X) Capital raising

1) The general application of proceeds raised through A shares

As approved by CSRC through issuance of the Formal Reply Relating to Authorization of the Initial Public Offering of 東方證券股份有限公司 (Zheng Jian Xu Ke [2015] No.305), the Company made an initial public offering of 1,000,000,000 A Shares, which were RMB denominated ordinary shares, on March 23, 2015 with the issuance price of RMB10.03 per share. The total proceeds from the issuance of such A Shares was RMB10,030,000,000, and the net proceeds from the same was RMB9,799,724,000 after deducting the relevant underwriting expense of RMB230,276,000. The aforesaid proceeds from such issuance of A Shares were all deposited with the special proceeds account opened by the Company on March 16, 2015, for which, BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) has reviewed and verified with issuance of the capital verification report numbered as Xin Kuai Shi Bao Zi [2015] No. 111076. As at June 30, 2015, the proceeds from this offering of A Shares by the Company has been utilized in full, and the special proceeds account was also closed accordingly.

2) The general application of proceeds raised through H shares

As approved by the CSRC, the Company issued the overseas listed foreign shares (H Shares) in the Hong Kong Stock Exchange on July 8, 2016, and exercised the over-allotment option on August 3, 2016. Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) has verified the proceeds from this offering of H shares by issuance of the capital verification report (De Shi Bao (Yan) Zi (16) No. 1082). Based on this capital verification report, it was noted that the Company made a public offering of 933,709,090 overseas listed foreign shares (H shares) and the selling shareholders sold 93,370,910 H shares, representing a total listing of 1,027,080,000 H shares. Since the issue price of H shares was HK$8.15 per share with nominal value of RMB1.0 each, the total proceeds from this offering amounted to HK$8,370,702,000.00 which shall be paid in cash in Hong Kong dollars. After deduction of the transaction expense and other related expenses of HK$145,045,025.30 in aggregate, the remaining HK$8,225,656,974.70 has been deposited with the H share proceeds account and converted into RMB7,083,154,510.65 (including the interest income received) based on the median exchange rate for conversion from HK$ into RMB as published by the People's Bank of China on the date when the proceeds were actually remitted into the aforesaid account. The net proceeds from this offering of H shares by the Company was HK$7,417,133,357.56 after deduction of such proceeds as transferred to the National Council for Social Security Fund and other expenses related to the issuance. As at the end of the Reporting Period, the Company has accumulatively used HK$5,489,091,264.00 out of the proceeds from the offering of H shares.

As at the end of the Reporting Period, the details relating to application of the proceeds from the offering of H shares by the Company were set out below: HK$2,560,341,264.00 was used to further develop our brokerage and securities financing business, HK$1,100,000,000.00 for developing our foreign operation, HK$1,097,250,000.00 for expansion of our investment management business, and HK$731,500,000.00 for developing the securities sales and trading business. Other than the aforesaid application of proceeds, the remaining proceeds of approximately HK$1,928,042,093.56 was unutilized yet. As at the end of the Reporting Period, there was no change in the planned use of the proceeds from the offering of H shares as compared to that as disclosed in the Company's prospectus. The Company will arrange utilization of such proceeds in due course based on its actual operation needs to maximize the shareholders' interests.

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Industrial layout and trend

In 2016, the domestic economic situation was stable and the adjustment of its economic development structure achieved satisfactory progress. For policy, PRC continued to adopt a positive fiscal policy and a stable currency policy, to maintain a reasonable market liquidity. Meanwhile, it strived to prevent asset bubble, and systematic risk for its economy and finance. In 2017, it will become more complicated and there will be full of uncertainties. Thus, a stable policy will be adopted for the macro-economic control, to keep a stable domestic economic development.

Since the violent fluctuation in China's stock market in 2015, the legitimate supervision, strict supervision and comprehensive supervision have become the new normal state in the industry. The CSRC will strengthen the control and management on the risks of securities firms, continuously advancing toward the industrial objective of "full coverage of risk management". From the perspective of regulatory focuses, the key fields under regulation in the next year will be overall standardization of asset management business, enhancement of internal control and management on investment banking business, improvement in unusual transaction's supervision mechanism, strengthening implementation of appropriate management requirements on investors.

With the gradual cultivation and forming of the new driver for economic growth as well as a faster switch from the old development driver to the new one, securities industry will face new strategic opportunities and its growing potential will be fully developed, however, the market competition will be obviously intensified with an industrial development trend of intensified competition in traditional business and rapid growth of innovative business.

(II) The Company's development strategy

New three-year strategic plan (2015-2017) specifies our vision of "building as a first class modern investment bank with core competitive advantages, providing integrated financial services to the clients" and establish our strategic objectives of "continuous expanding in scale and innovative transformation, completing the fundamental functions, operating system and management system of modern investment bank, striving for ranking top ten in the industry by enhancing our overall strengthens, and becoming a significant financial institution in Shanghai's system of international financial center".

(III) Business plan

2017 is the year ending the three-year strategic planning, as well as the year when the 19th CPC Central meeting to be held, and the Company is stepping into a new development era. Amid a more competitive and changing environment, and under the new norm of compliance with the laws strictly and completely, the Company will focus on: comprehensively implementing the requirements of "less leverage, strictly compliance" to strictly comply with risk management; speeding up capital complementation and optimizing asset allocation, to strengthen liquidity management; deepening business transformation, to enhance the development of its service system of "complete value chain" for institutional clients and high net value clients, to promote the transformation of wealth management business and consolidate its proprietary and investment sectors, enlarging its scale in OTC, entrusted and Internet financial business, to upgrade the quality and standard of the integrated financial services of the Group; to complete the management system, operating organization, and to strengthen talent introduction and training; introduction of the management style of Shenergy Group, to proactively promote the combination work.

(IV) Potential risks and prevention measures

The Company is exposed to risks in respect of its operations mainly associated to market risk, credit risk, liquidity risk and operational risk. Specifically, such risks and respective countermeasures are represented in the following aspects:

1. Market risk

Market risk refers to the risk of loss of the portfolio held by the Company due to adverse market changes. Market risk can be categorized into securities assets price risk, interest rate risk, exchange rate risk and commodity price risk, which refers to the risk exposed to the Company due to the fluctuation in securities assets price, interest rate, exchange rate and commodity price respectively.

The Company has established a system covering the Group's allocation of assets and liabilities and risk limits, reflecting the Company's overall market risk appetite and risk tolerance. Under the Company's overall business authority framework, each business segment operates within different levels of authorized risk limits to implement effective controls over various businesses and products so as to ensure the risk level to be within risk appetite set by the Company. The Company's business departments, branches and subsidiaries are the first line of defense against market risk, while its risk management functional department is responsible for its overall market risk management.

The Company adopts daily mark-to-market, concentration analysis, impact cost analysis and quantitative risk model and optimization technology, to manage scale, leverage, risk exposure, duration and to establish dynamic-tracking stop-loss mechanisms; identifies the key factors affecting investment portfolio returns through sensitivity analysis, and evaluates the tolerance of investment portfolios to extreme market fluctuations by using scenario analysis and stress testing.

(1) *Securities assets price risk*

The Company has a large scale of equity proprietary business with traditional investment advantages, whose profitability and risks are highly associated with market sentiment, which therefore constitutes the major market risks the Company is exposed to.

In 2016, SSE Composite Index closed at 3,103.64 points at the end of December, representing a decrease of 12.31% as compared with 3,539.18 points at the end of 2015; SZSE Component Index decreased by 19.64%.

To monitor the impact of market changes on the value of equity securities, the Company kept a daily track of changes in trading positions held, and made appropriate adjustment to trading positions through implementing diversified investment strategies, as well as participated in stock index futures with the purpose of hedging, which reduced the market risk exposure to some extent; in the meantime, the Company strengthened control over investment concentration risk through diversified investment in the industry and single note.

In addition, the Company prudently controlled the business scale of various complicated financial derivatives, and strictly carried out the products pricing for derivatives with high risk including OTC futures, hedging strategies and the model risk verification working procedures for testing results so as to strictly control the market risk. The Company's derivatives business mainly focuses on arbitrage business with low risk, as such, the market risk exposure it faces is relatively low.

(2) *Interest rate risk*

The Company's assets relating to interest rate risk mainly include business with relatively low risk such as bond investments and monetary deposits.

In 2016, the overall interest rate level in the monetary market first declined and later increased. For the first three quarters, due to excessive expectation for monetary easing in the market, the market interest rate continuously went south; after the 4th quarter, the market interest rate rebounded strongly, which led to great fluctuation in the debt market. The weighted average duration of the Company's debt portfolio maintains at about 3 years, while the duration of the debt products with 75% of the total market value of the trading positions held the Company is within 0 to 5 years.

Based on its analysis on interest rate and debt market, the Company has witnessed a steady improvement in the investment scale of its fixed income securities proprietary business with the duration of investment portfolio under effective control, and its overall assets are slightly influenced by interest rate movement. In the meantime, it hedges potential interest rate risk by utilizing investment products such as interest rate swap and treasury bonds futures.

(3) VaR

Value-at-Risk ("VaR") refers to the potential loss of the investment portfolio arising from future movement in market price under a certain confidence level. The Company adopts a VaR with a confidence level of 99% and an observation period of one day to measure the market risk condition of its financial products investment portfolio. In 2016, the VaR of the Company's equity assets fluctuated, to certain extent, due to market environment and allocation of trading positions. At the end of December, the overall VaR of the Company's market risk was RMB525 million.

2. Credit risk

Credit risk mainly refers to the probability that the debtor or the counterparty fails to perform the contractual obligations, or the deterioration of the party's credit quality thus bringing loss to the Company. The first is direct credit risk, i.e. the risk arising from provision of direct financing to the party; the second is counterparty risk, i.e. the risk arising from a breach of contract by the counterparty in a derivatives transaction or securities financing transaction; the third is settlement risk, which is the risk arising from a breach of contract during the settlement and acceptance of a transaction, in short, the Company performs its payment obligation, however the party breaches the contract.

Centering on net capital management and risk tolerance, the Company, by level and by module, made overall management on risk control indicators including scale, counterparty and risk exposure, and made refining management on credit risk exposure from the perspective of product type, model and hedging.

From the perspective of business practices, the Company has established its respective credit risk management system targeted at clients, counterparties and bonds issuing entities respectively. In margin financing and securities lending, collateralized stock repurchase transaction business, the Company has established a clients' credit rating assessment and credit risk management mechanism, and disposed potential risks through dynamic exit mechanism; in proprietary investment business, strengthened assessment of counterparty's credit and risk, and realized credit risk management through contract verification and transaction monitoring, as well as formulated risk management solutions by focusing on potential breach of contract in the process of a transaction. In debt investment, the Company enhanced fundamental analysis on holding a single debt, and established the corporate internal debt scoring system to prevent credit risk.

3. *Liquidity risk*

Liquidity risk mainly refers to the risk that the Company cannot obtain the sufficient funds with reasonable cost in a timely manner to pay the due debts, satisfy other payment obligations and meet the capital requirements for carrying out the normal business.

In respect of liquidity risk management, during the Reporting Period, according to the new rules on the administrative measures for risk control indicators, the Company has established a liquidity management system and improved the liquidity risk management system so as to make analysis on and keep track of liquidity risk in a timely manner. The Company always values the liquidity risk management, and conducts management on allocation of assets and liabilities, net capital, risk limits and financing, and carries out liquidity stress testing; meanwhile, it monitors and submits the indicators including liquidity coverage and net stable capital rate pursuant to the regulatory requirements with a view to making sure that the Company is able to meet its liquidity requirements with reasonable cost in a timely manner, and control the liquidity risk within an acceptable range, as well as guarantee the implementation of each requirement under the Guideline on Liquidity Risk Management of Securities Companies.

4. *Operational risk*

In respect of compliance, legal and operational risk management and control, according to the requirements on compliance management for the public companies, the Company steadily proceeded to complete the establishment of internal control in phases this year, integrated the management and control of compliance risk and operational risk, comprehensively combed the working procedures and systems of each module; actively and steadily carried out the key works such as staff practice management, product management, client management, information firewall management, anti-money laundering management, etc., to further enhance the efficiency of management and quality of work; actively promoted establishment of company rules, effectively implemented legal review, judicial assistance, legal support and other legal management responsibilities, made efforts to improve professional standards; implemented the functions of compliance assessment, promotion, inspection, and accountability etc., and strengthened the establishment of risk control team, and safeguard measures for compliance management. No material compliance, operational or legal risk events occurred during the year.

IV. FAILURE TO MAKE DISCLOSURES BY THE COMPANY DUE TO NON-APPLICABLE TO THE STANDARDS OR STATE SECRETS, TRADE SECRETS OR OTHER SPECIAL REASONS AND THE RELEVANT REASON DESCRIPTION

During the Reporting Period, there is no disclosure to be disclosed by the Company due to non-applicable to the standards or special reasons.

V. OTHER DISCLOSURES

(I) Pre-emptive rights

According to the PRC laws and the Articles of Association, none of the shareholders of the Company has any pre-emptive rights.

(II) Sufficient public float

As at the latest practicable date prior to the printing of this report, based on the information available to the public and as far as the directors are aware, the directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under the Rule 8.08 of the Hong Kong Listing Rules.

(III) Directors' interest in the business competing with the Company

Mr. Chen Bin, a non-executive director of the Company, has been a non-executive director of Haitong Securities Co., Ltd. since December 2014. Mr. Xu Chao, a former non-executive director of the Company (who resigned from the non-executive director of the Company on July 12, 2016), served as a non-executive director of Haitong Securities Co., Ltd. from December 2014 to July 2016. Mr. Xu Jianguo, a non-executive director of the Company, has been a non-executive director of Haitong Securities Co., Ltd. since October 2016. As Haitong Securities Co., Ltd. is engaged in, among others, securities brokerage, securities investment consultancy, financial advisory service relating to securities trading and securities investment activities, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency and share options market making, Haitong Securities Co., Ltd. has competed or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Company's directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

(IV) Service contracts of directors and supervisors

None of the Company's directors or supervisors has entered into any service contract with the Company or its subsidiaries which is not determinable within one year without payment of any compensation (other than statutory compensation).

(V) Directors' and supervisors' interests in major transactions, arrangements and contracts

During the Reporting Period, the directors or supervisors of the Company or entities relating to the directors or supervisors did not have any material interests, whether directly or indirectly, in any major transactions, arrangements and contracts entered into by the Company or its subsidiaries.

(VI) Share option scheme

The Company did not set any share option scheme.

(VII) Major clients and suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of industrial sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high net worth individuals and retail clients. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide overseas services and expand its clients' source. In 2016, revenue attributable to the five largest clients of the Company accounted for not exceeding 5% of the Group's revenue and other income.

The Company has no major suppliers given the nature of its business.

(VIII) Tax relief

1. Holders of A Shares

Pursuant to the provisions under the Circular on Relevant Issues Concerning Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101) and the Circular on Relevant Issues Concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85) issued by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC, for individual shareholders of the Company who hold shares for a period (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends and bonus incomes are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends and bonus incomes are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, their dividends and bonus incomes are temporarily exempt from income tax. When distributing dividends and bonuses, the listed company temporarily withholds no individual income tax for its individual holders who hold shares for a period of within one year (including one year). When an individual transfers his/her shares, the Securities Depository and Clearing Company calculates the actual taxable income according to his/her period for holding shares, and the Company withholds tax otherwise through the Securities Depository and Clearing Company. For the dividends and bonus incomes obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements of Cai Shui [2012] No. 85.

For QFII, listed companies are required to uniformly withhold and pay enterprise income tax at a rate of 10% pursuant to the provisions under the Notice on the Relevant Issues Concerning the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent tax authority for tax rebates according to the relevant regulations after they receive their dividends and bonus incomes.

Pursuant to the provisions under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Connect (Cai Shui [2014] No. 81) issued by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC, for dividends and bonus incomes obtained by investors (including enterprises and individuals) on Hong Kong market from investing in A shares listed on the Shanghai Stock Exchange, the implementation of differentiated tax policies are suspended before Hong Kong Securities Clearing Co., Ltd. meets the conditions of providing identification, term of shareholding and other specific data of investors, and the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the compete tax authority. For Hong Kong investors who are tax residents from another country and that country has entered into a tax treaty with the PRC stipulating a tax rate of lower than 10% for the dividends, those enterprises or individuals may by themselves, or may entrust a withholding agent on their behalf to, apply to the competent tax authority of the listed company for the treatment as stipulated in such tax treaties. Upon the verification and approval by the competent tax authority, taxes shall be refunded based on the discrepancy between the levied taxes and the taxes payable pursuant to the tax treaty.

For institutional investors, the taxes on their dividends and bonus incomes shall be paid by themselves.

2. *Holders of H Shares*

Pursuant to the provisions under the Notice 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) issued by the State Administration of Taxation, the dividends and bonus incomes received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong are subject to the individual income tax according to the items of "interests, dividends and bonus incomes", which shall be withheld by the withholding agents according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions under the tax treaties signed between the countries where they are residents and China as well as the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax treaties and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing stocks in Hong Kong may, when distributing dividends and bonuses, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under treaties to be entitled to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the competent tax authority, over-withheld tax amounts will be refunded; (2) for citizens from countries under treaties to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends and bonuses, and are not obligated to file an application; (3) for citizens from countries without tax treaties or under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

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

Pursuant to the provisions under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Connect (Cai Shui [2014] No. 81) issued by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC, for dividends and bonuses obtained by Mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H shares companies shall withhold individual income tax at the rate of 20%. For the dividends and bonus incomes obtained by Mainland securities investment funds by investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends and bonus incomes obtained by Mainland enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H shares companies shall not withhold and pay any income taxes on the dividends and bonus incomes, as the income taxes paid by the investing enterprises on their own. Meanwhile, for the dividends and bonus incomes obtained by Mainland resident enterprises from holding relevant H shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Under the current practice of the Hong Kong Inland Revenue Department, no taxes shall be levied in Hong Kong in respect of dividends distributed by the Company.

(IX) Contract of Significance

During the Reporting Period, the Company did not have any controlling shareholder and there is neither any contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries (as defined in Appendix 16 to the Hong Kong Listing Rules).

(X) Management Contract

During the Reporting Period, no contracts were entered into and subsisted (other than the service contracts with any Director or Supervisor or any of the full-time employee of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual, firm or body corporate.

(XI) Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the directors, the supervisors and the senior management.

(XII) Equity-linked Agreement

No equity-linked agreements were entered into by the Group or subsisted during the Reporting Period.

Section V Significant Events

I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES OR ON TRANSFER OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

(I) Formulation, implementation or adjustment of cash dividends policy

In strict compliance with the Article 187 of the Articles of Association, and adhering to the principle of "the same shares entitled to the same rights and dividends", the Company allocates its profit as per the proportions of shareholding in the Company by its shareholders. The Company implements a sustainable and stable profit distribution policy, and places a great emphasis on the reasonable investment returns of its investors as well as the long-term development of the Company.

The Company formulated a clear profit distribution policy as stated in the Articles of Association: "The Company shall distribute its dividends in cash or in shares, and adopts cash dividends as its priority dividends distribution policy, which enables the shareholders to share the growth and development results of the Company and receive reasonable investment returns, by considering factors such as its development stage and capital requirements. In principle, the Company generally distributes its cash dividends in a profitable year. Subject to the compliance with the profit distribution principle and cash dividends conditions, the Company may also distribute interim cash dividends. The profit distributed by the Company shall not exceed its accumulated distributable profits. Profit distributed in cash in a single year shall be no less than 30% of the distributable profit of that year."

The profit distribution plan proposed by the Board of Directors shall be passed by a majority of the directors of the Company, and independent directors shall express their independent opinions on the profit distribution plan before it is submitted to the general meeting for consideration and approval. If profit distribution plan for the current year can be decided in compliance with the existing cash dividends policy or as per the minimum proportion of cash dividends, the profit distribution plan shall be passed by more than a half of the voting rights held by shareholders (including their proxies) present at the general meeting. If profit distribution plan for the current year cannot be decided in compliance with the existing cash dividends policy or as per the minimum proportion of cash dividends under special circumstances, the Company shall disclose specific reasons and definite opinions from independent directors in regular reports, and make specific explanations on matters such as use of the retained earnings by the Company, estimated investment income, etc. Profit distribution plan for the current year shall be passed by more than two thirds of the voting rights held by shareholders (including their proxies) present at the general meeting and the shareholders shall be accessible to network voting when attending the general meeting to consider such plan. The supervisory committee shall monitor the execution of cash dividends policy and the shareholders' return plan carried out by the Board of Directors, as well as the implementation of appropriate decision-making procedures and the information disclosures.

Where the Company needs to adjust its profit distribution policy in light of industrial regulatory policies, business operations, investment plans and long-term development of the Company, or due to significant changes in the external operating environment or business operations of the Company, the adjusted profit distribution policy shall not violate relevant laws and regulations and relevant requirements of the CSRC and the stock exchanges. The proposal on the adjustment to the profit distribution policy shall be formulated by the Board of Directors based on the operating condition of the Company and relevant regulations and policies, and it shall be submitted to the general meeting for consideration. When formulating the proposal on the adjustment to the profit distribution policy, the Board of Directors shall listen fully to the opinions from the independent directors and discuss their opinions in detail. The proposal on the adjustment to the profit distribution policy formulated by the Board of Directors shall be approved by a majority of all directors of the Company, and independent directors shall express their independent opinions on such proposal. The supervisory committee shall monitor the adjustment to profit distribution policy by the Board of Directors. The proposal on the adjustment to the profit distribution policy shall be approved by more than two thirds of the voting rights represented by the shareholders (including their proxies) present at the general meeting, and the Company shall provide an online voting system to facilitate the shareholders to vote on the relevant proposal.

The implementation of the Company's profit distribution plan for the year 2015 was accomplished on June 17, 2016. On the basis of the share capital of 5,281,742,921 A shares of the Company, cash dividends of RMB3.50 (tax inclusive) per ten shares were distributed, and the cash dividends distributed amounted to RMB1,848,610,022.35.

(II) Plan or proposal on dividends distribution for ordinary shares or on transfer of capital reserve fund into share capital of the Company for the recent three years (including the Reporting Period)

In RMB

Year of distribution	Amount of bonus shares per ten shares (share)	Amount of dividends per ten shares (RMB) (tax inclusive)	Number of shares transferred per ten shares (share)	Amount of cash dividends (tax inclusive)	Net profit for the year attributable to the ordinary shareholders of the listed company in the consolidated statements during the year of distribution	Percentage of net profit for the year attributable to the ordinary shareholders of the listed company in the consolidated statements (%)
2016	–	1.50	–	932,317,801.65	2,313,974,857.75	40.29
2015	–	3.50	–	1,848,610,022.35	7,325,224,517.53	25.24
2015 Interim	–	1.00	–	528,174,292.10	5,877,605,505.21	8.99
2014	–	1.50	–	792,261,438.15	2,341,671,183.75	33.83

As audited, the net profit attributable to the owners of the Parent Company in 2016 consolidated statements of the Group was RMB2,313,974,857.75 and the net profit of the Parent Company in 2016 was RMB1,518,668,265.70.

In accordance with the Company Law of the PRC, the Law of Securities of the PRC, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may appropriate statutory reserve fund, discretionary reserve fund, general risk reserve fund and transaction risk reserve, respectively, at 10%, 5%, 11% and 15% of the net profit of the Parent Company realized in 2016, amounted to RMB622,653,988.95, and the distributable profit of the year was RMB896,014,276.75. Together with the undistributed profit outstanding in the previous year of RMB6,824,081,893.40 and deducting the dividends distributed of RMB1,848,610,022.35 according to the profit distribution scheme of 2015 implemented, the accumulated distributable profit in cash of the year was amounted to RMB5,871,486,147.80.

In accordance with the Listed Companies Regulatory Guidance No.3 - Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by CSRC, the Guidelines of Cash Dividends Distribution of SSE and other related regulations, as well as based on the actual needs of business development of the Company, the Company has considered the long-term development and the interest of investors, and proposed the following profit distribution scheme:

1. Ways of cash dividend distribution for 2016 profit of the Company: based on the total share capital of 6,215,452,011.00 Shares as at the end of 2016, a cash dividend of RMB1.5 (inclusive of tax) for every 10 Shares will be distributed to A Shareholders and H Shareholders (holders of A Shares and H Shares) who are registered on the date of cash distribution in 2016, with a total cash dividend of RMB932,317,801.65 while the outstanding distributable profit of RMB4,939,168,346.15 being carried forward to next year.

2. Cash dividend to be denominated and distributed in RMB and paid in RMB to Shareholders of A Shares but paid in HK dollar to Shareholders of H Shares. Actual amount of distribution in HK dollar will be converted into HK dollar based on the translation rate published by PBOC five working days before the date of 2016 annual general meeting.

Cash dividends will be distributed within two months after the date of the annual general meeting, following the approval of the profit distribution proposal for 2016 by the 2016 annual general meeting.

The Company will announce in due course the date of convening the 2016 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will give further notice on the record date and book closure date for the dividend of H Shares.

(III) Cash repurchase offer which is credited to cash dividends

During the Reporting Period, there is no cash repurchase offer which is credited to cash dividends.

(IV) If the Company records profits and the Parent Company records positive retained profits for distribution to ordinary shareholders during the Reporting Period but there is no proposal for profit distribution for ordinary shares in cash, the Company shall disclose the reasons and the use of the retained profits and the usage plan in detail

✓Not Applicable

II. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings by the Company's de facto controller, shareholders, related parties, acquirers, the Company and other parties during the Reporting Period or subsisting to the Reporting Period

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform timely	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	Non-competition	Shenergy Group	Shenergy Group has issued the Commitment Letter of Non-Competition to the Company and undertook that it and the companies and enterprises under its direct or indirect control would not participate in any form of business or operation that compete or might compete with the Company and its subsidiaries.	After the public offering and listing of shares of the Company	Yes	Yes		
Undertakings in relation to initial public offering	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the 36 months from the listing and trading of such shares on the stock exchange, it would not transfer or entrust other parties to manage the shares of the Company held by it directly and indirectly.	Within 36 months from the public offering and listing of shares of the Company	Yes	Yes		
Undertakings in relation to initial public offering	Shares subject to lock-up	Shanghai Haiyan Investment and Wenhui -Xinmin Press Group	Shanghai Haiyan Investment and Wenhui -Xinmin Press Group undertook that they would not transfer the shares of the Company during one year from the listing and trading of such shares on the stock exchange.	Within 12 months from the public offering and listing of shares of the Company	Yes	Yes		

Background of undertaking	Type of undertaking	Covenantor	Undertaking	Time and validity period of undertaking	Subject to expiry	Timely and strictly performed	Reasons for failure to perform timely	Follow up plan for failure to perform timely
Undertakings in relation to initial public offering	Shares subject to lock-up	Listed company	The Company undertook that, during the three years from the listing of A Shares, in the event that the closing price of shares falls below the latest audited net assets per share for 20 consecutive trading days, the Company would stabilize the price of share through share repurchase.	Within 36 months from the public offering and listing of shares of the Company	Yes	Yes		
Undertakings in relation to initial public offering	Shares subject to lock-up	Shenergy Group	Shenergy Group undertook that, during the two years from the expiry of the lock up period, its disposal of shares in the issuer every year shall not exceed 5% of the total shares of the issuer, and the disposal shall not be conducted at a price lower than the offering price.	Within 24 months from the expiry of the lock-up period	Yes	Yes		
Undertakings in relation to initial public offering	Shares subject to lock-up	Shanghai Haiyan Investment	Shanghai Haiyan Investment undertook that it had no intention to dispose of shares during the two years from the expiry of lock-up period, save for disposal due to material changes in national policy and external environment.	Within 24 months from the expiry of the lock-up period	Yes	Yes		

(II) Where profit predictions were made on the assets or projects of the Company and the Reporting Period fell in the prediction period of profit, the Company gave an explanation on whether the original profit predictions on its assets or projects were met and the reasons

During the Reporting Period, no profit predictions were made on the assets or projects of the Company.

Section V Significant Events

III. APPROPRIATION OF FUND AND PROGRESS OF DEBT CLEARANCE DURING THE REPORTING PERIOD

During the Reporting Period, no appropriation of fund was noted by the Company.

IV. THE COMPANY'S EXPLANATIONS ON "NON-STANDARD AUDIT REPORT" OF ACCOUNTING FIRM

✓Not Applicable

V. ANALYSIS AND EXPLANATION FROM THE COMPANY ON REASONS FOR AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS

(I) Analysis and explanation from the Company on reasons for and impacts of changes in accounting policies and accounting estimates

During the Reporting Period, there was no change in accounting policies and accounting estimates of the Company.

(II) Analysis and explanation from the Company on reasons for and impacts of correction of material accounting errors

During the Reporting Period, the Company was not aware of any material accounting error.

(III) Communication with the previous accounting firm

✓Not Applicable

(IV) Other explanations

✓Not Applicable

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: '0000 Currency: RMB

	Currently engaged
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Remuneration of the domestic accounting firm	175
Term of the audit services provided by the domestic accounting firm	6
Name of the foreign accounting firm	Deloitte Touche Tohmatsu
Remuneration of the foreign accounting firm	159.79
Term of the audit services provided by the foreign accounting firm	1

	Name	Remuneration
Accounting firm engaged for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)	30

Note: As the term of annual audit services provided by BDO to the Company is calculated since its new establishment in 2011, the term of engagement of BDO as the Company's accounting firm is changed to 6 consecutive years.

Explanations on appointment and dismissal of accounting firm

During the Reporting Period, the Company paid the actual auditing fees of RMB1.75 million to BDO for its domestic audit services of annual financial statements in 2015, and paid actual reviewing fees of RMB0.4179 million to Deloitte Touche for its interim review services in 2016.

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as its domestic auditor for 2016 for a term of one year, who was responsible for provision of relevant domestic audit services in accordance with the China Accounting Standards for Business Enterprises, with auditing fees of RMB1.75 million; the Company also appointed BDO as its internal control auditor, with auditing fees of RMB0.3 million. As the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange, Deloitte Touche Tohmatsu (Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP) was additionally appointed as the Company's offshore auditor for 2016 for a term of one year, who was responsible for provision of relevant audit and review services in accordance with the International Financial Reporting Standards, with auditing fees of RMB1.5979 million. In addition, the two accounting firms also provided audit services for subsidiaries of the Group, with total service fees of RMB1.8527 million. During the Reporting Period, the Board was not found to disagree with the opinion issued by the Audit Committee in relation to selection and appointment of external auditors.

Explanations on change of accounting firm during the Reporting Period

During the Reporting Period, the Company did not change the engagement of the auditors.

VII. RISK OF SUSPENSION OF LISTING

During the Reporting Period, the Company was not exposed to the risk of suspense of listing.

VIII. DELISTING AND REASONS

During the Reporting Period, the Company was not subject to delisting.

IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

During the Reporting Period, the Company experienced no bankruptcy or restructuring related matters.

X. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in material litigation and arbitration.

XI. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER

On June 15, 2016, Orient Securities Futures, a wholly-owned subsidiary of the Company, received the Investigation Notice (Ji Cha Zong Dui Diao Cha Tong Zi No. Q160026) from the CSRC. As the Company failed to effectively perform the duties as an assets manager, the CSRC had decided to initiate investigation proceedings against the Company in accordance with the relevant regulations in the Futures Trading Management Regulations. Please refer to the relevant disclosure in the section entitled "Business – Laws and Regulations – Regulatory Non-compliances" set out in the prospectus of the Company dated June 22, 2016 for details.

The Company had no controlling shareholder nor de facto controller. Save as disclosed above, during the Reporting Period, none of the Company and its Board, directors, supervisors and senior management was investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments, or publicly condemned by a stock exchange. None of the directors, supervisors and senior management of the Company violated any regulations with regard to trading of the shares of the Company.

Section V Significant Events

XII. EXPLANATIONS ON CREDITWORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

The Company's largest shareholder was Shenergy Group. During the Reporting Period, the Company maintained excellent creditworthiness and there were no such cases as non-performance of effective court judgment and overdue of relative large liability.

XIII. THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR EFFECTS

During the Reporting Period, the Company did not implement the share incentive scheme, employee stock ownership plan or other employee incentives.

XIV. MATERIAL CONNECTED TRANSACTIONS

During the Reporting Period, the Company had no connected transaction which was required to be disclosed under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, details relating to the related party transactions under the relevant accounting standards were set out in note 54 to the consolidated financial statement.

XV. MATERIAL CONTRACTS AND PERFORMANCE

(I) Custodian, contracting and leasing matters

During the Reporting Period, the Company had no material custodian, contracting and leasing matters.

(II) Guarantees

Unit: 100 million Currency: RMB

External guarantees provided by the Company (excluding guarantees for subsidiaries)	
Total amount of guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)	
Total balance of guarantees provided at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	
Guarantees provided by the Company and its subsidiaries for subsidiaries	
Total amount of guarantees provided for subsidiaries during the Reporting Period	11.58
Total balance of guarantees provided for subsidiaries at the end of the Reporting Period (B)	49.02

Total amount of guarantees provided by the Company (including those provided for subsidiaries)	
Total amount of guarantees (A+B)	49.02
Percentage of total guarantees over net assets of the Company (%)	12.11
Including:	
Amount of guarantees provided for shareholders, de facto controllers and their related parties (C)	
Amount of debt guarantees directly or indirectly provided for parties with gearing ratio exceeding 70% (D)	49.02
Amount of total guarantees exceeding 50% of net assets (E)	
Total amount of above three types of guarantees (C+D+E)	49.02
Explanations on outstanding guarantees subject to joint liabilities	
Explanations on guarantees	1. During the Reporting Period, Orient Hong Kong, the wholly-owned subsidiary of the Company, has provided guarantee for its subsidiaries, relating to the issue of RMB bonds and US bonds. As at December 31, 2016, the guarantee was amounted to approximately RMB4.452 billion. 2. During the Reporting Period, Orient Securities Capital Investment, the wholly-owned subsidiary of the Company, has provided guarantee for its wholly-owned subsidiaries, mainly relating to a guarantee for granting loans for its subsidiaries for their business development. As at December 31, 2016, the guarantee was amounted to RMB450 million.

Note: The amount of guarantee provided for the US bonds of the Company was all converted at the spot exchange rate of USD/RMB 1: 6.9495 as at the end of December 2016.

(III) Other material contracts

During the Reporting Period, the Company had no other material contract.

Section V Significant Events

XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. Change of the secretary to the Board

In November 2016, the Board of the Company received the resignation report from Mr. Yang Yucheng, the vice president, the secretary to the Board and the joint company secretary of the Company. Mr. Yang Yucheng applied to resign from his position of the secretary to the Board due to personal reasons. The above resignation takes effect immediately upon the receipt of it by the Board. Mr. Yang Yucheng will continue to act as the vice president and the joint company secretary of the Company.

The Company convened the 24th meeting of the third session of the Board on November 28, 2016 by way of voting via correspondence to consider and approve the Resolution on the Appointment of Secretary to the Board of the Company, and agreed to appoint Mr. Wang Rufu as the secretary to the Board of the Company, whose term commences from the date on which such appointment was considered and approved by the Board to the expiry date of this session of the Board. Mr. Wang Rufu has obtained the Qualification Certificate of the Secretary to the Board from the SSE and the qualification for senior management of securities company management approved by the CSRC, and his qualification to serve this position has been approved by the SSE with no objection.

2. Change of Representative of Securities Affairs

Since Mr. Wang Rufu has taken up the post of secretary of the Board, according to the needs of work and related regulations of Shanghai Stock Exchange, upon the approval of the Resolution of Appointment of Representative of Securities Affairs of the Company in the 28th meeting of the 3rd session of the Board, it is agreed that Ms. Li Tingting was appointed as the Representative of Securities Affairs of the Company. Ms. Li Tingting has attended qualification training for the secretary of the Board organized by SSE and obtained the qualification certificate, meeting the requirements of representative of securities affairs stated in rules such as Listing Rules of Shanghai Stock Exchange. The tenure of Ms. Li Tingting commenced from the approval date of the board meeting till the end of the session of the Board.

3. Acquisition of subsidiaries

During the Reporting Period, Golden Power Group Limited, a subsidiary of Orient Securities Capital Investment (the Company's wholly-owned subsidiary) completed the closing procedures for the acquisition of shares in Dragonite International Limited (a listed company in Hong Kong whose stock code is 0329, hereinafter referred to as "Dragonite International") on November 10, 2016. The total shares under such acquisition amounted to 314,000,000 shares, representing approximately 29.63% of the issued share capital of Dragonite International.

4. Repayment of subordinated loan

On June 6, 2013, Shenergy Group, the largest shareholder of the Company, entered into a subordinated loan agreement with the Company, pursuant to which Shenergy Group offered a subordinated loan in the amount of RMB800 million to the Company with a term of three years and an interest rate of 6.3% per annum. The Company had repaid such subordinated loan on time on the maturity date of July 2, 2016.

5. Non-public issuance of A Shares

On February 13, 2017, the Company held the 25th meeting of the third session of the Board and the Proposed Non-public Issuance of A Shares 2017 and other related resolutions were approved in the meeting. The Company proposed to issue a maximum of 800 million A Shares to not more than 10 specific target subscribers (inclusive), including Shenergy Group, Shanghai Haiyan Investment and Shanghai United Media Group, which is expected to raise a gross proceeds up to RMB12 billion. The issue price shall not be lower than 90% of the average trading price of the shares during the 20 trading days immediately preceding the Pricing Benchmark Date. According to the relevant provisions, the proposed issuance shall be subject to the approval at the general meeting, the A Share Class Meeting and the H Share Class Meeting, and the approval from CSRC.

On February 17, 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改<上市公司非公開發行股票實施細則>的決定》, "Implementing Rules") and relevant regulatory questions and answers. The Company made corresponding amendments to the applicable laws, Pricing Benchmark Date and etc. involved in the Resolution of Non-public Issuance of A Shares Proposal and other five resolutions approved in the 25th meeting of the 3rd session of the Board of the Company in accordance with the revised Implementing Rules. The abovementioned revised resolutions were approved at the 26th meeting of the 3rd session of the Board of the Company. The revised issuance proposal is subject to the approval from shareholders at the general meeting and the A Share Class Meeting and the H Share Class Meeting, as well as the approval from CSRC.

XVII. ACTIVE FULFILLING OF SOCIAL RESPONSIBILITY

(I) Poverty alleviation works of the listed company

1. Precise poverty alleviation plan

Basic strategies and overall objectives

Closely centering on a basic strategy of "precise poverty alleviation and precise poverty removal", the Company has been endeavoring to promote the economic and social development in Daur Autonomous Banner of Morin Dawa (hereinafter referred to as "Morin Banner"), Hulun Buir, Inner Mongolia, and accurately meeting its industrial development needs with a view to laying a solid foundation for the poverty alleviation of Morin Banner.

Major tasks

1. Leveraging the Company's professional advantages in the capital market, to deeply seek financial professionals to establish a poverty alleviation system which is line with the actual conditions of Morin Banner;

2. Fully utilizing the professional financial capability and advantages, to provide full-spectrum comprehensive financial services;

3. Based on the resources and industrial base of Morin Banner, to deepen such mutual cooperation to help Morin Banner build a characteristic industrial brand, which could drive the population in poverty to get rid of poverty;

4. Conducting through research on the educational conditions of recorded poor families in Morin Banner, to formulate educational aid plans for those recorded families in poverty and implement such plans so as to reduce the number of families in poverty caused by their children' education;

5. Based on the natural ecological products in Morin Banner and by combination of "Internet+" model, to expand the promotion and sales channels of their characteristic agricultural products, and to facilitate those in poverty to get a stable job through consumption of their products;

6. Through the advantages of the Company's Xindeyizhang Public Welfare Foundation (心得益彰公益基金會) and combining the intangible cultural heritages in Morin Banner, to carry out inheritance protection and promotion of those intangible cultural heritages, so as to amplify the social influence of Morin Banner and promote the local economic development.

Guarantee measures

1. Set up a leading institution to strengthen communications
   The Company and Morin Banner have jointly established a leading team in charge of poverty alleviation works to together determine and resolve material cooperation matters and actively promote the implementation of such matters.

2. Establish liaison mechanism on ordinary works
   The Company and Morin Banner have established a liaison mechanism to link each department for the implementation of ordinary communications and coordination and other works, so as to guarantee the successful carrying out of each poverty alleviation project.

3. Carry out visiting and investigation research
   The Company carried out visiting and investigation research for its poverty alleviation projects to provided first-hand information on the implementation of those projects.

2. *Summary of annual precise poverty alleviation*

On November 7, 2016, the Company signed the Strategic Cooperation Agreement on Precise Poverty Alleviation with the people's government of Morin Banner to pair up with Morin Banner to provide assistance to its poverty alleviation. On November 18, 2016, the Securities Association of China published the Announcement on "One Company to One County" Pair-up Assistance of Securities Companies ([2016] No. 4), which officially and publicly announced the pair-up relationship between DFZQ and Morin Banner. As such, the company officially became one of the 4th batch securities companies which had implemented the "One Company to One County" pair-up assistance initiative.

Upon signing of the agreement, on November 24, 2016, the Company's poverty alleviation project team went to Morin Banner to carry out field visiting and investigation research, and centering on poverty alleviation through consumption, industrial poverty alleviation, financial poverty alleviation, educational poverty alleviation and public welfare poverty alleviation, it launched the following works:

1. *Successfully recommended 7 characteristic agricultural products of Morin Banner to be online on the consumption poverty alleviation platform under China's financial poverty alleviation comprehensive service platform*

Under the guidance of the Securities Association of China, through the Central Orient Inter-institutional Pricing System (中證機構間報價系統) under its management on behalf of the CSRC, Central Orient Interconnect Co. Ltd. (中證互聯股份有限公司) established and operated the consumption poverty alleviation platform under China's financial poverty alleviation comprehensive service platform to provide platform service for conducting works of poverty alleviation through consumption in the securities industries. Since signing of the Strategic Cooperation Agreement on Precise Poverty Alleviation with Morin Banner on November 7, 2016, the Company's poverty alleviation project team has been actively communicating with Central Orient Interconnect Co. Ltd. (中證互聯股份有限公司) and Morin Banner's government and its enterprises to implement the poverty alleviation through consumption.

As at the end of the Reporting Period, through communication, Morin Banner Xinxinyuan Plantation Specialty Cooperative (莫旗鑫鑫源種植專業合作社) and Mengyuan Food Limited Liability Company (蒙源食品有限責任公司) were determined as the carriers of poverty alleviation through consumption, and 6 Cooperative's agricultural products including soybean, black soybean, mung bean, red bean, white bean and Wuchang Daohuaxiang Rice (五常稻花香大米) as well as Morin Banner Guniang Fruit Drink (莫旗菇娘果汁飲料) were selected to be successfully online on the consumption poverty alleviation platform under Central Orient Interconnect Co. Ltd. (中證互聯股份有限公司).

2. *Determined Morin Banner "Guniang" industry as the orientation for industrial poverty alleviation*
On November 24, 2016, the Company's poverty alleviation team went to Morin Banner for a face-to-face symposium with Morin Banner's government and the corporate representatives to understand the general conditions of Morin Banner's agriculture, and also communicated with the person-in-charge of Mengyuan Food Limited Liability Company (蒙源食品有限責任公司), the manufacturing enterprise of Guniang beverage, and visited Morin Banner Lvzhouzhiyuan Plantation and Cultivation Specialty Cooperative (莫旗綠洲之苑種養殖專業合作社) for their wholesale conditions.

After such visiting and investigation research, the Company conducted further research on the development conditions of Morin Banner "Guniang" industry and the Guniang's products characteristics, and conducted detailed discussion with Benlai.com, an e-commerce website focusing on building brands of agricultural products, in respect of "Guniang" sales channels, storage, quality inspection, brand promotion and then conducted initial design for it, finally determining Morin Banner "Guniang" industry as the orientation for industrial poverty alleviation.

3. *Determined the method of assisting the senior high school students in Morin Banner for 2017*
Based on the communication between the Company and Morin Banner's government and its Education Bureau, currently, there is only one senior high school in Morin Banner, and if students come and study at this high school from their respective villages, they will bear a sum of living expenditures including transportation fees, accommodation fees and fees on meals. As confirmed by communication, the Company will provide RMB5,000 for each senior high school student from a recorded poor family in 2017 to cover their fees on meals, transportation fees, accommodation fees, fees on study articles and other living expenditures, which makes them free of additional worries and avoids their families to be in poverty due to their educations.

4. *Determined the orientation for Morin Banner's intangible cultural heritages inheritance project*
In 2016, the Company obtained in-depth understanding on inheritance conditions of Morin Banner's intangible cultural heritages. Based on such understanding, Morin Banner has the honor of "Home of Hockey" and "Home of Singing and Dancing" with many national-level and regional-level intangible cultural heritages. Currently, hockey, Lurigele dancing (魯日格勒), Zhaengele singing (紮恩達勒) and Wuchun have been included in the national intangible cultural heritages. Based on field visiting and investigation research, the Company's poverty alleviation team determined Morin Banner's hockey and Lurigele dancing (魯日格勒) as the orientation for the inheritance and protection of intangible cultural heritages in the future, and also provided assistance to the excellent inheritors and the local Wulanmuqi Troupe (烏蘭牧騎團), and also offered them an opportunity to go out for study and training.

5. *Initially investigated Morin Banner's needs for point financial services*

During November 23, 2016 to November 24, 2016, the Company's poverty alleviation project team together with Hu Weiwei, the person-in-charge of Harbin Ganshui Road Securities Branch, 7 persons in total, went to Daur Autonomous Banner of Morin Dawa of Inner Mongolia to conduct field visiting and investigation research. Based on such research, currently, no securities firms have set up any branches in Morin Banner, and local government and enterprises have needs for financial services, so the Company plans to establish a branch here in the future.

3. *Subsequent precise poverty alleviation plan*

(1) *Earnestly promote the implementation of poverty alleviation through consumption project*

The Company will actively promote signing of the Platform Service Agreement on Poverty Alleviation Through Consumption in Securities Industry entered into between Central Orient Interconnect Co. Ltd. (中證互聯股份有限公司), securities companies and those enterprises under assistance, so as to accelerate sales pace through such platform. Two assistance ways of "consumption acquisition" and "sales by recommendation" will be adopted to guarantee the implementation of poverty alleviation through consumption project. Firstly, leverage the advantages of DFZQ Group to acquire recommended characteristic agricultural products through channels of benefits distribution by the Trade Union and procurement of raw materials for staff canteen; secondly, recommend Morin Banner's agricultural products which are online on the consumption poverty alleviation platform under Central Orient Interconnect Co. Ltd. (中證互聯股份有限公司) to the Company's staff, clients, and their friends and relatives to expand the sales channels for agricultural products. Joint hands with Morin Banner's enterprises under assistance to clarify the number of the recorded poor families who benefit from sales of their agricultural products as well as the degree of their benefits, so as to guarantee the effects of precise poverty alleviation.

(2) *Joint hands with Benlai.com to create Morin Banner "Guniang" industrial brand*

Leveraging its in-depth understanding on Morin Banner Guniang, the Company will joint hands with the leading e-commerce brand of fresh food in the PRC to create Morin Banner Guniang brand. In 2017, DFZQ will promote Morin Banner Guniang project by the following steps: firstly, conduct in-depth research in the original producing place of products to establish Guniang brand base; secondly, cooperate with Benlai.com to select Guniang products by the inspection standard for 43 products of Benlai.com; thirdly, conduct brand packaging and building for Morin Banner Guniang; fourthly, promote Guniang products through the advantages of DFZQ Group as well as the channels advantages of Benlai.com.

(3) *Accurately distribute educational poverty alleviation funds to students from recorded poor families*

1. The Company will determine the number of students in need of assistance by making them fill the Registration Form for Poor Senior High School Students in Morin Banner under Educational Poverty Alleviation of DFZQ and the Application Form for Poverty Alleviation Funds by Poor Senior High School Students in Morin Banner, and accurately distribute poverty alleviation funds to students from recorded poor families to assist them in completing their studies successfully.

2. In addition, the Company will further conduct thorough research on the conditions of junior high school students who are from recorded poor families and the specific reasons for their poverty due to their education, and then further discuss detailed assistance methods so as to amplify the benefiting effects of precise educational poverty alleviation.

(4) *Start from Morin Banner "hockey", "Lurigele dancing (魯日格勒)" to promote inheritance of Morin Banner's intangible cultural heritages*

1. Make appropriate replenishment for hockey training expenditures, provide assistance to excellent hockey players, and help them get rid of poverty by offering them stable incomes, so as to better promote the development of Morin Banner hockey sports career;

2. Make certain replenishment for ordinary performance expenditures of Morin Banner Wulanmuqi Troupe (烏蘭牧騎團) to improve their training and performing environment; by setting up scholarship or providing going-out training, provide assistance to excellent inheritors and broaden actors' or actresses' horizons; provide going-out performance opportunities to let Wulanmuqi Troupe (烏蘭牧騎團) go out from Morin Banner and perform "Lurigele dancing (魯日格勒)" on a greater stage, which can also make more people understand Morin Banner, thus bringing more tourists there.

(5) *Communicate and promote the progress of financial poverty alleviation for Morin Banner*

Based on the needs of Morin Banner's government or its enterprises as well as feasibility study on relevant projects, fully leverage the Company's professional capability and advantages to provide financial services for Morin Banner in respect of initial public offerings, bonds underwriting and issuance, NEEQ quotation and financing, issue of financing instruments after quotation as well as market-maker transactions. In terms of financial knowledge popularity, based on the working needs of Morin Banner's poverty alleviation, provide financial knowledge popularity for Morin Banner, and provide financing consultancy and business training in capital market for its government and enterprises.

4. Other poverty alleviation projects

During the Reporting Period, Orient Securities Futures, a wholly-owned subsidiary of the Company, has established a special poverty alleviation leading team and working team, which will work efficiently to allocate resources. After on-site visits for preliminary research and work paid by the working team, and with the full support from governments of villages, counties and cities, Orient Securities Futures has established its cooperation in poverty alleviation projects with the local government of Muchuan County, Leshan City, Sichuan Province. Orient Securities Futures signed the Memorandum of Understanding of Poverty Alleviation with the local government of Muchuan County, Leshan City, Sichuan Province on January 12, 2017, specifying the cooperation intention.

(II) Performance of social responsibility

For details relating to the Company's environmental policies and performance, its compliance with such laws and regulations which may materially affect the Company and the important relationship between the Company and its employees, customers and suppliers, please refer to the DFZQ 2016 Environment, Social and Governance Report disclosed on the website of Hong Kong Stock Exchange (http://www.hkexnews.hk), the website of the SSE (http://www.sse.com.cn), the Company's website (http://www.dfzq.com.cn) on March 30, 2017.

(III) Explanations on the environmental protection practices of the Company and its subsidiaries in the key pollution-elimination units issued by the environmental protection authority

During the Reporting Period, the Company did not belong to the class of companies and subsidiaries designated as the key pollution-elimination units by the environmental protection authority in the PRC.

(IV) Other explanations

During the Reporting Period, the Company had no other explanation.

XVIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, neither the Company nor its subsidiaries had issued convertible corporate bonds.

Section VI Changes in Ordinary Shares and Information on Shareholders

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

(I) Changes in ordinary shares

1. Changes in ordinary shares

Unit: share

	Before the change		Changes (+,-)					After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Share conversion from capital reserve fund	Others	Sub-total	Number of shares	Percentages (%)
I. Restricted shares	4,281,742,921	81.07	–	–	–	(2,219,525,758)	(2,219,525,758)	2,062,217,163	33.18
1. Shares held by state	–	–	–	–	–	–	–	–	–
2. Shares held by state-owned legal persons	2,902,994,722	54.96	–	–	–	(872,777,559)	(872,777,559)	2,030,217,163	32.66
3. Shares held by other domestic investors	1,378,748,199	26.11	–	–	–	(1,346,748,199)	(1,346,748,199)	32,000,000	0.52
Including: Shares held by domestic non-state-owned legal persons	1,378,748,199	26.11	–	–	–	(1,346,748,199)	(1,346,748,199)	32,000,000	0.52
II. Circulating non-restricted shares	1,000,000,000	18.93	1,027,080,000	–	–	2,126,154,848	3,153,234,848	4,153,234,848	66.82
1. RMB denominated ordinary shares	1,000,000,000	18.93	–	–	–	2,126,154,848	2,126,154,848	3,126,154,848	50.30
2. Foreign shares listed in the PRC	–	–	–	–	–	–	–	–	–
3. Foreign shares listed overseas	–	–	1,027,080,000	–	–	–	1,027,080,000	1,027,080,000	16.52
III. Total number of ordinary shares	5,281,742,921	100.00	1,027,080,000	–	–	(93,370,910)	933,709,090	6,215,452,011	100.00

2. *Explanations on changes in ordinary shares*

1) *Issue and listing of H Shares*

In accordance with the Reply on Approving Issue of Overseas Listed Foreign Shares by Orient Securities Company Limited (Zheng Jian Xu Ke [2016] No. 1026) issued by the CSRC and the approval by the Hong Kong Stock Exchange, a total of 957,000,000 shares of overseas listed foreign shares (H Shares) under the global offering of H Shares by the Company (including 870,000,000 H Shares issued by the Company and 87,000,000 H Shares sold by the selling shareholders) has been listed and traded on the Main Board of the Hong Kong Stock Exchange on July 8, 2016. The over-allotment option was partially exercised by the joint global coordinators and the Company was required to issue 70,080,000 additional H Shares (including 63,709,090 H Shares issued by the Company and 6,370,910 H Shares sold by the selling shareholders), which has been listed and traded on the Main Board of the Hong Kong Stock Exchange on August 3, 2016.

As at the end of the Reporting Period, the total share capital of the Company was 6,215,452,011 shares, including 5,188,372,011 A Shares and 1,027,080,000 H Shares, accounting for 83.48% and 16.52% of the total share capital respectively.

2) *Transfer of shares of Wenhui-Xinmin Press Group*

On October 14, 2016, pursuant to the Reply (Guo Zi Chan Quan [2016] No. 1135) issued by the State-owned Assets Supervision and Administration Commission of State Council, Wenhui-Xinmin United Press Group was approved to transfer its 246,878,206 A Shares in DFZQ to Shanghai United Media Group at nil consideration. On November 29, 2016, the registration procedure for such equity transfer was completed with the China Securities Depository and Clearing Corporation Limited.

3. *Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and the most recent period (if any)*

During the Reporting Period, the Company completed the listing on the Main Board of the Hong Kong Stock Exchange with its share capital increased from 5,281,742,921 shares to 6,215,452,011 shares. The proceeds were fully utilized for the purposes set out in the use of proceeds section in the prospectus of the H Shares, which contributed to the increase in the Company's net assets and net capital. As the funds invested in the projects invested with the proceeds included self-owned funds of the Company and the proceeds, the impact of such changes in share capitals on the financial indicators of the Company, such as earnings per share and net assets per share, could not be determined separately.

4. *Other disclosures deemed necessary by the Company or required by securities regulatory authorities*

During the Reporting Period, there was no other disclosures deemed necessary by the Company or required by securities regulatory authorities.

(II) Changes in restricted shares

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Shenergy (Group) Company Limited	1,588,618,183	–	–	1,537,522,422	Lock-up under initial public offering of shares	March 23, 2018
Shanghai Haiyan Investment Management Company Limited	295,784,854	295,784,854	–	–	Lock-up under initial public offering of shares	March 23, 2016
Wenhui-Xinmin United Press Group	265,828,211	265,828,211	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Electric (Group) Corporation	200,523,507	–	–	194,073,938	Lock-up under initial public offering of shares	March 23, 2018
China Post Group Corporation	197,753,661	197,753,661	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	165,953,687	165,953,687	–	–	Lock-up under initial public offering of shares	March 23, 2016
Greatwall Information Industry Co., Ltd.	143,000,000	143,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Construction Group Co., Ltd.	133,523,008	–	–	133,523,008	Lock-up under initial public offering of shares	March 23, 2018
Shanghai Zeta Group Co., Ltd. (上海致達科技集團有限公司)	124,800,000	124,800,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Greenland Holding Group Company Limited (綠地控股集團有限公司)	105,538,347	105,538,347	–	–	Lock-up under initial public offering of shares	March 23, 2016
National Council for Social Security Fund (Transfer Account No.2) (全國社會保障基金理事會轉持二戶)	30,041,619	30,041,619	–	–	Lock-up under initial public offering of shares	March 23, 2016
National Council for Social Security Fund (Transfer Account No.2) (全國社會保障基金理事會轉持二戶)	65,288,341	–	–	65,288,341	Lock-up under initial public offering of shares	March 23, 2018
Shanghai Educational Development Co., Ltd.(上海市教育發展有限公司)	95,251,900	95,251,900	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shangyu Rensheng Investment Co., Ltd. (上虞任盛投資有限公司)	78,520,000	78,520,000	–	–	Lock-up under initial public offering of shares	March 23, 2016

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Shanghai Binfen Trade Development Co., Ltd. (上海繽紛商貿發展有限公司)	68,750,916	–	–	66,539,635	Lock-up under initial public offering of shares	March 23, 2018
Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)	46,500,000	46,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Zhejiang Jinsui Investment Co., Ltd. (浙江金穗投資有限公司)	37,440,000	37,440,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Wang Min	35,000,000	35,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai International Trade & Investment Developing Co., Ltd. (上海市外經貿投資開發有限公司)	34,375,459	–	–	33,269,819	Lock-up under initial public offering of shares	March 23, 2018
Xizang Haizhixin Industrial Co., Ltd. (西藏海之鑫實業有限公司)	26,748,800	26,748,800	–	–	Lock-up under initial public offering of shares	March 23, 2016
Gofar Holdings Limited (高遠控股有限公司)	26,100,000	26,100,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Chaos Investment (Group) Co., Ltd. (上海混沌投資(集團)有限公司)	26,000,000	26,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Join Buy Co., Ltd. (上海九百股份有限公司)	25,358,535	25,358,535	–	–	Lock-up under initial public offering of shares	March 23, 2016
Wuxi Jinjiu Real Estate Development Co., Ltd. (無錫市金久置業發展有限公司)	23,707,670	23,707,670	–	–	Lock-up under initial public offering of shares	March 23, 2016
Green Vally (Group) Co., Ltd. (綠谷(集團)有限公司)	20,800,000	20,800,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Yitan Technology Development Co., Ltd. (上海藝潭科技發展有限公司)	20,800,000	20,800,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Yitan Information Engineering Co., Ltd. (上海藝潭信息工程有限公司)	20,800,000	20,800,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Yiwu Qiuxiang Knitting Co., Ltd. (義烏市秋翔針織有限公司)	20,800,000	20,800,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanxi Zhuorong Investment Co., Ltd. (山西卓融投資有限公司)	20,000,000	–	–	20,000,000	Lock-up under initial public offering of shares	May 19, 2018

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Xinjiang Zhongrun Fuli Equity Investment Partnership (LLP) (新疆中潤富利股權投資合夥企業(有限合夥))	19,500,000	19,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Yixing Junyue Real Estate Development Co., Ltd. (宜興市君悅置業發展有限公司)	19,500,000	19,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shihezi Langhua Equity Investment Partnership (LLP) (石河子市浪花股權投資合夥企業(有限合夥))	19,500,000	19,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Yixing Yicheng Real Estate Development Co., Ltd. (宜興市宜城房地產開發有限公司)	16,770,000	16,770,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Foundation for Military Families and Army Support (上海市擁軍優屬基金會)	15,900,000	15,900,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Linzhi Bayi District Hengrui Taifu Industrial Co., Ltd. (林芝市巴宜區恒瑞泰富實業有限公司)	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Huipu Venture Investment Co., Ltd. (上海匯浦創業投資有限公司)	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Yixing Tongfeng Construction Development Co., Ltd. (宜興市銅峰建設開發有限公司)	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Xinliyi Group Co., Ltd. (新理益集團有限公司)	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Zhejiang Huacheng Holding Group Co., Ltd. (浙江華成控股集團有限公司)	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Beijing Liandong Investment (Group) Co., Ltd. (北京聯東投資(集團)有限公司)	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shenzhen Great Wall Kaifa Technology Co., Ltd.	13,000,000	13,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Shanghai Kangnuo International Trading Co., Ltd. (上海康諾國際貿易有限公司)	12,600,000	12,600,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shangyu Shunying Industrial Development Co., Ltd. (上虞舜英實業發展有限公司)	12,480,000	12,480,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Weida Hi-Tech Holding Co., Ltd. (威達高科技控股有限公司)	12,000,000	–	–	12,000,000	Lock-up under initial public offering of shares	February 14, 2018
Ideal World Real Estate (Group) Co., Ltd. (雅世置業(集團)有限公司)	11,731,200	11,731,200	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Join Buy (Group) Co., Ltd. (上海九百(集團)有限公司)	9,801,811	9,801,811	–	–	Lock-up under initial public offering of shares	March 23, 2016
Ningbo Huatian Fuye Trading Co., Ltd. (寧波華天富業貿易有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Baoxiang Investment Management Co., Ltd. (上海寶祥投資管理有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Ruitong Asset Management Co., Ltd. (上海睿通資產管理有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Shangdian Capacitor Co., Ltd. (上海上電電容器有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Frontier Credit Co., Ltd. (上海馥地融資性擔保有限責任公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Time Publishing and Media Co., Ltd.	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Anhui Antian Investment Management Co., Ltd. (安徽省安天投資管理有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Chaos Daoran Assets Management Co., Ltd. (上海混沌道然資產管理有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Zijie Industrial Co., Ltd. (上海紫傑實業有限公司)	6,500,000	6,500,000	–	–	Lock-up under initial public offering of shares	March 23, 2016

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Increase in restricted shares during the year	Number of restricted shares at the end of the year	Reason for restriction	Expiry date of restriction
Anhui Huawen Venture Capital Management Co., Ltd. (安徽華文創業投資管理有限公司)	6,283,212	6,283,212	–	–	Lock-up under initial public offering of shares	March 23, 2016
Qingdao Guolian Shengshi Trading Co., Ltd. (青島市國聯盛世貿易有限公司)	5,200,000	5,200,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Issey Engineering Industrial Ltd. (上海傑思工程實業有限公司)	5,000,000	5,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Yixing Jincheng Construction Co., Ltd. (宜興市錦城建設有限公司)	5,000,000	5,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Jiangsu Xingda Stationery Group Co., Ltd. (江蘇興達文具集團有限公司)	5,000,000	5,000,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Chengtai Mechanic and Electronic Engineering Co., Ltd. (上海呈泰機電工程有限公司)	2,730,000	2,730,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Yihan Decoration Engineering Co., Ltd. (上海藝瀚裝飾工程有限公司)	2,600,000	2,600,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Hengchang Enterprise Management Consulting Co., Ltd. (上海恒暢企業管理諮詢有限公司)	2,080,000	2,080,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Shanghai Baozhu'an Trading Co., Ltd. (上海寶鑄安貿易有限公司)	2,080,000	2,080,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Zhejiang Hengtong Digital Technology Co., Ltd. (浙江恒通數碼科技有限公司)	2,080,000	2,080,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Zhongjing Xinhua Asset Investment Management Co., Ltd. (中靜新華資產管理有限公司)	800,000	800,000	–	–	Lock-up under initial public offering of shares	March 23, 2016
Total	4,281,742,921	2,158,663,507	–	2,062,217,163	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities as at the end of the Reporting Period

Unit: share in 100 million Currency: RMB

Type of shares and their derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be listed for trading	Date of termination of the trading
Ordinary shares						
A Shares	March 11, 2015	RMB10.03	10	March 23, 2015	10	
H Shares	June 22, 2016	HK$8.15	9.57	July 8, 2016	9.57	
H Shares (over-allotment)	July 28, 2016	HK$8.15	0.70	August 3, 2016	0.70	
Convertible corporate bonds, detachable convertible bonds, corporate bonds						
Short-term commercial papers	October 12, 2015	2.95%	16	October 14, 2015	16	January 12, 2016
Short-term commercial papers	November 4, 2015	2.80%	16	November 6, 2015	16	January 29, 2016
Short-term commercial papers	December 16, 2015	3.09%	30	December 18, 2015	30	March 16, 2016
Short-term commercial papers	January 20, 2016	2.99%	20	January 22, 2016	20	April 15, 2016
Short-term commercial papers	March 8, 2016	2.57%	16	March 10, 2016	16	June 7, 2016
Short-term commercial papers	April 12, 2016	2.89%	30	April 14, 2016	30	July 13, 2016
Short-term commercial papers	April 26, 2016	3.05%	20	April 28, 2016	20	July 21, 2016
Short-term bonds of securities companies	November 10, 2015	3.70%	30	December 7, 2015	30	November 10, 2016
Short-term bonds of securities companies	May 19, 2016	3.40%	90	June 7, 2016	90	May 19, 2017
Bonds of securities companies	December 16, 2016	4.00%	40	December 22, 2016	40	December 16, 2017
Bonds of securities companies	August 26, 2014	6.00%	60	September 23, 2014	60	August 26, 2019
Corporate bonds	November 26, 2015	3.90%	120	December 18, 2015	120	November 26, 2020
Subordinated bonds	November 15, 2013	6.70%	36	November 29, 2013	36	November 15, 2017
Subordinated bonds	November 17, 2014	5.50%	14	December 9, 2014	14	November 17, 2018
Subordinated bonds	May 29, 2015	5.60%	60	July 2, 2015	60	May 29, 2020
Subordinated bonds	June 18, 2015	6.82%	6	August 27, 2015	6	June 17, 2018
Subordinated bonds	November 14, 2016	3.45%	40	November 25, 2016	40	November 14, 2021
RMB bonds	November 26, 2014	6.50%	9	November 27, 2014	9	November 26, 2017
RMB bonds	August 5, 2015	6.50%	6.2	August 6, 2015	6.2	November 26, 2017
RMB bonds	November 20, 2015	4.50%	10		10	November 14, 2016
RMB bonds	April 15, 2016	5.00%	5		5	April 10, 2017
USD bonds	May 8, 2015	4.20%	2		2	May 8, 2018
USD bonds	August 25, 2015	4.09%	1.5		1.5	August 25, 2018
USD bonds	July 5, 2016	2.14%	0.3		0.3	October 5, 2016

Explanations on issue of securities as at the Reporting Period (please explain respectively on bonds with different interest rates within the effective term):

1) In accordance with the Reply on Approving Issue of Overseas Listed Foreign Shares by Orient Securities Company Limited (Zheng Jian Xu Ke [2016] No. 1026) issued by the CSRC and the approval by the Hong Kong Stock Exchange, a total of 957,000,000 shares of overseas listed foreign shares (H Shares) under the global offering of H Shares by the Company (including 870,000,000 H Shares issued by the Company and 87,000,000 H Shares sold by the selling shareholders) has been listed and traded at an issuing price of HK$8.15 per share on the Main Board of the Hong Kong Stock Exchange on July 8, 2016. The over-allotment option was partially exercised by the joint global coordinators and the Company was required to issue 70,080,000 additional H Shares (including 63,709,090 H Shares issued by the Company and 6,370,910 H Shares sold by the selling shareholders), which has been listed and traded on the Main Board of the Hong Kong Stock Exchange on August 3, 2016.

2) The Proposal on General Mandate to Issue Offshore Debt Financing Instruments by the Company was considered and approved at the 27th meeting of the second session of the Board on July 30, 2014, and at the second extraordinary general meeting for 2014 of the Company convened on August 14, 2014, pursuant to which, the Company was authorized to issue, including without limitation to, USD bonds, offshore RMB or other foreign currencies denominated bonds or subordinated bonds, foreign currency notes (including without limitation to commercial papers) and establish medium-term notes schemes, with the cap for outstanding balance of not more than RMB7,000 million. During the Reporting Period, the Company completed the non-public issue of RMB500 million one-year RMB bonds with a coupon rate of 5.00%.

3) The Proposal on Increase in the Size of the Issued Offshore Debt Financing Instruments of the Company was considered and approved at the 17th meeting of the third session of the Board on March 11, 2016, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company or its wholly-owned offshore subsidiaries or the directly or indirectly wholly-owned offshore subsidiaries set by the Company overseas were authorized to act as the issuing entity of offshore debt financing instruments to issue offshore debt financing instruments overseas on an one-off or multiple issuances or multi-tranche issuances basis with the size of the cap for outstanding balance after the issue (including RMB7,000 million, the cap for outstanding balance after the issue determined at the second extraordinary general meeting for 2014 of the Company) not exceeding RMB10,000 million. During the Reporting Period, the Company completed the non-public issue of US$30 million 3-month USD bonds with a coupon rate of 2.146%.

4) The Proposal on Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 7th meeting of the third session of the Board on April 23, 2015, and at the 2014 annual general meeting of the Company, pursuant to which, the Company was authorized to issue subordinated bonds, short-term commercial papers, short-term bonds of securities companies, corporate bonds, income receipts and other instruments approved by regulatory authorities, with the cap for total new outstanding debt financing instruments not exceeding 200% of the audited net assets of last year.

On May 6, 2015, the Company obtained the Notice on the Issue of Short-term Commercial Papers by Orient Securities Company Limited (Yin Fa [2015] No. 128) issued by the People's Bank of China, pursuant to which, the Company's issue of short-term Commercial Papers was filed with the People's Bank of China, and the Company's maximum outstanding balance of short-term commercial papers shall not exceed RMB6,600 million. Such maximum outstanding balance is effective within one year, during which the Company may issue short-term commercial papers independently. During the Reporting Period, the Company totally issued four tranches of short-term commercial papers with an aggregate amount of RMB8,600 million. As at the end of Reporting Period, the Company repaid all of its short-term commercial papers on the maturity date.

On March 11, 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 17th meeting of the third session of the Board of the Company, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company was authorized to issue a scale of up to RMB10 billion subordinated bonds (including perpetual subordinated bonds). On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by Orient Securities Company Limited (Shang Zheng Han [2016] No. 2057) issued by the SSE, and on November 14, 2016, it completed issue of the 2016 first tranche subordinated bonds. The issuing size of the bonds was RMB4 billion, with a term of five years and coupon rate of 3.45%.

On August 26, 2015, the Company received the Letter of No Objection on Listing and Transfer of 2015 Short-term Corporate Bonds of Securities Companies by Orient Securities Company Limited (Shang Zheng Han [2015] No. 1508) issued by the SSE, pursuant to which, the Company was authorized to issue a scale of RMB12 billion short-term corporate bonds, which may be listed and transferred on the SSE in tranches within 12 months. During the Reporting Period, the Company completed issue of the 2016 first-tranche short-term corporate bonds of securities companies on May 19, 2016. The issuing size of the bonds was RMB9 billion, with a term of one year and coupon rate of 3.40%.

On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of Non-public Issue of 2016 Short-term Corporate Bonds of Securities Company by Orient Securities Company Limited (Shang Zheng Han [2016] No. 2061) issued by the SSE, pursuant to which, the Company was authorized to issue a scale of RMB17 billion short-term corporate bonds, which may be listed and transferred on the SSE in tranches within 12 months. On December 16, 2016, the Company completed issue of the 2016 second tranche short-term corporate bonds of securities company. The issuing size of the bonds was RMB4 billion, with a term of one year and coupon rate of 4.00%.

(II) Changes in total number of ordinary shares and shareholders structure of the Company and the Company's assets and liabilities structure

As at the end of the Reporting Period, the Company completed the initial public offering and the issue of overseas listed foreign shares (H Shares) under the exercise of over-allotment option on the Hong Kong Stock Exchange. Upon the completion of this issue, the total number of shares of the Company increased from 5,281,742,921 shares to 6,215,452,011 shares, of which 5,188,372,011 shares were A Shares and 1,027,080,000 shares were H Shares.

As at the end of the Reporting Period, after the issue of overseas listed foreign shares (H Shares) by the Company (performing duties of reducing shareholding in state-owned shares and increasing total share capital), shareholding of Shanghai Haiyan Investment and Shanghai United Media Group in the Company decreased to 4.61% and 3.97% respectively, both decreasing to below 5%. The shareholding of Shenergy Group, the Company's largest shareholder, declined from 30.08% to 24.74%. Among holders of H Shares, Hong Kong Securities Clearing Company Nominees Limited held the shares of non-registered shareholders on their behalf, representing 16.52% of the total share capital of the Company.

For details of changes in the Company's assets and liabilities structure, please refer to "(II) Major items in consolidated statement of profit or loss under paragraph II in Section IV" in the report.

(III) Information on shares held by existing internal employees

During the Reporting Period, there was no share held by the existing internal employees.

III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period (accounts)	171,458 (among which 171,391 holders of A Shares and 67 holders of H Shares)
Total number of holders of ordinary shares as at the end of the month preceding the month when the annual report was disclosed (accounts)	166,111 (among which166,044 holders of A Shares and 67 holders of H Shares)

(II) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to restriction on sales) as at the end of the Reporting Period

Unit: share

	Shareholdings of the top ten shareholders						
					Pledged or frozen		
Name of shareholders (Full name)	Changes in number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of restricted shares held	Status of shares	Number of shares	Nature of shareholders
Shenergy (Group) Company Limited	-51,095,761	1,537,522,422	24.74	1,537,522,422	Nil	–	State-owned legal person
Hong Kong Securities Clearing Company Nominees Limited	+1,026,968,400	1,026,968,400	16.52	–	Nil	–	Offshore legal person
Shanghai Haiyan Investment Management Company Limited	-9,513,521	286,271,333	4.61	–	Nil	–	State-owned legal person
Shanghai United Media Group	+246,878,206	246,878,206	3.97	–	Nil	–	State-owned legal person
China Securities Finance Corporation Limited	+74,777,495	203,232,028	3.27	–	Nil	–	State-owned legal person
Shanghai Electric (Group) Corporation	-6,449,569	194,073,938	3.12	194,073,938	Nil	–	State-owned legal person
China Post Group Corporation	+187,866,579	187,866,579	3.02	–	Nil	–	State-owned legal person
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	–	165,953,687	2.67	–	Nil	–	Domestic non-state-owned legal person
Greatwall Information Industry Co., Ltd.	–	143,000,000	2.30	–	Pledged	20,000,000	Domestic non-state-owned legal person
Shanghai Construction Group Co., Ltd.	–	133,523,008	2.15	133,523,008	Nil	–	State-owned legal person

Section VI Changes in Ordinary Shares and Information on Shareholders

Shareholdings of the top ten shareholders of non-restricted shares			
	Number of circulating non-restricted shares held	Type and number of shares	
Name of shareholders		Type	Number
Hong Kong Securities Clearing Company Nominees Limited	1,026,968,400	Overseas listed foreign shares	1,026,968,400
Shanghai Haiyan Investment Management Company Limited	286,271,333	RMB ordinary shares	286,271,333
Shanghai United Media Group	246,878,206	RMB ordinary shares	246,878,206
China Securities Finance Corporation Limited	203,232,028	RMB ordinary shares	203,232,028
China Post Group Corporation	187,866,579	RMB ordinary shares	187,866,579
Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	165,953,687	RMB ordinary shares	165,953,687
Greatwall Information Industry Co., Ltd.	143,000,000	RMB ordinary shares	143,000,000
Shanghai Educational Development Co., Ltd. (上海市教育發展有限公司)	92,188,251	RMB ordinary shares	92,188,251
Shanghai Tongyi Asset Management Co., Ltd. (上海彤翼資產管理有限公司)	83,640,088	RMB ordinary shares	83,640,088
Greenland Holding Group Company Limited (綠地控股集團有限公司)	80,685,407	RMB ordinary shares	80,685,407
Related party relationship or parties acting in concert among above shareholders	Shenergy (Group) Company Limited, Shanghai Electric (Group) Corporation and Shanghai Construction Group Co., Ltd. are the subsidiaries of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.		
Preferred shareholders with restored voting rights and their shareholding	Not applicable.		

Shareholdings of the top ten shareholders of restricted shares and restrictions

Unit: share

No.	Name of restricted shareholders	Number of restricted shares held	Listing and trading of restricted shares: Time for listing and trading	Listing and trading of restricted shares: Number of shares newly added for listing and trading	Restriction
1	Shenergy (Group) Company Limited	1,537,522,422	March 23, 2018	–	Lock-up period of 36 months
2	Shanghai Electric (Group) Corporation	194,073,938	March 23, 2018	–	Lock-up period of 36 months
3	Shanghai Construction Group Co., Ltd.	133,523,008	March 23, 2018	–	Lock-up period of 36 months
4	Shanghai Binfen Trade Development Co., Ltd. (上海繽紛商貿發展有限公司)	66,539,635	March 23, 2018	–	Lock-up period of 36 months
5	National Council for Social Security Fund (Transfer Account No.2) (全國社會保障基金理事會轉持二戶)	65,288,341	March 23, 2018	30,041,619	Lock-up period of 36 months
6	Shanghai International Trade & Investment Developing Co., Ltd. (上海市外經貿投資開發有限公司)	33,269,819	March 23, 2018	–	Lock-up period of 36 months
7	Shanxi Zhuorong Investment Co., Ltd. (山西卓融投資有限公司)	20,000,000	May 19, 2018	–	Lock-up period of 38 months
8	Weida Hi-Tech Holding Co., Ltd. (威達高科技控股有限公司)	12,000,000	February 14, 2018	–	Lock-up period of 35 months
Related party relationship or parties acting in concert among above shareholders		Shenergy (Group) Company Limited, Shanghai Electric (Group) Corporation, Shanghai Construction Group Co., Ltd., Shanghai Binfen Trade Development Co., Ltd. (上海繽紛商貿發展有限公司) and Shanghai International Trade & Investment Developing Co., Ltd. (上海市外經貿投資開發有限公司) are the subsidiaries of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government. The Company is not aware of any other related party relationship or any parties acting in concert among other shareholders.			

Notes: 1. Among the H Shareholders of the Company, Hong Kong Securities Clearing Company Nominees Limited held the H Shares on behalf of the non-registered shareholders.

2. In the above table, the shares held by Hong Kong Securities Clearing Company Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares.

3. The nature of shareholders of A Shares represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

(III) Strategic investors or general legal persons became the top ten shareholders due to placement of new shares

During the Reporting Period, no strategic investors or general legal persons became the top ten shareholders of the Company due to placement of new shares.

(IV) Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As at December 31, 2016, so far as the Company and its directors, having made all reasonable enquiries, are aware, the following substantial shareholders and other parties (excluding the directors, supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name of shareholders	Type of share	Nature of interests	Number of shares (Note 1)	Approximate percentage of total share of relevant class in issue (%) (Note 2)	Approximate percentage of total shares in issue (%) (Note 2)
Shenergy (Group) Company Limited	A Share	Beneficial owners	1,541,008,802(L)	29.70	24.79
Shanghai Haiyan Investment Management Company Limited	A Share	Beneficial owners	286,920,462(L)	5.53	4.62
Zhu Lijia (Note 3)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.53
Sun Hongyan (Note 3)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.53
Hung Jia Finance Limited (Note 3)	H Share	Interests in controlled corporation	94,940,800(L)	9.24	1.53
Kaiser Century Investments Limited (Note 3)	H Share	Beneficial owners	94,940,800(L)	9.24	1.53

Name of shareholders	Type of share	Nature of interests	Number of shares (Note 1)	Approximate percentage of total share of relevant class in issue (%) (Note 2)	Approximate percentage of total shares in issue (%) (Note 2)
Raise Sino Investments Limited (Note 4)	H Share	Beneficial owners	113,737,200(L)	11.07	1.83
Bank of Communications Co., Ltd. (Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.51
Bank of Communications (Nominee) Company Limited (Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.51
BOCOM International Asset Management Limited (Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.51
BOCOM International Holdings Company Limited (Note 5)	H Share	Interests in controlled corporation	93,991,600(L)	9.15	1.51
BOCOM International Global Investment Limited (Note 5)	H Share	Beneficial owners	93,991,600(L)	9.15	1.51

Notes:

1. (L) represents the long position.

2. As at December 31, 2016, the Company has issued 6,215,452,011 shares in total, including 5,188,372,011 A Shares and 1,027,080,000 H Shares.

3. Kaiser Century Investments Limited is owned as to 100% by Hung Jia Finance Limited. Hung Jia Finance Limited is owned as to 50% by each of Mr. Zhu Lijia and his spouse Ms. Sun Hongyan. Therefore, each of Mr. Zhu Lijia, Ms. Sun Hongyan and Hung Jia Finance Limited is deemed to be interested in the shares of the Company held by Kaiser Century Investments Limited under the SFO.

4. Raise Sino Investments Limited is owned as to 100% by Chu Lam Yiu.

5. BOCOM International Global Investment Limited is wholly owned by BOCOM International Asset Management Limited. BOCOM International Asset Management Limited is wholly owned by BOCOM International Holdings Company Limited, which in turn is wholly owned by Bank of Communications (Nominee) Company Limited. Bank of Communications (Nominee) Company Limited is wholly owned by Bank of Communications Co., Ltd. Therefore, Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited, BOCOM International Holdings Company Limited and BOCOM International Asset Management Limited are deemed to be interested in the shares of the Company held by BOCOM International Global Investment Limited under the SFO.

Save as disclosed above, as at December 31, 2016, none of the other substantial shareholders or parties have any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

(V) Directors', supervisors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations

As at December 31, 2016, according to the information available to the Company and so far as the directors are aware, none of the directors, supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

As at the end of the Reporting Period, Shenergy Group, the Company's largest shareholder, had a shareholding of 24.74%. H Shares hold by HKSCC Nominees Limited are H Shares holding by non-registered shareholders.

(II) De facto controller

As at the end of the Reporting Period, Shenergy Group, the Company's largest shareholder, had a shareholding of 24.74%. The Company had no de facto controller.

V. OTHER LEGAL-PERSON SHAREHOLDERS WITH A SHAREHOLDING OF MORE THAN 10%

In RMB100 million

Name of legal-person shareholder	Person-in-charge of the unit or legal representative	Date of incorporation	Organization code	Registered capital	Principal businesses or management events
Shenergy Group	Wang Jian	November 18,1996	913100001322718147	100	It primarily engages in investment, development, management in power and energy-based industries, investment in natural gas resources and urban gas network, investment management in real estate and hi-tech industries, industrial investment, as well as management and operation of its assets and domestic trade (excluding specially regulated ones) 【For items subject to approval pursuant to laws, its operations could only be commenced upon approval by relevant authorities】

Explanations

1. As at the end the Reporting Period, Shenergy Group held 24.74% of shares of the Company.
2. Shenergy Group had completed the "integration of the business license, the organization code certificate and the taxation registration certificate" and launched the uniform social credit code (913100001322718147).
3. The shares held by Hong Kong Securities Clearing Company Nominees Limited were owned by the non-registered holders of H Shares.

VI. INFORMATION ON THE RESTRICTIONS ON SHAREHOLDING REDUCTION

During the Reporting Period, the Company exercised no restriction on shareholding reduction.

VII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the securities of the Company, other than trading as an agent on behalf of customers of the Company or its subsidiaries.

Section VII Preferred Shares

During the Reporting Period, the Company had no preferred shares.

Section VIII Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding and remunerations of current and resigned directors, supervisors and senior management during the Reporting Period

Unit: share

Name	Position (Note)	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB '0000)	Whether received remuneration from any related party of the Company or not
Pan Xinjun	Party committee secretary, executive director, chairman	Male	1961	October 29, 2014	October 28, 2017	0	0	0	Nil	75.03	No
Wu Jianxiong	Vice chairman, non-executive director	Male	1965	October 29, 2014	October 28, 2017	0	0	0	Nil		Yes
Jin Wenzhong	Deputy party committee secretary, executive director, president	Male	1964	October 29, 2014	October 28, 2017	0	0	0	Nil	494.40	No
Zhang Qian	Non-executive director	Male	1974	October 29, 2014	October 28, 2017	0	0	0	Nil	0	Yes
Wu Junhao	Non-executive director	Male	1965	October 29, 2014	October 28, 2017	0	0	0	Nil	0	Yes
Chen Bin	Non-executive director	Male	1981	October 29, 2014	October 28, 2017	0	0	0	Nil	0	Yes
Li Xiang	Non-executive director	Male	1971	October 29, 2014	October 28, 2017	0	0	0	Nil	0	No
Xu Jianguo	Non-executive director	Male	1964	November 8, 2016	October 28, 2017	0	0	0	Nil	0	No
Huang Laifang	Non-executive director	Female	1969	June 27, 2016	October 28, 2017	0	0	0	Nil	0	No
Zhou Yao	Non-executive director	Male	1967	October 29, 2014	October 28, 2017	0	0	0	Nil	0	No
Li Zhiqiang	Independent non-executive director	Male	1967	October 29, 2014	October 28, 2017	0	0	0	Nil	16.67	No
Xu Guoxiang	Independent non-executive director	Male	1960	October 29, 2014	October 28, 2017	0	0	0	Nil	14.67	No
Tao Xiuming	Independent non-executive director	Male	1964	October 29, 2014	October 28, 2017	0	0	0	Nil	14.67	No
Wei Anning	Independent non-executive director	Male	1963	October 29, 2014	October 28, 2017	0	0	0	Nil	14.67	No
Pan Fei	Independent non-executive director	Male	1956	June 1, 2015	October 28, 2017	0	0	0	Nil	16.67	No
Xu Zhiming	Independent non-executive director	Male	1961	July 8, 2016	October 28, 2017	0	0	0	Nil	8.00	No
Song Xuefeng	Chairman of supervisory committee	Male	1970	October 31, 2014	October 28, 2017	0	0	0	Nil	0	Yes
Li Bin	Deputy party committee secretary, vice chairman of supervisory committee, employee supervisor	Male	1959	October 29, 2014	October 28, 2017	0	0	0	Nil	67.96	No
Liu Wenbin	Supervisor	Male	1975	October 29, 2014	October 28, 2017	0	0	0	Nil	0	Yes
Yin Keding	Supervisor	Male	1964	October 30, 2014	October 28, 2017	0	0	0	Nil	0	Yes
Wu Zhengkui	Supervisor	Male	1974	October 29, 2014	October 28, 2017	0	0	0	Nil	0	No
Zhou Wenwu	Employee supervisor	Male	1961	August 11, 2015	October 28, 2017	0	0	0	Nil	240.66	No
Yao Yuan	Employee supervisor	Male	1973	October 29, 2014	October 28, 2017	0	0	0	Nil	244.57	No
Yang Yucheng	Vice president	Male	1965	October 29, 2014	October 28, 2017	0	0	0	Nil	462.96	No
	Secretary to the Board (resigned)			October 29, 2014	November 28, 2016						No
Shu Hong	Vice president	Male	1967	October 29, 2014	October 28, 2017	0	0	0	Nil	462.96	No
Zhang Jianhui	Vice president	Male	1968	July 24, 2015	October 28, 2017	0	0	0	Nil	437.96	No
	Financial controller			October 29, 2014	October 28, 2017						No

Name	Position (Note)	Gender	Year of birth	Commencement date of the term of office	Expiry date of the term of office	Shares held at the beginning of the year	Shares held at the end of the year	Changes in shareholding during the year	Reasons for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB '0000)	Whether received remuneration from any related party of the Company or not
Du Weihua	Vice president	Male	1964	August 11, 2015	October 28, 2017	0	0	0	Nil	437.96	No
Yang Bin	Chief risk officer	Male	1972	June 19, 2015	October 28, 2017	0	0	0	Nil	564.89	No
	Compliance controller			July 1, 2015	October 28, 2017						No
Wang Rufu	Secretary to the Board	Male	1973	November 28, 2016	October 28, 2017	0	0	0	Nil	5.15	No
Xu Chao	Director (resigned)	Male	1955	October 29, 2014	July 12, 2016	0	0	0	Nil	0	No
Chen Bichang	Director (resigned)	Male	1959	October 29, 2014	April 12, 2016	0	0	0	Nil	0	No
Total	/	/	/	/	/	0	0	0	/	3,579.85	/

Note:

1. The remuneration received by our own directors, supervisors and senior management during the Reporting Period from the Company consisted of their salary for 2016 and the performance bonus for 2015.

   According to the Circular Relating to Strengthening the Remuneration System Reform Applicable to the Leadership of the State-owned Enterprises under Management of the Municipal Government of Shanghai (the "Circular") and the requirements of our competent department, the Company made corresponding adjustment to the structure, level and payment method of remuneration of our leaders holding positions of vice president or above since January 1, 2016. In particular, it was adjusted that the basic annual pay (salary) would be allocated to each month on an equal basis paid monthly; the performance related annual pay for a year would be granted in the next year based on the review results with respect to their individual performance for that year; the tenure incentive income would be granted in three years commencing from the year in which the prescribed tenure expired, provided that it was subject to relevant tenure evaluation. The performance bonus of the aforesaid personnel of the Company for 2015 was not subject to the Circular, which was allocated according to the original requirements and granted in the next year upon confirmation by the Remuneration and Nomination Committee of the Board of the Company.

2. During the Reporting Period, none of the directors, supervisors and senior management of the Company held any shares or options of the Company; the Company did not implement any share incentive scheme.

3. Mr. Xu Zhiming has been receiving independent director's remuneration from the Company since July, 2016; Mr. Wang Rufu received his remuneration as one of senior management during the Reporting Period.

4. Descriptions on remunerations received by directors and supervisor from the Company's related parties: Mr. Wu Jianxiong, Mr. Song Xuefeng, Mr. Zhang Qian and Mr. Wu Junhao received their remunerations from Shenergy Group where they rendered services.

Name	Primary working experience
	Executive director (2)
Pan Xinjun	Mr. Pan Xinjun, born in 1961, holds a master's degree in business administration and is a senior economist. Currently, he is the secretary of CPC party committee, chairman and executive director of the Company, the chairman of Citi Orient Securities Co., Ltd. and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Pan served as the acting secretary and then the secretary of the CPC party branch of Yuyuan Road corporate sub-office of Changning district office of Industrial and Commercial Bank of China, Shanghai branch from June 1984 to January 1986, the liaison of the party rectification office, the secretary of the CPC party branch of Yuyuan Road corporate sub-office of Changning district office and a senior staff member of the organization division of the Industrial and Commercial Bank of China, Shanghai branch from March 1985 to October 1988, the chairman of the labor union, deputy director, president of the sub-branch, and the secretary of CPC party committee in the Industrial and Commercial Bank of China, Shanghai branch, Changning district office from November 1988 to January 2003, the deputy secretary of CPC party committee and the general manager of the Company from January 2003 to January 2010, the secretary to the Party, chairman and general manager of the Company from January 2010 to September 2010, the chairman of the Board of China Universal Asset Management Company Limited from June 2012 to April 2015, a director of Orient Hong Kong from November 2014 to August 2015, as well as the chairman of the Board and a director of Orient Securities Capital Investment from March 2013 to August 2015. Mr. Pan was appointed as the chairman of the Board and the secretary of CPC party committee of the Company in September 2010.
Jin Wenzhong	Mr. Jin Wenzhong, born in 1964, holds a master's degree in economics and is an economist. Currently, he is the deputy CPC party committee secretary, executive director and president of the Company, the chairman of Orient Securities Capital Investment, the chairman of Orient Securities Futures, a director of Orient Securities Innovation Investment as well as a director of Orient Securities Asset Management. Mr. Jin served as the deputy manager of the distribution department, the deputy director of the research institute and the assistant to the president of Wanguo Securities from January 1992 to September 1995, the deputy director of the office for enterprise modernization committee of Nomura Securities from October 1995 to December 1997, as well as a member of the CPC party committee and the deputy general manager of the Company from December 1997 to September 2010. Mr. Jin has been serving as deputy CPC party committee secretary, executive director and president since September 2010.

Name	Primary working experience
	Non-executive director (8)
Wu Jianxiong	Mr. Wu Jianxiong, born in 1965, holds a master's degree in engineering and is a professorate senior engineer. Currently, he is the vice chairman and non-executive director of the Company, the deputy party committee secretary and general manager of Shenergy (Group) Company Limited and the chairman of Shenergy Company Limited. Mr. Wu served as an assistant engineer and an engineer in the engineering department of Shenergy Electric Power Company from March 1989 to September 1993, an assistant to the manager of the planning department of Shenergy Company Limited from September 1993 to January 1994, an assistant to the general manager, deputy general manager, director and general manager of Shanghai Shenergy Real Estate Co., Ltd. from January 1994 to June 1999, an assistant to the general manager, director and deputy general manager of Shenergy Company Limited from June 1999 to June 2005, the executive vice president and chairman of Shanghai LNG Co., Ltd. from December 2004 to April 2010, the chairman of Shanghai Gas (Group) Co., Ltd. from May 2008 to June 2011, as well as an assistant to the general manager and the deputy general manager of Shenergy (Group) Company Limited from December 2003 to April 2008. Mr. Wu has been serving as the deputy party committee secretary of Shenergy (Group) Company Limited since March 2008, the general manager of Shenergy (Group) Company Limited since April 2008, as well as the chairman of Shenergy Company Limited since May 2011.
Zhang Qian	Mr. Zhang Qian, born in 1974, holds a master's degree in business administration. Currently, he is a non-executive director of the Company, the deputy general manager of Shenergy (Group) Company Limited, the chairman of Shanghai Jiulian Group Co., Ltd., and the chairman of Shanghai Shenergy ICY Equity Investment Co., Ltd. Mr. Zhang joined Shenergy (Group) Company Limited in July 1996, he served as the deputy director and the director of the comprehensive management department of Shenergy (Group) Company Limited from January 2001 to October 2004, the deputy manager and the manager of the financial asset department of Shanghai Shenergy Asset Management Co., Ltd. from January 2004 to December 2005, the deputy general manager of Shenergy Group Finance Co., Ltd. from February 2007 to July 2009, as well as the general manager of Shenergy Group Finance Co., Ltd. from October 2009 to September 2016. Mr. Zhang has been serving as deputy general manager of Shenergy (Group) Company Limited since September 2015.

Name	Primary working experience
Wu Junhao	Mr. Wu Junhao, born in 1965, is a holder of a master's degree in management. Currently, he is a non-executive director of the Company, the manager of the financial management department of Shenergy (Group) Company Limited, a director of China Pacific Insurance (Group) Co., Ltd., a director of China Pacific Life Insurance Co., Ltd., a director of China Pacific Property Insurance Co., Ltd., a director of Shanghai Jiulian Group Co., Ltd., a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., a director of Chengdu Xinshen Venture Capital Co., Ltd., a supervisor of China Everbright Bank Company Limited, a supervisor of Shanghai ICY Capital Co., Ltd., the chairman of the supervisory committee of Shanghai Shenergy Lease Co., Ltd., as well as the chairman of the supervisory committee of Shanghai Shenergy ICY Equity Investment Co., Ltd. Mr. Wu served as the executive vice president of Shanghai New Resource Investment Consulting Co., Ltd., the deputy general manager of Shanghai Pericom Investment Company. He served as the deputy director of Shanghai Shenergy Asset Management Co., Ltd. from September 2003 to January 2006, the deputy director, director and senior manager of the asset management department, and the vice president (in charge of affairs) of the financial management department in Shenergy (Group) Company Limited from February 2006 to April 2011. Mr. Wu has been serving as the manager of financial management department in Shenergy (Group) Company Limited since April 2011.
Chen Bin	Mr. Chen Bin, born in 1981, a postgraduate. Currently, he is a non-executive director of the Company, the deputy general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司). Mr. Chen served as the officer of investment management department of Shanghai Tobacco (Group) Company from July 2003 to January 2010, assistant to section chief, section chief and assistant to director of investment management department of Shanghai Tobacco (Group) Company (now renamed as Shanghai Tobacco Group Co, Ltd.) during January 2010 to October 2016, and assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been a non-executive director of Haitong Securities Co., Ltd. since October 2014. He serves as the deputy general manager of Shanghai Haiyan Investment Management Company Limited since February 2017.

Name	Primary working experience
Li Xiang	Mr. Li Xiang, born in 1971, is a holder of a bachelor's degree in arts. Currently, he is a non-executive director of the Company, the director of the operation management office of Shanghai United Media Group, an executive director of Shanghai Wenxin Economic Development Co., Ltd., a director of Shanghai Call Center Co., Ltd., a director of Shanghai Xinhua Publishing Group Limited, a director of JieMian (Shanghai) Internet Technology Co., Ltd., a director of Shanghai Oriental Pearl Real Estate Co., Ltd., a director of Shanghai Shangbao Asset Management Co., Ltd., a director of Shanghai Morning Post Culture Media Co., Ltd., a director of Shanghai Read Information Technology Co., Ltd., a director of Shanghai Post Full-time Logistics Distribution Co., Ltd. (上海郵政全日送物流配送有限公司), a director of Shanghai Donde Advertising Media Co., Ltd., as well as a director of Shanghai Oriental Press Co., Ltd., Mr. Li served as a deputy director of the economy department of Shanghai Wen Hui Daily from February 2002 to January 2014, the director journalist from June 2006 to May 2008, as well as the deputy director and director of the economic management department of Wenhui-Xinmin United Press Group from January 2008 to October 2013. Mr. Li has been serving as the director of the operation management office of Shanghai United Media Group since October 2013, and an executive director of Shanghai Wenxin Economic Development Co., Ltd. since April 2010.
Xu Jianguo	Mr. Xu Jianguo, born in 1964, is a holder of a master's degree in accountancy. Currently, he is a non-executive director of the Company, the head of financial budget department of Shanghai Electric (Group) Corporation, a director of Shanghai Prime Machinery Co., Ltd., a director of Shanghai Highly (Group) Co., Ltd., a director of Shanghai Life Insurance Co., Ltd., a director of Shanghai Electric Group Finance LLC, a director of Shanghai Micro Electronics Equipment Group Co., Ltd., as well as a director of Haitong Securities Co., Ltd. Mr. Xu served in Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, in Shanghai Electric (Group) Corporation from January 2002 to March 2004, and served as senior supervisor of the assets and finance department of Shanghai Electric Asset Management Co., Ltd. from April 2004 to September 2005, an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008, the chief financial officer of Shanghai Lida Heavy Industrial Manufacturing Co., Ltd from March 2006 to August 2008, the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited from August 2008 to December 2009, as well as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation form December 2009 to April 2013. Mr. Xu has been serving as the head of the same department since April 2013.

Name	Primary working experience
Huang Laifang	Ms. Huang Laifang, born in 1969, is a holder of a master's degree in business administration and an economist. Currently, she is a non-executive director of the Company, and the deputy general manager of the Shanghai Branch of China Post Group Corporation. Ms. Huang served as the chief of the accounting section of Baoshan District Post Bureau of Shanghai Post Company from July 2006 to January 2009, deputy director of Baoshan District Post Bureau of Shanghai Post Company from January 2009 to November 2010, director and the party committee secretary of Baoshan District Post Bureau of Shanghai Post Company from November 2010 to April 2013, the manager of sales department from April 2013 to July 2014, general manager of marketing department of Shanghai Post Company from July 2014 to May 2015, and general manager of marketing department of Shanghai Branch of China Post Group Corporation from May 2015 to February 2016. Ms. Huang has been serving as the vice general manager of the Shanghai branch of China Post Group since February 2016.
Zhou Yao	Mr. Zhou Yao, born in 1967, a holder of a master's degree in management and business administration. Currently, he is a non-executive director of the Company, and the general manager and a director of Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. (上海金橋土控聯合投資開發有限公司). Mr. Zhou served as an engineer in the analysis office of Shanghai Municipal Drainage Monitoring Center, the director of the Secretariat of the Party Working Committee and Management Committee Office of CPC Shanghai Pudong New Area, the director of the Secretariat of the District Committee Office of CPC Shanghai Pudong New Area, the deputy director of the environmental protection department of the Environmental Protection, City Appearance and Sanitation of Pudong New Area of Shanghai City from October 2003 to March 2005, the assistant to general manager and the manager of house and public utility construction department of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. from March 2005 to June 2007, a vice general manager of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. from June 2007 to August 2014, the general manager of the Project Management Center of Shanghai Jinqiao (Group) Co., Ltd. from August 2014 to September 2016. Mr. Zhou has been serving as the general manager and a director of Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. since September 2016.
Independent non-executive director (6)	
Li Zhiqiang	Mr. Li Zhiqiang, born in 1967, is a holder of a master's degree in law and a lawyer. Currently, he is an independent non-executive director of the Company, a founding partner of Jin Mao Kai De Partners, an independent director of Shanghai M&G Stationery Inc., an independent director of China Haisum Engineering Co., Ltd., and an independent director of Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd. Mr. Li served as a head and senior partner of Jin Mao Partners, a Chinese legal counsel of Graham & James LLP, as well as the vice chairman of the legal practice committee of Inter-Pacific Bar Association from July 1990 to July 2008. Mr. Li has been a founding partner of Jin Mao Kai De Partners since June 2008.

Name	Primary working experience
Xu Guoxiang	Mr. Xu Guoxiang, born in 1960, is a holder of a doctorate in economics. Currently, he is an independent non-executive director of the Company, a director of the Research Center for Applied Statistics of Shanghai University of Finance and Economics, an independent director of Baoding Tianwei Baobian Electric Co., Ltd., an independent director of China Enterprise Company Limited, a supervisor of Dazhong Transportation (Group) Co., Ltd., a supervisor of Shanghai Xintonglian Packaging Co., Ltd., and an independent director of Luzhou Laojiao Co., Ltd. Mr. Xu served as a lecturer of the Department of Management of Shanghai Maritime University, and a lecturer, associate professor, professor and the department head of the Department of Statistics of Shanghai University of Finance and Economics from January 1986 to May 2003. Mr. Xu has been serving as a director of the research center for applied statistics of Shanghai University of Finance and Economics since June 2003.
Tao Xiuming	Mr. Tao Xiuming, born in 1964, is a holder of a doctorate in law and a lawyer. Currently, he is an independent non-executive director of the Company, a founding partner and the management committee director of Beijing JunZeJun Law Offices, a director of Gao Lin Capital Management Co., Ltd., an executive director of Beijing Houjian Investment Co., Ltd., and an independent director of Taikang Asset Management Co., Ltd. Mr. Tao served in the China Law Counsel Center from July 1989 to April 1992, and in the Institute of International Law of Chinese Academy of Social Sciences from April 1992 to December 1994. Mr. Tao has been a founding partner and the management committee director of Beijing JunZeJun Law Offices since July 1995.
Wei Anning	Mr. Wei Anning, born in 1963, is a holder of a doctorate in economics. Currently, he is an independent non-executive director of the Company, an executive director and general manager of Shanghai Guwang Investment Management Limited, an independent director of Ningbo Tech-Bank Co., Ltd., a director of Hangzhou United Rural Commercial Bank Co. Ltd., an independent director of DaChan Food (Asia) Limited, the executive director of Ningxia Guwang Investment Management Limited, an independent director of Fortune SG Fund Management Co., Ltd., an executive director of Ningbo Guwang Investment Management Limited, as well as a director of Xinjiang Tycoon Group Co., Ltd. Mr. Wei Anning served as a lecturer of the Department of Economics and Statistics of Ningxia Broadcasting and Television University (Yinchuan) (寧夏廣播電視大學(銀川)), a director and assistant researcher of the Economic Development Office of the Economic Research Institute of Chinese Academy of Social Science, an agricultural economist of Agriculture and Natural Resources Bureau of World Bank. Mr. Wei served as a director and director of agriculture, food, industry and commerce of Rabo bank in Northeastern Asia, the executive vice president of New Hope Group from February 2003 to June 2006, the director of Chinese Business Development, CEO in China and president of Shanghai Branch of Fortis Bank Belgium from January 2007 to July 2010, and the chairman of Shandong Pacific Zhonghui Group from August 2010 to August 2012. Mr. Wei has been serving as an executive director and general manager of Shanghai Guwang Investment Management Limited since September 2010.

Name	Primary working experience
Pan Fei	Mr. Pan Fei, born in 1956, is a holder of a doctorate in management. Currently, he is an independent non-executive director of the Company, a professor and a doctoral supervisor of the School of Accountancy of Shanghai University of Finance and Economics, an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd., as well as an independent director of Chongqing New Century Cruises Co., Ltd. (重慶新世紀遊輪股份有限公司). Mr. Pan served as a teaching assistant, lecturer, associate professor, and assistant dean of the School of Accountancy of Shanghai University of Finance and Economics. Mr. Pan has been serving as a professor and a doctoral supervisor of the school of accountancy of Shanghai University of Finance and Economics since July 2000.
Xu Zhiming	Mr. Xu Zhiming, born in 1961, is a holder of a doctorate in economics. Currently, he is an independent non-executive director of the Company, and a founding partner of China Broadband Capital. Mr. Xu served as a research analyst of Institute for International Studies in China International Trust and Investment Corporation, and the co-director of corporate finance department and co-director of capital market department of Nomura International (Hong Kong) Limited, a director and the director of investment banking division in the Great China Region of National Westminster Bank of Britain, a director and the director of corporate financing division in the Great China Region of Bank of Boston of the US from December 1986 to August 1999, an executive director of China Resources Enterprise, Limited, an executive director of China Resources (Beijing) Land Limited, the managing director and chief operating officer of China Resources Logic Limited from August 1999 to December 2001, as well as a senior consultant of TOM Group Limited, and an executive director and chief operating officer of TOM Online Inc from January 2002 to May 2005. Mr. Xu has been a founding partner of China Broadband Capital since March 2006.
	Supervisor (7)
Song Xuefeng	Mr. Song Xuefeng, born in 1970, is a holder of a doctorate in management. Currently, he is the chairman of the supervisory committee of the Company, a member of the party committee and deputy general manager of Shenergy (Group) Company Limited, the chairman of the supervisory committee of Shenergy Co., Ltd., the chairman of Shanghai ICY Capital Co., Ltd., the chairman of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., the chairman of Shanghai ICY Venture Capital Management Ltd., and an executive director of Chengdu ICY Capital Management Ltd. Mr. Song served as the manager of the financial department of Shenergy Co., Ltd., a deputy manager and manager of Shenergy Company Limited from March 2001 to May 2008, an assistant to the general manager and finance manager, chief accountant and financial manager, deputy general manager and chief accountant at Shenergy Company Limited from April 2005 to May 2011, a temporary assistant mayor of Zigong, Sichuan from October 2010 to October 2011, and the assistant to general manager of Shenergy (Group) Company Limited from January 2012 to August 2014. Mr. Song has been serving as a deputy general manager of Shenergy (Group) Company Limited since August 2014, the chairman of the supervisory committee of Shenergy Company Limited since May 2011, as well as a member of the party committee of Shenergy (Group) Company Limited since December 2016.

Name	Primary working experience
Li Bin	Mr. Li Bin, born in 1959, is a holder of a bachelor's degree in economic administration, he is an intermediate economist and an intermediate administrative engineer. Currently, he is the deputy party committee secretary, secretary of discipline inspection committee, the vice chairman of the supervisory committee and director-general of Xindeyizhang Foundation(心得益彰基金會). Mr. Li served as a mechanic in Beijing Air Force Unit 39583 from February 1978 to January 1981, the league officer, deputy secretary, secretary, human resources manager, party branch secretary of assembly shop of Shanghai Construction Machinery Plant from July 1981 to September 1988, the director of general manager office and director of party committee office of Shanghai Petrochemical Equipment Company from September 1988 to August 1996, the senior staff of the human resources department of Shanghai Pricing Bureau from August 1996 to July 2000, the office senior staff, deputy director, deputy party committee secretary, secretary of discipline inspection commission and director of CPC Shanghai financial working committee from July 2000 to April 2011, and the director of human resources offices (human resources department, veteran services office) of CPC Shanghai financial working committee from April 2011 to March 2014. Mr. Li has been serving as the vice chairman of the Supervisory Committee since November 2014,as well as the deputy party committee secretary and the secretary of discipline inspection commission of the Company since March 2014.
Liu Wenbin	Mr. Liu Wenbin, born in 1975, is a holder of master's degree in accounting and a senior economist. Currently, he is a supervisor of the Company and the financial controller of Great Wall Information Industry Co., Ltd. Mr. Liu served as the accountant, financial manager, financial department director and deputy chief accountant of the subsidiaries of Great Wall Information Industry Co., Ltd. from June 2000 to August 2013. Mr. Liu has been serving as the chief financial officer of Great Wall Information Industry Co., Ltd. since September 2013.
Yin Keding	Mr. Yin Keding, born in 1964, is a holder of a bachelor's degree in economics and a senior economist. Currently, he is a supervisor of the Company, the chief accountant of Shanghai Construction Group Co., Ltd., and a director of Shanghai Pudong CCB Rural Bank Company Limited. Mr. Yin served as the financial director of the overseas business department of Shanghai Construction (Group) General Co., Ltd. from July 1987 to July 2001, the financial controller of HKC (Holdings) Limited from July 2001 to June 2004, the deputy director of the financial department of Shanghai Construction (Group) General from June 2004 to January 2005, the chief accountant of Shanghai Construction (Group) General south branch from January 2005 to January 2009, the chief accountant of Shanghai No.2 Construction Company Limited from January 2010 to October 2011, as well as the deputy chief accountant of Shanghai Construction Group Co., Ltd from October 2011 to December 2012. Mr. Yin has been serving as the chief accountant of Shanghai Construction Group Co., Ltd. since December 2012.

Name	Primary working experience
Wu Zhengkui	Mr. Wu Zhengkui, born in 1974, is a holder of a master's degree in accounting and an intermediate accountant. Currently, he is a supervisor of the Company, the deputy general manager of the financial department of Greenland Holding Group Company Limited, the executive deputy general manager of the auditing center of Greenland Holding Group, a director of Shanghai Greenland Construction (Group) Co., Ltd., a director of Shanghai Yunfeng (Group) Co., Ltd., a director of Nanjing Urban Construction and Development (Group) Co., Ltd. (南京市城市建設開發(集團)有限責任公司), a supervisor of Greenland Financial Investment Holding Group Co., Ltd., the financial controller of Shanghai Xinhua Publishing Group Limited, a director of the Bank of Jinzhou Co., Ltd., a director of Shanghai Rural Commercial Bank Co., Ltd., as well as an executive director of Greenland Hong Kong Holdings Limited. Mr. Wu served as a staff of Jiangsu Tianneng Group, an accountant of Kunshan Southern Chemical Plant, the manager of financial department of Shanghai Greenland Construction Engineering Co., Ltd., as well as the manager of financial department and an assistant to general manager of Greenland Holding Group Company Limited. Mr. Wu has been serving as the deputy manager of the financial department of Greenland Holding Group Company Limited since March 2012.
Zhou Wenwu	Mr. Zhou Wenwu, born in 1961, is a holder of a bachelor's degree in economics. Currently, he is an employee supervisor, the vice chairman of the trade union, the deputy director of retirement management committee of the Company and the vice chairman of Huangpu District Federation of Trade Unions (黃浦區總工會). Mr. Zhou served as the deputy manager and manager of the financial department of Shanghai Merchants International Travel Company. He served as the manager of the financial department of Shanghai Jinqiao Export Processing Zone Joint Development Co., Ltd. from October 1992 to January 1997, the chief accountant of CLP Shanghai Industrial Co., Ltd. from February 1997 to October 1998, the manager of the financial department of Shanghai Pharmaceutical Biotechnology Industrial Park Medicine Sales Co., Ltd. from November 1998 to October 2000, as well as the commissioner for Liaoning administrative department, assistant to the general manager and deputy general manager for the fund management department of 東方證券股份有限公司 from November 2000 to December 2014. Mr. Zhou has been serving as the vice chairman of the trade union of 東方證券股份有限公司 since November 2014 and as the deputy director of retirement management committee since February 2015.
Yao Yuan	Mr. Yao Yuan, born in 1973, is a holder of a bachelor's degree and a Certified Public Accountant. Currently, he is an employee supervisor, the general manager of the compliance and legal management department and the risk management department of the Company. Mr. Yao served as an accountant of Yangpu Securities Branch of Shanghai Pudong Development Bank from September 1993 to March 1998, as well as the auditing clerk, supervisor, senior supervisor, senior executive, assistant to the general manager and deputy general manager of audit department of 東方證券股份有限公司 from March 1998 to December 2014. Mr. Yao has been serving as the deputy general manager of the Legal and Compliance Management Department (in charge of affairs) since December 2014, and the general manager of the compliance and legal management department and the risk management department of the Company since March 2017.

Name	Primary working experience
	Other senior management member (6)
Yang Yucheng	Mr. Yang Yucheng, born in 1965, is a holder of a master's degree in economics and a senior economist. Currently, he is a vice president of the Company, the chairman of Orient Finance Holdings (Hong Kong) Limited, the chairman of the supervisory committee of Citi Orient Securities Co., Ltd., as well as a director of Great Wall Fund Management Co., Ltd. Mr. Yang was a teacher in the Finance Department of Shanghai University of Finance and Economics from August 1987 to July 1993, an assistant to the general manager of securities investment department of Guotai Junan Securities Co., Ltd. from August 1993 to January 1999, a director, board secretary and deputy general manager of Shanghai Dazhong Enterprises of Science and Technology Ltd. from February 1999 to July 2002, a director and the deputy general manager of Shanghai Shenergy Asset Management Co., Ltd. from October 2001 to August 2004, the financial controller and deputy general manager of 東方證券股份有限公司 from May 2004 to March 2007, a director and general manager of Shenergy Group Finance Co., Ltd. from February 2007 to July 2009, and the secretary of the Board from January 2012 to November 2016. Mr. Yang has been serving as the vice president of 東方證券股份有限公司 since July 2009.
Shu Hong	Mr. Shu Hong, born in 1967, is a holder of a master's degree in business administration and an engineer. Currently, he is a vice president of the Company and a director of Shanghai Qizhong Golf Club Company Limited. Mr. Shu Hong served as the manager for the computer network center system development department of Shenyin & Wanguo Securities Co., Ltd. from March 1993 to November 1998, and the head of the Information Technology Center and general manager of 東方證券股份有限公司 from November 1998 to March 2004. He also served as the assistant to the general manager and general manager of the Information Technology Center, the assistant to the general manager and general manager of the brokerage business department, the director of IT technology and assistant to the general manager, operating controller and assistant to general manager, and operating controller (now renamed as "chief operating officer") of Orient Securities Company Limited from December 2001 to April 2014. Mr. Shu has been serving as vice president of the Company since April 2014.

Name	Primary working experience
Zhang Jianhui	Mr. Zhang Jianhui, born in 1968, is a holder of a master's degree in economics and business administration, and he is an intermediate accountant. Currently, he is a vice president, financial controller and general manager of the planning and financial management department of the Company, the chairman of Shanghai Orient Securities Innovation Investment Co., Ltd., a director of Shanghai Orient Securities Capital Investment Co., Ltd., a supervisor of China Securities Credit Investment Co., Ltd., a supervisor of Orient Finance Holdings (Hong Kong) Limited, a supervisor of Shanghai ICY Capital Co., Ltd., a supervisor of Shanghai ICY New Energy Venture Capital Investment Co., Ltd., as well as a supervisor of Orient Ruide (Shanghai) Investment Management Co., Ltd. Mr. Zhang served as a clerk of Shanghai Pudong Development Bank from March 1994 to March 1998, the assistant to the general manager of the fund and financial management department of Orient Securities Company Limited from March 1998 to July 2003, the deputy general manager and general manager for Liaoning administrative department, the deputy general manager (in charge of affairs) and general manager of the fund and financial management department of 東方證券股份有限公司 from July 2003 to June 2015. Mr. Zhang has been serving as the chief financial officer of the Company since May 2014 and has been serving as general manager of the general office of financial planning of the Company since June 2015. Mr. Zhang has been serving as the vice president of the Company since July 2015.
Du Weihua	Mr. Du Weihua, born in 1964, is a holder of a master's degree in business administration, and he is an economics and an associate professor. Currently, he is a vice president, the chairman of the trade union, the general manager of the human resources management department and a member of the discipline inspection commission of the Company, a director of Shanghai Orient Securities Capital Investment Co., Ltd., a director of Shanghai Orient Securities Innovation Investment Co., Ltd., and a director of Shanghai Orient Securities Asset Management Co., Ltd. Mr. Du served as a teacher in the School of Finance at Shanghai University of Finance and Economics from July 1984 to June 1998, and the manager of sales department, assistant to the general manager and deputy general manager of the brokerage business department, and general manager of the operation and management department of 東方證券股份有限公司 from June 1998 to January 2012, the general manager of human resources management department of the Company since November 2009, a assistant to the president and employee supervisor of the Company from January 2012 to August 2015. Mr. Du has been the vice president of the Company since August 2015.

Name	Primary working experience
Yang Bin	Mr. Yang Bin, born in 1972, is a holder of a master's degree in economics. Currently, he is the chief risk officer and compliance controller of the Company, a director of Shanghai Orient Securities Futures Co., Ltd., a director of Orient Finance Holdings (Hong Kong) Limited, a director of Citi Orient Securities Co., Ltd. Mr. Yang Bin served as the clerk of the non-banking financial institute administrative office of the People's Bank of China Shanghai Branch from July 1997 to July 1998, a deputy senior staff and senior staff of the inspection bureau and case proceedings of inspection bureau of Shanghai Bureau of the CSRC from July 1998 to March 2004, the senior staff of the No.1 inspection office and the No.2 institute supervision office of Shanghai Bureau of the CSRC from March 2004 to February 2007, and the deputy director of the No.1 institute supervision office, futures regulatory office director, and legal affairs office director of Shanghai Bureau of the CSRC from February 2007 to May 2015. Mr. Yang has been serving as the chief risk officer of the Company since June 2015 and as chief compliance officer of the Company since July 2015.
Wang Rufu	Mr. Wang Rufu, born in 1973, is a holder of master's degree in engineering and a Certified Public Accountant. Currently, he is the secretary to the Board, and the director of the Board office of the Company, a supervisor of China Universal Asset Management Company Limited, a director of Shanghai ICY Capital Co., Ltd., and a director of Shanghai ICY New Energy Venture Capital Investment Co., Ltd. Mr. Wang served as the comprehensive planner of Planning Head Office and the strategic manager of Development and Coordination Office of Shenyin Wanguo Securities from August 2002 to April 2004, the assistant to general manager of planning and development department and the deputy chief (in charge of affairs) of secretariat of Kinghing Securities from May 2004 to October 2005, as well as the senior strategic researcher of securities market of 東方證券股份有限公司 Institute from October 2005 to March 2008. Mr. Wang has been serving as the senior head, assistant to the chief, deputy chief, chief and the representative of securities affairs (concurrent) since March 2008, as the secretary to the Board of the Company since November 2016.

Name	Primary working experience
	Departed director (2)
Xu Chao	Mr. Xu Chao, born in 1955, is a holder of master's degree in business administration and a senior economist. Mr. Xu served as a director of the Company from October 2014 to July 2016. He served as the vice secretary and secretary of CPC party branch, deputy director of the factory director's office, chief of the finance section and deputy chief accountant of Shanghai Turbine Works from May 1986 to February 1999, the chief accountant and the head of financial department, the financial controller and vice president of Shanghai Turbine Co., Ltd. (上海汽輪機有限公司) from February 1999 to August 2011, the assistant to the president, chief financial officer and vice president of Shanghai Electric Capital Management Co., Ltd. from October 2006 to December 2013. Mr. Xu was the director of the financial budget department of Shanghai Electric (Group) Corporation from October 2010 to August 2011, the deputy general economist and the head of the investment management department of Shanghai Electric (Group) Corporation from December 2013 to March 2015, an executive director, general manager and deputy party committee secretary of Shanghai Electrical Industrial Company Limited from August 2009 to March 2015, the vice chairman of Shanghai Highly (Group) Co., Ltd. from June 2011 to June 2016, as well as an executive director and general manger of Shanghai Electric Hong Kong Co., Ltd. from May 2015 to May 2016.
Chen Bichang	Mr. Chen Bichang, born in 1959. Mr. Chen served as a director of the Company from October 2014 to April 2016. Currently, he is the party committee secretary and general manager of Shanghai Post Company, the chairman of Shanghai Oriental Books, Newspapers and Publications Service Co., Ltd. (上海東方書報刊服務有限公司), the chairman of Shanghai Jieshida Post EMS Company (上海捷時達郵政專遞公司), the chairman of Shanghai Post Real Estate Development and Operation Co., Ltd. (上海郵政房地產開發經營有限公司), the chairman of Shanghai Post Property Management Co., Ltd. (上海郵政物業管理有限公司), the chairman of Shanghai Post Industrial Development Corporation (上海郵政實業開發總公司), the chairman of Shanghai Stamp & Coin Trade Center Co., Ltd. (上海郵幣卡交易中心股份有限公司), and a supervisor of Shanghai Pudong Development Bank Co., Ltd. Mr. Chen served as an engineer of the No.3 Institute of the MPT, an engineer, section head, deputy director of Shenzhen Postal Bureau, the deputy chief of the postal office department of Guangdong Posts and Telecommunications Administration, the head (deputy head level) of the Shenzhen Postal Bureau, deputy head, head, and assistant to the chief of the engineering construction division of Guangdong Postal Bureau, the director of electronic postal office of the State Postal Bureau, the chief and deputy party committee secretary (deputy chief level) of the Shenzhen Postal Bureau, the deputy chief of Guangdong Postal Bureau, the chief of Shandong Postal Bureau, as well as the general manager of Shandong Post Company.

(II) Equity incentives granted to directors, supervisors and senior management during the Reporting Period

During the Reporting Period, no directors or senior management of the Company was granted with share incentives.

II. EMPLOYMENT OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Employment at the shareholder entities

Name of employee	Name of the shareholder entities	Position at the shareholder entities	Commencement date of the term of office	Expiry date of the term of office
Wu Jianxiong	Shenergy (Group) Company Limited	Deputy party committee secretary and general manager	April, 2008	Up to now
Zhang Qian	Shenergy (Group) Company Limited	Deputy general manager	September, 2015	Up to now
Wu Junhao	Shenergy (Group) Company Limited	Manager of the financial management department	April, 2011	Up to now
Chen Bin	Shanghai Haiyan Investment Management Company Limited	Deputy general manager	February, 2017	Up to now
Xu Jianguo	Shanghai Electric (Group) Corporation	Chief of financial budget department	April, 2013	Up to now
Song Xuefeng	Shenergy (Group) Company Limited	Deputy general manager	August, 2014	Up to now
Song Xuefeng	Shenergy (Group) Company Limited	Member of the party committee	December, 2016	Up to now
Liu Wenbin	Great Wall Information Industry Co., Ltd.	Financial controller	September, 2013	Up to now
Yin Keding	Shanghai Construction Group Co., Ltd.	Chief accountant	December, 2012	Up to now
Wu Zhengkui	Greenland Holding Group Company Limited	Deputy general manager of the financial department	January, 2012	Up to now
Explanations on the employment at the shareholder entities	Nil			

(II) Employment at other entities

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Pan Xinjun	Citi Orient Securities Co., Ltd.	Chairman	June, 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July, 2010	Up to now
Wu Jianxiong	Shenergy Company Limited	Chairman	April, 2011	Up to now
Jin Wenzhong	Shanghai Orient Securities Capital Investment Co., Ltd.	Chairman	March, 2012	Up to now
	Shanghai Orient Securities Futures Co., Ltd.	Chairman	December, 2014	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November, 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July, 2010	Up to now
Zhang Qian	Shanghai Jiulian Group Co., Ltd.	Chairman	October, 2015	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman	December, 2016	Up to now
	Shenergy Group Finance Co., Ltd.	General manager	October, 2009	September, 2016
Wu Junhao	China Pacific Insurance (Group) Co., Ltd.	Director	July, 2012	Up to now
	China Pacific Life Insurance Co., Ltd.	Director	July, 2012	Up to now
	China Pacific Property Insurance Co., Ltd.	Director	July, 2012	Up to now
	Shanghai Jiulian Group Co., Ltd.	Director	April, 2012	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	October, 2010	Up to now
	Chengdu Xinshen Venture Capital Co., Ltd.	Director	April, 2011	Up to now
	China Everbright Bank Company Limited	Supervisor	November, 2009	Up to now
	Shanghai ICY Capital Co., Ltd.	Supervisor	October, 2010	Up to now
	Shanghai Shenergy Lease Co., Ltd.	Chairman of the supervisory committee	December, 2016	Up to now
	Shanghai Shenergy ICY Equity Investment Co., Ltd.	Chairman of the supervisory committee	December, 2016	Up to now

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Chen Bin	Shanghai Tobacco Group Co., Ltd.	Assistant to investment director	April, 2014	October, 2016
	Haitong Securities Co., Ltd.	Director	December, 2014	Up to now
	Jingan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團靜安煙草糖酒有限公司)	Director	September, 2016	Up to now
	Zhabei Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閘北煙草糖酒有限公司)	Director	September, 2016	Up to now
	Luwan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團盧灣煙草糖酒有限公司)	Director	September, 2016	Up to now
	Railway Tobacco Co., Ltd. of Shanghai Tobacco Group (上海煙草集團鐵路煙草有限公司)	Director	November, 2016	Up to now
	Jiading Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團嘉定煙草糖酒有限公司)	Director	September, 2016	Up to now
	Putuo Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團普陀煙草糖酒有限公司)	Director	September, 2016	Up to now
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃埔煙草糖酒有限公司)	Director	September, 2016	Up to now
	Fengxian Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團奉賢煙草糖酒有限公司)	Director	September, 2016	Up to now
	Jinshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團金山煙草糖酒有限公司)	Director	September, 2016	Up to now
	Changning Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團長寧煙草糖酒有限公司)	Director	September, 2016	Up to now
	Shanghai Magnolia Tobacco Materials Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	November, 2016	Up to now
	Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司)	Director	October, 2016	Up to now
	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	August, 2016	Up to now

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Li Xiang	Operation management office of Shanghai United Media Group	Chief	October, 2013	Up to now
	Shanghai Wenxin Economic Development Co., Ltd.	Executive director	April, 2010	Up to now
	Shanghai Call Center Co., Ltd.	Director	July, 2009	Up to now
	Shanghai Wenhui-Xinmin Industrial Co., Ltd.	Director	November, 2010	September 2016
	Shanghai Xinhua Publishing Group Limited	Director	May, 2014	Up to now
	JieMian (Shanghai) Internet Technology Co., Ltd.	Director	July, 2014	Up to now
	Shanghai Oriental Pearl Real Estate Co., Ltd.	Director	July, 2015	Up to now
	Shanghai Shangbao Asset Management Co., Ltd.	Director	September, 2015	Up to now
	China Universal Asset Management Company Limited	Director	April, 2015	November, 2016
	Shanghai Morning Post Culture Media Co., Ltd.	Director	January, 2016	Up to now
	Shanghai Read Information Technology Co., Ltd.	Director	May, 2016	Up to now
	Shanghai Post Full-time Logistics Distribution Co., Ltd. (上海郵政全日送物流配送有限公司)	Director	June, 2016	Up to now
	Shanghai Donde Advertising Media Co., Ltd.	Director	June, 2016	Up to now
	Shanghai Oriental Press Co., Ltd.	Director	July, 2016	Up to now
	上海報業集團文化新媒體投資管理（former Shanghai Wenxin Investment Co., Ltd.)	Director	May, 2010	January, 2016
	Shanghai Xinming Media Co., Ltd.	Director	February, 2010	January, 2016
Xu Jianguo	Shanghai Prime Machinery Co. Ltd.	Chairman of the supervisory committee	May, 2016	Up to now
	Shanghai Highly (Group) Co., Ltd.	Director	June, 2016	Up to now
	Shanghai Life Insurance Co., Ltd.	Director	March, 2015	Up to now
	Shanghai Electric Group Finance LLC	Director	April, 2013	Up to now
	Haitong Securities Co., Ltd.	Director	October, 2016	Up to now
	Shanghai Micro Electronics Equipment Group Co., Ltd.	Director	June, 2016	Up to now
Huang Laifang	Shanghai Branch of China Post Group Corporation	Deputy general manager	February, 2016	Up to now
	Shanghai Branch of China Post Group Corporation	Chairman of Union	June, 2016	Up to now

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Zhou Yao	Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. (上海金橋土控聯合投資開發有限公司)	General manager	September, 2016	Up to now
	Shanghai Jinqiao Soil Controlling United Investment Development Co., Ltd. (上海金橋土控聯合投資開發有限公司)	Director	September, 2016	Up to now
	Project Management Center of Shanghai Jinqiao (Group) Co., Ltd.	General manager	August, 2014	September, 2016
	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Director	December, 2008	July, 2016
	Shanghai Jinqiao Export Processing Zone Estate Exploit Co., Ltd.	Director	April, 2005	July, 2016
	Shanghai Huade Meiju Supermarket Co., Ltd. (上海華德美居超市有限公司)	Director	September, 2007	July, 2016
Li Zhiqiang	Shanghai Jin Mao Kai De Partners	Founding partner	June, 2008	Up to now
	Shanghai M&G Stationery Inc.	Independent director	June, 2014	Up to now
	China Haisum Engineering Co., Ltd.	Independent director	December, 2012	Up to now
	Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd.	Independent director	May, 2014	Up to now
Xu Guoxiang	Research Center for Applied Statistics of Shanghai University of Finance and Economics	Director	June, 2003	Up to now
	Baoding Tianwei Baobian Electric Co., Ltd.	Independent director	October, 2011	Up to now
	China Enterprise Company Limited	Independent director	April, 2012	Up to now
	Dazhong Transportation (Group) Co., Ltd.	Supervisor	April, 2006	Up to now
	Shanghai Xintonglian Packaging Co., Ltd.	Supervisor	November, 2011	Up to now
	Luzhou Laojiao Co., Ltd.	Independent director	June, 2015	Up to now
Tao Xiuming	Beijing JunZeJun Law Offices	Founding partner and the management committee director	July, 1995	Up to now
	Gao Lin Capital Management Co., Ltd.	Director	April, 2014	Up to now
	Beijing Houjian Investment Co., Ltd.	Executive director	March, 2014	Up to now
	Taikang Asset Management Co., Ltd.	Independent director	August, 2014	Up to now

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Wei Anning	Shanghai Guwang Investment Management Limited	Executive director, general manager	September, 2010	Up to now
	Ningbo Tech-Bank Co., Ltd.	Independent director	August, 2013	Up to now
	Fortune SG Fund Management Co., Ltd.	Independent director	September, 2015	Up to now
	Hangzhou United Rural Commercial Bank Co., Ltd.	Director	January, 2011	Up to now
	DaChan Food (Asia) Limited	Independent director	October, 2014	Up to now
	Ningxia Guwang Investment Management Limited	Executive director	May, 2014	Up to now
	Ningbo Guwang Investment Management Limited	Executive director	April, 2015	Up to now
	Xingjiang Tycoon Group Co., Ltd.	Director	February, 2016	Up to now
Pan Fei	School of Accountancy of Shanghai University of Finance and Economics	Professor	July, 2000	Up to now
	Shanghai M&G Stationery Inc.	Independent director	June, 2014	March, 2016
	Bright Dairy & Food Co., Ltd.	Independent director	April, 2013	May, 2016
	Yabaite Co., Ltd.(雅白特股份有限公司)	Independent director	August, 2015	July, 2016
	Universal Scientific Industrial (Shanghai) Co., Ltd.	Independent director	April, 2014	Up to now
	Chongqing New Century Cruises Co., Ltd. (重慶新世紀遊輪股份有限公司)	Independent director	August, 2016	Up to now
	BOCI Securities Limited	Independent director	October, 2015	Up to now
Xu Zhiming	China Broadband Capital	Founding partner	March, 2006	Up to now
Song Xuefeng	Shenergy Company Limited	Chairman of supervisory committee	May, 2011	Up to now
	Shanghai ICY Capital Co., Ltd.	Chairman	July, 2013	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Chairman	July, 2013	Up to now
	Shanghai ICY Capital Management Ltd.	Chairman	July, 2013	Up to now
	Chengdu ICY Capital Management Ltd.	Executive director	January, 2013	Up to now
Li Bin	Shanghai DFZQ Xindeyizhang Public Welfare Foundation (上海東方證券心得益彰公益基金會)	Director-general	April, 2015	Up to now
Yin Keding	Shanghai Pudong CCB Rural Bank Company Limited	Director	January, 2014	Up to now

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Wu Zhengkui	Shanghai Greenland Construction (Group) Co., Ltd.	Director	January, 2007	Up to now
	Shanghai Yunfeng (Group) Co., Ltd.	Director	January, 2008	Up to now
	Nanjing Urban Construction and Development (Group) Co., Ltd.(南京市城市建設開發(集團)有限責任公司)	Director	March, 2008	Up to now
	Greenland Financial Investment Holding Co., Ltd.	Supervisor	June, 2011	Up to now
	Shanghai Xinhua Publishing Group Limited	Financial controller	January, 2007	Up to now
	Bank of Jinzhou Co., Ltd.	Director	October, 2011	Up to now
	Shanghai Rural Commercial Bank Co., Ltd.	Director	December, 2011	Up to now
	Greenland Hong Kong Holdings Limited	Executive director	August, 2013	Up to now
	Greenland Rundong Auto Group Limited	Non-executive Director	August, 2015	August, 2016
Zhou Wenwu	Huangpu District Federation of Trade Unions (黃浦區總工會)	Part-time deputy party secretary	April, 2016	Up to now
Yang Yucheng	Orient Finance Holdings (Hong Kong) Limited	Chairman	August, 2010	Up to now
	Citi Orient Securities Co., Ltd.	Chairman of the supervisory committee	February, 2015	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	July, 2010	April, 2016
	Great Wall Fund Management Co., Ltd.	Director	February, 2015	Up to now
Shu Hong	Shanghai Orient Securities Futures Co., Ltd.	Director	January, 2008	February, 2016
	Shanghai Qizhong Golf Club Company Limited	Director	January, 2009	Up to now
Zhang Jianhui	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November, 2012	July, 2016
	Orient Finance Holdings (Hong Kong) Limited	Director	August, 2015	Up to now
	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	August, 2015	Up to now
	Shanghai ICY Capital Co., Ltd.	Supervisor	March, 2010	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Supervisor	October, 2010	Up to now
	Orient Ruide (Shanghai) Investment Management Co., Ltd.	Supervisor	August, 2014	Up to now
	China Securities Credit Investment Co., Ltd.	Supervisor	May, 2015	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Chairman	July, 2016	Up to now

Name of employee	Name of other entities	Position at other entities	Commencement date of the term of office	Expiry date of the term of office
Du Weihua	Shanghai Orient Securities Capital Investment Co., Ltd.	Director	September, 2011	Up to now
	Shanghai Orient Securities Innovation Investment Co., Ltd.	Director	November, 2012	Up to now
	Shanghai Orient Securities Asset Management Co., Ltd.	Director	April, 2016	Up to now
Yang Bin	Shanghai Orient Securities Asset Management Co., Ltd.	Chief risk officer and compliance controller	June, 2015	July, 2016
	Orient Finance Holdings (Hong Kong) Limited	Director	August, 2015	Up to now
	Citi Orient Securities Co., Ltd.	Director	October, 2015	Up to now
	Shanghai Orient Securities Futures Co., Ltd.	Director	August, 2015	Up to now
Wang Rufu	China Universal Asset Management Company Limited	Supervisor	September, 2015	Up to now
	Shanghai ICY Capital Co., Ltd.	Director	March, 2015	Up to now
	Shanghai ICY New Energy Venture Capital Investment Co., Ltd.	Director	March, 2015	Up to now
Xu Chao (departed)	Shanghai Electric Hong Kong Co., Ltd.	Executive director and general manager	March, 2015	May, 2016
	Shanghai Highly (Group) Co., Ltd.	Vice chairman	June, 2011	June, 2016
	Haitong Securities Co., Ltd.	Director	May, 2011	July, 2016
Chen Bichang (departed)	Shanghai Oriental Books, Newspapers and Publications Service Co., Ltd. (上海東方書報刊服務有限公司)	Chairman	May, 2012	Up to now
	Shanghai Post Full-time Logistics Distribution Co., Ltd. (上海郵政全日送物流配送有限公司)	Chairman	July, 2011	July, 2016
	Shanghai Jieshida Post EMS Company (上海捷時達郵政專遞公司)	Chairman	July, 2011	Up to now
	Shanghai Post Real Estate Development and Operation Co., Ltd. (上海郵政房地產開發經營有限公司)	Chairman	July, 2011	Up to now
	Shanghai Post Property Management Co., Ltd. (上海郵政物業管理有限公司)	Chairman	September, 2011	Up to now
	Shanghai Post Industrial Development Corporation (上海郵政實業開發總公司)	Chairman	January, 2012	Up to now
	Shanghai Stamp & Coin Trade Center Co., Ltd. (上海郵幣卡交易中心股份有限公司)	Chairman	October, 2013	Up to now
	Shanghai Pudong Development Bank Co., Ltd.	Director	May, 2015	February, 2016
	Shanghai Pudong Development Bank Co., Ltd.	Supervisor	February, 2016	Up to now
Positions at other entities	Nil			

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for remunerations of the directors, supervisors and senior management	The Company's external dependent directors and shareholder supervisors do not receive any remunerations from the Company. The bonuses of the Company's independent directors are determined by the Board and proposed to the general meeting for consideration and approval. The fixed salary of the Company's internal directors and senior management is determined by the remuneration and nomination committee to the Board and submitted to the Board for approval; the aggregate annual performance bonuses are determined by the remuneration and nomination committee to the Board based on the results of performance appraisal for the current year, and proposed to the Broad for approval; the performance bonuses and discretion incentive income of the management members are linked with the results of their annual performance appraisal and appraisal results. Upon confirmed by the remuneration and nomination committee to the Board, the chairman will be responsible for executing the distribution results.
Basis for determining the remunerations of the directors, supervisors and senior management	Remunerations of the Company's independent directors are determined with reference to that of the listed peers; remunerations of the Company's internal directors, employee supervisors and senior management are based on the remuneration and assessment system of the Company. According to the Opinions on Deepening the Reform of State-owned Enterprise Leaders' Remuneration System (the "Opinions") issued by Shanghai and the relevant requirements from the superior competent authorities, the remuneration structure and standard of the chairman, president, vice president and secretary of discipline inspection commission will be carried out in accordance with related provisions since January 1, 2016.
Actual payments of remunerations of the directors, supervisors and senior management	Please refer to "Changes in shareholding and remunerations of current and resigned directors, supervisors and senior management during the Reporting Period" in this section for details.
Remunerations received in aggregate by all the directors, supervisors and senior management at the end of the Reporting Period	RMB35.7985 million.

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Chen Bichang	Non-executive director	Resigned	Due to work commitments, Mr. Chen Bichang tendered his resignation to the Board from the position of director on April 12, 2016.
Huang Laifang	Non-executive director	Elected	Ms. Huang Laifang was elected as a director of the third session of the Board at the 2015 annual general meeting convened on May 25, 2016 by the Company. Ms. Huang Laifang's Qualification as Director of Securities Company was approved by the Shanghai Bureau of the CSRC on June 27, 2016.
Xu Chao	Non-executive director	Resigned	Due to work commitments, Mr. Xu Chao tendered his resignation to the Board from the position of director on July 12, 2016.
Xu Zhiming	Independent non-executive director	Elected	Mr. Xu Zhiming was elected as an independent director of the third session of the Board at the first extraordinary general meeting for 2015 of the Company convened on September 22, 2015. Mr. Xu Zhiming would officially assume office and performance his duties from the date when all the following conditions were satisfied to the expiry date of term of the third session of the Board: 1. Mr. Xu Zhiming obtained his Qualification as Independent Director of Securities Company from the securities regulatory authorities; 2. the H Shares issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange; 3. the Articles of Association (draft), which was applicable after H Shares issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange, was considered and approved by the general meeting, and is approved by the securities regulatory authorities. On January 22, 2016, the Company received the Reply on Approving Change of Material Articles in Articles of Association by Orient Securities Company Limited (Hu Zheng Jian Xu Ke [2016] No. 11) issued by the Shanghai Bureau of the CSRC, pursuant to which the Company was approved to change some important articles in the Articles of Association of Orient Securities Company Limited; on June 24, 2016, the Company received the Reply on Approving Qualification of Xu Zhiming as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 56) issued by the Shanghai Bureau of the CSRC; on July 8, 2016, the overseas listed foreign shares (H Shares) issued by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange. As such, all the conditions which qualifies Mr. Xu Zhiming to be an independent director of the third session of the Board of the Company have been satisfied. Mr. Xu Zhiming has officially assumed the office as an independent director of the third session of the Board of Company since July 8, 2016.

Name	Position	Change	Reason for change
Xu Jianguo	Non-executive director	Elected	Mr. Xu Jianguo was elected as a director of the third session of the Board at the first extraordinary general meeting for 2016 of the Company convened on November 8, 2016. Mr. Xu Jianguo's Qualification as Director of Securities Company was approved by the Shanghai Bureau of the CSRC on November 7, 2016.
Yang Yucheng	Secretary to the Board	Resigned	On November 28, 2016, Mr. Yang Yucheng tendered his resignation to the Board from the position of the secretary to the Board of the Company due to personal reasons.
Wang Rufu	Secretary to the Board	Appointed	Mr. Wang Rufu was appointed as the secretary to the Board of the Company at the 24th meeting of the third session of the Board convened on November 28, 2016 by the Company.

V. PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS

No existing and retiring directors, supervisors and senior management of the Company were subject to any penalties imposed by relevant securities regulatory authorities in the recent three years.

VI. INFORMATION ON THE STAFF OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Staff

Number of staff employed by the Company	3,037
Number of staff employed by the major subsidiaries	1,134
Total number of staff employed	4,171
Number of retired workers the Company and its major subsidiaries should bear costs for	1

Professional composition

Category of profession	Number of Profession composition
Managers	302
Researchers	169
Investment banking professionals	342
Brokers	2,256
Asset management professionals	160
Investment business professionals	180
Financial professionals	207
Info-tech professionals	247
Other staff	308
Total	4,171

Education

Level of education	Number of staff
Doctor	66
Master	1,207
Bachelor	2,358
Junior college graduate	451
Secondary vocational school graduate	41
Secondary schools and below	48
Total	4,171

(II) Remuneration policies

The Company emphasizes talent attraction, motivation, training and use, and adopts a salary system based on position salary system and performance bonus, linking remuneration level to the position value, local market rates and performance evaluation results, so as to ensure “efficiency first as well as fairness”. Pursuant to the applicable laws and regulations in the PRC, the Company has entered into a labor contract with each of its employees to establish an employment relationship. The labor contract contains the provisions relating to the contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations in the PRC, the Company sets up various social insurance (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, and makes contributions to the above social insurance and housing funds on time and in full. Meanwhile, the Company, in accordance with the applicable PRC regulations, also established a corporate annuity system and supplementary medical insurance system in 2006, which provided additional pension and medical protection to its employees.

(III) Training plans

In 2016, in line with the development of the Company as a listed securities firm of both A Shares and H Shares, the Company centered on "training serving business development" for its training works, and adhered to an orientation of business needs with a view to creating quality courses and excellent teaching staff by orderly promoting a way of combing internal training with external training, on-site training with online training. During the whole year, the Company organized 72 various trainings, covering practitioner, macro strategies, operations and management, as well as business improvement, with 5,050 participants; 208 external trainings with 258 participants; 6,660 participants by the way of remote video or internet trainings.

In 2017, the Company will still organize various trainings based on its development needs by focusing on a targeted training and enhancing training efficiency, so as to constantly improve the Company's training system and ensure that training serves business development. The Company will also strengthen conversion of internal courses and introduction of external courses to set up a differentiated courses system which is adaptable to innovation and transformation.

(IV) Labor outsourcing

Total working hours involved in labor outsourcing	916,228
Total remuneration paid for labor outsourcing	13,750,673.03

VII. OTHERS

Client solicitation and client services by the brokers entrusted by the Company

(i) Securities brokers management

Since officially obtaining the qualification for implementation of the securities brokers system as approved by the Shanghai Bureau of the CSRC on September 7, 2010, the Company has implemented and carried out its securities brokers works in strict compliance with various laws and regulations and management system requirements, as well as the procedures for submitting schemes.

1. Operation and improvement of management system, internal control mechanism and technical system relating to securities brokers during the Reporting Period

After acquiring the qualification for implementation of the securities brokers system, the Company issued and implemented the securities brokers management system in accordance with various laws and regulations and the requirements of management system. According to the segregation of duties by such system, the Company's wealth management business department formulated the Administrative Measures for the Entry, Resignation and Qualification of Securities Brokers, the Procedural Regulations for Information Publicity of Securities Marketing Staff, the Administrative Measures for the Performance of Securities Brokers, the Rules on Files Management of Securities Brokers, the Administrative Measures for Training of Securities Brokers, the Regulations for Management on Practice Conduct of Securities Brokers, the Implementation Rules of Accountability of Sales Staff of Brokerage Business, the Administrative Procedures for Clients Attributable to Marketing Staff of Brokerage Business and other auxiliary systems and business procedures. And based on such auxiliary systems and business procedures, the Company implemented and improved its technical supporting system.

During the Reporting Period, the securities brokers management system was under operation in a steady and orderly manner, which was used to impose strict requirements, management and monitoring on practice conduct of securities brokers:

(1) Standardizing practicing requirements: securities brokers are required to obtain relevant qualifications and pass pre-job training to carry out brokerage business in the Company, which could strictly prevent pre-job risks;

(2) Strengthening risk control during practicing process: based on claiming procedures of broker clients, add corresponding procedural controls, and set time limit for claiming to prevent vicious competition among the securities brokers;

(3) Strengthening monitoring after carrying out brokerage business: add compliance assessment coefficient function on securities brokers, which directly determines their individual interests (including salary and performance) by quantifying their compliance performance (including violation of laws and rules, customer complains) when they carry out brokerage business.

2. *Execution of agency contracts by securities brokers and protection of legal interests during the Reporting Period*

The Company completed enrollment approval for qualified securities brokers and signed agency contracts, which definitely specified the term of contract, scope of work and provision of performance bonus.

In accordance with the relevant requirements under the Notice on Strengthening Standardization and Management of the Marketing Staff in Securities Branches issued by the Company on June 4, 2008, the performance royalty for securities brokers in all securities branches shall be distributed by the Company's headquarter in a uniform manner since July, 2008. The performance royalty for securities brokers is collected on the marketing staff's performance management platform, and the Company's wealth management business department is responsible for formulating statements. Upon approval and withholding taxable taxes by the human resources management department, the performance royalty will be distributed by the planing and financial management department, which fully protects the legal rights of the securities brokers.

3. *Pre-job training and follow-up vocational training for securities brokers during the Reporting Period*

The Company organized all securities brokers to take the 2015 annual compliance examination through its E-learning platform. According to the statistics, as at the end of the Reporting Period, all securities brokers had passed the annual compliance examination. In addition, all of the new securities brokers in the securities branches are required by the Company to pass the compliance examination for new staff, otherwise, such securities broker will have no access to the user's registration permission in the Company's system.

The Company maintains strict control over the system of securities brokers' enrollment procedures to make sure that the new securities brokers carry out brokerage business after finishing 60 hours' pre-job training. Currently, all of the Company's securities brokers have finished learning the "pre-job training for marketing staff" course, which consists of 28 courses, covering financial knowledge series, customer service series, basic securities knowledge series, securities trading series, laws and rules of securities industry and professional ethics series, with a class hour of 60 hours. To pass such training plan: securities brokers shall learn 28 courses with 60 hours; and pass the test after learning each course, both of which shall be satisfied simultaneously. Only when passing all of the 28 courses, the broker can take the pre-job training examination for marketing staff thorough the Company's E-learning platform, which covers all of the contents in the previous 28 courses which they have learned. In the meantime, according to the regulations of the Securities Association of China, a securities broker shall take part in the follow-up vocational training for 15 hours annually where his certificate is expiring. Under the unified arrangement by the Company's wealth management department, the Company have organized all the qualified securities brokers in the securities branched to taken part in the follow-up vocational training.

(ii) Number of securities brokers

At the end of the Reporting Period, a total of 122 securities branches of the Company acquired securities brokers qualifications, and 856 securities brokers had signed the Agency Contract of Securities Brokers with the Company. All securities brokers had submitted practicing registration to the Securities Association of China, and had received the approval thereof.

Section IX Corporate Governance

I. RELEVANT DESCRIPTION ON CORPORATE GOVERNANCE

(I) Corporate governance

As a public company listed in both Mainland China and Hong Kong, the Company has operated its business in a standard manner and in strict compliance with the requirements under the relevant laws, regulations and regulatory documents in the places where the shares of the Company are listed. The Company has made continuous efforts to maintain and improve the Company's good image in the market. In strict compliance with the requirements under the Company Law of the PRC, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Code of Corporate Governance for Listed Companies, the Corporate Governance Code and other relevant laws and regulations as well as the Articles of Association of the Company, and in order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system, and shaped a corporate governance structure where checks and balances among the general meeting, the Board, the supervisory committee and the management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring the prudent and standardized operations of the Company as well as a scientific, standardized and transparent corporate governance. The procedures for convening and holding the Company's general meeting, Board meetings, meetings of the supervisory committee and the voting mechanisms with respect thereto are legal and valid, with the information disclosed in a true, accurate, complete, timely and fair manner.

During the Reporting Period, given the issue of overseas listed foreign shares (H Shares) and listing on the Main Board of the Hong Kong Stock Exchange, the Company, in order to meet relevant regulatory requirements, further amended and improved its Articles of Association and Rules of Procedure for Shareholders' General Meetings, which had been considered and approved by the Board and general meeting of the Company. In addition, during the Reporting Period, as considered and passed by the Board of the Company and considered and approved by the Company's general meeting, the Company made adjustment to the members of the third session of the Board and the special committees to the Board, and added independent directors who ordinarily reside in Hong Kong with a view to fully leveraging the professional advantages and improve its decision-making efficiency and level. By formulation of and continuous improvement in the above systems, the Company has witnessed a continuously standardized corporate governance structure, and a increasingly improved corporate governance level.

From the Listing Date to December 31, 2016, the Company strictly observed all provisions of the Corporate Governance Code and met the requirements of the most recommended best practices set out in the Corporate Governance Code.

During the Reporting Period, the Company convened thirty meetings in total, including two general meetings, eight Board meetings, four meetings of the supervisory committee, one meeting of the strategic development committee, three meetings of the compliance and risk management committee, and five meetings of the remuneration and nomination committee and seven meetings of the audit committee.

(II) Formulation and implementation of insider registration and management system

During the Reporting Period, the Company made more efforts to maintain the confidentiality of insider information, performed its obligation of insider registration, management and confidentiality diligently, kept records of the names of insiders who had accessed to the insider information at the stage of negotiation, planning, demonstration and consultation and contracting as well as in the processes of reporting, delivery, preparation, auditing, resolution and disclosing before its final disclosure in strict compliance with all requirements relating to the procedures and internal control measures of handling and publishing of insider information the System regarding Insider Registration, Management and Confidentiality, and kept records of information relating to insiders and memos of progress of major events, in order to effectively prevent insider trading and properly carry out information disclosure.

(III) Corporate governance policies and the Board's duties in respect of corporate governance

The Company is in strict compliance with the Hong Kong Listing Rules, and takes all the principles set out in the Corporate Governance Code as its corporate governance policies. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

(1) to formulate and review the corporate governance policies and practices of the Company;

(2) to review and monitor the training and continuous professional development of the directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;

(4) to formulate, review and monitor the Company's code of conduct and compliance manual (if any) applicable to employees and directors;

(5) to review the Company's compliance with the Corporate Governance Code and its disclosures in the Corporate Governance Report.

No significant discrepancies between corporate governance and the requirements of relevant regulations of the CSRC

II. BRIEF INTRODUCTIONS TO GENERAL MEETINGS

Session of the meeting	Convening date	Query index of the website designated for publication of the resolutions	Date of disclosure of the publication of the resolutions
2015 annual general meeting	May 25, 2016	http://www.sse.com.cn	May 26, 2016
2016 first extraordinary general meeting	November 8, 2016	http://www.hkexnews.hk http://www.sse.com.cn	November 8, 2016 November 9, 2016

Explanations on general meetings

During the Reporting Period, the Company convened the 2015 annual general meeting at Jingsong Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on May 25, 2016, at which thirteen ordinary resolutions were considered and passed, including: the Company's 2015 Annual Work Report of the Board, the Company's 2015 Annual Work Report of the Supervisory Committee, the Company's 2015 Annual Financial Report, the Company's Profit Distribution Plan for 2015, the 2015 Annual Report of Orient Securities Company Limited, the Proposal on the Company's Proprietary Scale in 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company (Voting Item by Item), the Proposal on Increase in the Size of the Issued Offshore Debt Financing Instruments of the Company (Voting Item by Item), the Proposal on Application for Conducting Custody Business of Securities Investment Funds, the Proposal on Appointment of Accounting Firm for 2016, the Proposal on the Company's Estimated Ordinary Related Transactions in 2016, the Proposal on Adjustment to the Remuneration of the Company's Independent Directors and the Proposal on Election of the Company's Directors. The committee listened to the Company's 2015 Annual Work Report of the Independent Directors. The relevant resolutions results were published on the website of the SSE (http://www.sse.com.cn), the Company's website (http://www.dfzq.com.cn) as well as on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on May 26, 2016.

During the Reporting Period, the Company convened the first extraordinary meeting for 2016 at Jingsong Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Xuhui District, Shanghai, the PRC on November 8, 2016, at which two ordinary resolutions were considered and passed, including: the Proposal on Election of the Company's Non-executive Directors and the Proposal on Appointment of Offshore Accounting Firm for 2016; and one special resolution was also considered and approved at the meeting, i.e. the Proposal on Amendment of Partial Articles in the Articles of Association and the Rules of Procedure for Shareholders' General Meetings. The relevant resolutions results were published on the website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk), the Company's website (http://www.dfzq.com.cn) as well as on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on November 8, 2016.

None of the shareholders of the Company are holders of preferred shares with voting rights restored. Therefore, none of the extraordinary general meetings were convened by holders of preferred shares with voting rights restored, nor did they convene or chair any general meetings or propose any provisional proposals at a general meeting during the Reporting Period.

III. PERFORMANCE OF DUTIES BY DIRECTORS

The Board exercises its powers and duties as specified in the Articles of Association. Under the principle of acting in the best interest of the Company and its shareholders, the Board reports its works at the general meetings, implements the resolutions passed thereon and is accountable to the general meetings.

The biographical details of the directors as at the date of this report are set out in "Working Experience of Current Directors, Supervisors and Senior Management" under the Section VIII headed "Directors, Supervisors, Senior management and Staff" in this report. None of the directors and the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is structurally scientific, and each director has adequate knowledge, experience and expertise relating to the business operation and development of the Group. All directors are fully aware of their joint and several responsibilities to the shareholders.

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules on appointment of at least three independent non-executive directors, who shall jointly account for at least one third in number of members of the board. Six independent non-executive directors of the Company are fully qualified as specified in Rules 3.10(1) and (2), and Rule 3.10(A) of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive director in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong Listing Rules.

(I) Attendances of directors at Board meetings and general meetings

Pursuant to the Articles of Association, the meetings of the Board shall be convened by the chairman at least four times a year. Notice of a regular meeting of the Board shall be issued at least fourteen days prior to the meeting, and shall include the meeting's date, venue, duration, reasons, topics for discussion and the date of issue of the notice.

A meeting of the Board shall be held only when over half of the members are present. Unless otherwise provided in the Articles of Association, the resolutions made by the Board shall be passed by over half of all directors. Where a director is related to the enterprises involved in the resolution discussed in the meeting of the Board, such director shall neither exercise his/her voting right on such resolution nor exercise the voting right on behalf of other directors. Such meetings of the Board may be held with the attendance of over half of the non-related directors, and the resolutions made by the meetings of the Board shall be passed by over half of the non-related directors. Where the number of non-related directors attending a Board meeting is less than three, relevant matters shall be submitted to the general meeting for consideration. The Board meeting shall generally be held on-site. If necessary, extraordinary meetings of the Board may be held via video, telephone or facsimile, or be held on-site and off-site simultaneously. A director may attend the meeting of the Board in person or appoint another director in writing to attend the meeting on his behalf.

		Attendance at the Board meetings						Attendance at general meetings
Name of director	Independent directors	Number of Board meetings requiring attendance during the year	Attendance in person	Attendance via teleconference	Attendance by proxy	Absence	Absent from two consecutive meetings (in person)	Number of attendance at general meetings
Pan Xinjun	No	8	8	5	0	0	No	2
Wu Jianxiong	No	8	8	5	0	0	No	2
Jin Wenzhong	No	8	8	5	0	0	No	2
Zhang Qian	No	8	7	5	1	0	No	0
Wu Junhao	No	8	8	5	0	0	No	2
Chen Bin	No	8	8	5	0	0	No	2
Li Xiang	No	8	8	5	0	0	No	1
Xu Jianguo	No	1	1	1	0	0	No	0
Huang Laifang	No	4	4	3	0	0	No	0
Zhou Yao	No	8	7	5	1	0	No	0
Li Zhiqiang	Yes	8	8	5	0	0	No	2
Xu Guoxiang	Yes	8	8	5	0	0	No	2
Tao Xiuming	Yes	8	7	5	1	0	No	0
Wei Anning	Yes	8	8	5	0	0	No	1
Pan Fei	Yes	8	8	5	0	0	No	2
Xu Zhiming	Yes	4	4	3	0	0	No	0
Chen Bichang	No	1	0	0	1	0	No	0
Xu Chao	No	4	3	3	1	0	No	1

Notes:

1. On April 12, 2016, the Board of Company received the written resignation report tendered by Mr. Chen Bichang, a director of the Company. Due to work reallocation, Mr. Chen Bichang applied to resign from the positions of the director of the third session of the Board and the member of the strategic development committee.

2. On May 25, 2016, as considered and approved by the 2015 annual general meeting of the Company, Ms. Huang Laifang was elected as a director of the third session of the Board of Company. On June 27, 2016, the Company received the Reply on Approving Qualification of Huang Laifang as Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 63) issued by the Shanghai Bureau of the CSRC, pursuant to which, Ms. Huang Laifang took up the position as a director of the third session of the Board of Company, whose term shall end upon the expiry of the term of this session of the Board.

3. According to the Proposal on Addition of Independent Director of the Company which was considered and approved at the first extraordinary general meeting for 2015 of the Company held on September 22, 2015, Mr. Xu Zhiming was elected as an independent director of the third session of the Board of Company; on June 24, 2016, the Company received the Reply on Approving Qualification of Xu Zhiming as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 56) issued by the Shanghai Bureau of the CSRC; on July 8, 2016, the overseas listed foreign shares (H Shares) issues by the Company were listed and traded on the Main Board of the Hong Kong Stock Exchange. Mr. Xu Zhiming was appointed as an independent director of the third session of the Board of Company with effect from July 8, 2016 to the expiry date of term of the third session of the Board of Company.

4. On July 12, 2016, the Board of Company received the written resignation report tendered by Mr. Xu Chao, a director of the Company. Due to work reallocation, Mr. Xu Chao applied to resign from the positions of the director of the third session of the Board and the member of the audit committee.

5. On November 8, 2016, as considered and approved by the first extraordinary general meeting for 2016 of the Company, Mr. Xu Jianguo was elected as a director of the third session of the Board of Company. On November 7, 2016, the Company received the Reply on Approving Qualification of Xu Jianguo as Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 129) issued by the Shanghai Bureau of the CSRC, pursuant to which, Mr. Xu Jianguo took up the position as a director of the third session of the Board of Company and a member of the audit committee whose term shall end upon the expiry of term of this session of the Board.

Explanation on absence from two consecutive Board meetings

Number of Board meetings convened during the year	8
Of which: Number of meetings held on-site	3
Number of meetings via teleconference	5
Number of meetings held both on-site and via teleconference	0

All the directors agreed on the voting results of resolutions considered by the Board, with no waiver and opposition.

Section IX Corporate Governance

During the Reporting Period, the Board convened eight meetings in total, details of which are as follows:

1. On March 11, 2016, the 17th meeting of the third session of the Board was held on-site, at which the following resolutions were considered and approved: the Company's 2015 Annual Work Report of the Board, the Company's 2015 Annual Operational Work Report, the Company's 2015 Annual Financial Report, the Company's Profit Distribution Plan for 2015, the 2015 Annual Report of Orient Securities Company Limited, the Report on Execution of Risk Control Indicators by the Company in 2015, the Special Report on Deposit and Actual Use of the Proceeds by the Company in 2015, the Proposal on the Company's Allocation of Assets and Liabilities, Business Scale and Risk Control Plan in 2016, the Proposal on the Company's Proprietary Scale in 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company, the Proposal on Increase in the Size of the Issued Offshore Debt Financing Instruments of the Company, the Company's 2015 Annual Risk Management Work Report, the Company's 2015 Annual Compliance Report, the Company's 2015 Annual Internal Control Assessment Report, the Proposal on Determination of Auditing Fee of Accounting Firm in 2015, the Proposal on Appointment of Accounting Firm for 2016, the Proposal on the Company's 2015 Annual Social Responsibility Report, the Proposal on Authorization to the Company's Management to Approve the Matters on Establishment of Branches, the Proposal on the Company's Estimated Ordinary Related Transactions in 2016, the Proposal on Adjustment to the Remuneration of the Company's Independent Directors, the Proposal on Provision of the 2015 Annual Performance Bonus for the Company's Management Team Members, the Proposal on Appointment of Joint Secretary of the Company, the Proposal on the Amendment to the Terms of Reference of the Strategic Development Committee, the Proposal on Amendment to the Terms of Reference of the Compliance and Risk Management Committee, the Proposal on Amendment to the Terms of Reference of the Audit Committee, the Proposal on Amendment to the Terms of Reference of the Remuneration and Nomination Committee, the Proposal on Amendment to the Administrative Measures of Information Disclosure, the Proposal on Amendment to the Measures of Internal Reporting of Material Information, the Proposal on Amendment to the Administrative Measures of Shareholding and Changes by Directors, Supervisors and Senior Management, the Proposal on Amendment to the Administrative Measures of Investors Relationship, the Proposal on Convening 2015 Annual General Meeting of the company.

2. On April 28, 2016, the 18th meeting of the third session of the Board was convened by voting via correspondence, at which the following proposals were considered and approved: the Proposal on Consideration of the First Quarterly Report of the Company for the Year 2016, the Proposal on Election of Directors of the Company, the Proposal on Adding Issues for Discussions at the Company's 2015 Annual General Meeting.

3. On May 3, 2016, the 19th meeting of the third session of the Board was convened by voting via correspondence, at which the Proposal on Adding the Company's Estimated Ordinary Related Transactions in 2016 was considered and approved.

4. On June 8, 2016, the 20th meeting of the third session of the Board was convened on-site, at which the Proposal on the Determination of the Global Offering of the H Shares (Including Hong Kong Public Offering and International Offering) and Their Listing on the Hong Kong Stock Exchange was considered and approved.

5. On August 26, 2016, the 21st meeting of the third session of the Board was convened on-site, at which the following resolutions were considered and approved: the Interim Report of the Company for the Year 2016, the Report on Execution of Risk Control indicators of Net Capital by the Company for the First Half of 2016, the Company's 2016 Interim Compliance Report, the Company's 2016 Interim Risk Management Work Report, the Proposal on Election of Non-executive Directors of the Company, the Proposal on Election of Members of the Special Committees to the Board of the Company, the Proposal on Special Awards of Management Team Members, the Proposal on the Amendment to Partial Terms of the Articles of Association and Rules of Procedure for Shareholders' General Meeting, the Proposal on Convening the First Extraordinary General Meeting for 2016 of the Company.

6. On September 9, 2016, the 22nd meeting of the third session of the Board was convened by voting via correspondence, at which the Proposal on Appointment of the Offshore Accounting Firm for 2016 was considered and approved.

7. On October 27, 2016, the 23rd meeting of the third session of the Board was convened by voting via correspondence, at which the Third Quarterly Report of the Company for the Year 2016 and the Proposal on Application for Conducting Credit Risk Mitigating Instruments Business were considered and approved.

8. On November 28, 2016, the 24th meeting of the third session of the Board was convened by voting via correspondence, at which the Proposal on Appointment of the Secretary to the Board of the Company was considered and approved.

(II) Independent directors' objections to relevant matters of the Company

During the Reporting Period, the independent directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings" in this section for attendances of independent directors at general meetings, Board meetings and meetings of special committees. The 2016 Annual Work Report of Independent Directors of Orient Securities Company Limited to be disclosed by the Company on the website of the SSE on March 31, 2017 sets out the details of the performance of duties by the independent directors.

(III) Board and management

The powers and duties of the Board and the management have been clearly specified in the Articles of Association, which aims to provide an adequate check and balances mechanism for good corporate governance and internal control.

The Board is responsible for deciding on the Company's business plans and investment plans and establishment of the Company's internal management structure, formulating the Company's basic administration system, resolving other material business and administrative matters of the Company and supervising the management.

Under the leadership of the president (also the executive director), the management of the Company is responsible for implementing various resolutions made by the Board and administering the Company's daily operation and management.

1. *Chairman and president*

Positions of the chairman and president (i.e. chief executive officer under relevant Hong Kong Listing Rules) of the Company are served by different persons to secure independence of their duties, accountabilities and balanced distribution of rights and authorizations. Mr. Pan Xinjun serves as the chairman and Mr. Jin Wenzhong serves as the president. The Rules of Procedure for Board Meetings and Work Rules for the President considered and passed by the Board clearly define duties of the chairman and the president respectively.

Chairman Mr. Pan Xinjun is responsible for leading the Board to determine the overall development strategy of the Company and ensuring the Board operates effectively, performing its statutory duties and responsively discussing all important appropriate issues; and ensures that the Company formulates sound corporate governance practices and procedures and the Board acts in the best interest of the Company and all of its shareholders. President Mr. Jin Wenzhong is mainly responsible for daily operation and management of the Company, including organizing and implementing the resolutions of the Board and daily decision-making.

2. *Directors' appointment and re-election*

According to the Articles of Association, directors shall be elected or replaced by the general meetings. A director shall serve a term of office no longer than three years and is eligible for re-election. The Company has implemented a set of effective procedures for appointment of new directors. A list of candidates for directors may be proposed by the Board as per the number of the directors to be elected as specified in the Articles of Association. Candidates for directors may also be nominated by shareholders severally or jointly holding more than 3% of the Company's shares and shall be elected at the general meetings.

3. *Term of non-executive directors*

Non-executive directors of the Company are all elected by the general meetings, with a term of three years, which is renewable upon re-election and reappointment.

4. *Directors' remunerations*

Please refer to "III. Remunerations of Directors, Supervisors and Senior Management" under the Section VIII headed "Directors, Supervisors, Senior Management and Staff " in this report for details.

5. Directors' trainings

The Company highly emphasizes on the continuous trainings for directors to ensure that they have adequate knowledge of the Company's operations and businesses and their duties imposed by the CSRC, the SSE, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations and regulatory requirements.

During the Reporting Period, directors participated in the regular trainings organized by local regulatory authorities to complete continued trainings as required. The office of the Board of the Company also regularly compiles and delivers Newsletter of Directors and Supervisors as well as Comprehensive Report on Compliance and Risk Management to keep directors timely informed of the latest policies, regulations and classic cases, builds multi-level information communication mechanisms and sets up an information exchange platform to strengthen information sharing and exchange among directors, supervisors and the management and improve directors' duty performance capability. Apart from that, trainings for Directors are specified as follows:

Name of director	Date	Period of lasting	Organizer	Content	Place of training
Pan Xinjun	December 6-7	2 days	The Department of Listed Company Supervision of the CSRC, China Association for Public Companies	The 11th Seminars for Chairman and General Manager of Listed Companies in 2016	Beijing
Jin Wenzhong	December 6-7	2 days	The Department of Listed Company Supervision of the CSRC, China Association for Public Companies	The 11th Seminars for Chairman and General Manager of Listed Companies in 2016	Beijing
All the directors, supervisors and senior management	March 11	1 day	SW Law Firm	Liability of Hong Kong listed companies and their directors	Shanghai
Huang Laifang	September 22-23	2 days	Shanghai Office of the CSRC, the Listed Companies Association of Shanghai	The 2nd training class of directors and supervisors of listed companies based in Shanghai in 2016	Shanghai

Name of director	Date	Period of lasting	Organizer	Content	Place of training
Tao Xiuming	September 22	1 day	The People's Insurance Company (Group) of China Limited	Training conference on property insurance and credit insurance of the People's Insurance Company (Group) of China Limited	Beijing
Wei Anning	July 19	1 day	Shanghai Development Research Foundation	The 2016 World and China Economic Forum – China's Economy in Global Turbulence	Shanghai
Wei Anning	May 24	1 day	Shanghai Development Research Foundation	Financial development and reform during the 13th Five-Year Plan	Shanghai

IV. MATERIAL ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES TO THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD AND DISCLOSURE OF DISSENTING EVENTS

(I) Special committees to the Board and their members

The third session of the Board of the Company sets up four special committees, with members set out as follows:

Strategic development committee:	Non-executive Director Wu Jianxiong (chairman), Executive Director Pan Xinjun, Executive Director Jin Wenzhong, Non-executive Director Huang Laifang, Independent non-executive Director Tao Xiuming
Compliance and risk management committee:	Executive Director Pan Xinjun (chairman), Executive Director Jin Wenzhong, Non-executive Director Li Xiang, Non-executive Director Zhou Yao, Independent non-executive Director Li Zhiqiang
Remuneration and nomination committee:	Independent non-executive Director Li Zhiqiang (chairman), Non-executive Director Zhang Qian, Non-executive Director Chen Bin, Independent non-executive Director Xu Guoxiang, Independent non-executive Director Wei Anning
Audit committee:	Independent non-executive Director Pan Fei (chairman), Non-executive Director Wu Junhao, Non-executive Director Xu Jianguo, Independent non-executive Director Xu Guoxiang, Independent non-executive Director Wei Anning

Note: On August 12, 2016, the Proposal on Appointment of Members of the Special Committees to the Board of the Company was considered and passed at the 21st meeting of the third session of the Board of the Company, pursuant to which, Ms. Huang Laifang was elected as a member of the strategic development committee and Mr. Xu Jianguo was elected as a member of the audit committee to the Board in the third session of 東方證券股份有限公司.

(II) Duties of various special committees and their meetings

1. Strategic development committee

The main duties of the strategic development committee include: studying and advising on long-term strategic development plans of the Company; studying and advising on material investment financing proposals that are subject to Board's approval; studying and advising on material capital operations and asset management projects that are subject to Board's approval; studying and advising on any other significant events that affect the development of Company; monitoring the implementation of the matters above; and other duties as authorized by the Board as well as other duties as required by the listing rules or regulatory rules in the place where the shares of the Company are listed.

During the Reporting Period, the strategic development committee convened one meeting, the details of which are as follows:

On December 28, 2016, it convened the 1st meeting of strategic development committee to the Board in the third session in 2016, at which the Proposal on Promotion of Non-public Issue of A Shares by the Company was considered and approved.

Attendance of the members of the strategic development committee during the Reporting Period:

Name	Number of actual attendances/ number of attendances as required
Wu Jianxiong	1/1
Pan Xinjun	1/1
Jin Wenzhong	1/1
Huang Laifang	1/1
Tao Xiuming	1/1

2. *Compliance and risk management committee*

The main duties of the compliance and risk management committee include: reviewing and advising on the overall targets and basic policies of compliance management and risk management; reviewing and advising on establishment of the system and institutions for compliance management and risk management as well as its duties; overseeing and evaluating the compliance management and risk management work of the Company, and reviewing and monitoring the Company's policies and practices on compliance with laws and regulatory requirements; evaluating and advising on the risks and risk management solutions relating to the significant matters that are subject approval by the Board; reviewing risk tolerance and scale of the Company as a whole and for each business, and evaluating the assets allocation mechanism matching with risk tolerance; reviewing and evaluating the risks associated with the Company's operating activities and the effectiveness of the corresponding measures, and discussing the risk management system with the management to ensure that the management has fulfilled its responsibilities in establishing an effective risk management system; considering major investigation findings on risk management matters and management's response to the findings on its own initiative or as delegated by the Board; reviewing and advising on the compliance report and risk assessment report that are subject to consideration by the Board; formulating and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of directors and senior management; formulating, reviewing and monitoring the Company's code of conduct and compliance manual (if any) applicable to employees and directors; reviewing the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and its disclosures in the Corporate Governance Report; and other matters as stipulated in the Articles of Association or as authorized by the Board.

During the Reporting Period, the compliance and risk management committee convened three meetings in total, the details of which are as follows:

On January 29, 2016, it convened the 1st meeting of compliance and risk management committee to the Board in the third session in 2016, at which the Work Proposal on Effectiveness Assessment of Compliance Management of the Company for the Year 2015 was considered and approved.

On March 10, 2016, it convened the 2nd meeting of compliance and risk management committee to the Board in the third session in 2016, at which the following resolutions were considered and approved, including: the Report on Execution of Risk Control Indicators by the Company for the Year 2015, the Proposal on the Company's Allocation of Assets and Liabilities, Business Scale and Risk Control Plan for 2016, the Proposal on the Company's Proprietary Scale for 2016, the Risk Management Work Report of the Company for the Year 2015, the Company's 2015 Annual Compliance Report, the Report on Effectiveness Assessment of Compliance Management of Orient Securities Company Limited for the Year 2015.

On August 26, 2016, it convened the 3rd meeting of compliance and risk management committee to the Board in the third session in 2016, at which the following resolutions were considered and approved, including: the Report on Execution of Interim Risk Control Indicators of Net Capital Report by the Company for the First Half of 2016, the Company's 2016 Interim Compliance Report and the Company's 2016 Interim Risk Management Work Report.

Attendance of the members of the compliance and risk management committee during the Reporting Period:

Name	Number of actual attendances/ number of attendances as required
Pan Xinjun	3/3
Jin Wenzhong	3/3
Li Xiang	1/3
Zhou Yao	3/3
Li Zhiqiang	3/3

3. Remuneration and nomination committee

The main duties of the remuneration and nomination committee include: evaluating the structure, size and composition (including skills, knowledge and experience) of the Board at least once a year and make recommendations regarding any proposed changes to the Board to complement the corporate strategy. The Company has established its policy of diversity board. When considering the combination of the members of the board, ensuring the balance between executive and non-executive directors (including independent non-executive directors) and considering from multiple aspects the diversity of the members of the Board, including but not limited to their gender, age, cultural and educational background and professional experience; reviewing and advising on the selection criteria and procedures for directors and senior management, identifying qualified individuals as candidates for directors and senior management, reviewing their qualifications and making recommendations; making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors (in particular, the chairman and the president); assessing the independence of independent directors; studying and reviewing the performance appraisal and remuneration management system for the directors and senior management based on the main scope, duties and importance of the senior management positions of the Company and the remuneration level of similar positions in other enterprises. The performance appraisal and remuneration management system includes but is not limited to performance appraisal criteria and procedures, the main appraisal system, and the principal plan and system regarding incentive and penalty. Making recommendations to the

Board as to the overall performance appraisal and remuneration management system and structure for the directors and senior management, and the establishment of proper and transparent formulation procedures of the remuneration policy; reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board; making recommendations to the Board on the remuneration package of executive directors and senior management. The above-mentioned remuneration package includes non-monetary benefits, retirement allowance and compensation (including compensation for any loss or termination of office or appointment); making recommendations to the Board on the remuneration for each non-executive director; considering the remuneration package, time commitment, scope of responsibility of similar companies and other employment terms of other positions within the Group; reviewing and approving the compensation due to executive directors and senior management for any loss or termination of office or appointment, so as to ensure that such compensation is consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is fair, reasonable and not excessive; reviewing and approving compensation arrangements relating to the dismissal or removal of directors for misconduct or the like, so as to ensure that such arrangements are consistent with the contractual terms; if such compensation is not consistent with the contractual terms, ensuring that it is reasonable and appropriate; ensuring that no director or his associate (as defined under the Hong Kong Listing Rules) is involved in the determination of his remuneration; evaluating and making recommendations on the performance of duties by the directors, supervisors (non-employee supervisors), president and other senior management; reviewing the execution of the remuneration and appraisal system of the Company's president and other member of the senior management; and other matters as stipulated in the Articles of Association or as authorized by the Board.

During the Reporting Period, the remuneration and nomination committee convened five meetings in total, the details of which are as follows:

On February 22, 2016, it convened the 1st meeting of remuneration and nomination committee to the Board in the third session in 2016, at which the Proposal on Implementation Plan for Remuneration and Performance Management of Management Members of Orient Securities Company Limited was considered and approved.

On March 11, 2016, it convened the 2nd meeting of remuneration and nomination committee to the Board in the third session in 2016, at which the following proposals were considered and approved, including: the Proposal on Provision of Performance Bonus of Operational Management Team of the Company for the Year 2015, the Proposal on Implementation of Performance Bonus of Management Team Members by the Company for the Year 2015 and the Proposal on Adjustment to Remuneration for Independent Directors of the Company.

On April 28, 2016, it convened the 3rd meeting of remuneration and nomination committee to the Board in the third session in 2016, at which the Proposal on Election of Directors of the Company was considered and approved.

On August 26, 2016, it convened the 4th meeting of remuneration and nomination committee to the Board in the third session in 2016, at which the following proposals were considered and approved, including: the Proposal on Election of Non-executive Directors of the Company, the Proposal on Election of Members of Special Committees to the Board of the Company, and the Proposal on Special Awards of Management Team Members.

On November 28, 2016, it convened the 5th meeting of remuneration and nomination committee to the Board in the third session in 2016, at which the Proposal on the Appointment of Secretary to the Board of the Company was considered and approved.

Attendance of the members of the remuneration and nomination committee during the Reporting Period:

Name	Number of actual attendances/ number of attendances as required
Li Zhiqiang	5/5
Zhang Qian	4/5
Chen Bin	5/5
Xu Guoxiang	5/5
Wei Anning	5/5

4. Audit committee

The main duties of the audit committee include: making recommendations to the Board on the appointment, re-appointment or removal of external auditor, approving the remuneration and engagement terms of the external auditor, dealing with any matters in relation to the resignation or dismissal of the external auditor and supervising its accounting activities; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and the audit committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences; formulating and implementing polices on engaging an external auditor to provide non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and acting as the representative body between the Company and its external auditor to oversee their relationship; supervising annual auditing work and making judgment on the authenticity, accuracy and completeness of the information set out in the audited financial report and submitting the same to the Board for consideration; supervising the

completeness of the Company's financial report, annual reports and accounts, half-year reports and quarterly reports and reviewing the major opinions regarding the relevant financial submission as provided in the statements and reports; reviewing and evaluating the Company's financial monitoring and internal control system; supervising and evaluating the Company's internal auditing system and accounting policies and their implementation; discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system in place. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function; considering the major investigation findings on internal control matters and the management's response to these findings on its own initiative or as delegated by the Board; being responsible for the teleconference between the internal and external auditor, so as to ensure co-ordination between the internal and external auditor; ensuring that the internal audit agency is adequately resourced and has appropriate standing within the Company; and reviewing and monitoring its effectiveness; reviewing the Group's financial and accounting policies and their implementation; reviewing the Audit Results Letter presented by external auditor to the management, as well as any material queries raised by the external auditor to the management in respect of accounting records, financial accounts or monitoring system and the management's response; ensuring that the Board shall respond to the matters raised in the Audit Results Letter presented by external audit agency to the management in a timely manner; and reviewing the following arrangements made by the Company: employees of the Company can raise concerns in confidence about possible improprieties in financial reporting, internal control or other matters. The audit committee shall ensure that proper arrangements are in place for fair and independent investigation of the matters and for appropriate follow-up action; being responsible for the control and daily management of the connected transactions of the Company; reporting to the Board on the above-mentioned matters; and other matters as stipulated in the Articles of Association or as delegated by the Board.

During the Reporting Period, the audit committee convened seven meetings in total, the details of which are as follows:

On January 29, 2016, it convened the 1st meeting of audit committee to the Board in the third session in 2016, at which the Work Proposal on Internal Control Assessment of the Company for the Year 2015 was considered and approved.

On March 11, 2016, it convened the 2nd meeting of audit committee to the Board in the third session in 2016, at which the following resolutions were considered and approved, including: the Report on Auditing and Its Results of the Company for the Year 2015, the 2015 Annual Report of Orient Securities Company Limited, the Proposal on Internal Control Assessment of the Company for the Year 2015, the Proposal on the Company's Estimated Ordinary Related Transactions in 2016, the Proposal on Determination of Auditing Fee of Accounting Firm for 2015 and the Proposal on the Appointment of Accounting Firms for 2016.

On May 3, 2016, it convened the 3rd meeting of audit committee to the Board in the third session in 2016, at which the Proposal on Adding Ordinary Related Transactions in 2016 was considered and approved.

On August 26, 2016, it convened the 4th meeting of audit committee to the Board in the third session in 2016, at which the 2016 Interim Report of Orient Securities Company Limited was considered and approved.

On September 9, 2016, it convened the 5th meeting of audit committee to the Board in the third session in 2016, at which the Proposal on the Appointment of Offshore Accounting Firm for 2016 was considered and approved.

On October 27, 2016, it convened the 6th meeting of audit committee to the Board in the third session in 2016, at which the Third Quarterly Report of the Company for the Year 2016 was considered and approved.

On December 2, 2016, it convened the 7th meeting of audit committee to the Board in the third session in 2016, at which the Report on Communication Before Audit of Orient Securities Company Limited for the Year 2016 and the Auditing Plan for H Shares of Orient Securities Company Limited for the Year 2016 were considered and approved.

Attendance of the members of the audit committee during the Reporting Period:

Name	Number of actual attendances/ number of attendances as required
Pan Fei	7/7
Wu Junhao	5/7
Xu Jianguo	1/1
Xu Guoxiang	7/7
Wei Anning	7/7
Xu Chao	2/3

V. EXPLANATIONS ON DISCOVERY OF THE COMPANY'S RISKS BY SUPERVISORY COMMITTEE

During the Reporting Period, the supervisory committee of the Company had no objections to the matters under supervision.

(I) Attendances of supervisors at the meetings of the supervisory committee

Name of supervisor	Number of attendance as required during the year	Attendance in person	Attendance via teleconference	Attendance by proxy	Absence	Absence from two consecutive meeting (in person)
Song Xuefeng	4	4	2	0	0	No
Li Bin	4	4	2	0	0	No
Liu Wenbin	4	4	2	0	0	No
Yin Keding	4	4	2	0	0	No
Wu Zhengkui	4	3	2	1	0	No
Zhou Wenwu	4	4	2	0	0	No
Yao Yuan	4	4	2	0	0	No

(II) Meetings of the supervisory committee

During the Reporting Period, the supervisory committee convened four meetings in total. All the supervisors agreed on the voting results of resolutions considered by the supervisory committee, with no waiver and opposition. The details are as follows:

1. On March 11, 2016, the 6th meeting of the third session of the supervisory committee was convened on-site, at which the following resolutions were considered and approved, including: the Work Report of Supervisory Committee of the Company for the Year 2015, the Company's 2015 Annual Financial Report, the Special Report on Deposit and Actual Use of Proceeds by the Company in 2015, the Company's 2015 Annual Compliance, the Company's 2015 Annual Risk Management Work Report, the Company's 2015 Annual Internal Control Assessment Report, the Evaluation Report on Performance of Duties by Directors of the Company for the Year 2015, the Evaluation Report on Performance of Duties by Supervisors of the Company for the Year 2015, the Evaluation Report on Performance of Duties by Senior Management of the Company for the Year 2015, the Company's 2015 Annual Report, the Proposal on Consideration of the First Quarterly Report of the Company for the Year 2015. Seven supervisors were eligible for attending the meeting and six of them attended the meeting. Wu Zhengkui, a supervisor, failed to attend the meeting due to official affairs and authorized Song Xuefeng, chairman of the supervisory committee, to exercise voting right on his behalf. The meeting was chaired by Song Xuefeng, the chairman of the supervisory committee, and some of the senior management of the Company attended the meeting.

2. On April 28, 2016, the 7th meeting of the third session of the supervisory committee was convened by voting via correspondence, at which the Proposal on the First Quarterly Report of the Company for the Year 2016 was considered and approved.

3. On August 26, 2016, the 8th meeting of the third session of the supervisory committee was convened on-site, at which the Interim Report of Orient Securities Company Limited for the Year 2016 was considered and approved. Seven supervisors were eligible for attending the meeting and all of them attended the meeting. The meeting was chaired by Song Xuefeng, the chairman of the supervisory committee, and some of senior management of the Company attended the meeting.

4. On October 27, 2016, the 9th meeting of the third session of the supervisory committee was convened by voting via correspondence, at which the Proposal on the Third Quarterly Report of the Company for the Year 2016 was considered and approved. Seven supervisors were eligible for voting at the meeting and all of them voted at the meeting. The number of valid votes accounted for 100% of the total number of supervisors.

VI. EXPLANATIONS ON THE COMPANY'S INABILITY TO ENSURE INDEPENDENCE AND OPERATING INDEPENDENTLY FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF BUSINESS, STAFF, ASSETS, INSTITUTION AND FINANCE

The Company has no controlling shareholder. As at the end of the Reporting Period, Shenergy Group, the largest shareholder of the Company, held 24.74% of its shares. The Company is completely independent from its shareholders in business, staff, assets, institutions, finance, etc. The Board, the supervisory committee and various functional departments all function independently with independent and complete business and self-standing operating capability.

1. Business independence

Pursuant to the regulations under the Company Law of the PRC and the Articles of Association, and under independent operations within the scope of business as approved by the CSRC, the Company has obtained relevant permits for operations of securities business, by which it shaped its independent and complete business system with the ability to conduct independent operations. Therefore, its business operation is not controlled or influenced by shareholders or related parties. Instead, the Company is able to participate in market competition independently. There is no activity of any shareholder or any related party in violation of the Company's operational procedures or in interference with the Company's internal management and operational decision-making.

2. Staff independence

The Company has set a special human resources management department, with independent and complete labor, personnel and salary administration system. The Company appointed directors, supervisors and senior managements through statutory procedures. None of its senior management holds any position other than positions of director or supervisor at any shareholders or any of its associates or subsidiaries, nor do they hold any positions in any enterprises that have the same or similar business with that of the Company. There

is no occasion where the Company's shareholders act beyond their authority as delegated by the general meeting and the Board to appoint directors, supervisors or senior management of the Company. Appointment of directors, supervisors and senior management strictly complies with the Company Law of the PRC, the Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established a complete labor employment, personnel administration, payroll management and social security system, and all employees have signed labor contracts with the Company according to the laws. The Company has the independent right to sign labor contracts without interference of any shareholders.

3. Assets independence

The Company operates independent and complete assets necessary to conduct securities business. There is no occasion where any shareholders or related parties occupy the Company's assets or infringe the lawful rights of the Company, other shareholders or clients of the Company. The Company operates and manages its assets according to the laws and has business licenses, properties, operating equipment and trademarks necessary to conduct business.

4. Institutional independence

The Company has established a solid corporate governance structure. It operates general meeting, the Board, the supervisory committee, management and relevant management departments in sound condition, with all divisions accountable for their own responsibilities. The Company has an independent and complete securities operation and management system to independently conduct business operation, and its structure and operation of organizations comply with the relevant requirements of the CSRC. The existing offices and premises are separate from its shareholders, and there is no mix of corporate structure or direct interference against operation of the Company by any shareholders.

5. Financial independence

The Company has set up a dedicated financial department, with dedicated financial accounting system and financial management system. It makes financial decisions in accordance with decision-making procedures, and there is no occasion where any shareholders or related parties interfere the Company's use of funds. The financial controller of the Company is appointed by the Board and works with dedicated financial officers to operate separate accounts at bank. There is no occasion where any shareholders or related parties share any bank accounts with the Company. As an independent tax payer, the Company pays various taxes according to requirements under financial and taxation system.

The Company's corresponding solutions, progress and follow-up plans for horizontal competition

During the Reporting Period, the Company has no horizontal competition resulting from shareholding system transformation, industrial characteristics, national policies, or acquisition and merger, etc.

Section IX Corporate Governance

VII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the Reporting Period, adhering to the general idea of "innovation, transformation and development", the senior management of the Company responded to the new trend of innovation and development of the industry and led cadres and staff to work hard and innovate, which contributed to the remarkable achievements in the business development and assessment indicators made by the Company. During the Reporting Period, the Company's human resources management department led in formulation of the Planning for Building of the Company's Cadre Team for the Year 2016. Through data analysis, interviews and other forms, the human resources management department fully investigated the current condition of the Company's cadre and reserve team, and also formulated follow-up plans based on current situation of cadre team and its problems, thereby gradually establishing an all-round management mechanism including selection, use, training and assessment targeted at different levels of cadre team.

The Company has set clear performance objectives for its senior management within their work scope. At the end of each fiscal year, the Company will conduct annual performance evaluation and tenure incentive evaluation on its senior management.

VIII. WHETHER OR NOT TO DISCLOSE SELF-EVALUATION REPORT ON INTERNAL CONTROL

While disclosing the 2016 annual report, the Company will disclose the Internal Control Assessment Report of Orient Securities Company Limited for the Year 2016 at the same time, which will be published on the website of the SSE (http://www.sse.com.cn) on March 30, 2017.

Explanations on material defects in internal control during the Reporting Period

During the Reporting Period, there was no material defect in our internal control.

IX. EXPLANATIONS ON THE AUDIT REPORT ON INTERNAL CONTROL

BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) was engaged by the Company to conduct an audit on the Company's internal control, and issued an unqualified audit report on its internal control. While disclosing the 2016 annual report, the Company will also disclose the Audit Report on Internal Control of Orient Securities Company Limited, which will be published on the website of the SSE (http://www.sse.com.cn) on March 31, 2017.

Whether to disclose the audit report on internal control: Yes

X. RESPONSIBILITY STATEMENT ON INTERNAL CONTROL AND ESTABLISHMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

(I) Board's representation

The Board of the Company is responsible for establishing sound risk management and internal control systems and effectively implementing those systems, assessing their effectiveness and disclosing the assessment report on internal control in a truthful manner in accordance with the requirements under the Enterprise Internal Control Standard System. The supervisory committee supervises the establishment and implementation of internal control by the Board. The management is responsible for organizing and leading daily operations of corporate internal control. The Company's Board, supervisory committee and its directors, supervisors and senior management warrant that the content in this report does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

The objectives of the Company's internal control are to reasonably guarantee the compliance of its operations and management with the laws, assets security, and the truthfulness and completeness of financial reports and relevant information so as to enhance its operational efficiency and results as well as facilitate in realizing its development strategies. Due to the inherent limitations in internal control, only reasonable guarantees can be provided for achieving the above mentioned objectives. In addition, projections on effectiveness of internal control in the future based on internal control appraisal results are subject to the certain risk that internal control may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. The risk management and internal control systems of the Company may only prevent the material misstatement or loss on a reasonable basis instead of an absolute basis, since the target thereof is focusing on management rather than eliminating the risk arising from failure of achieving business target.

(II) Establishment of risk management and internal control institutions

The Company has established a scientific and efficient internal control structural system, to identify, evaluate and manage the Group's major risks. The institution consists of the Board, supervisory committee, management, functional management departments and business operations departments, each with its definite scope of work and duties.

The Board of the Company shall be responsible for the effectiveness of internal control of the Company. And it has set up special committees, including the compliance and risk management committee and the audit committee, to comprehensively supervise the effective implementation and self-evaluation of internal control. The compliance controller is responsible for enforcing the strategies and policies of the compliance management and submitting compliance reports to the Board. The Company's supervisory committee supervises the establishment and implementation of internal control by the Board. The Company's management is responsible for organizing and leading the daily operations of its internal control.

The functional departments for internal control and management mainly include the legal and compliance department, risk management department, audit department, strategic development department, inspection office, system research and development department, system operation department and human resources management department, which are responsible for the specific implementation of internal control works and assessment on the soundness and effectiveness of each internal control system. Each of the Company's functional departments, branches, wholly-owned and controlling subsidiaries serves as the implementation unit for internal control. The Company designates a special person to be in charge of the improvement and evaluation on the internal control system for his own unit.

(III) Establishment and improvement of risk management and internal control system

During the Reporting Period, the Company carried out a thorough review and revision on the systems relating to corporate governance, principal businesses and compliance risk management based on the work of last year and with reference to the listing progress of H Shares and the annual self-assessment of internal control with a view to further refining the internal control system, regulating the business procedures and ensuring that internal control covers the Company's various business links and the whole process of management decision-making, execution and supervision.

The Company has adopted various policies and procedures to assess and improve prudently the effect of our risk management and internal control system. During the Reporting Period, the Company issued 91 policies or rules in total, of which 43 are at corporate level and above, and 48 are at department level. Such policies or rules mainly included the Rules of Procedures for General Meeting of Orient Securities Company Limited, the Rules of Procedures for the Board of Orient Securities Company Limited, the Articles of Association of Orient Securities Company Limited, the Administrative Measures for Directors, Supervisors and Senior Management of Subsidiaries of Orient Securities Company Limited, the Working Measures for Information Technology Governance of Orient Securities Company Limited, the Working Measures for Internet Finance Business Committee of Orient Securities Company Limited, the Measures for Files Management of Orient Securities Company Limited, the Measures for Monitoring and Management on Risk Control Indicators of Orient Securities Company Limited, the Administrative Measures for Collateralized Stock Repurchase Transaction Business of Orient Securities Company Limited, the Implementation Rules for Compliance and Risk Management of Collateralized Stock Repurchase Transaction Business of Orient Securities Company Limited, the Administrative Measures for Financial Products Agency Business of Orient Securities Company Limited, the Management Rules for the Appropriateness of Product Sales Business of Orient Securities Company Limited, the Administrative Measures for Brokerage Business under Southbound Trading of Orient Securities Company Limited.

(IV) Basis of building internal control over financial reports

The Company has built a sound internal control system over financial reports based on the Basic Norms for Enterprise Internal Control and guidelines thereof jointly issued by the Ministry of Finance of the PRC, CSRC, National Audit Office of the PRC, China Banking Regulatory Commission and China Insurance Regulatory Commission, the Guidelines for Internal Control of Securities Companies issued by the CSRC, and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by the Shanghai Stock Exchange.

During the Reporting Period, in light of industrial features and actual conditions of the Company, the Company sorted out and improved its financial accounting management system in strict accordance with the Company Law, Accounting Law, Accounting Standards for Business Enterprises, Standardization of Basic Work of Accounting, Financial Rules for Financial Enterprises, Basic Norms for Enterprise Internal Control and other relevant laws and regulations in the PRC.

The financial reports prepared by the Company comply with accounting standards give a true, accurate and complete view of its financial positions, operating results, cash flow and other relevant information. According to the Articles of Association and relevant provisions, the Company's supervisory committee and external auditor effectively inspected and supervised the Company's financial positions and issued professional audit opinions on its financial reports.

During the Reporting Period, the sound system of internal control over financial reports of the Company ran well and could ensure the quality of financial reports and high reliability of financial information.

(V) Operations of risk management and internal control system

As of the end of 2016, the Company has established an internal control system which fully covers its departments, branches and wholly-owned and controlling subsidiaries. In accordance with the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies and other relevant laws and regulations, the Company comprehensively sorted out the business procedures of its departments, branches, wholly-owned and controlling subsidiaries, performed risk identification, prepared risk lists and evaluated internal control measures as well as internal control manual. The Company also identified internal control defects, formulated a rectification proposal, pushed all units to make analysis and carry out rectification in relation to internal control defects as well as organized and implemented evaluation works on internal control operation through bench-marking existing policies, systems and risk lists.

(VI) Conclusion of risk management and internal control evaluation

Pursuant to the requirements of the Basic Norms for Enterprise Internal Control, the Guidelines for the Evaluation of Enterprise Internal Control, the Guidelines for Internal Control of Securities Companies and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies and other relevant laws and regulations, the Company evaluated the effectiveness of the design and implementation of its internal control up to December 31, 2016, and issued the 2016 Annual Internal Control Evaluation Report. The compliance and risk management committee of the Board makes analysis and independent assessment on the adequacy and effectiveness of the Group's risk management and internal control system. During the Reporting Period, according to the identification of significant defects in internal control over its financial reports, there were no any significant defects in internal control over financial reports as at the base date of internal control evaluation report. The Board considered that the Company had maintained effective internal control over financial reports in all material aspects pursuant to the enterprise internal control standard system and relevant regulations.

According to the identification of significant defects in internal control over its non-financial reports, the Company did not discover any significant defects in internal control over non-financial reports as at the base date of internal control evaluation report.

From the base date of internal control evaluation report to the date of issue of such internal control evaluation report, there were no significant changes in internal control that may have a substantive effect on the conclusion of evaluation.

(VII) Work plan on internal control for 2017 by the Board

In order to guarantee the Company's internal control being appropriate to its operational scale, business scope, competition situation and risk level, based on its own development needs and in accordance with the requirements under the Basic Norms for Enterprise Internal Control and the guidelines thereof, the Company will make continuous adjustment to and improvement in internal control management and further enhance the promotion and training of internal control standards so as to constantly improve the Company's internal control and risk management level in 2017.

XI. ESTABLISHMENT OF THE COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

In 2016, the Company strictly adhered to the bottom line of lawful operation and compliance operation under the regulatory new normal state of "legitimate, strict and comprehensive supervision". With a view to strengthen the compliance management of staff's practice conduct, the Company established compliance management measures covering the whole process in the staff's practice conduct so that it further improved the effectiveness of its compliance management system. While the Parent Company established a management mechanism on internal control normalization, six subsidiaries also successfully completed internal control regularization. The Company further advanced such key works as the management on abnormal deals by clients, compliance management on innovative businesses and products and research consultancy business, information firewall, anti-money laundering and legal support pursuant to the corporatisation management requirements. The Company earnestly implemented various regulatory requirements, actively assisted to the supervision and inspection with regulators and self-regulation organizations to strive to eliminate various potential compliance risks. In light of the detailed work results, the Company has successfully promoted various compliance management, and maintained effective operations of its compliance management system through the above measures, without any material violations of laws or regulations throughout the year, which contributed to a remarkable improvement in the effectiveness of compliance management.

1) Compliance management philosophy of the Company

The compliance management philosophies promoted by the Company mainly include: compliance creates value; compliance starts from senior management; everyone is accountable to compliance; compliance requires all and active participation.

2) Compliance management principle of the Company

The Company established compliance management mechanism and guarantee the effectiveness, independence and comprehensiveness of the compliance management system by virtue of the establishment and implementation of compliance management system and mechanism.

3) Organizational structure and duties of compliance management

To ensure a lawful and compliance corporate operation, and improve its self-discipline capability, as well as realize a standardized, continuous and stable development, the Company has established a sound compliance management system pursuant to the Regulation on the Supervision and Administrative of Securities Companies and the Provisional Regulatory Requirements on Compliance Management of Securities Companies and other policies and regulations and based on the principle of effectiveness, independence and comprehensiveness.

In the organizational structure of the Company's compliance management, the responsibilities for compliance management at various levels of the Company are as follows:

The Board shall be accountable to the supervision, inspection and evaluation of the Company's compliance management, and take ultimate responsibility for the policies of compliance management, important decisions and the effectiveness of corporate compliance management, details of which include reviewing and approving the Company's major compliance management systems including the basic system of compliance management and working rules for compliance controller; engaging compliance controller, deciding the establishment of organizational institutions of the Company's compliance management, and making an appraisal on the duty performance of compliance controller; reviewing and finalizing compliance work report, assessing the influence that changes in major laws, regulations and principles has taken on the Company and making an evaluation on the effectiveness of corporate compliance management; overseeing and promoting the rectification of the breach and violation of laws and regulations or potential risks, and enforcing accountability of relevant persons.

To ensure the specialization of compliance management, the Board has established the compliance and risk management committee, whose responsibilities include: considering the general principles and guidelines of the Company's compliance management and the compliance management system; checking and evaluating the effectiveness of compliance risks and relevant measures in Company's business activities; listening to the periodic reports from compliance controller, and evaluating Company's compliance management works; reporting to the Board on compliance management in the Company's business activities and on other events as authorized by the Board on regular basis.

The Company's supervisory committee is accountable to the supervision on the Company's performance of compliance duties, necessary examination on the establishment and implementation of compliance management system so as to push forward the management to rectify the compliance management defects, and it also takes the supervisory responsibilities for the effectiveness of Company's compliance management.

The management of the Company is responsible perfecting compliance management system, carrying out compliance management works in daily operations, and takes leading responsibilities for the effectiveness of compliance management of the management and operation of the Company and practice conduct of the staff.

The person-in-charge of each of the Company's departments and branches shall strengthen the supervisory management for practice conduct of its staff, and bears the leading responsibilities for the effectiveness of compliance management in such unit.

All staff of the Company shall be fully aware of the laws, regulations and rules relating to their practice conduct, actively identify and control the compliance risks in their practice conduct, as well as shoulder the direct responsibilities for the compliance of their practice conduct.

To guarantee the effective implementation of compliance management, the Company has set up a position of compliance controller who is the member of senior management and in charge of Company's compliance work, and is accountable to the Board and reports daily work to the Board. To ensure the independence of compliance controller, the Company has provided that the compliance controller shall not concurrently take the position or take charge of any departments with duties in conflict with that of the compliance management. The main duties of compliance controller include: conducting compliance check concerning the internal management system, significant decision-making, new products and new business schemes of the Company and issue opinions in this regard; proceeding with the compliance supervision and examination concerning the operation, management and practice conduct of the Company and its personnel; reporting promptly to the Board, the supervisory committee, the management and regulators upon discovery of the Company's violation of the laws and regulations or identification of potential compliance risks, proposing treatment advices and supervising rectifications on the same; keeping in touch with securities regulatory bodies and relevant self-regulation organizations to comply with their examinations and surveys as well as monitoring the implementation; organizing the Company's compliance training and consultation, anti-money laundering and information firewall system; handling complaints and reports on violation of the laws and regulations.

The Company also established a compliance department, also called compliance and legal management department, to assist compliance controller to perform his duties. Compliance and legal management department is a functional department where the Company performs its duties of compliance management and risk management. The department, accountable to the compliance controller, shall coordinate with the compliance controller for implementation of compliance management and legal management, and is directly responsible for the effective operation of Company's compliance management system. The compliance department assists the compliance controller to complete the following tasks: carrying out compliance examination and issuing opinions on the compliance examination in writing; carrying out the compliance supervision concerning the operation, management and practice conduct of the Company and its personnel; conducting compliance examination, presenting handling opinions, supervising the adjustment and rectification upon the conduct of the Company violating the laws and regulations or of potential compliance risks, and promptly reporting to compliance controller, regulators and self-regulation organizations; offering compliance consultation, conducting compliance training, preparing the Company's compliance manual, following changes in corresponding laws and regulations, revising and optimizing systems and procedures, conducting supervision and examination; handling complaints and reports on violation of the laws and regulations and dealing with them according to the regulations; organizing and implementing the systems of anti-money laundering and information firewall of the Company; maintaining communication with securities regulatory authorities and industrial self-regulation organizations, cooperating with them in their examination and investigation on the Company, and tracking the implementation; filing and preserving related documents and information formed in the process of compliance management and other relevant works.

A risk and compliance officer is also deployed in each of the Company's departments and branches. Such officer is in the charge of implementation of compliance management requirements, providing assistance to the compliance management department and incorporating compliance management to the whole process of operation, management and employees' practice conduct. Such officers bear supervisory responsibilities and joint liabilities for their units and staff in respect of the compliance of their operation, management and practice conduct.

The audit department performs on-site and off-site regular audit or special audit on the compliance of the Company' operations, and takes responsibility for auditing on the expiration of the office term, re- designation or resignation of management personnel, person-in-charge of each branch and key positions. It also has supervisory responsibilities for the effectiveness of the compliance management system of the Company.

4) The Company's compliance management system

Pursuant to the provisions under the Regulations on Supervision and Administration pf Securities Companies and Provisional Regulations on Compliance Management of Securities Companies promulgated by the CSRC and other rules and regulations, the Company sets requirements on the duties of compliance management, performance guarantees and operating mechanism at each level based on the actual situation of the Company.

For the period from 2016 to 2017, the Company made steady progress to facilitate and accomplish the internal control by stages, incorporated the control over compliance risks and operational risks, refined the whole working procedures and systems of each module, and successfully completed the standardization of internal control of the Parent Company and subsidiaries in accordance with the requirements on compliance management of public companies. Currently, the Company's electronic internal control platform has officially been put into operation, which will become an important working platform for the construction of a normalized internal control for the Company.

The Company integrated various requirements on compliance management into various business procedures in formulating a variety of systems. According to the relevant requirements, the Company's formulation of and amendment to various systems shall be subject to the approval by the compliance department, which guarantee the normalization of such systems. In 2017, the Company reviewed over 160 newly-established or revised systems at the level of the Company and department, positioning such systems to advance with the times.

5) Compliance and risk management report system

In respect of the compliance and risk management report, the Company established a whole set of report systems including daily reports, monthly reports, annual reports, interim reports and special reports. The compliance controller shall report promptly to the Board, the supervisory committee, management, regulators and industrial self-regulation organizations upon discovery of the violation of laws and regulations by the Company or potential compliance risks according to the relevant requirements. The Company's basic compliance management system and the basic risk management system provide the reporting methods of compliance and risk management for various levels of the Company. Currently, the Company's compliance and risk management report system mainly includes:

In respect of annual reports and interim reports, the Company shall submit its interim compliance reports prior to August 31 each year and annual compliance reports of the preceding year prior to April 30 each year to the regulators according to the relevant requirements. Compliance reports shall be written as required, and subject to the consideration and approval by the Board and signing by the directors with their opinions. Meanwhile, compliance reports shall also be submitted to the Company's supervisory committee for the purpose of enabling the supervisors to be better informed of the implementation of compliance management.

In respect of monthly reports, each business segment of the compliance department shall prepare a report on monitoring of compliance and risk management on a month basis and submit it to compliance controller, department under monitoring and the department head. The compliance department also reports to the key leaders of the Company the implementation of monthly risk matters and risk management by comprehensive monthly reports on compliance management and comprehensive monthly reports on risk management. Risk and compliance officers of various departments have also established a monthly report system on compliance and risk management.

In respect of daily reports, each business segment of the compliance department has prepared daily working report, which records various thresholds and key compliance points on a daily basis. Risk and compliance officers of each business department have also established a daily report system accordingly.

For some particular matters, the Company reports them in a timely manner in the form of interim reports and special reports.

XII. CHECK AND AUDIT BY THE COMPLIANCE AND AUDIT DEPARTMENT OF THE COMPANY

1) Compliance check

In 2016, the Company strengthened compliance checks on each business segment, each department, branch and subsidiary, including daily checks and various special checks with the orientation of risk.

Among all the checks, daily checks refer to the compliance checks carried out by the compliance and risk management functional department on a monthly basis (once a month) on the Company's various business segments including securities investment business, fixed income business, financial derivatives business, research and consultancy business, securities financing business, fund management business and brokerage business, as well as on special compliance management matters including anti-money laundering management, compliance management on employees practice conduct, information technical limitations and system safety management. Besides, since January of this year, random check on the working emails of research personnel has been added to the regular monthly checks targeted at research and consultancy business, i.e. five research personnel will be selected for checking on all of their working emails of the preceding month on a random basis, and then strengthen implementation and remediation of the problems thereof.

In respect of special checks, thirteen special checks were carried out in total, details of which are as follows:

(1) In respect of management on employees practice conduct, four targeted compliance checks were carried out, including a self-check on the Company's employees securities accounts and securities investment behavior management; a special check on the employees' e-mails and office phone recordings for 2016; checks on the dealing rooms for 2016.

(2) In respect of compliance management on research and consultancy business, three special checks were carried out, namely the three special checks on employees practice conduct management in Shanghai, Beijing and Shenzhen respectively.

(3) In respect of internal control management, two special checks were carried out, including a self- check and update on the Company's internal control for 2016, and a comprehensive retrospect self-check in accordance with the requirements of "Two Enhancements, Two Restraints".

(4) In respect of information firewall management, one special check was carried out, namely a special compliance check on the construction and implementation of information firewall of the Company's securities investment business department, fixed income business department, equity investment business department and securities research institute, as well as investment banking, fund management, direct investment, innovation investment subsidiaries for the period from July, 2015 to June, 2016.

(5) In accordance with the requirements by the Shanghai Bureau of the CSRC, the Company carried out several self-checks and inspections including the special self-checks and rectifications on internet-based business and self-checks on NEEQ related business.

(6) The Company followed up the newly-revised Regulations on the Calculation Standard for Risk Control Indicators of Securities Companies, and conducted self-checks on the inter-institutional system products proprietary and market-making business of the OTC business department.

2) Audit

During the Reporting Period, the Company's audit department completed ninety-one auditing projects in total, including eleven regular headquarter-level audit projects (operational management, planning and financial management, fund management, information technology management, wealth management business, OTC business, securities investment business, securities research business, fixed income business, securities financing business and financial derivatives business); six regular subsidiary-level audit projects (Orient Securities Futures, Orient Securities Asset Management, Orient Securities Capital Investment, Orient Finance Hong Kong, Citi Orient and Orient Securities Innovation Investment); thirty-four regular branch-level audit projects; fifteen resignation audit projects; twenty-three audit projects concerning the term of office and the economic liability of leaders members; two special audit projects (i.e. a special audit on information firewall and a special audit on anti-money laundering). Meanwhile, the audit department led in arranging and completing the Company's annual internal control appraisal and assessment on effectiveness of compliance management.

XIII. OTHERS

(I) Company secretaries

Mr. Yang Yucheng and Ms. Leung Wing Han Sharon are the Company's joint company secretaries. Ms. Leung Wing Han Sharon is currently the vice president of SW Corporate Services Group Limited. The Company's main contact person with Ms. Leung Wing Han Sharon is Mr. Yang Yucheng, the joint company secretary of the Company. During the Reporting Period, Mr. Yang Yucheng and Ms. Leung Wing Han Sharon both received no less than fifteen hours of relevant professional trainings as required by the Rule 3.29 of the Hong Kong Listing Rules.

(II) Compliance with code for securities transactions

The Company has adopted the Model Code as the code for all directors and supervisors to conduct the Company's securities transactions. Upon specific enquiry, all directors and supervisor of the Company confirmed that they had strictly observed standards as specified in the Model Code during the period from the Listing Date up to December 31, 2016. The Company has also set guidelines, at least as strict as the Model Code, on the Company's securities transactions for relevant employees (as defined under the Hong Kong Listing Rules). The Company has not found any employees violating the said guidelines.

The Board will, from time to time, examine the corporate governance and operation of the Company to comply with the relevant provisions of the Hong Kong Listing Rules and protect the interests of shareholders.

(III) Internal control

For details of the Company's audit report on internal control, please refer to the 2016 Annual Audit Report on Internal Control of Orient Securities Company Limited disclosed on the website of the SSE by the Company.

(IV) Directors' and auditor's responsibilities for accounts

The Board has acknowledged its responsibility for preparing the annual report for the year ended December 31, 2016 of the Group.

The Board is responsible for presenting a clear and definite assessment in respect of annual reports and interim reports, price-sensitive information and other disclosures as required by the Hong Kong Listing Rules and other regulatory requirements. The management provided the Board with relevant necessary explanations and information so that the directors could make an informed assessment of the financial information and positions of the Group and submitted to the Board for consideration and approval.

There are no any material uncertainties or situations that may cause material doubt as to the Company's capability of sustainable operation. In addition, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the directors, supervisors and senior management.

(V) Communications with shareholders

The general meeting is the supreme authority of the Company, and all shareholders exercise their powers through such meeting. The Company convened and held the general meetings in strict compliance with relevant requirements, and ensured that all shareholders, especially minority shareholders, enjoy equal status and fully exercise of their rights. In accordance with the Articles of Association, the Company carried out the operations in an orderly manner and maintained healthy and stable development, thus effectively protecting the interests of the Company and its shareholders.

The Company attaches great importance to the opinions and suggestions from its shareholders, carries out a variety of investor relation events in a positive, active and standardized manner to maintain communications with shareholders and promptly meet their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website (www.dfzq.com.cn), which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines and directly sending their letters to the Company's office address. The Company will handle such enquiries in a timely and proper manner.

The Board welcomes suggestions from the shareholders, and encourages them to attend the general meetings to directly express any concerns to the Board or the management. Usually, the chairman of the Company, the chairmen of respective committees and the management would attend annual general meetings and other general meetings to answer questions put forward by shareholders.

Shareholders may convene an extraordinary general meeting and make proposals at the general meeting in accordance with the procedures provided in the Articles of Association, which has been published on the websites of the SSE, the Hong Kong Stock Exchange and the Company.

The Board will be arranged to attend the Company's 2016 annual general meeting to answer shareholders' enquiries.

Detailed procedures relating to voting and the resolutions to be voted by way of poll will be published on the websites of the SSE (for A Shares) or contained in the circular to be dispatched to shareholders (for H Shares).

(VI) Investors relationship activities

A standardized and professional investors relationship management is not only a listed company's statutory responsibility, but also an effective means for the Company to manage market value. The Board of the Company attaches great importance to investors relationship management, and strengthens communication services with investors through various platforms, such as hotlines set up specially for investors, E-mail, call center, Company's website, teleconferences, on-site reception, online interaction, meeting-and-greeting of investors, performance briefings, semi-annual and annual road shows, e- interactive platform launched by the Shanghai Stock Exchange. In 2016, the Company received eleven on- site researches and investigations from domestic and foreign institutions and analysts, as well as around 320 investors, attended two exchange sessions with securities firms, organized one teleconference, arranged press conferences on interim results, and also hosted interactive question and answer sessions with investors, which effectively promoted the transparency of the Company and improved the experience of investors.

In 2016, reception of research and communication of the Company are as follows:

No.	Date	Place	Manner	Visiting parties	Topics
1	January 22, 2016	the Company	on-site research	Cinda Securities, Huarong Securities (6 persons)	The Company's operation status and development strategy
2	January 26, 2016	the Company	on-site research	BOC International, Fortune Securities, Everbright Securities (3 persons)	The Company's operation status and development strategy
3	March 28, 2016	the Company	on-site research	China Investment Securities, Guotai Junan Securities, Harfor Fund Management, HuaAn Funds, Soochow Asset Management (5 persons)	The Company's operation status and development strategy
4	July 13, 2016	the Company	on-site research	BOC International (1 person)	The Company's operation status and development strategy
5	July 20, 2016	the Company	on-site research	HSBC, Fosun International (3 persons)	The Company's operation status and development strategy
6	July 25, 2016	the Company	on-site research	Essence Securities, Huatai Securities, Pacific Asset Management (4 persons)	The Company's operation status and development strategy
7	July 25, 2016	the Company	on-site research	Dongxing Securities (1 person)	The Company's operation status and development strategy
8	August 10, 2016	the Company	on-site research	China Galaxy Securities (2 persons)	The Company's operation status and development strategy
9	November 18,2016	the Company	Phone call	Oriental Patron Securities (2 persons)	The Company's operation status and development strategy
10	November 18,2016	the Company	on-site research	BOC International, Industrial Securities Asset Management, Changjiang Pension Fund (長江養老基金), Industrial Securities Asset Management (興證資產), Nanjing Securities, CITIC Prudential Fund, Fullerton, Taiping Fund Management (太平基金), Shanghai Hongxiang Investment (上海紅象投資) (9 persons)	The Company's operation status and development strategy
11	December 16,2016	the Company	on-site research	UBS Securities, Libra Capital、Hezi Capital Management (核子資本) (3 persons)	The Company's operation status and development strategy
12	December 29, 2016	the Company	on-site research	Daiwa Securities (1 person)	The Company's operation status and development strategy

(VII) Amendments to the Articles of Association

During the Reporting Period, the Company made an overseas public offering of H Shares, which was listed and traded on the Main Board of the Hong Kong Stock Exchange. Pursuant to the provisions of the Mandatory Provisions for Articles of Association of Companies Listed Overseas, Guidelines for the Articles of Association of Listed Companies (Amended in 2014), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Regulation on the Supervision and Administrate from of Securities Companies, With the approval from the first extraordinary meeting of 2015, the Board or its authorized persons were granted with the power to fill in and amended the Articles in respect of registered capital and shareholding, including Article 3, Article 6 and Article 20 (announcement No. 2016-047). For details of the revised Articles of Association, please refer to the website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the website of the Company.

During the Reporting Period, the first extraordinary meeting of 2016 considered and approved amendments to the provisions of the Articles of Association relating to the shareholders' rights and voting at the general meeting, including revision of the Articles 51, 65, 85, 99, 104 and 105 and deletion of Article 106. The number of articles had been adjusted according to such amendments. The amendments to the Articles of Association had been approved by Shanghai Securities Regulatory Bureau of the CSRC (announcement No. 2016-065). For details of the revised Articles of Association, please refer to the website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the website of the Company.

Section X Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

In RMB100 million

Name of bonds	Abbreviation	Code	Issuing date	Maturity date	Bonds balance	Interest rate	Repayment of principal and interest	Trading venue
2014 Corporate Bonds issued by Orient Securities Company Limited	14 Orient Securities Bonds	123021	August 26, 2014	August 26, 2019	60	6.00%	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE
2015 Corporate Bonds publicly issued by Orient Securities Company Limited	15 Orient Securities Bonds	136061	November 26, 2015	November 26, 2020	120	3.90%	Interest payable annually and principal to be repaid upon maturity in one lump sum	SSE

Interest payment and repayment of corporate bonds

During the Reporting Period, the Company fully paid the interest of corporate bonds on time, and did not repay any corporate bonds.

Other information on corporate bonds

1. *Short-term corporate bonds of securities companies*

   On April 23, 2015, the Proposal on Mandate to Issue Domestic Debt Financing Instruments by the Company was considered and approved at the 7th meeting of the third session of the Board of the Company, and at the 2014 annual general meeting of the Company, pursuant to which, the Company was authorized to issue subordinated bonds, short-term commercial papers, short-term bonds of securities companies, corporate bonds, income receipts and other instruments approved by the regulatory authorities within the cap for total balance of new outstanding debt financing instruments not exceeding 200% of the audited net assets of last year.

Section X Corporate Bonds

On August 26, 2015, the Company received the Letter of No Objection on Listing and Transfer of 2015 Short-term Corporate Bonds of Securities Companies by Orient Securities Company Limited (Shang Zheng Han [2015] No. 1508) issued by the SSE, pursuant to which, the Company was authorized to issue a scale of RMB12 billion short-term corporate bonds, which can be listed and transferred on the SSE in installments within 12 months (expiry on August 25, 2016). During the Reporting Period, the Company completed issue of the 2016 first tranche short-term corporate bonds of securities companies on May 19, 2016. The issuing size of the bonds was RMB9 billion, with a term of one year and coupon rate of 3.40%. On November 10, 2015, the Company completed issue of the 2015 first tranche short-term corporate bonds of securities companies. The issuing size of bonds was RMB3 billion, with a term of one year and coupon rate of 3.7%, and also completed repayment of the bonds during the Reporting Period.

On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of Non-public Issue of 2016 Short-term Corporate Bonds of Securities Company by Orient Securities Company Limited (Shang Zheng Han [2016] No. 2061) issued by the SSE, pursuant to which, the Company was authorized to issue a scale of RMB17 billion short-term corporate bonds, which can be listed and transferred on the SSE in installments within 12 months (expiry on October 31, 2017). On December 16, 2016, the Company completed issue of the 2016 second tranche short-term corporate bonds of securities company. The issuing size of the bonds was RMB4 billion, with a term of one year and coupon rate of 4.00%.

2. Subordinated bonds

On March 11, 2016, the Proposal on Issue of Subordinated Bonds (Including Perpetual Subordinated Bonds) by the Company was considered and approved at the 17th meeting of the third session of the Board of the Company, and at the 2015 annual general meeting of the Company convened on May 25, 2016, pursuant to which, the Company was authorized to issue a scale of up to RMB10 billion (including) subordinated bonds (including perpetual subordinated bonds). On November 1, 2016, the Company received the Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by Orient Securities Company Limited (Shang Zheng Han [2016] No. 2057) issued by the SSE, and on November 14, 2016, it completed issue of the 2016 first tranche subordinated bonds. The issuing size of the bonds was RMB4 billion, with a term of five years and coupon rate of 3.45%.

Section X Corporate Bonds

II. CONTACT PERSON AND CONTACT METHOD OF THE CORPORATE BONDS TRUSTEE MANAGER AND CONTACT METHOD OF CREDIT RATING AGENCY

Bonds trustee manager	Name	Everbright Securities Company Limited
	Office address	No. 1508 Xinzha Road, Shanghai, the PRC
	Contact person	Zhou Ping
	Tel	021-22169999
Credit rating agency	Name	China Chengxin Securities Ratings Co., Ltd.
	Office address	Room 968, Building 1, No. 599 Xingye Road, Qingpu District, Shanghai, the PRC

Other explanations:

On June 5, 2015, the Securities Association of China published the Code of Conduct for Corporate Bonds Trustee Manager, which introduced the concept of bonds trustee manager, therefore, the Company did not engage any corporate bonds trustee manager for the 2014 corporate bonds.

III. USE OF PROCEEDS FROM CORPORATE BONDS

(I) 14 Orient Securities bonds

On August 26, 2014, the Company issued RMB6 billion corporate bonds under private placement. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the total amount of the proceeds (after deduction of issuing expenses) for replenishing its working capital so as to expand the business scope and scale, optimize the business structure, and improve the comprehensive competitiveness of the Company.

The Company's actual use of the proceeds was in line with the purposes and other covenants undertaken in the prospectus.

(II) 15 Orient Securities bonds

As approved by the document (Zheng Jian Xu Ke [2015] No. 2406) issued by the CSRC, the Company publicly issued RMB12 billion corporate bonds on November 26, 2015. Pursuant to the relevant contents in the prospectus of such bonds, the Company fully used the total amount of the proceeds (after deduction of expenses related to the issuance) for replenishing its working capital so as to expand its business scale and improve its market competitiveness and risk prevention capability.

The proceeds from such bonds had been transferred to the designated proceeds account specified by the Company in the prospectus, and were used for replenishing the Company's working capital, which was in line with the purposes and other covenants undertaken in the prospectus. Deloitte Touche Tohmatsu CPA LLP issued a capital verification report (De Shi Bao (Yan) Zi (15) No. 1759) in respect of receipt of the proceeds.

Section X Corporate Bonds

IV. RATING OF CORPORATE BONDS

During the Reporting Period, China Chengxin Securities Ratings Co., Ltd. conducted follow-up ratings on the creditworthiness of the Company's issued "14 Orient Securities Bonds" and "15 Orient Securities Bonds", and issued the Follow-up Rating Report on the 2014 Corporate Bonds of Orient Securities Company Limited (2016) (Xin Ping Wei Han Zi [2016] Gen Zong No. 009), and the Follow-up Rating Report on the 2015 Corporate Bonds of Orient Securities Company Limited (2016) (Xin Ping Wei Han Zi [2016] Gen Zong No. 010), which maintained the AAA ratings given to the Company's "14 Orient Securities Bond" and "15 Orient Securities Bonds", and also maintained the AAA ratings and a stable outlook given to the Company.

V. CREDIT ENHANCEMENT MECHANISM, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

There was no credit enhancement mechanism.

Repayment plan and other relevant information

(I) Payment of interest

1. The interest shall be payable annually within the effective period, and the last interest shall be paid together with the principal. The interest of "15 Orient Securities Bonds" shall be paid on November 26 each year commencing from 2016 to 2020, and the interest of "14 Orient Securities Bonds" shall be paid on August 26 each year commencing from 2015 to 2019 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).

2. The payment of the bonds interest is carried out through the registration authority and other relevant institutions. Details of interest payment will be explained by the issuer in the interest payment announcement published on the media designated by the CSRC in compliance with the relevant state regulations.

3. Pursuant to the national taxation laws and regulations, the tax payable by the investors in relation to the bonds investment shall be borne by the investors.

(II) Repayment of principal

1. The principal of the bonds will be repaid upon maturity in one lump sum. The principal of "15 Orient Securities Bonds" will be repaid on November 26, 2020, and the principal of "14 Orient Securities Bonds" will be repaid on August 26, 2019 (or the following working day if such date shall fall on a statutory holiday or non-working day, in which case no additional interest will be accrued).

2. The repayment of the bonds principal is carried out through the registration authority and other relevant institutions. Details of principal repayment will be explained by the issuer in the repayment announcement published in the media designated by the CSRC in compliance with the relevant state regulations.

Section X Corporate Bonds

VI. MEETING OF CORPORATE BONDHOLDERS

During the Reporting Period, the Company did not convene any meetings of corporate bondholders.

VII. DUTY PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

The issue of "15 Orient Securities Bonds" was completed on November 26, 2015. Everbright Securities Company Limited, the bonds trustee manager, conducted continuous follow-up and supervision on the fulfillment of obligations under the prospectus by the Company during the effective period of the bonds, and announced the bonds trustee management report for the last year on June 30 each year during the effective period of the bonds.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AS AT THE END OF THE REPORTING PERIOD

In RMB

Major indicators	2016	2015	Changes compared with the corresponding period of last year (%)	Reason for change
EBITDA	8,014,443,351.27	14,087,657,691.49	(43.11)	Decrease of total profit
Current ratio	1.32	1.30	1.71	
Quick ratio	1.32	1.30	1.71	
Gearing rate	76.76%	78.52%	Decrease of 1.76 ppt	
EBITDA to total debts ratio	6%	12%	Decrease of 6 ppt	
Interest coverage ratio	156%	314%	Decrease of 158 ppt	Decrease of profit before tax
Cash interest coverage ratio	(277)%	(253)%	Decrease of 24 ppt	
EBITDA interest coverage ratio	159%	317%	Decrease of 158 ppt	Decrease of EBITDA
Loan repayment ratio	100%	100%		
Interest payment ratio	100%	100%		

Section X Corporate Bonds

IX. INTEREST PAYMENT AND REPAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENT OF THE COMPANY

During the Reporting Period, the Company's other bonds and debt financing instruments include short-term commercial papers, short-term corporate bonds of securities companies, subordinated bonds. The principal and interest of such debt financing instruments were repaid on time without any defaults.

X. BANK FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company received an aggregate banking facilities of RMB298.465 billion from 79 Banks. As at the end of Reporting Period, the Company (Parent Company) has obtained an aggregate banking facilities of RMB158.3 billion from major lending banks including Industrial and Commercial Bank of China, Bank Of China, Agricultural Bank of China, China Merchants Bank, with the unutilized facilities amounting to RMB94.8 billion.

XI. PERFORMANCE OF UNDERTAKINGS OR COMMITMENTS IN BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

There were no relevant undertakings or commitments in the bonds prospectus.

XII. IMPACT OF MATERIAL EVENTS OF THE COMPANY ON OPERATIONS AND SOLVENCY OF THE COMPANY

During the Reporting Period, there were no material events which had an impact on the operations and solvency of the Company.

Section XI Documents Available for Inspection

Document available for inspection	The full text and summary of the annual report signed by the legal representative and sealed with the company seal
Document available for inspection	The 2016 annual financial accounting report signed and sealed by the legal representative, the accounting chief and person-in-charge of the accounting department (head of the accounting department)
Documents available for inspection	Others

Chairman of the Board: Pan Xinjun

Date of approval by the Board: March 30, 2017

Section XII Information Disclosures of Securities Company

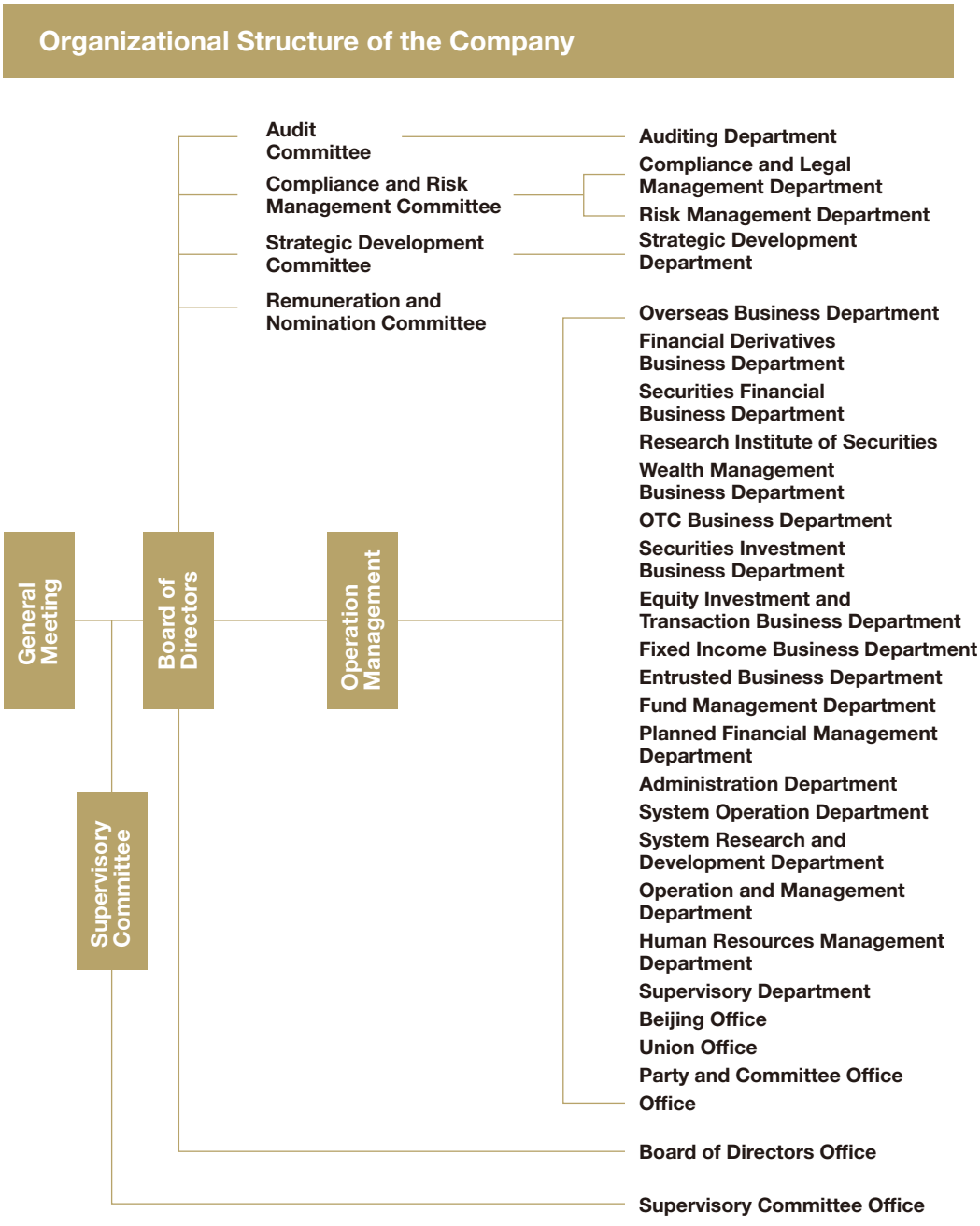
I. RELEVANT INFORMATION ON MATERIAL ADMINISTRATIVE LICENSES OF THE COMPANY

No.	Issued by	Title of document	Number of document	Issuing date
1	Shanghai Bureau of the CSRC	Reply on Approving Change of Material Articles in Articles of Association by Orient Securities Company Limited	Hu Zheng Jian Xu Ke [2016] No. 11	January 12, 2016
2	State-owned Assets Supervision and Administration Commission of State Council	Reply on Issues Related to Transfer of State-owned Shares in Orient Securities Company Limited	Guo Zi Chan Quan[2016] No. 203	March 24, 2016
3	CSRC	Letter of Issuing Regulatory Opinion on Public Offering and Listing of H Shares of Orient Securities Company Limited	Ji Gou Bu Han [2016] No. 657	March 31, 2016
4	Shanghai State-owned Assets Supervision and Administration Commission	Reply on Issues Related to Transfer of State-owned Shares in Orient Securities Company Limited	Hu Guo Zi Wei Chan Quan [2016] No. 72	April 5, 2016
5	CSRC	Reply on Approving Issue of Overseas Listed Foreign Shares by Orient Securities Company Limited	Zheng Jian Xu Ke[2016] No. 1026	May 13, 2016
6	Shanghai Bureau of the CSRC	Reply on Approving Qualification of Xu Zhiming as Independent Director of Securities Company	Hu Zheng Jian Xu Ke[2016] No. 56	June 17, 2016
7	Shanghai Bureau of the CSRC	Reply on Approving Qualification of Huang Laifang as Director of Securities Company	Hu Zheng Jian Xu Ke[2016] No. 63	June 27, 2016
8	Shanghai Bureau of the CSRC	Reply on Approving Establishment of 33 Securities Branches by Orient Securities Company Limited	Hu Zheng Jian Xu Ke[2016] No. 74	July 15, 2016
9	SSE	Letter of No Objection on Listing and Transfer of Non-public Issue of 2016 Short Term Corporate Bonds of Securities Companies by Orient Securities Company Limited	Shang Zheng Han[2016] No. 2061	November 1, 2016
10	SSE	Letter of No Objection on Listing and Transfer of 2016 Subordinated Bonds by Orient Securities Company Limited	Shang Zheng Han[2016] No. 2057	November 2, 2016
11	Shanghai Bureau of the CSRC	Reply on Approving Qualification of Xu Jianguo as Director of Securities Company	Hu Zheng Jian Xu Ke[2016] No. 129	November 7, 2016
12	Shanghai Bureau of the CSRC	Reply on Approving Qualification of Wang Rufu as Senior Management of Securities Company Management	Hu Zheng Jian Xu Ke[2016] No. 136	November 18, 2016

II. RESULT OF CLASSIFICATION OF THE COMPANY BY REGULATORY AUTHORITY

In 2014, 2015 and 2016, the Company was rated as a "Grade A, Category AA" company for three consecutive years.

APPENDIX I: Organizational Structure of 東方證券股份有限公司



APPENDIX II: Information on Securities Branches of the Company

As at the end of the Reporting Period, the Company has 122 securities branches.

Name of securities branches	Registered address	Date of establishment
Beihai Avenue Securities Branch of Orient Securities Company Limited	No. 0301, 3/F, Fengsheng Building, No. 187 Beihai Avenue, Beihai, Guangxi	May 12, 2006
Beihai Chating Road Securities Branch of Orient Securities Company Limited	No.1205-1207, Fuyu Building, No. 31 Chating Road, Beihai	July 28, 2015
Beijing Anyuan Road Securities Branch of Orient Securities Company Limited	No.45 Xiaoguanbeili, Chaoyang District, Beijing	April 4, 2001
Beijing Xueyuan Road Securities Branch of Orient Securities Company Limited	12/F, B Block, Kedatiandong Building, No. 30 Xueyuan Road, Haidian District, Beijing	July 18, 2006
Changchun Tongzhi Street Securities Branch of Orient Securities Company Limited	4/F & 11/F, Tonghui Building, No. 2222 Tongzhi Street, Chaoyang District, Changchun, Jilin	July 31, 2006
Changsha Laodong West Road Securities Branch of Orient Securities Company Limited	7/F, No. 471 Laodong West Road, Changsha, Hunan	June 7, 2002
Chaoyang Street Securities Branch of Orient Securities Company Limited	No. 60, the Third Section of Chaoyang Street, Shuangta, Chaoyang City	June 4, 2014
Chengdu Tianfu Avenue Securities Branch of Orient Securities Company Limited	No.1601, 1603, 1605, 1607 &1609, 16/F, Block 1, No. 1399 the South Section of Tianfu Avenue, Gaoxing District, Chengdu	June 24, 2014
Chengdu Tianxiang Temple Street Securities Branch of Orient Securities Company Limited	2/F, Tianxiang Building, No. 118 Wangping Street, Chengdu, Sichuan	April 11, 2001
Deyang Changjiang West Road Securities Branch of Orient Securities Company Limited	2/F (left to the escalator), No. 88 Changjiang West Road, Jingyang District, Deyang, Sichuan	August 15, 2014
Fuzhou Aojiang Road Securities Branch of Orient Securities Company Limited	Room 10, 11 & 12, 19/F, No.C2# Office Building, Wanda Plaza Second Phase, Fuzhou Financial Street, No. 8 Aojiang Road (North of Jiangbin Middle Avenue and East of Shuguang Road), Aofeng Street, Taijiang District, Fuzhou, Fujian	June 10, 2014

Name of securities branches	Registered address	Date of establishment
Fuzhou Wusi Road Securities Branch of Orient Securities Company Limited	6/F, Golden Lily Hotel, No. 252 Wusi Road, Fuzhou, Fujian	August 24, 2007
Fushun Liaozhong Street Securities Branch of Orient Securities Company Limited	No.25-2 Liaozhong Street, Wanghua District, Fushun, Liaoning	August 18, 1998
Fushun Qingyuan Securities Branch of Orient Securities Company Limited	No. 49 Honghe Road, Qingyuan Town, Qingyuan Manchu Autonomous County, Fushun, Liaoning	December 18, 2001
Fushun Suihua Road Securities Branch of Orient Securities Company Limited	No. 45 West Section of Suihua Road, Dongzhou District, Fushun	April 25, 2014
Fushun Xinhua Street Securities Branch of Orient Securities Company Limited	No. 9 Building 20, Xinhua Street, Shuncheng District, Fushun, Liaoning	March 28, 2002
Fushun Yumin Road Securities Branch of Orient Securities Company Limited	No. 15, Yumin Road, Xinfu District, Fushun City, Liaoning Province (4/F & 5/F, No. 6 Building, Zhejiang Merchant International Commercial Center)	August 18, 1998
Guangzhou Baogang Avenue Securities Branch of Orient Securities Company Limited	Building 5, No. 283 Baogang Avenue, Haizhu District, Guangzhou, Guangdong	April 21, 2002
Guangzhou Pingyue Road Securities Branch of Orient Securities Company Limited	No. 161 Pingyue Road, Guangzhou	August 29, 2006
Guiyang Huaguoyuan Securities Branch of Orient Securities Company Limited	Office Building 6, 7, 8, 9, 10, 11 & 12, 40/F, Unit 1, Building 6, F Area, Pengjiawan Huaguoyuan Project, Huaguoyuan, Nanming District, Guiyang, Guizhou	August 7, 2015
Guilin Lingui County Renmin Road Securities Branch of Orient Securities Company Limited	No. 1-2-1 & 1-2-3, Section 1, 2/F, Dashijie Main Building, Renmin Road, Lingui Town, Lingui County	July 3, 2014
Guilin Zhongshan Middle Road Securities Branch of Orient Securities Company Limited	4/F, Jintai Building, No. 16, Zhongshan Middle Road, Guilin, Guangxi Zhuang Autonomous Region	May 10, 2006
Harbin Ganshui Road Securities Branch of Orient Securities Company Limited	14th Store, 1-3/F, Wanda Commercial Center Commercial Building, No. 84 Ganshui Road, Nangang Jizhong District, Jingkai District, Harbin	July 31, 2015
Haikou Jinlong Road Securities Branch of Orient Securities Company Limited	1-2/F, East Coconut Grove International Building, No. 19 Jinlong Road, Longhua District, Haikou, Hainan	August 5, 2015

Name of securities branches	Registered address	Date of establishment
Hangzhou Longjing Road Securities Branch of Orient Securities Company Limited	No. 53 Longjing Road, Hangzhou	August 1, 2006
Hangzhou Stadium Road Securities Branch of Orient Securities Company Limited	No. 286 Stadium Road, Hangzhou, Zhejiang	August 7, 2002
Hefei Wangjiang West Road Securities Branch of Orient Securities Company Limited	No. 99 Wangjiang West Road, Shushan District, Hefei, Anhui	January 31, 2012
Hohhot Xinhua East Street Securities Branch of Orient Securities Company Limited	Room 1102, Comprehensive Building, International Finance Building, No.18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region	May 28, 2014
Huzhou Renmin Road Securities Branch of Orient Securities Company Limited	Room 4-07, Building 20, Aishan Plaza, No. 133 Renmin Road, Huzhou	April 21, 2014
Jinan Jingqi Road Securities Branch of Orient Securities Company Limited	No.319, Jingqi Road, Jinan	April 9, 2007
Jiaxing Zhongshan West Road Securities Branch of Orient Securities Company Limited	No. 1776 Zhongshan West Road, Gaozhao Street, Xiuzhou District, Jiaxing	July 30, 2015
Jiangyin Renmin East Road Securities Branch of Orient Securities Company Limited	No.122, 1/F & No.108, 110, 112, 2/F, Renmin East Road, Jiangyin	July 9, 2015
Kunming Bailong Road Securities Branch of Orient Securities Company Limited	No.1001 & 1008, 10/F, Diangao Commercial Building, No. 19 Bailong Road, Panlong District, Kunming, Yunnan	June 5, 2014
Lhasa Chagu Avenue Securities Branch of Orient Securities Company Limited	Room 1306, Liuwu Building, Liuwu New District, Lhasa	July 10, 2014
Lanzhou Nanchang Road Securities Branch of Orient Securities Company Limited	1/F, Shengshikaixuan Building, No. 1918 Nanchang Road, Chengguan District, Lanzhou, Gansu	August 5, 2015
Linyi Jiefang East Road Securities Branch of Orient Securities Company Limited	Room 105-108, Block A, Yinqiao Jinju Community Commercial Building, Jiefang East Road, Hedong District, Linyi	February 14, 2012
Liuzhou Wenchang Road Securities Branch of Orient Securities Company Limited	No.2-1, 2, 3, Block 21, Dongjun, No. 26 Wenchang Road, Liuzhou	July 16, 2015

Name of securities branches	Registered address	Date of establishment
Nanchang Lvyin Road Securities Branch of Orient Securities Company Limited	Room 2902, 2903, 29/F, Lianfa Plaza Office Building, No. 129 Lvyin Road, Nanchang, Jiangxi	April 23, 2014
Nanchong Wenhua Road Securities Branch of Orient Securities Company Limited	Unit 501, 5/F, Yuhao Hotel, No. 1 Wenhua Road, Shunqing District, Nanchong, Sichuan	September 29, 2014
Nanjing Jinxiang River Road Securities Branch of Orient Securities Company Limited	No.22-5, 6 Jinxiang River Road, Xuanwu District, Nanjing, Jiangsu	May 10, 2006
Nanning Minzhu Road Securities Branch of Orient Securities Company Limited	4/F, Dushihuating, No. 6-8 Minzhu Road, Nanning, Guangxi	May 15, 2006
Nantong Gongnong Road Securities Branch of Orient Securities Company Limited	No.181, 183, 185 Gongnong Road, Nantong	June 25, 2015
Ningbo Zhongxing Road Securities Branch of Orient Securities Company Limited	(1-20) (2-2) No. 601 Zhongxing Road, Jiangdong District, Ningbo	July 30, 2015
Putian Lihua East Road Securities Branch of Orient Securities Company Limited	Room 502, 503, 504, Building 1, Qidi Hotspring Community, No. 598 Lihua East Road, Xialin Street, Chengxiang District, Putian, Fujian	May 29, 2014
Quanzhou Jinhuai Street Securities Branch of Orient Securities Company Limited	Room 502, Block A, Ranqi Building, No. 25 Jinhuai Street, Fengze District, Quanzhou, Fujian	July 30, 2015
Shantou Changping Road Securities Branch of Orient Securities Company Limited	1/F & 9/F-11/F, Yiyuan Building, No. 161 Changping Road, Shantou, Guangdong	May 12, 2006
Shanghai Baoshan District Changjiang West Road Securities Branch of Orient Securities Company Limited	No. 1788 Changjiang West Road, Baoshan District, Shanghai	June 23, 1998
Shanghai Baoshan District Songnan Road Securities Branch of Orient Securities Company Limited	No. 427-1 Songnan Road, Baoshan District, Shanghai (Temporary)	June 12, 2014
Shanghai Baoshan District Yingao West Road Securities Branch of Orient Securities Company Limited	2/F, No. 638 Yingao West Road, Baoshan District, Shanghai	June 23, 1998

Section XII Information Disclosures of Securities Company

Name of securities branches	Registered address	Date of establishment
Shanghai Changning District Changning Road Securities Branch of Orient Securities Company Limited	Unit 1303, Building 1, No. 546 Changning Road, Changning District, Shanghai	June 23, 1998
Shanghai Changning District Zunyi Road Securities Branch of Orient Securities Company Limited	No. 567 Zunyi Road, Changning District, Shanghai	June 23, 1998
Shanghai Chongming Dongmen Road Securities Branch of Orient Securities Company Limited	No. 425-427 Dongmen Road, Chongming County, Shanghai	November 19, 2012
Shanghai Fengxian District Nanting Road Securities Branch of Orient Securities Company Limited	1-2/F, Block 1, No. 269 Nanting Road, Nanqiao Town, Fengxian District, Shanghai	February 28, 2012
Shanghai Hongkou District Feihong Road Securities Branch of Orient Securities Company Limited	3/F, No.35 & 3/F, No.19 Feihong Road, Shanghai	June 23, 1998
Shanghai Huangpu District Beijing East Road Securities Branch of Orient Securities Company Limited	Main Building, 5/F, No. 270 Beijing East Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Fengyang Road Securities Branch of Orient Securities Company Limited	No. 310 Fengyang Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Zhonghua Road Securities Branch of Orient Securities Company Limited	Room 301-304 & Room 803, 804, West Side, No. 1600 Zhonghua Road, Huangpu District, Shanghai	June 23, 1998
Shanghai Huangpu District Zhongshan South Road First Securities Branch of Orient Securities Company Limited	Room 402, 4/F, No. 318 Zhongshan South Road, Huangpu District, Shanghai	July 14, 2014

Section XII Information Disclosures of Securities Company

Name of securities branches	Registered address	Date of establishment
Shanghai Jiading District Cao'an Road Securities Branch of Orient Securities Company Limited	Room 106, 107, 108, No. 1685 Cao'an Road, Jiading District, Shanghai	June 23, 1998
Shanghai Jiading District Huyi Road Securities Branch of Orient Securities Company Limited	Room 103, 1/F, No. 1158 Huyi Road, Jiading District, Shanghai	November 2, 2012
Shanghai Jiading District Jinsha Road Securities Branch of Orient Securities Company Limited	5/F, No. 77 Jinsha Road, Jiading District, Shanghai	February 17, 2012
Shanghai Jinshan District Weiqing West Road Securities Branch of Orient Securities Company Limited	No. 17, Lane 132, 134 &128, Weiqing West Road, Jinshan District, Shanghai	June 30, 2011
Shanghai Jingan District Urumqi North Road Securities Branch of Orient Securities Company Limited	2/F, No. 480 Urumqi North Road, Shanghai	October 28, 1994
Shanghai Minhang District Dushi Road Securities Branch of Orient Securities Company Limited	1/F, 3/F, No. 3898 Dushi Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Gulong Road Securities Branch of Orient Securities Company Limited	1/G & 2/G, No. 214; 1/G & 2/G, No. 216; 1/G & 1-2/F, No. 218, 220, 222; 1/G & 2/G, No.224 Gulong Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Heqing Road Securities Branch of Orient Securities Company Limited	No. 338 Heqing Road, Minhang District, Shanghai	June 23, 1998
Shanghai Minhang District Nanjiangyan Road Securities Branch of Orient Securities Company Limited	No. 121 Nanjiangyan Road, Minhang District, Shanghai	June 26, 2014

Section XII Information Disclosures of Securities Company

Name of securities branches	Registered address	Date of establishment
Shanghai Pudong New Area Chunxiao Road Securities Branch of Orient Securities Company Limited	Room 102, No. 350 Chunxiao Road, Zhangjiang Hi-Tech Park District, Shanghai	March 31, 2014
Shanghai Pudong New Area Futexi Third Road Securities Branch of Orient Securities Company Limited	Room 936, 9/F, Block 10, No. 77 Futexi Third Road, China (Shanghai) Pilot Free Trade Zone	September 2, 2014
Shanghai Pudong New Area Peony Road Securities Branch of Orient Securities Company Limited	6/F, No. 60 Peony Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Nanmen Street Securities Branch of Orient Securities Company Limited	No. 128 Nanmen Street, Pudong New Area	February 20, 1995
Shanghai Pudong New Area Pingdu Road Securities Branch of Orient Securities Company Limited	Room 247, Block 3, No. 258 Pingdu Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Pudong South Road Securities Branch of Orient Securities Company Limited	No. 1658 Pudong South Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Tang'an Road Securities Branch of Orient Securities Company Limited	No. 782 Tang'an Road, Pudong New Area, Shanghai	October 10, 2014
Shanghai Pudong New Area Xinchuan Road Securities Branch of Orient Securities Company Limited	No. 611 Xinchuan Road, Pudong New Area, Shanghai	June 23, 1998
Shanghai Pudong New Area Yaohua Road Securities Branch of Orient Securities Company Limited	1/F, 4/F-6/F, No. 58 Yaohua Road, Shanghai	June 23, 1998

Name of securities branches	Registered address	Date of establishment
Shanghai Pudong New Area Yincheng Middle Road Securities Branch of Orient Securities Company Limited	Room 2301B, No. 488 Yincheng Middle Road, China (Shanghai) Pilot Free Trade Zone	May 8, 2015
Shanghai Pudong New Area Zhangyang Road Securities Branch of Orient Securities Company Limited	No. 638 Zhangyang Road, Shanghai	May 17, 2006
Shanghai Pudong New Area Zhoudong Road Securities Branch of Orient Securities Company Limited	No.716 & 718 Zhuodong Road; 1/F & 2/F, No. 4128 Zhuogong Road, Pudong New Area	June 23, 1998
Shanghai Putuo District Guangxin Road Securities Branch of Orient Securities Company Limited	Room 401-403, Room 405-406, Room 2201-2203, No. 88 Guangxin Road, Shanghai	June 23, 1998
Shanghai Putuo District Lanxi Road Securities Branch of Orient Securities Company Limited	Room 301-309, Room 401-404, Room 409, No. 182 Lanxi Road, Shanghai	June 23, 1998
Shanghai Qingpu District East Garden Road Securities Branch of Orient Securities Company Limited	Block D, No.1606 East Park Road, Qingpu District, Shanghai	July 1, 2011
Shanghai Qingpu District Huaxu Road Securities Branch of Orient Securities Company Limited	Room 102, Block B, No. 999 Huaxu Road, Xujing Town, Qingpu District, Shanghai	July 15, 2014
Shanghai Songjiang District Huting North Road Securities Branch	Store C, Room 303, No. 38, Lane 607 Huting North Road, Songjiang District, Shanghai	June 29, 2010
Shanghai Songjiang District New Songjiang Road Securities Branch of Orient Securities Company Limited	No. 251 New Songjiang Road, Songjiang District, Shanghai	July 5, 2010

Name of securities branches	Registered address	Date of establishment
Shanghai Xuhui District Guangyuan West Road Securities Branch of Orient Securities Company Limited	Room B, C, 6/F, Block 2, No.315 Guangyuan West Road, Xuhui District, Shanghai	June 23, 1998
Shanghai Xuhui District Zhaojiabang Road Securities Branch of Orient Securities Company Limited	9/F, No. 333 Zhaojiabang Road	June 23, 1998
Shanghai Yangpu District Anbo Road Securities Branch	Room 2, 1/F, 2/F & 3/F, No. 521 Anbo Road, Yangpu District, Shanghai	June 23, 1998
Shanghai Yangpu District Changyang Road Securities Branch of Orient Securities Company Limited	Whole floor of 1B, Room 06-09, 2B/F, Block 72, No. 1080 Changyang Road, Yangpu District, Shanghai	December 9, 1993
Shanghai Yangpu District Siping Road Securities Branch of Orient Securities Company Limited	3/F, 4/F, 5/F, No. 999 Siping Road, Shanghai	May 15, 2006
Shanghai Zhabei District Zhongxing Road Securities Branch of Orient Securities Company Limited	1/F & 2/F, No. 457 Zhongxing Road	June 23, 1998
Shangyu Fortune Plaza Securities Branch of Orient Securities Company Limited	1/F, Building 8, Fortune Plaza Shangyu District, Shaoxing, Zhejiang	May 16, 2014
Shenzhen Jintian Road Securities Branch of Orient Securities Company Limited	5/F & 15/F, Subway Building, No. 1016 Fuzhong First Road, Futian District, Shenzhen	July 6, 1995
Shenzhen Shennan Avenue Securities Branch of Orient Securities Company Limited	22/F, Block A, Donghai International Center, No. 7888 Shennan Avenue, Futian District, Shenzhen	May 18, 2006
Shenzhen Zhongshan Avenue Securities Branch of Orient Securities Company Limited	Room 109, Commercial Annex Building, Building 8, Dongsheng Times Garden, Pingshan Office, Pingshan New District, Shenzhen	June 17, 2014
Shenyang Changjiang South Street Securities Branch of Orient Securities Company Limited	No. 169 Changjiang South Street, Huanggu District, Shenyang	May 15, 2006

Section XII Information Disclosures of Securities Company

Name of securities branches	Registered address	Date of establishment
Shenyang Dabeiguan Street Securities Branch of Orient Securities Company Limited	3/F-4/F, No.79 Dabeiguan Street, Dadong District, Shenyang, Liaoning	May 16, 2006
Shenyang Huigong Street Securities Branch of Orient Securities Company Limited	1/F-3/F, Block CD, No.167 Huigong Street, Shenhe District, Shenyang	June 14, 2006
Shenyang Nanba Middle Road Securities Branch of Orient Securities Company Limited	No. 25 Nanba Middle Road, Tiexi District, Shenyang, Liaoning	May 15, 2006
Shijiazhuang Sports South Street Securities Branch of Orient Securities Company Limited	No. 233 Sports South Street, Yuhua District, Shijiazhuang, Hebei	August 7, 2015
Suzhou West Ring Road Securities Branch of Orient Securities Company Limited	1/F, Annex Building North, No. 2115 West Ring Road, Suzhuo, Jiangsu	August 12, 2005
Taizhou Shujiang District Zhongshan East Road Securities Branch of Orient Securities Company Limited	No. 368 Zhongshan East Road, Shujiang District, Taizhou City	July 30, 2015
Taiyuan South Inner Ring Street Securities Branch of Orient Securities Company Limited	Room 919, Fortune Building, No. 98-2 South Inner Ring Street, Xiaodian District, Taiyuan, Shanxi	April 17, 2014
Tianjin Xikang Road Securities Branch of Orient Securities Company Limited	No. 42 Xikang Road, Heping District, Tianjin	May 10, 2006
Wenzhou Xinhe Street Securities Branch of Orient Securities Company Limited	Room 601, Building A, Songtai Building, Xinhe Street, Lucheng District, Wenzhou	August 7, 2015
Urumqi Nanhu Road Securities Branch of Orient Securities Company Limited	No. 4, 5, 6, 3/F, Chengjian Building, No. 133 Nanhu Road, Shuimogou District, Urumqi, Xinjiang	August 7, 2015
Wuxi Xinsheng Road Securities Branch of Orient Securities Company Limited	No. 152 Xinsheng Road, Wuxi	August 7, 2015
Wuhan Sanyang Road Securities Branch of Orient Securities Company Limited	5/F, Block A, Sanyang Jincheng, No. 118 Sanyang Road, Jiang'an District, Wuhan	May 11, 2006
Xi'an Jinye Road Securities Branch of Orient Securities Company Limited	Room 716, 717, 718, 719, Block C, City Gate, No. 1 Jinye Road, Gaoxin District, Xi'an	July 14, 2014

Name of securities branches	Registered address	Date of establishment
Xi'an Taoyuan South Road Securities Branch of Orient Securities Company Limited	No. 38 Taoyuan South Road, Lianhu District, Xi'an	July 22, 2015
Xining Huanghe Road Securities Branch of Orient Securities Company Limited	Store No. 15, Building 3, No. 21 Huanghe Road, Chengxi District, Xining	August 7, 2015
Xiamen Xianyue Road Securities Branch of Orient Securities Company Limited	Store No. 105, No. 555 Xianyue Road, Siming District, Xiamen	July 14, 2015
Xiangtan Hedong Avenue Securities Branch of Orient Securities Company Limited	4/F, Tanshui Building, No.3 Changtan Road, Yuetang District, Xiangtan	April 23, 2014
Yantai Yingchun Street Securities Branch of Orient Securities Company Limited	No. 170 Yingchun Street, Laishan District, Yantai, Shandong	July 22, 2014
Yiwu Binwang Road Securities Branch of Orient Securities Company Limited	Building 11 East, No. 68 Binwang Road, Choucheng Street, Yiwu, Zhejiang	May 26, 2014
Yinchuan Minzu North Street Securities Branch of Orient Securities Company Limited	2/F, No. 12 Minzu North Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region	August 7, 2015
Zhenjiang Dongwu Road Securities Branch of Orient Securities Company Limited	Room 110, 1/F, Building 1, No. 38 Dongwu Road, Zhenjiang	August 7, 2015
Zhengzhou Commercial Central Park Securities Branch of Orient Securities Company Limited	No. 1801, 18/F, Building 1, No. 2 Commercial Central Park, Zhengdong New District, Zhengzhou	May 27, 2014
Chongqing Shidai Tian Street Securities Branch of Orient Securities Company Limited	Unit 18-4 and 18-5, Building 1, No.2 Shidai Tian Street, Yuzhong District, Chongqing	June 3, 2014
Zhuzhou Jianshe South Road Securities Branch of Orient Securities Company Limited	No. 320 Jianshe South Road, Lusong District, Zhuzhou, Hunan	June 18, 2015
Taiyuan Gaoxin Street Securities Branch of Orient Securities Company Limited	15/F, No. 15 Gaoxin Street, Gaoxin District, Taiyuan	December 6, 2016
Baotou Youth Road Securities Branch of Orient Securities Company Limited	1-A4, Hengyuan Yinzuo Commercial Building, No. 28 Youth Road, Qingshan District, Baotou City, Inner Mongolia Autonomous Region	December 19, 2016

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF 東方證券股份有限公司
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of 東方證券股份有限公司 (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 204 to 344, which comprise the consolidated statements of financial position as at December 31, 2016, and the consolidated statement of profit and loss, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of available-for-sale equity financial assets	
We identified the impairment of available-for-sale equity instruments, which include equity securities, funds and other investments, as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments. For available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in Note 4, for listed available-for-sale equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment; when assessing impairment of available-for-sale equity investments measured at cost less impairment, the Group applied significant judgement in assessing objective evidence for impairment and determining the discounted future cash flows. As at December 31, 2016, the Group held available-for-sale equity instruments of RMB23,222 million, out of which RMB21,251 million were measured at fair value and RMB1,971 million were measured at cost less impairment as disclosed in Note 24.	Our procedures in relation to management's impairment assessment of available-for-sale equity instruments included: • Understanding the process and controls in the identification of available-for-sale equity instruments with indicators of impairment; • Challenging and assessing the management judgement in determining whether the available-for-sale equity instruments are impaired; • Checking management's calculations of the impairment allowance for available-for-sale equity instruments; Available-for-sale equity instruments measured at fair value: • Checking, on a sample basis, the data used by management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data; Available-for-sale equity instruments measured at cost less impairment: • Assessing, on a sample basis, the appropriateness of the estimation of discounted future cash flows made by the management by checking to latest financial information of those equity investments and comparable industry information.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of advances to customers	
We identified the estimation of impairment of advances to customers, which includes loans to margin clients and other advances to customers, as a key audit matter due to the significance of advances to customers and the significant judgement applied by the management in assessing impairment. As disclosed in Note 4, the Group assesses whether there is any observable data indicating that there is an objective evidence of impairment. Moreover, the Group also reviews the value of securities collateral received from the customers in determining the impairment. As at December 31, 2016, the Group held advances to customers of RMB10,686 million, less impairment allowance of RMB34 million as disclosed in Note 28. RMB33 million of impairment loss was charged in 2016 as disclosed in Note 15.	Our procedures in relation to management's impairment assessment of advances to customers included: • Understanding the process and controls of the management over the identification of impairment indicators and measurement of impairment allowances; • Checking the accuracy of the calculation of the shortfall of advances to customers after deduction of the recoverable amounts of securities collateral; • Checking, on a sample basis, the existence of the securities collateral and their recoverable amount to supporting documents and quoted market prices; • Evaluating the appropriateness and reasonableness of impairment model and assumptions used by the management and checking management's calculation of the impairment allowance.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope	
We identified the determination of consolidation scope as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager and also as investor. The Group applied significant judgement in determining whether such investments fall within the consolidation scope. The effect of consolidation or not of these structured entities will have significant impact on the consolidated financial statements of the Group. As disclosed in Note 4, for collective asset management schemes and investment funds where the Group is involved as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Note 21 and Note 23, and to the consolidated financial statements respectively.	Our procedures in relation to management's determination of consolidation scope included: • Understanding the process and controls of management in determining the consolidation scope of interests in structured entities; • Checking the information used by the management in assessing the consolidation criteria of significant structured entities against the related sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year; • Challenging and assessing management judgement in determining the scope of consolidation for each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2017

Consolidated Statement of Profit or Loss

For the year ended December 31, 2016

	Notes	Year ended December 31, 2016 RMB'000	2015 RMB'000
Revenue			
Commission and fee income	*6*	**4,620,340**	6,620,956
Interest income	*7*	**4,271,636**	4,289,716
Net investment gains	*8*	**2,813,575**	9,341,932
		11,705,551	20,252,604
Other income and gains or losses	*9*	**536,831**	206,671
Total revenue and other income		**12,242,382**	20,459,275
Depreciation and amortisation	*10*	**(172,790)**	(149,785)
Staff costs	*11*	**(2,406,474)**	(3,826,660)
Commission and fee expenses	*12*	**(426,638)**	(791,028)
Interest expenses	*13*	**(5,118,370)**	(4,548,512)
Other operating expenses	*14*	**(1,415,113)**	(2,080,873)
(Provision for)/reversal of impairment losses	*15*	**(288,257)**	373
Total expenses		**(9,827,642)**	(11,396,485)
Share of results of associates		**398,583**	436,296
Profit before income tax		**2,813,323**	9,499,086
Income tax expense	*16*	**(386,672)**	(2,124,916)
Profit for the year		**2,426,651**	7,374,170
Attributable to:			
Shareholders of the Company		**2,313,975**	7,325,225
Non-controlling interests		**112,676**	48,945
		2,426,651	7,374,170
Earnings per share attributable to shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	*17*	**0.41**	1.46
– Diluted	*17*	**0.41**	1.46

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended December 31, 2016

	NOTES	Year ended December 31, 2016 RMB'000	2015 RMB'000
Profit for the year		**2,426,651**	7,374,170
Other comprehensive (expense)/income attributable to owners of the Company, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Net fair value (losses)/gains on available-for-sale financial assets	*47(4)*	**(1,904,594)**	1,101,732
Income tax impact		**474,220**	(272,979)
Share of other comprehensive income of associates		**53,210**	11,781
Exchange differences arising on translation		**43,479**	(13,621)
Others		**(222)**	393
Other comprehensive (expense)/income for the year, net of income tax		**(1,333,907)**	827,306
Total comprehensive income for the year		**1,092,744**	8,201,476
Attributable to:			
Shareholders of the Company		**980,290**	8,152,138
Non-controlling interests		**112,454**	49,338
		1,092,744	8,201,476

Consolidated Statement of Financial Position

As at December 31, 2016

	NOTES	As at December 31, 2016 RMB'000	2015 RMB'000
Non-current assets			
Property and equipment	*18*	**1,844,486**	1,718,155
Goodwill	*19*	**32,135**	32,135
Other intangible assets	*20*	**114,884**	96,549
Investments in associates	*22*	**3,514,660**	1,908,526
Available-for-sale financial assets	*24*	**10,712,807**	11,369,355
Held-to-maturity investments	*25*	**140,500**	293,921
Financial assets held under resale agreements	*26*	**15,456,170**	10,209,680
Deferred tax assets	*27*	**253,903**	317,448
Other receivables and prepayments	*30*	**218,458**	–
Total non-current assets		**32,288,003**	25,945,769
Current assets			
Advances to customers	*28*	**10,651,586**	14,241,083
Account receivables	*29*	**737,500**	502,401
Other receivables and prepayments	*30*	**3,837,759**	4,315,193
Available-for-sale financial assets	*24*	**66,549,121**	48,507,365
Held-to-maturity investments	*25*	**71,560**	920,078
Financial assets held under resale agreements	*26*	**19,102,771**	16,288,535
Financial assets at fair value through profit or loss	*31*	**23,329,193**	31,870,854
Derivative financial assets	*32*	**70,509**	77,362
Deposits with exchanges and financial institutions	*33*	**1,099,849**	1,060,011
Clearing settlement funds	*34*	**10,504,501**	8,825,404
Cash and bank balances	*35*	**43,718,835**	55,343,507
Restricted bank deposits	*35*	**449,900**	–
Total current assets		**180,123,084**	181,951,793
Total assets		**212,411,087**	207,897,562

Consolidated Statement of Financial Position

As at December 31, 2016

	NOTES	As at December 31, 2016 RMB'000	2015 RMB'000
Current liabilities			
Borrowings	*37*	**480,727**	383,780
Due to banks and other financial institutions	*38*	**5,100,000**	10,200,000
Account payables to brokerage clients	*39*	**35,651,787**	43,193,275
Accrued staff costs	*40*	**1,377,921**	1,928,933
Other account payables, other payables and accruals	*41*	**3,591,833**	2,203,981
Current tax liabilities		**237,925**	1,682,468
Bond payables	*42*	**24,020,769**	4,781,294
Short-term financing bills payables	*43*	**4,942,779**	8,396,061
Financial liabilities at fair value through profit or loss	*44*	**7,471,177**	3,147,266
Derivative financial liabilities	*32*	**419,177**	181,480
Financial assets sold under repurchase agreements	*45*	**40,678,940**	36,665,091
Total current liabilities		**123,973,035**	112,763,629
Net current assets		**56,150,049**	69,188,164
Total assets less current liabilities		**88,438,052**	95,133,933
Equity			
Share capital	*46*	**6,215,452**	5,281,743
Reserves	*47*	**27,155,720**	22,227,773
Retained profits	*48*	**7,111,726**	7,448,603
Equity attributable to shareholders of the Company		**40,482,898**	34,958,119
Non-controlling interests		**454,927**	417,626
Total equity		**40,937,825**	35,375,745

Consolidated Statement of Financial Position

As at December 31, 2016

	NOTES	As at December 31, 2016 RMB'000	2015 RMB'000
Non-current liabilities			
Borrowings	*37*	**859,034**	385,388
Financial assets sold under repurchase agreements	*45*	**5,720,000**	11,215,000
Deferred tax liabilities	*27*	**357,851**	976,606
Bond payables	*42*	**40,563,342**	47,181,194
Total non-current liabilities		**47,500,227**	59,758,188
Total equity and non-current liabilities		**88,438,052**	95,133,933

The financial statements were approved and authorised for issue by the Board of Directors on March 30, 2017 and signed on behalf by:

Chairman of Board *Chief Financial Officer*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

		Equity attributable to shareholders of the Company									
			Reserves								
	NOTES	Share capital RMB'000 (Note 46)	Capital reserve RMB'000 (Note 47)	Surplus reserve RMB'000 (Note 47)	General reserve RMB'000 (Note 47)	Investment revaluation reserve RMB'000 (Note 47)	Translation reserve RMB'000 (Note 47)	Retained profits RMB'000 (Note 48)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2016		5,281,743	12,569,391	2,457,998	5,138,431	2,085,229	(23,276)	7,448,603	34,958,119	417,626	35,375,745
Profit for the year		–	–	–	–	–	–	2,313,975	2,313,975	112,676	2,426,651
Other comprehensive (expenses)/income for the year		–	–	–	–	(1,377,164)	43,479	–	(1,333,685)	(222)	(1,333,907)
Total comprehensive (expenses)/income for the year		–	–	–	–	(1,377,164)	43,479	2,313,975	980,290	112,454	1,092,744
IPO of H shares		933,709	5,619,077	–	–	–	–	–	6,552,786	–	6,552,786
Costs of IPO of H shares		–	(177,102)	–	–	–	–	–	(177,102)	–	(177,102)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	15,861	15,861
Disposal of subsidiaries	*21*	–	–	–	–	–	–	–	–	(85,598)	(85,598)
Appropriation to surplus reserve		–	–	227,800	–	–	–	(227,800)	–	–	–
Appropriation to general reserve		–	–	–	574,442	–	–	(574,442)	–	–	–
Dividends recognised as distribution	*49*	–	–	–	–	–	–	(1,848,610)	(1,848,610)	(5,416)	(1,854,026)
Others		–	17,415	–	–	–	–	–	17,415	–	17,415
At December 31, 2016		6,215,452	18,028,781	2,685,798	5,712,873	708,065	20,203	7,111,726	40,482,898	454,927	40,937,825

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

		Equity attributable to shareholders of the Company									
			Reserves								
	NOTES	Share capital RMB'000 (Note 46)	Capital reserve RMB'000 (Note 47)	Surplus reserve RMB'000 (Note 47)	General reserve RMB'000 (Note 47)	Investment revaluation reserve RMB'000 (Note 47)	Translation reserve RMB'000 (Note 47)	Retained profits RMB'000 (Note 48)	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2015		4,281,743	3,796,107	1,435,323	3,222,165	1,244,695	(9,655)	4,382,755	18,353,133	272,365	18,625,498
Profit for the year		–	–	–	–	–	–	7,325,225	7,325,225	48,945	7,374,170
Other comprehensive income/(expenses) for the year		–	–	–	–	840,534	(13,621)	–	826,913	393	827,306
Total comprehensive income/(expenses) for the year		–	–	–	–	840,534	(13,621)	7,325,225	8,152,138	49,338	8,201,476
IPO of A shares		1,000,000	9,030,000	–	–	–	–	–	10,030,000	–	10,030,000
Costs of IPO of A shares		–	(242,526)	–	–	–	–	–	(242,526)	–	(242,526)
Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	97,680	97,680
Appropriation to surplus reserve		–	–	1,022,675	–	–	–	(1,022,675)	–	–	–
Appropriation to general reserve		–	–	–	1,916,266	–	–	(1,916,266)	–	–	–
Dividends recognised as distribution	*49*	–	–	–	–	–	–	(1,320,436)	(1,320,436)	(1,757)	(1,322,193)
Others		–	(14,190)	–	–	–	–	–	(14,190)	–	(14,190)
At December 31, 2015		5,281,743	12,569,391	2,457,998	5,138,431	2,085,229	(23,276)	7,448,603	34,958,119	417,626	35,375,745

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before income tax	**2,813,323**	9,499,086
Adjustments for:		
Interest expenses	**5,118,370**	4,548,512
Share of results of associates	**(398,583)**	(436,296)
Depreciation and amortisation	**172,790**	149,785
Provision for/(reversal of) impairment losses	**288,257**	(373)
Losses/(gains) on disposal of property and equipment and other intangible assets	**750**	(14,845)
Foreign exchange gains	**(291,371)**	(69,640)
Net gains arising from disposal of subsidiaries	**(39,008)**	–
Net realised gains and income arising from available-for-sale financial assets	**(3,644,325)**	(5,352,693)
Interest income from held-to-maturity investments	**(32,080)**	(66,252)
Net realised gains arising from loan and receivable investments and others	**(39,392)**	(12,946)
Unrealised fair value change of financial assets at fair value through profit or loss	**270,144**	(454,432)
Unrealised fair value change of financial liabilities at fair value through profit or loss	**(355,501)**	(9,846)
Unrealised fair value change of derivative financial instruments	**487,055**	193,413

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Operating cash flows before movements in working capital	**4,350,429**	7,973,473
Decrease/(increase) in advances to customers	**3,555,270**	(4,261,924)
Increase in financial assets held under resale agreements	**(8,060,726)**	(12,978,964)
Decrease/(increase) in financial assets at fair value through profit or loss and derivative financial assets	**7,791,315**	(24,052,444)
Increase in deposits and reserve funds and deposits with exchanges	**(39,838)**	(303,402)
Decrease/(increase) in bank balances and clearing settlement funds restricted or held on behalf of customers	**8,060,611**	(22,204,909)
Decrease/(increase) in account receivables, other receivables and prepayments	**98,331**	(3,003,709)
Increase in other account payables, other payables and accruals	**1,158,316**	1,490,155
(Decrease)/increase in accounts payable to brokerage clients	**(7,541,488)**	21,379,236
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	**4,917,109**	2,347,619
(Decrease)/increase in financial assets sold under repurchase agreements	**(1,481,151)**	10,773,917
(Decrease)/increase in deposits due to banks and other financial institutions	**(5,100,000)**	3,217,000
Cash generated from/(used in) operations	**7,708,178**	(19,623,952)
Income taxes paid	**(1,876,760)**	(759,849)
Interest paid	**(2,219,266)**	(2,343,247)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**3,612,152**	(22,727,048)

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	NOTES	Year ended December 31, 2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Dividends and interest received from investments		**2,567,635**	2,109,903
Proceeds on disposal of property and equipment		**1,032**	71,688
Disposal of available-for-sale financial assets, held-to maturity investments, loans and advances to customers		**88,073,522**	89,747,463
Capital injection in associates		**(1,230,925)**	(516,910)
Purchases of available-for-sale financial assets, held-to maturity investments, loans and advances to customers, and other investments		**(105,959,800)**	(104,295,372)
Purchases of property and equipment and other intangible assets		**(318,748)**	(441,552)
Proceeds from disposal of subsidiaries	*21*	**171,383**	–
Proceeds from other investment activities		**–**	27,733
NET CASH USED IN INVESTING ACTIVITIES		**(16,695,901)**	(13,297,047)
FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		**15,861**	97,680
Proceeds from H or A shares issued		**6,552,786**	10,030,000
Proceeds from bonds and short-term financing bills payables issued		**39,137,892**	64,179,744
Repayments on bonds and short-term financing bills payables issued		**(29,969,551)**	(23,525,332)
Proceeds from borrowings		**870,593**	382,660
Repayment on borrowings		**(300,000)**	(2,340)
Dividends paid to shareholders		**(1,869,444)**	(1,324,411)
Transaction costs paid on issue of H or A shares		**(177,102)**	(242,526)
Interest of bonds and short-term financing bills payables paid		**(3,159,068)**	(1,099,558)
Interest of borrowings paid		**(19,223)**	(14,675)
Payments on other financing activities		**(344)**	(683)
NET CASH FROM FINANCING ACTIVITIES		**11,082,400**	48,480,559
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,001,349)**	12,456,464
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**19,213,798**	6,701,562
Effect of foreign exchange rate changes		**334,360**	55,772
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*36*	**17,546,809**	19,213,798

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1. GENERAL INFORMATION

東方證券股份有限公司, (the "Company"), formerly known as the Orient Securities Limited Liability Company (東方證券有限責任公司), a limited liability company was established on December 10, 1997. On October 8, 2003, upon approval from the China Securities Regulatory Commission ("CSRC") and the Shanghai Municipal Government, Orient Securities Limited Liability Company was converted into a joint stock limited liability company, and was renamed as 東方證券股份有限公司. On March 23, 2015, the Company became listed on the Shanghai Stock Exchange with the stock code of 600958. On July 8, 2016, the Company became listed on The Hong Kong Exchanges and Clearing Limited (the "Stock Exchange") with the stock code of 03958.

The registered office of the Company is located at 22F, 23F and 25-29F, Building 2, No. 318, South Zhongshan Road, Shanghai, the People's Republic of China ("PRC").

The Company and its subsidiaries (the "Group") are principally engaged in securities and futures brokerage, margin financing and securities lending, securities investment advisory, securities proprietary trading, asset management, agency sale of financial products, security underwriting and sponsorship, and other business activities approved by CSRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") which are relevant to the Group for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The application of the above amendments to IFRSs has had no material impact on the Group's financial performance and positions for the current and last years and/or on the disclosures set out in these consolidated financial statements except for the following:

Amendments to IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information in relation to segment was reordered to note 5. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The Group has not early applied the following new amendments and interpretation of IFRSs which are relevant to the Group that have been issued but are not yet effective.

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 7	Disclosure initiative[4]
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2017
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

The board of directors of the Company is in the process of assessing the impact of the new standards and amendments on the consolidated financial statements. So far it has concluded that the adoption of them is unlikely to have significant impact on the consolidated financial statements except for the following:

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 9 Financial instruments *(Continued)*

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

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at financial assets at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2016, application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The change in fair value of the Group's coupon bearing bonds and gold borrowings designated at fair value through profit or loss that is attributable to changes in credit risk could be presented in other comprehensive income. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18, however, the allocation of total consideration to the respective performance obligations (e.g. fee and commission income on placing and underwriting activities) will be based on relative fair values which may potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the directors of the Company performs a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of RMB410,024 thousands as disclosed in note 52. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement data. Fair value for measurement and/or disclosure purpose in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries *(Continued)*

The Group served as the manager of collective asset management schemes and funds. These collective asset management schemes and funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage of ownership in these structured entities can fluctuate from day to day according to the Group's and third-party's participation in them. Where the Group is deemed to control such collective asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 *Consolidated financial statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such collective asset management schemes and funds for cash. These are presented as "Interests attributable to other holders of consolidated structured entities" within financial liabilities designated at fair value through profit or loss in the consolidated statement of financial position.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, investments in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment including leasehold land and buildings (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3%	Over the shorter of the lease term and estimated useful life of buildings of 30 years
Electronic and communication equipment	3%	3-10 years
Motor vehicles	3%	6 years
Office equipment	3%	5 years
Leasehold improvements	nil	Over the lease term

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading rights) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill and financial assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in last years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment and investment properties, where appropriate.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Short-term employee benefits

A liability is recognised for benefits accuring to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant period.

Annuity scheme

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net investment gains.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition:

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

***Financial assets at FVTPL** (Continued)*

- it forms part of contract containing one or more embedded derivatives, and IAS39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividends or interest earned on the financial assets. Fair value is determined in the manner described in Note 59.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including advances to customers, account receivables, other receivables, financial assets held under resale agreements, deposits with exchanges and financial institutions, clearing settlement funds, cash and bank balances are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting would be immaterial.

Held-to-maturity investments

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

- those that the Group upon initial recognition designates as fair value through profit or loss;
- those that the Group designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets as at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

For AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

***Impairment of financial assets** (Continued)*

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as advances to customers, financial assets held under resale agreements, account receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, account receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an advance to customers, an account receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

***Impairment of financial assets** (Continued)*

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid and dividends paid. Fair value is determined in the manner described in Note 59.

Other financial liabilities

Other financial liabilities including borrowings, short-term financing bills payables, due to banks and other financial institutions, accounts payable to brokerage clients, other payables and accruals, bond payables and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net investment gains or losses.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and price risk, including interest rate swaps and stock index futures. Further details of derivatives financial instruments are disclosed in Note 32.

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL, loans and receivables, held-to-maturity investments or "AFS financial assets" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Consideration paid for financial assets held under agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in "accounts payable to brokerage clients". For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as AFS financial assets.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) Commission income for broking business is recorded as income on a trade date basis, and service fees arising from broking business are recognised when services are rendered;

(ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;

(iii) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(iv) Consultancy and financial advisory fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered;

(v) Asset and fund management fee income is recognised when management services are provided;

(vi) Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably); and

(vii) Rental income from operating leases is recognised on a straight-line basis over the term of relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on straight-line basis over the lease term.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably measured.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision *(Continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of advances to customers, account receivables and other receivables

The Group reviews its advances to customers and account receivables to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from advances to customer and account receivables. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

Fair value of financial instruments *(Continued)*

Financial assets with restriction on disposal are classified as available-for-sale financial assets and financial assets at FVTPL. For financial assets which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these securities are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of these instruments include some assumptions not supported by observable market prices or rates.

Impairment of available-for-sale financial assets

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the financial statements regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions.

For available-for-sale debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted available-for-sale equity instruments measured at cost, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of the available-for-sale investments are set out in Note 24.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT *(Continued)*

Income taxes *(Continued)*

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in Notes 16 and 27.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

5. SEGMENT REPORTING

Information reported to the Board of Directors, being the chief operating decision maker (hereinafter refer to as the "CODM") of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's reportable and operating segments are as follows:

(a) Securities sales and trading, which included investment gains and investment income earned from trading of stocks, bonds, funds, derivatives and other financial products and fees earned from providing related investment research activities, generating primarily from the "Proprietary Trading Business" comprising the Securities Investment Department, the Fixed Income Department and the Derivatives Department of the Company;

(b) Investment management, which primarily includes management and advisory fees earned from providing asset management, fund management and private equity investment management services to clients, as well as investment gains from private equity and alternative investments;

5. SEGMENT REPORTING *(Continued)*

(c) Brokerage and securities financing, which primarily included fees and commissions earned from providing brokerage and investment advisory services for the trading of stocks, bonds, funds, and warrants, as well as futures on behalf of the customers, and also interest earned from providing margin financing and securities lending services;

(d) Investment banking, which primarily includes commissions and fees earned from equity underwriting and sponsorship, debt underwriting and financial advisory services;

(e) Headquarters and others, which includes head office operations and the overseas business of Hong Kong, including interest income earned and expense incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year of 2016 and 2015.

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Segment profit/loss represents the profit earned by/loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment, excluding deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities' carried out by a segment for another segment.

5. SEGMENT REPORTING *(Continued)*

The segment information provided to the CODM for the operating segments for the years ended December 31, 2016 and 2015 are as follows:

Operating segment

For the year ended December 31, 2016

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	1,704,362	1,415,626	5,615,334	1,589,238	1,785,593	12,110,153	(404,602)	11,705,551
Segment other income and gains	155	33,578	26,349	30,739	458,192	549,013	(12,182)	536,831
Segment revenue and other income	1,704,517	1,449,204	5,641,683	1,619,977	2,243,785	12,659,166	(416,784)	12,242,382
Segment expenses	(1,452,137)	(685,793)	(2,953,198)	(875,068)	(3,999,630)	(9,965,826)	138,184	(9,827,642)
Segment result	252,380	763,411	2,688,485	744,909	(1,755,845)	2,693,340	(278,600)	2,414,740
Share of results of associates	–	398,583	–	–	–	398,583	–	398,583
Profit/(loss) before income tax	252,380	1,161,994	2,688,485	744,909	(1,755,845)	3,091,923	(278,600)	2,813,323
Segment assets and liabilities								
Segment assets	66,424,700	8,051,720	91,837,945	2,194,209	60,492,144	229,000,718	(16,843,534)	212,157,184
Deferred tax assets								253,903
Group's total assets								212,411,087
Segment liabilities	31,003,146	1,785,895	53,344,453	1,137,589	87,146,113	174,417,196	(3,301,785)	171,115,411
Deferred tax liabilities								357,851
Group's total liabilities								171,473,262
Other segment information								
Amounts included in the measure of segment profit or loss:								
Depreciation and amortisation	4,322	2,010	58,909	5,072	102,477	172,790	–	172,790
Provision for/(reversal of) impairment losses	247,729	(891)	9	3	46,788	293,638	(5,381)	288,257

5. SEGMENT REPORTING *(Continued)*

Operating segment *(Continued)*

For the year ended December 31, 2015

	Securities sales and trading RMB'000	Investment management RMB'000	Brokerage and securities financing RMB'000	Investment banking RMB'000	Headquarters and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results								
Segment revenue and net investment gains	8,713,871	1,755,788	7,813,734	920,893	1,424,668	20,628,954	(376,350)	20,252,604
Segment other income and gains	1,910	9,133	18,586	24,573	160,377	214,579	(7,908)	206,671
Segment revenue and other income	8,715,781	1,764,921	7,832,320	945,466	1,585,045	20,843,533	(384,258)	20,459,275
Segment expenses	(1,107,810)	(1,051,705)	(3,806,542)	(586,732)	(4,952,913)	(11,505,702)	109,217	(11,396,485)
Segment result	7,607,971	713,216	4,025,778	358,734	(3,367,868)	9,337,831	(275,041)	9,062,790
Share of results of associates	–	436,296	–	–	–	436,296	–	436,296
Profit/(loss) before income tax	7,607,971	1,149,512	4,025,778	358,734	(3,367,868)	9,774,127	(275,041)	9,499,086
Segment assets and liabilities								
Segment assets	60,627,007	8,311,420	92,424,592	1,140,117	59,130,653	221,633,789	(14,053,675)	207,580,114
Deferred tax assets								317,448
Group's total assets								207,897,562
Segment liabilities	28,467,572	1,644,355	71,819,604	291,394	74,096,467	176,319,392	(4,774,181)	171,545,211
Deferred tax liabilities								976,606
Group's total liabilities								172,521,817
Other segment information								
Amounts included in the measure of segment profit or loss:								
Depreciation and amortisation	2,708	699	54,655	4,811	86,912	149,785	–	149,785
Provision for/(reversal of) impairment losses	2,314	2,389	744	(17)	(5,728)	(298)	(75)	(373)

5. SEGMENT REPORTING *(Continued)*

Operating segment *(Continued)*

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue are substantially derived from its operations in the PRC.

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the years ended December 31, 2016 and 2015.

6. COMMISSION AND FEE INCOME

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Commission on securities dealing, broking and handling fee income	**1,784,961**	4,069,843
Underwriting, sponsors and financial advisory fee income	**1,518,901**	899,461
Commission on futures and options contracts dealing, broking and handling fee income	**222,762**	181,801
Asset management fee income	**892,781**	1,395,985
Consultancy fee income	**174,373**	73,866
Others	**26,562**	–
	4,620,340	6,620,956

7. INTEREST INCOME

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Advances to customers and securities lending	**846,629**	1,429,684
Financial assets held under resale agreements	**2,234,112**	1,715,655
Deposits with exchanges and financial institutions and bank balances	**995,038**	1,053,186
Others	**195,857**	91,191
	4,271,636	4,289,716

8. NET INVESTMENT GAINS

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Net realised gains from disposal of available-for sale financial assets	**1,103,802**	3,186,214
Dividend income and interest income from available-for-sale financial assets	**2,540,523**	2,166,479
Net realised (losses)/gains from disposal of financial assets at fair value through profit or loss	**(1,363,557)**	2,023,823
Dividend income and interest income from financial assets at fair value through profit or loss	**1,226,393**	1,618,023
Net realised (losses)/gains arising from financial liabilities at fair value through profit or loss	**(367,951)**	1,496
Interest income from held-to-maturity investments	**32,080**	66,252
Net realised gains from disposal of subsidiaries *(Note 21)*	**39,008**	–
Net realised losses arising from derivative financial instruments	**(34,417)**	(4,166)
Unrealised fair value change of financial assets at fair value through profit or loss	**(270,144)**	454,432
Unrealised fair value change of financial liabilities at fair value through profit or loss	**355,501**	9,846
Unrealised fair value change of derivative financial instruments	**(487,055)**	(193,413)
Others	**39,392**	12,946
	2,813,575	9,341,932

9. OTHER INCOME AND GAINS OR LOSSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Foreign exchange gains	**291,371**	69,640
Rental income	**16,714**	10,048
Government grants *(Note)*	**217,954**	103,309
(Losses)/gains on disposals of property and equipment	**(750)**	14,845
Others	**11,542**	8,829
	536,831	206,671

Note: The government grants were received unconditionally from the local governments to support operations on certain purposes.

10. DEPRECIATION AND AMORTISATION

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Depreciation of property and equipment	**124,991**	110,367
Amortisation of other intangible assets	**47,799**	39,418
	172,790	149,785

11. STAFF COSTS

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Salaries, bonus and allowances	**2,011,150**	3,527,483
Social welfare	**327,969**	251,823
Contributions to annuity schemes	**67,355**	47,354
	2,406,474	3,826,660

Note: The domestic employees of the Group in the PRC participate in state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Apart from participating in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

12. COMMISSION AND FEE EXPENSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Securities and futures dealing and broking expenses	**395,988**	786,350
Underwriting, sponsors and financial advisory fee expenses	**30,650**	4,678
	426,638	791,028

13. INTEREST EXPENSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Interest on liabilities wholly repayable within five years:		
Accounts payable to brokerage clients	**90,040**	116,697
Financial assets sold under repurchase agreements	**1,669,682**	2,109,476
Borrowings	**21,198**	15,518
Due to banks and other financial institutions	**207,053**	398,198
Short-term financing bills payables	**87,988**	183,931
Bond payables	**2,953,819**	1,696,379
Others	**88,590**	28,313
	5,118,370	4,548,512

14. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Advisory expenses	**154,519**	101,959
Auditor's remuneration	**4,099**	6,055
Business travel expenses	**82,850**	71,242
Communication expenses	**94,141**	85,875
Electronic equipment operating expenses	**97,737**	90,247
Entertainment expenses	**67,769**	60,240
Administrative expenses	**174,598**	179,969
Operating lease rentals in respect of rented premises	**239,268**	209,910
Products distribution expenses	**166,952**	283,666
Securities and futures investor protection funds	**36,642**	94,102
Stock exchange management fees	**33,468**	39,407
Sundry expenses	**54,853**	20,659
Tax and surcharges *(Note)*	**199,059**	818,247
Donation	**8,378**	12,624
Others	**780**	6,671
	1,415,113	2,080,873

Note: Pursuant to the "Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax" (Cai Shui [2016]No.36) issued by the Ministry of Finance and the State Administration of Taxation in March 2016, the Group has applied value-added tax instead of business tax since May 1, 2016.

15. PROVISION FOR/(REVERSAL OF) IMPAIRMENT LOSSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Reversal of impairment losses in respect of account receivables and other receivables	**(3,844)**	(3,375)
Provision for impairment loss in respect of available-for-sale financial assets	**259,355**	3,002
Provision for impairment loss in respect of advances to customers	**32,746**	–
	288,257	(373)

16. INCOME TAX EXPENSE

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Current tax:		
PRC Enterprise Income Tax	**453,324**	2,191,501
Hong Kong Profits Tax	**4,215**	3,851
	457,539	2,195,352
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax	**10,123**	(29,306)
Deferred tax	**(80,990)**	(41,130)
	386,672	2,124,916

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

16. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before income tax as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**2,813,323**	9,499,086
Tax at the statutory tax rate of 25%	**703,331**	2,374,771
Tax effect of share of results of associates	**(99,646)**	(109,074)
Adjustments for prior years	**10,123**	(29,306)
Tax effect of expenses not deductible for tax purpose	**53,512**	122,194
Tax effect of income not taxable for tax purpose *(Note)*	**(293,869)**	(256,854)
Tax effect of tax losses not recognised	**17,148**	25,191
Utilisation of tax losses previously not recognised	**(1,755)**	(23)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,172)**	(1,983)
Income tax expense for the year	**386,672**	2,124,916

Note: Income not taxable for tax purpose mainly includes dividends from equity investments, interest income from treasure bonds etc.

The Group has estimated unutilized tax losses of approximately RMB173 million and RMB84 million as at December 31, 2016 and 2015, respectively, available for offset against future profits. No deferred tax assets has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward for five years or indefinitely.

17. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to shareholders of the Company is as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Earnings for the purpose of basic/diluted earnings per share:		
Profit for the year attributable to shareholders of the Company	**2,313,975**	7,325,225
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	**5,665,479**	5,031,743
Effect of dilutive potential ordinary shares		
– Over-allotment option (in thousand)	**51**	–
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (in thousand)	**5,665,530**	5,031,743
Basic earnings per share (RMB Yuan)	**0.41**	1.46
Diluted earnings per share (RMB Yuan)	**0.41**	1.46

Pursuant to the Over-allotment Option, the international underwriters have the right, exercisable at any time from the date of the international underwriting agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to 130,000,000 additional offer shares. As at July 27, 2016, certain over-allotment options were exercised and accordingly, the Company issued 63,709,090 HKD-denominated ordinary shares at the issue price of HKD8.15 per share. These over-allotment options created a potential dilutive effect to the basic earnings per share prior to the exercise or expiration for the year ended December 31, 2016.

There were no potential ordinary shares in issue during the year ended December 31, 2015.

18. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at January 1, 2016	322,276	516,047	30,010	76,355	281,616	1,220,136	2,446,440
Additions	–	47,702	5,118	6,818	37,155	155,889	252,682
Disposals	–	(20,071)	(2,057)	(3,213)	(10,930)	–	(36,271)
Transfer during the year	–	28,239	–	2,777	–	(31,016)	–
Exchange difference	–	604	27	50	227	–	908
As at December 31, 2016	322,276	572,521	33,098	82,787	308,068	1,345,009	2,663,759
ACCUMULATED DEPRECIATION							
As at January 1, 2016	51,693	398,611	20,332	50,537	207,112	–	728,285
Charge for the year	10,403	52,501	2,933	9,921	49,233	–	124,991
Eliminated on disposals	–	(19,209)	(1,986)	(2,638)	(10,656)	–	(34,489)
Exchange difference	–	333	1	38	114	–	486
As at December 31, 2016	62,096	432,236	21,280	57,858	245,803	–	819,273
CARRYING VALUES							
As at December 31, 2016	260,180	140,285	11,818	24,929	62,265	1,345,009	1,844,486

18. PROPERTY AND EQUIPMENT *(Continued)*

	Leasehold land and buildings RMB'000	Electronic and communication equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at January 1, 2015	358,134	462,952	28,950	72,357	248,156	1,004,120	2,174,669
Additions	–	51,982	2,563	3,579	33,813	258,115	350,052
Disposals	(35,858)	(13,534)	(2,159)	(1,541)	(353)	(25,249)	(78,694)
Transfer during the year	–	14,271	656	1,923	–	(16,850)	–
Exchange difference	–	376	–	37	–	–	413
As at December 31, 2015	322,276	516,047	30,010	76,355	281,616	1,220,136	2,446,440
ACCUMULATED DEPRECIATION							
As at January 1, 2015	44,566	367,706	19,452	41,490	164,588	–	637,802
Charge for the year	11,017	43,708	2,831	10,287	42,524	–	110,367
Eliminated on disposals	(3,890)	(13,010)	(1,951)	(1,270)	–	–	(20,121)
Exchange difference	–	207	–	30	–	–	237
As at December 31, 2015	51,693	398,611	20,332	50,537	207,112	–	728,285
CARRYING VALUES							
As at December 31, 2015	270,583	117,436	9,678	25,818	74,504	1,220,136	1,718,155

The carrying amount of the Group's property and equipment included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, as such the entire lease is classified as finance lease and accounted for as property and equipment.

19. GOODWILL

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated into two individual cash generating units (CGUs), including securities brokerage branches acquired by the Company ("Unit A") and Shanghai Orient Securities Futures Co., Ltd. acquired by the Company ("Unit B"). The carrying amounts of goodwill as at December 31, 2016 and 2015 allocated to these units are as follows:

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Cost and carrying value		
Unit A – securities brokerage branches	**18,948**	18,948
Unit B – Shanghai Orient Securities Futures Co., Ltd.	**13,187**	13,187
	32,135	32,135

Unit A is the securities brokerage CGU acquired, and the acquisition cost exceeds the fair value of net identifiable assets. As at December 31, 2016 and 2015, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

Unit B is the CGU of Shanghai Orient Securities Futures Co., Ltd., the futures brokerage and investment advisory CGU acquired by the Company. As at December 31, 2016 and 2015, management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

The recoverable amount of Unit A and Unit B have been determined on the basis of value in use calculation. The calculation used cash flow projections based on financial budgets approved by management. Based on the units' past performance and management's expectations for the market development, management believes that it's unlikely the carrying amount of the CGU to exceed its recoverable amount.

20. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
COST			
As at January 1, 2016	**61,553**	**228,364**	**289,917**
Additions	**–**	**66,066**	**66,066**
Exchange difference	**–**	**295**	**295**
As at December 31, 2016	**61,553**	**294,725**	**356,278**
ACCUMULATED AMORTISATION			
As at January 1, 2016	**39,810**	**153,558**	**193,368**
Charge for the year	**–**	**47,799**	**47,799**
Exchange difference	**–**	**227**	**227**
As at December 31, 2016	**39,810**	**201,584**	**241,394**
CARRYING VALUES			
As at December 31, 2016	**21,743**	**93,141**	**114,884**
COST			
As at January 1, 2015	61,553	178,429	239,982
Additions	–	49,749	49,749
Exchange difference	–	186	186
As at December 31, 2015	61,553	228,364	289,917
ACCUMULATED AMORTISATION			
As at January 1, 2015	39,810	113,984	153,794
Charge for the year	–	39,418	39,418
Exchange difference	–	156	156
As at December 31, 2015	39,810	153,558	193,368
CARRYING VALUES			
As at December 31, 2015	21,743	74,806	96,549

20. OTHER INTANGIBLE ASSETS *(Continued)*

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the National Equities Exchange and Quotations, where the Group is allowed to trade securities and futures contracts.

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually, or whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating unit relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, the management of the Group determined that there was no impairment of the trading rights as at December 31, 2016 and 2015.

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of each reporting period, the Company has the following subsidiaries comprising the Group:

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
上海東證期貨有限公司 Shanghai Orient Securities Futures Co., Ltd. [1]	有限責任公司 Limited liability company	PRC December 8, 1995	**100.00%**	100.00%	RMB1,000,000,000	Commodity futures brokerage, Financial futures brokerage, Futures investment advisory	BDO PRC GAAP [2]
上海東祺投資管理有限公司 Shanghai Dongqi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC November 18, 2013	**100.00%**	100.00%	RMB100,000,000	Equity investment, Investment management, Assets management	BDO PRC GAAP [2]
東證潤和資本管理有限公司 Orient Runhe Asset Management Co., Ltd. *	有限責任公司 Limited liability company	PRC September 5, 2014	**100.00%**	100.00%	RMB200,000,000	Equity investment, Investment management, Assets management	BDO PRC GAAP [2]

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
上海東方證券資產管理有限公司 Shanghai Orient Securities Asset Management Co., Ltd. (1)	有限責任公司 Limited liability company	PRC June 8, 2010	**100.00%**	100.00%	RMB300,000,000	Securities assets management, Securities investment, Fund management	BDO PRC GAAP (2)
上海東方證券資本投資有限公司 Orient Securities Capital Co., Ltd. (1)	有限責任公司 Limited liability company	PRC February 8, 2010	**100.00%**	100.00%	RMB4,000,000,000	Private equity investment, Bond investment, and related investment advisory	BDO PRC GAAP (2)
杭州東方銀帝投資管理有限公司 Hangzhou Orient Yindi Investment Management Co., Ltd. * *(Note)*	有限責任公司 Limited liability company	PRC February 26, 2013	**–**	51.00%	RMB20,000,000	Investment management, Investment and advisory	BDO PRC GAAP (2)
東方睿德(上海)投資管理有限公司 Orient Ruide (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC August 7, 2014	**100.00%**	100.00%	RMB570,000,000	Investment management, Investment advisory	BDO PRC GAAP (2)
上海東方睿德股權投資基金有限公司 Shanghai Orient Ruide Equity Investment Funds Co., Ltd. *	有限責任公司 Limited liability company	PRC September 25, 2014	**100.00%**	100.00%	RMB2,500,000,000	Investment management, Investment advisory	BDO PRC GAAP (2)
東方睿義(上海)投資管理有限公司 Orient Ruiyi (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC August 12, 2015	**100.00%**	100.00%	RMB810,000,000	Investment management, Investment advisory	BDO PRC GAAP (2)
東方嘉實(上海)投資管理有限公司 Orient Jiashi (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC March 26, 2015	**65.00%**	65.00%	RMB5,400,000	Investment management, Investment advisory	BDO PRC GAAP (2)

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
東方弘泰(北京)投資管理有限公司 Orient Hongtai (Beijing) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC September 22, 2014	**100.00%**	100.00%	RMB10,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]
東方弘泰資本投資(北京)有限公司 Orient Hongtai Capital Investment (Beijing) Co., Ltd. *	有限責任公司 Limited liability company	PRC May 14, 2015	**51.00%**	51.00%	RMB20,000,000	Investment management, Assets management, Investment advisory	BDO PRC GAAP [2]
上海東證桔石投資管理有限公司 Shanghai Orient Jushi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC August 7, 2015	**51.00%**	51.00%	RMB5,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]
東方星暉(北京)投資基金管理有限公司 Orient Xinghui (Beijing) Investment Funds Management Co., Ltd. *	有限責任公司 Limited liability company	PRC January 6, 2015	**57.95%**	57.95%	RMB8,800,000	Investment management, Investment advisory	BDO PRC GAAP [2]
拉薩經濟技術開發區東證國煦投資管理有限公司 Orient Guoxu Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC March 5, 2015	**51.00%**	51.00%	RMB5,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]
海寧東方紅投資管理有限公司 Haining Orient Sun Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC July 7, 2015	**51.00%**	51.00%	RMB10,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]
上海東方富厚股權投資管理有限公司 Shanghai Orient Fuhou Equity Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC May 29, 2015	**58.00%**	58.00%	RMB5,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
東方騰駿(上海)投資管理有限公司 Orient Tengjun (Shanghai) Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC September 11, 2015	**51.00%**	51.00%	RMB5,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]
上海東證春醫投資管理有限公司 Shanghai Orient Chunyi Investment Management Co., Ltd. *	有限責任公司 Limited liability company	PRC October 15, 2015	**51.00%**	51.00%	RMB5,000,000	Investment management, Investment advisory	BDO PRC GAAP [2]
東證睿聯(上海)投資中心(有限合夥) Orient Rui Lian (Shanghai) Investment Center LLP. * *(Note)*	有限合夥企業 Limited partnership	PRC June 24, 2015	**–**	62.80%	RMB219,100,000	Investment management, Investment advisory	BDO PRC GAAP [2]
上海東證互娛欣商投資中心(有限合夥) Shanghai Orient Huyu Xinshang Investment Center LLP. *	有限合夥企業 Limited partnership	PRC October 15, 2015	**50.99%**	100.00%	RMB120,000	Investment management, Investment advisory	BDO PRC GAAP [2]
星輝海納(上海)投資中心(有限合夥) Xinghui Haina (Shanghai) Investment Center LLP. *	有限合夥企業 Limited partnership	PRC December 19, 2014	**57.95%**	57.95%	RMB2,400,000	Investment management	BDO PRC GAAP [2]
上海東翎投資合夥企業(有限合夥) Shanghai Dongling Investment Partnership LLP. *	有限合夥企業 Limited partnership	PRC October 10, 2014	**50.62%**	50.62%	RMB55,717,310	Industry investment, Investment management, Investment advisory	BDO PRC GAAP [2]
東石發展有限公司 East Milestone Company Limited	有限責任公司 Limited liability company	Hong Kong August 27, 2015	**100.00%**	100.00%	RMB190,000,000	Investment management, Investment advisory	N/A[3]

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
Orient Securities Rui Lian Limited *(Note)*	有限責任公司 Limited liability company	Cayman Islands June 6, 2015	–	100.00%	USD35,000,000	Investment management, Investment advisory	N/A[3]
東證湧銘(上海)資產管理有限公司 Orient Securities Yongming (Shanghai) Assets Management Co. Ltd.*	有限責任公司 Limited liability company	PRC January 12, 2016	**51.00%**	N/A	RMB10,000,000	Investment management, Asset management, Investment advisory	BDO PRC GAAP [2]
上海東證招才投資管理有限公司 Shanghai Orient Securities Zhaocai Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC March 17, 2016	**51.00%**	N/A	RMB5,000,000	Industrial investment, Investment management	BDO PRC GAAP [2]
東證嘉實紘成(上海)投資管理合夥企業(有限合夥) Orient Securities Jiashi Hongcheng (Shanghai) Investment Management Partnership LLP.*	有限合夥企業 Limited partnership	PRC October 13, 2015	**77.50%**	51.00%	RMB5,000,000	Investment management, Investment advisory, Industrial investment	BDO PRC GAAP [2]
新疆東證新域股權投資管理有限公司 Xinjiang Orient Securities Xinyu Equity Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC November 3, 2015	**51.00%**	51.00%	RMB5,000,000	Equity investment	BDO PRC GAAP [2]
海寧東證投資管理有限公司 Haining Orient Securities Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC June 30, 2016	**58.00%**	N/A	RMB10,000,000	Investment management, Investment advisory, Management consulting	BDO PRC GAAP [2]

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
東方翌睿(上海)投資管理有限公司 Orient Securities Yirui (Shanghai) Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC May 18, 2016	**51.00%**	N/A	RMB2,000,000	Investment management, Asset management, Industrial investment	BDO PRC GAAP [2]
上海東證錫毅投資管理有限公司 Shanghai Orient Securities Xiyi Investment Management Co. Ltd. *	有限責任公司 Limited liability company	PRC May 27, 2016	**51.00%**	N/A	RMB10,000,000	Investment management	BDO PRC GAAP [2]
共青城東證德睿投資管理有限公司 Gongqing City Orient Securities Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC September 1, 2016	**51.00%**	N/A	RMB5,000,000	Investment management, Asset management, Project investment	BDO PRC GAAP [2]
東方弘泰資本投資(成都)有限公司 Orient Hongtai Capital Investment (Chengdu) Co. Ltd.*	有限責任公司 Limited liability company	PRC March 21, 2016	**51.00%**	N/A	RMB100,000,000	Investment management, Asset management, Project investment	BDO PRC GAAP [2]
Golden Power Group Limited	有限責任公司 Limited liability company	Hong Kong October 14, 2008	**100.00%**	N/A	HKD1,000,000.00	Equity investment, Industrial investment	N/A[3]
誠麒環球有限公司 Chengqi Global Limited*	有限責任公司 Limited liability company	Hong Kong October 14, 2008	**100.00%**	N/A	HKD1,000,000.00	Equity investment, Industrial investment	N/A[3]
蘇州東證恒晟投資管理有限公司 Suzhou Orient Securities Hengsheng Investment Management Co. Ltd.*	有限責任公司 Limited liability company	PRC October 26, 2016	**100.00%**	N/A	RMB5,000,000	Equity investment, Industrial investment	BDO PRC GAAP [2]

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
東方金融控股(香港)有限公司 Orient Finance Holdings (Hong Kong) Limited [1]	有限責任公司 Limited liability company	Hong Kong February 17, 2010	**100.00%**	100.00%	HKD1,000,000,000	Investment holding and provision of management services	DTT(HK) HKFRSs [2] #
東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong April 19, 2010	**100.00%**	100.00%	HKD550,000,000	Securities brokerage	DTT(HK) HKFRSs [2] #
東方期貨(香港)有限公司 ORIENT FUTURES (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong April 20, 2010	**100.00%**	100.00%	HKD230,000,000	Futures brokerage	DTT(HK) HKFRSs [2] #
東方資產管理(香港)有限公司 ORIENT ASSET MANAGEMENT (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong April 19, 2010	**100.00%**	100.00%	HKD30,000,000	Asset management	DTT(HK) HKFRSs [2] #
東方融資(香港)有限公司 ORIENT CAPITAL (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong January 11, 2013	**100.00%**	100.00%	HKD15,010,000	Equity trading	DTT(HK) HKFRSs [2] #
東方信貸財務(香港)有限公司 ORIENT CREDIT FINANCE (HONG KONG) LIMITED	有限責任公司 Limited liability company	Hong Kong June 26, 2013	**100.00%**	100.00%	HKD1,000,000	Credit operations	DTT(HK) HKFRSs [2] #
東方鴻盛有限公司 ORIENT HONGSHENG LIMITED	有限責任公司 Limited liability company	British Virgin Islands ("BVI") October 10, 2014	**100.00%**	100.00%	USD1	Special purpose	N/A[3]
ORIENT ZHISHENG LIMITED	有限責任公司 Limited liability company	BVI June 23, 2015	**100.00%**	100.00%	USD1	Special purpose	N/A[3]
東方智匯有限公司 ORIENT ZHIHUI LIMITED	有限責任公司 Limited liability company	BVI April 28, 2015	**100.00%**	100.00%	USD1	Special purpose	N/A[3]

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Type of legal entity registered	Place and date of Incorporation/ establishment	Equity interest held by the Group As at December 31, 2016	2015	Registered capital as at December 31	Principal activities	Auditors GAAP
東方花旗證券有限公司 Citi Orient Securities Co., Ltd. (1)	有限責任公司 Limited liability company	PRC June 4, 2012	**66.67%**	66.67%	RMB800,000,000	Securities underwriting and sponsor	KPMG PRC PRC GAAP
上海東方證券創新投資有限公司 Shanghai Orient Securities Innovation Investment Co., Ltd. (1)*	有限責任公司 Limited liability company	PRC November 19, 2012	**100.00%**	100.00%	RMB1,100,000,000	Financial assets investment, Securities investment, Investment management and advisory	BDO PRC GAAP

* These subsidiaries do not have official English names. English translated names are for identification only.

(1) These subsidiaries are directly held by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

- BDO represents BDO China Shu Lun Pan Certified Public Accountants LLP, 立信會計師事務所(特殊普通合夥), a certified public accountants registered in the PRC as appropriate;
- DTT (HK) represents Deloitte Touche Tohmatsu, 德勤 • 關黃陳方會計師行(香港), a firm of certified public accountants registered in Hong Kong;
- KPMG PRC represents KPMG Huazhen LLP, 畢馬威華振會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;

These subsidiaries have changed their auditor from SHINEWING (HK) to DTT (HK) in 2016.

(3) There is no statutory audit requirement for these subsidiaries and thus no audited financial statements were issued.

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Note: Disposal of subsidiaries

Hangzhou Orient Yindi Investment Management Co., Ltd.

As at November 30, 2016, the Group disposed of Hangzhou Orient Yindi Investment Management Co., Ltd. which carried out investing trading activities.

	RMB'000
Consideration received	
Cash	4,547
Analysis of assets and liabilities over which was lost	
Property and equipment	46
Other receivables and prepayments	156
Cash and bank balances	8,282
Net assets disposal of	8,484
Attributable to:	
Shareholders of the Company	4,327
Non-controlling interests	4,157
Gain on disposal of a subsidiary	
Consideration received	4,547
Net assets disposal of	(8,484)
Non-controlling interests	4,157
	220
Net cash inflow arising on disposal	
Consideration received in cash	4,547
Less: bank balances and cash disposal of	(8,282)
	(3,735)

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Note: Disposal of subsidiaries (Continued)

Orient Rui Lian (Shanghai) Investment Center LLP

As at August 31, 2016, the Group disposed of Orient Rui Lian (Shanghai) Investment Center LLP which carried out investing trading activities.

	RMB'000
Consideration received	
Cash	176,291
Analysis of assets and liabilities over which was lost	
Cash and bank balances	1,173
Available-for-sale financial assets	217,771
Net assets disposal of	218,944
Attributable to:	
Shareholders of the Company	137,503
Non-controlling interests	81,441
Gain on disposal of a subsidiary	
Consideration received	176,291
Net assets disposal of	(218,944)
Non-controlling interests	81,441
	38,788
Net cash inflow arising on disposal	
Consideration received in cash	176,291
Less: bank balances and cash disposal of	(1,173)
	175,118

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

The following table lists out the information relating to Citi Orient Securities Co., Ltd., the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised consolidated financial statements presented below represents the amounts before any inter-company elimination:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Current assets	**2,177,501**	1,059,932
Non-current assets	**66,708**	80,185
Non-current liabilities	**150**	393
Current liabilities	**1,137,590**	291,001
Total equity	**1,106,469**	848,723
Attributable to:		
Shareholders of the Company	**737,646**	565,815
Non-controlling interests	**368,823**	282,908

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Total revenue	**1,155,109**	705,596
Profit for the year	**258,473**	126,508
Attributable to:		
Shareholders of the Company	**172,315**	84,339
Non-controlling interests	**86,158**	42,169
Other comprehensive (expense)/income	**(727)**	1,179
Attributable to:		
Shareholders of the Company	**(484)**	786
Non-controlling interests	**(243)**	393
Total comprehensive income	**257,746**	127,687
Attributable to:		
Shareholders of the Company	**171,831**	85,125
Non-controlling interests	**85,915**	42,562
Cash flows from operating activities	**(6,355,200)**	239,695
Cash flows from investing activities	**(110,334)**	(631,033)
Cash flows from financing activities	**(40,920)**	–

Interests in consolidated structured entities:

The Group has consolidated certain structured entities including asset management schemes. For the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance that it indicates that the Group is a principal.

The total assets of these consolidated asset management schemes amounted to RMB7,377 million and RMB8,282 million as at December 31, 2016 and 2015, respectively.

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Interests in consolidated structured entities: *(Continued)*

Interests in all consolidated asset management schemes held by the Group amounted to fair value of RMB7,114 million and RMB7,389 million as at December 31, 2016 and 2015, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at December 31, 2016 and 2015, the fair value of the Group's interests in the subordinated tranche of those structured products are RMB60 million and RMB413 million, respectively.

Interests held by other interest holders are presented as change in net investment gains in the consolidated statement of profit or loss and included in financial liabilities designated at fair value through profit or loss in the consolidated statement of financial position.

22. INVESTMENTS IN ASSOCIATES

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Cost of unlisted investments in associates	**2,011,102**	780,177
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,503,558**	1,128,349
	3,514,660	1,908,526

At the end of each reporting period, the Group has the following associates:

Name of associates	Place and date of establishment	Equity interest held by the Group As at December 31, 2016	2015	Principal activities
匯添富基金管理股份有限公司 China Universal Asset Management Company Limited ("China Universal")	PRC February 3, 2005	**35.41%**	39.96%	Fund management
上海誠毅投資管理有限公司 Shanghai ICY Capital Co., Ltd. ("ICY Capital")	PRC April 7, 2010	**45.00%**	45.00%	Equity investment

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at December 31, 2016	2015	Principal activities
上海誠毅新能源創業投資有限公司 Shanghai ICY New Energy Venture Investment Co., Ltd. * ("ICY New Energy") *(Note 1)*	PRC July 12, 2011	**27.73%**	27.73%	Investment management
上海騰希投資合夥企業(有限合夥) Shanghai Tengxi Investment LLP. *	PRC May 6, 2014	**22.50%**	22.50%	Investment management
上海朱雀甲午投資中心(有限合夥) Shanghai Zhuque Jiawu Investment Center LLP. *	PRC January 17, 2015	**23.12%**	23.12%	Investment management
北京東方智雲股權投資中心(有限合夥) Beijing Orient Zhiyun Equity Investment Center LLP. *	PRC August 20, 2015	**42.19%**	42.19%	Equity investment
東方嘉實(上海)投資管理合夥企業(有限合夥) Orient Jiashi (Shanghai) Investment Management LLP. *	PRC April 15, 2015	**25.64%**	25.64%	Investment management
上海東證遠譽投資中心(有限合夥) Shanghai Orient Yuanyu Investment Center LLP. *	PRC August 25, 2015	**33.33%**	33.33%	Investment management
上海東證今緣股權投資基金合夥企業(有限合夥) Shanghai Orient Jinyuan Equity Investment LLP. *	PRC October 16, 2015	**30.00%**	30.00%	Equity investment
東證騰駿(上海)投資合夥企業(有限合夥) Orient Tengjun (Shanghai) Investment LLP. *	PRC September 11, 2015	**48.90%**	48.90%	Investment management

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Name of associates	Place and date of establishment	Equity interest held by the Group As at December 31, 2016	2015	Principal activities
上海君煜投資中心(有限合夥) Shanghai Junyu Investment Center LLP. *	PRC December 16, 2015	**45.45%**	45.45%	Investment management
東證睿波(上海)投資中心(有限合夥) Orient Securities Ruibo (Shanghai) Investment Center LLP.*	PRC June 25, 2015	**35.69%**	N/A	Investment management
上海東證睿芃投資中心(有限合夥) Shanghai Orient Securities Ruipeng Investment Center LLP.*	PRC December 3, 2015	**48.39%**	N/A	Investment management
上海東證春醫投資中心(有限合夥) Shanghai Orient Securities Chunyi Investment Center LLP.*	PRC November 3, 2015	**49.26%**	N/A	Investment management
海寧春秋投資合夥企業(有限合夥) Haining Chunqiu Investment Partnership LLP.*	PRC February 4, 2016	**35.00%**	N/A	Investment management
上海東松投資合夥企業(有限合夥) Shanghai Dongsong Investment Partnership LLP.*	PRC May 23, 2014	**30.00%**	N/A	Investment management
海寧東證藍海並購投資合夥企業(有限合夥) Haining Orient Securities Lanhai Merge Investment Partnership LLP.*	PRC July 13, 2016	**30.00%**	N/A	Investment management
Dragonite International Limited	Cayman Islands June 6, 2015	**28.42%**	N/A	Securities Investment

* English translated names are for identification purpose only.

22. INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised consolidated financial statements of China Universal prepared in accordance with IFRSs, which is an individually significant associate to the Group that is accounted for using equity method, is set out below:

China Universal

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Total assets	**6,951,263**	5,521,578
Total liabilities	**2,580,145**	2,546,931
Net assets	**4,371,118**	2,974,647

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Total revenue	**2,987,146**	3,170,882
Profit for the year	**1,041,011**	940,408
Dividends paid	**(217,623)**	(39,000)
Other comprehensive income	**11,868**	25,126
Total comprehensive income	**835,256**	926,534

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Reconciliation of the above consolidated financial statements to the carrying amount of the interest in above associate recognised in the financial statements:

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Equity attributable to equity holders of the associate	**4,371,118**	2,974,647
Proportion of equity interests held by the Group	**35.41%**	39.96%
Carrying amount	**1,547,813**	1,188,669

Aggregate information of associates that are not individually material:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
The Group's share of losses	**(124,579)**	(5,216)
The Group's share of other comprehensive income/(expense)	**48,438**	(30)
The Group's share of total comprehensive expense	**(76,141)**	(5,246)
Aggregate carrying amount of the Group's interests in these associates	**1,966,847**	719,857

23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the year ended December 31, 2016 and 2015. Except for the structured entities the Group has consolidated as disclosed in Note 21, in the opinion of the directors of the Company, the variable returns the Group exposed to over these collective asset management schemes and investment funds in which the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds and asset management schemes managed by the Group amounted to RMB156,880 million and RMB90,306 million as at December 31, 2016 and 2015, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as available-for-sale financial investments and financial assets at fair value through profit or loss as appropriate. As at December 31, 2016 and 2015, the carrying amounts of the Group's interests in unconsolidated funds and management schemes are RMB1,180 million and RMB221 million, respectively, which approximates the maximum risk exposure of the Group, and the assets management fee income are RMB893 million and RMB1,396 million, respectively.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31, 2016 RMB'000	2015 RMB'000
Non-current		
Measured at fair value:		
Equity securities	**43,176**	384,082
Funds	**66,414**	45,454
Debt securities	**677,756**	595,371
Other investments *(Note a)*	**7,954,615**	8,568,460
Measured at cost:		
Equity securities	**1,973,848**	1,778,990
Less: provision for impairment losses	**(3,002)**	(3,002)
	10,712,807	11,369,355
Analysed as:		
Listed *(Note b)*	**667,943**	979,453
Unlisted	**10,044,864**	10,389,902
	10,712,807	11,369,355
Current		
Measured at fair value:		
Equity securities	**5,900,025**	5,683,089
Funds	**1,485,486**	1,408,901
Debt securities	**53,381,877**	33,973,250
Other investments *(Note a)*	**6,044,078**	7,445,115
Less: provision for impairment losses	**(262,345)**	(2,990)
	66,549,121	48,507,365
Analysed as:		
Listed *(Note b)*	**35,978,793**	20,911,106
Unlisted	**30,570,328**	27,596,259
	66,549,121	48,507,365

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The unlisted equity securities held by the Group are issued by private companies in, among others, the manufacturing industry, energy technology, and multimedia sectors. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of each reporting period.

Fair value of the Group's other available-for-sale financial assets are determined in the manner described in Note 59.

As at December 31, 2016 and 2015, the listed equity securities of the Group included approximately RMB334 million and RMB384 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period.

As at December 31, 2016 and 2015, the Group entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds with total fair values of RMB16 million and RMB39 million, respectively, to clients. These securities continued to be recognised as financial assets of the Group. Further details of these arrangements are set out in Note 50.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realised within one year from the end of the respective reporting periods.

Note a: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

Pursuant to the agreements the Company entered into with China Securities Finance Corporation Limited (the "CSFCL"), the Company contributed RMB4.89 billion and RMB1.57 billion to the CSFCL accounts on July 6, 2015 and September 1, 2015, respectively. CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. Considering the nature and purpose of such investments managed by CSFCL, the Company concluded that as at December 31, 2016, there was no significant or prolonged decline in the fair value of such investments, and accordingly no impairment loss was recognized.

Note b: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange are included in the "Listed" category.

25. HELD-TO-MATURITY INVESTMENTS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Non-current		
Debt securities *(Note a)*	**140,500**	293,921
Analysed as:		
Listed *(Note c)*	**70,500**	158,921
Unlisted *(Note d)*	**70,000**	135,000
	140,500	293,921
Current		
Debt securities *(Note b)*	**71,560**	920,078
Analysed as:		
Listed *(Note c)*	**51,560**	50,000
Unlisted *(Note d)*	**20,000**	870,078
	71,560	920,078

Note a: As at December 31, 2016 and 2015, the held-to-maturity bond investments bore interest ranged from 6.86% to 7.48% and from 5.68% to 7.48%, respectively per annum and would not be redeemed within one year.

Note b: As at December 31, 2016 and 2015, the held-to-maturity bond investments bore interest ranged from 5.68% to 7.48% and from 4.90% to 5.08%, respectively per annum and would be redeemed within one year.

Note c: As at December 31, 2016 and 2015, the listed debt securities were listed on Shanghai Stock Exchange.

Note d: As at December 31, 2016 and 2015, the unlisted debt securities were traded on inter-bank market.

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Non-current		
Analysed by collateral type:		
Stock *(Note)*	**15,456,170**	10,209,680
Analysed by market:		
Stock exchange	**15,456,170**	10,209,680
Current		
Analysed by collateral type:		
Stock *(Note)*	**17,447,312**	13,930,643
Bond	**1,625,459**	2,357,892
Others	**30,000**	–
	19,102,771	16,288,535
Analysed by market:		
Stock exchange	**18,473,271**	15,623,703
Inter-bank market	**599,500**	664,832
Over the counter	**30,000**	–
	19,102,771	16,288,535

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

27. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Deferred tax assets	**253,903**	317,448
Deferred tax liabilities	**(357,851)**	(976,606)
	(103,948)	(659,158)

The following are the major deferred tax assets (liabilities) recognised and movements:

	Financial instrument at fair value through profit or loss and derivatives RMB'000	Accrued staff cost RMB'000	Available-for-sale financial assets RMB'000	Provision for impairment losses RMB'000	Government grants and others RMB'000	Total RMB'000
As at January 1, 2016	**(98,193)**	**297,139**	**(675,921)**	**20,309**	**(202,492)**	**(659,158)**
Credit/(charge) to profit or loss	**180,910**	**(129,533)**	**59,432**	**38**	**(29,857)**	**80,990**
Credit to other comprehensive income	**–**	**–**	**474,220**	**–**	**–**	**474,220**
As at December 31, 2016	**82,717**	**167,606**	**(142,269)**	**20,347**	**(232,349)**	**(103,948)**
As at January 1, 2015	(30,477)	46,090	(402,942)	27,964	(67,944)	(427,309)
(Charge)/credit to profit or loss	(67,716)	251,049	–	(7,655)	(134,548)	41,130
Charge to other comprehensive income	–	–	(272,979)	–	–	(272,979)
As at December 31, 2015	(98,193)	297,139	(675,921)	20,309	(202,492)	(659,158)

28. ADVANCES TO CUSTOMERS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Loans to margin clients	**10,291,012**	13,532,052
Other advances to customers	**394,801**	709,031
Less: allowance for doubtful debts	**(34,227)**	–
	10,651,586	14,241,083

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients which are secured by the underlying pledged securities and cash collateral as disclosed in Note 39 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call when the customers have to make up the difference.

Advances to customers were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral. The undiscounted market values of all the collaterals held in all clients' margin accounts in respect of margin financing business amounted to approximately RMB36,806 million and RMB48,702 million as at December 31, 2016 and 2015, respectively.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of the securities margin financing business. As a result, no ageing analysis is disclosed.

The Group evaluates the collectability of the loans to margin clients based on management's assessment on changes in credit quality, collateral and the past collection history of each client. As at December 31, 2016 and 2015, provision for impairment losses were made RMB34 million and nil on the loans and margin clients of the Group.

29. ACCOUNT RECEIVABLES

	As at December 31, 2016 RMB'000	2015 RMB'000
Account receivables from/related to:		
Clearing house	**248,104**	72,369
Brokers	**130,370**	89,588
Asset management fee and trading seats commission	**341,348**	277,617
Advisory and investment banking commission	**20,852**	65,315
Less: allowance for doubtful debts	**(3,174)**	(2,488)
	737,500	502,401
Movements in the allowance for doubtful debts are as follows:		
At beginning of the year	**2,488**	660
Charge for the year	**686**	1,828
At end of the year	**3,174**	2,488
Ageing analysis of account receivables from the trade date is as follows:		
Within 3 months	**389,121**	416,842
Between 3 months and 1 year	**326,543**	76,608
Between 1 and 2 years	**21,738**	8,951
Between 2 and 3 years	**98**	–
	737,500	502,401

The normal settlement terms of account receivables from clearing house and brokers are within three months after trading date. Trading limits are set for clients. Normal settlement terms of account receivables from asset management fee and trading seats commission, advisory and investment banking commission are determined in accordance with the contract terms, usually within three months after the service provided.

30. OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Non-current		
Loans and advances to customers	**219,556**	–
Less: allowance for doubtful debts *(Note)*	**(1,098)**	–
	218,458	–
The movements in the allowance for doubtful debts are set out below:		
At beginning of the year	**–**	–
Charge for the year	**1,098**	–
At end of the year	**1,098**	–
Current		
Other receivables	**347,377**	173,571
Interest receivable	**1,746,275**	1,535,389
Dividends receivable	**76**	1,729
Loans and advances to customers	**1,729,494**	2,562,871
Prepayments	**75,591**	107,809
Less: allowance for doubtful debts *(Note)*	**(61,054)**	(66,176)
	3,837,759	4,315,193
The movements in the allowance for doubtful debts are set out below:		
At beginning of the year	**66,176**	71,923
Reversal of the year	**(5,122)**	(5,203)
Amounts written-off	**–**	(544)
At end of the year	**61,054**	66,176

Note: The allowance for other receivables of the Group mainly represents a collective assessment provision of 0.5% based on historical loss rate and an individual assessed provision according to the discounted net cash flow from collection of individual assets. Included in the individual provision were overdue lending, amounting to RMB48 million and RMB52 million in 2016 and 2015, respectively. In 2016, amounts of RMB4 million of the above receivables were recovered.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Held for trading		
Debt securities	**7,890,386**	7,617,690
Equity securities	**1,966,735**	4,495,503
Funds	**6,244,872**	16,224,832
Other investments *(Note a)*	**2,963,498**	399,052
Designated at fair value through profit or loss		
Equity securities listed on		
National Equities Exchange and Quotations	**4,076,625**	3,133,777
Restricted shares	**187,077**	–
	23,329,193	31,870,854
Analysed as:		
Listed *(Note b)*	**7,230,758**	10,122,541
Unlisted *(Note c)*	**16,098,435**	21,748,313
	23,329,193	31,870,854

Note a: Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, trust products and other wealth management products.

Note b: Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange and other stock exchanges are included in the "Listed" category.

Note c: Unlisted securities mainly comprise of debt securities traded on inter-bank market and funds.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,			
	2016		2015	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures [(i)]	**23**	**–**	1,413	–
Treasury bond futures [(ii)]	**–**	**–**	–	–
Commodity futures [(ii)]	**–**	**–**	–	–
Forward contracts [(ii)]	**–**	**–**	–	–
Interest rate swaps [(iii)]	**19,281**	**–**	56,474	–
Embedded option instruments [(iv)]	**–**	**86**	–	153
Equity return swaps [(v)]	**13,331**	**–**	14,661	–
Stock options [(vi)]	**12,776**	**1,795**	1,981	–
Gold swaps [(vii)]	**–**	**216,405**	–	112,272
Equity linked derivatives [(viii)]	**–**	**49,578**	–	–
Currency swaps [(ix)]	**25,098**	**151,313**	2,833	69,055
Total	**70,509**	**419,177**	77,362	181,480

(i) Stock index futures: Under the daily mark-to-market and settlement arrangement, any gains of losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds", except that SIF in Hong Kong market which is not under the daily market-to-market and settlement arrangement is presented in gross at the end of reporting period.

The contract value of the Group's SIF contracts as at December 31, 2016 and 2015 were approximately RMB258 million and RMB101 million, respectively.

(ii) Treasury bond futures, commodity futures and forward contracts: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury bond futures, commodity futures and forward contracts were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at December 31, 2016 and 2015.

(iii) Interest rate swaps: Daily market-to-market and settlement arrangement was implemented starting from July 1, 2014. The notional principal amounts of the Group's interest rate swaps contracts as at December 31, 2016 and 2015 were RMB23,790 million and RMB18,690 million, respectively. The contract period usually lasts for one to five years. In 2016, fixed rate paid ranged from 2.42% to 4.56%, and floating reference rates were SHIBOR_3M and FR007. While fixed rate received ranged from 2,59% to 5.00%, and floating reference rates were SHIBOR_3M and FR007. In 2015, fixed rate paid ranged from 2.65% to 4.6525%, and floating reference rates were SHIBOR_O/N, SHIBOR_3M and FR007; While fixed rate received ranged from 1.66% to 4.995%, and floating reference rates were SHIBOR_3M and FR007.

32. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(iv) Embedded option instruments: The notional principal amounts of the Group's embedded option instruments contracts as at December 31, 2016 and 2015 were approximately RMB45 million and RMB750 million, respectively.

(v) Equity return swaps: A derivative transaction, through which the Group and a qualified client agree to conduct an return swap in accordance with the agreed amount of nominal principal and return within a fixed period in the future. The return under such swap is linked with the performance of the underlying equity securities. The notional principal amounts of the Group's equity return swaps as at December 31, 2016 and 2015 were RMB31 million and RMB62 million, respectively.

(vi) Stock options: The stock option purchased was recorded as asset and the stock option sold was recorded as liability. The notional principal amounts of the Group' option purchased as at December 31, 2016 and 2015 were approximately RMB22 million and RMB6 million, respectively. The notional principal amounts of the Group' option sold as at December 31, 2016 and 2015 were approximately RMB4 million and nil, respectively.

(vii) Gold swaps: The notional principal amounts of the Group's Gold swaps as at December 31, 2016 and 2015 were approximately RMB4,545 million and RMB2,347 million, respectively.

(viii) Equity linked derivatives: The notional principal amounts of the Group's Equity linked derivatives as at December 31, 2016 and 2015 were approximately RMB901 million and nil, respectively.

(ix) Currency swaps: As at December 31, 2016 and 2015, the notional amounts of the Group's currency swaps contracts with exchange of RMB to HKD or USD were approximately RMB2,841 million and RMB8,428 million.

Details of the Group's SIF are set out below:

	As at December 31,			
	2016		2015	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
SIF	**13,795**	**11**	101,386	1,638
Less: settlement		**(12)**		225
Net position of SIF contracts		**23**		1,413

32. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Details of the Group's treasury bond futures, commodity futures and forward contracts are set out below:

	As at December 31,			
	2016		2015	
	Contract value RMB'000	Fair value RMB'000	Contract value RMB'000	Fair value RMB'000
Treasury bond futures	**7,023,969**	**(128,263)**	2,066,614	13,877
Less: settlement		**(128,263)**		13,877
Net position of treasury bond futures		**–**		–
Commodity futures	**125,237**	**1,687**	74,679	252
Less: settlement		**1,687**		252
Net position of commodity futures		**–**		–
Forward contracts	**100,385**	**(3,432)**	73,590	(281)
Less: settlement		**(3,432)**		(281)
Net position of forward contracts		**–**		–

33. DEPOSITS WITH EXCHANGES AND FINANCIAL INSTITUTIONS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Deposits with stock exchanges:		
Shanghai Stock Exchange	**73,886**	100,176
Shenzhen Stock Exchange	**48,594**	75,722
Hong Kong Exchanges	**2,365**	1,364
Others	**2,761**	2,909
Deposits with futures and commodity exchanges:		
Shanghai Futures Exchange	**500**	500
Dalian Commodity Exchange	**500**	500
Zhengzhou Commodity Exchange	**400**	400
China Financial Futures Exchange	**161,345**	52,216
Shanghai Gold Exchange	**7,915**	5,271
Guarantee fund paid to Shanghai Stock Exchange	**9,313**	48,557
Guarantee fund paid to Shenzhen Stock Exchange	**11,847**	32,743
Deposits with China Securities Finance Corporation Limited	**527,390**	517,662
Deposits with Shanghai Clearing House	**96,877**	77,671
Deposits with other financial institutions		
Equity return swap	**12,400**	43,400
Cross currency swap	**143,202**	100,920
Bulk steel trading center	**554**	–
	1,099,849	1,060,011

34. CLEARING SETTLEMENT FUNDS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	**3,037,512**	1,468,193
Clients	**7,466,989**	7,357,211
	10,504,501	8,825,404

35. CASH AND BANK BALANCES

	As at December 31,	
	2016 RMB'000	2015 RMB'000
House accounts	**14,967,197**	17,753,605
Cash held on behalf of clients *(Note a)*	**29,201,538**	37,589,902
	44,168,735	55,343,507
Less: restricted bank deposits *(Note b)*	**(449,900)**	–
	43,718,835	55,343,507

Cash and bank balances comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Note a: The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in account payables to brokerage clients (Note 39).

Note b: The restricted bank deposits are restricted for pledged bank deposit within one year.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Cash and bank balances	**14,967,197**	17,753,605
Clearing settlement funds	**3,037,512**	1,468,193
Less: clearing settlement funds of Shanghai Orient Securities Futures Co., Ltd.	**(8,000)**	(8,000)
restricted bank deposits *(Note)*	**(449,900)**	–
	17,546,809	19,213,798

Note: The restricted bank deposits are restricted for pledged bank deposit within one year.

37. BORROWINGS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Current		
Unsecured short-term borrowings *(Note a)*	**480,727**	383,780
Non-current		
Pledged long-term borrowings *(Note c)*	**447,564**	–
Secured long-term borrowing repayable between one to two years *(Note b)*	**441,470**	385,388
	859,034	385,388

Note a: Short-term bank borrowings are repayable within one year.

As at December 31, 2016, the unsecured bank borrowing, amounting to HKD100 million (approximately RMB89 million) and bearing a floating rate of 3 month HIBOR plus 2.5% per annum is repayable within one year. As at December 31, 2015, the borrowing mentioned above bears the rate of 3 month HIBOR plus 2.1% per annum.

As at December 31, 2016, the unsecured bank borrowing, amounting to HKD50 million (approximately RMB45 million) and bearing a floating rate of 1 week HIBOR plus 2% per annum is repayable within one year.

As at December 31, 2016, the unsecured bank borrowing, amounting to approximately HKD387 million (approximately RMB347 million) and bearing the rate of 3.7% is repayable within one year.

As at December 2015, the unsecured bank borrowing, amounting to RMB300 million and bearing the rate of 7.25% is repayable within one year after the reporting period end.

Note b: As at December 31, 2016 and 2015, the long-term borrowing of Orient Finance Holdings (Hong Kong) Limited, the Company's Hong Kong subsidiary, was secured by all participating shares of Orient Sun Rise China Bond Fund Segregated Portfolio, a structured entity of the Group. The carrying amount of such structured entity is RMB517 million and RMB456 million as at December 31, 2016 and 2015. The borrowing is denominated in Hong Kong dollar, bearing a floating rate of 3 month HIBOR plus 1.8% per annum.

Note c: As at December 31, 2016, the long-term borrowing was pledged by a deposit of which the carrying amount is RMB449.9 million. The borrowing bearing a floating rate of 12 month LIBOR plus 0.75% per annum is repayable on November 17, 2018.

38. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Due to banks *(Note a)*	**2,600,000**	4,500,000
Due to China Securities Finance Corporation Limited *(Note b)*	**2,500,000**	5,700,000
	5,100,000	10,200,000

Note a: As at December 31, 2016 and 2015, the interest rate bearing on the outstanding amount of due to banks varies from 2.74% to 3.75% and 2.22% to 2.80%, respectively, per annum. The amounts of due to banks were repayable within seven days from the end of the reporting period.

Note b: As at December 31, 2016 and 2015, the interest rate on due to China Securities Finance Corporation Limited is 3.00% and from 4.40% to 6.30%, respectively, per annum. The amounts of due to China Securities Finance Corporation Limited were repayable within three months from the end of the reporting period.

39. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Account payables to brokerage clients mainly include money held on behalf of clients in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at December 31, 2016 and 2015, included in the Group's account payables to brokerage clients were approximately RMB1,718 million and RMB1,247 million of margin deposits and cash collateral received from clients for margin financing and securities lending arrangement.

40. ACCRUED STAFF COSTS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Salaries, bonus and allowances	**1,371,929**	1,924,936
Social welfares	**592**	167
Annuity schemes	**5,400**	3,830
	1,377,921	1,928,933

41. OTHER ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Other account payables		
Payables for underwriting and products distribution fees	**163,592**	99,805
Settlement payables	**50,775**	46,804
Other payables and accruals		
Business tax and other taxes	**173,903**	292,872
Interest payable	**1,553,613**	1,497,558
Payables for securities and futures investor protection fund	**19,698**	23,420
Futures risk reserve	**47,249**	38,069
Dividends payable	**80**	15,500
Advance receipts	**6,517**	58,207
Acting underwriting securities	**587,550**	–
Performance Bond	**358,363**	–
Others	**630,493**	131,746
	3,591,833	2,203,981

42. BOND PAYABLES

	As at December 31, 2016 RMB'000	2015 RMB'000
Current		
Corporate bonds *(Note a)*	**12,999,877**	3,000,000
Subordinated bonds *(Note a)*	**3,599,645**	800,000
Income certificates *(Note b)*	**5,424,000**	–
Offshore bonds *(Note a)*	**1,997,247**	981,294
	24,020,769	4,781,294
Non-current		
Corporate bonds *(Note a)*	**17,999,730**	17,999,369
Subordinated bonds *(Note a)*	**11,999,653**	11,598,814
Income certificates *(Note b)*	**8,148,217**	13,816,477
Offshore bonds *(Note a)*	**2,415,742**	3,766,534
	40,563,342	47,181,194

Note a:

Name		Issue amount	Value date	Maturity date	Coupon rate
13 Orient Subordinated Bond [1]	RMB	3,600,000,000	15/11/2013	15/11/2017	6.70%
14 Corporate Bond [2]	RMB	6,000,000,000	26/08/2014	26/08/2019	6.00%
14 Orient Subordinated Bond [3]	RMB	1,400,000,000	17/11/2014	17/11/2018	5.50%
14 Offshore RMB Bond [4]	RMB	900,000,000	26/11/2014	26/11/2017	6.50%
15-1 Offshore USD Bond [5]	USD	200,000,000	08/05/2015	08/05/2018	4.20%
15 Orient Subordinated Bond [6]	RMB	6,000,000,000	29/05/2015	29/05/2020	5.60%
15 Orient Future Subordinated Bond [7]	RMB	600,000,000	18/06/2015	17/06/2018	6.82%
15-1 Offshore RMB Bond [8]	RMB	620,000,000	05/08/2015	26/11/2017	6.50%
15-2 Offshore USD Bond [9]	USD	150,000,000	25/08/2015	25/08/2018	4.09%
15 Corporate Bond [10]	RMB	12,000,000,000	26/11/2015	26/11/2020	3.90%
16 Offshore RMB Bond [11]	RMB	500,000,000	15/04/2016	10/04/2017	5.00%
16-1 Orient Corporate Bond [12]	RMB	9,000,000,000	19/05/2016	19/05/2017	3.40%
16 Orient Subordinated Bond [13]	RMB	4,000,000,000	14/11/2016	14/11/2021	3.45%
16-2 Orient Corporate Bond [14]	RMB	4,000,000,000	16/12/2016	16/12/2017	4.00%

42. BOND PAYABLES *(Continued)*

Note a: (Continued)

(1) As approved by the CSRC [2013]1318, the Company issued a 4-year subordinated bond with par value no more than RMB3.6 billion on November 15, 2013. The bond bears a fixed annual interest rate of 6.70% and the interest is paid annually.

(2) As approved by the CSRC [2014]816, the Company issued a corporate bond with par value of RMB6 billion on August 26, 2014. The bond bears an interest rate of 6.00% with a maturity period of 5 years and the interest is paid annually.

(3) As approved by the CSRC, the Company issued 14 Orient Subordinated Bond with par value of RMB1.4 billion on November 17, 2014. The bond bears an interest rate of 5.50% with a maturity period of 4 years and the interest is paid annually.

(4) Orient Hongsheng Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore RMB Bond with par value of RMB900 million on November 26, 2014. The Company entered into a keepwell deed for bond. The Offshore RMB Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. The bond bears a fixed annual interest rate of 6.50% and the interest is paid semi-annually.

(5) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore USD Bond with par value of USD200 million on May 8, 2015. The Company entered into a keepwell deed for bond. The Offshore USD Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. The bond bears a fixed annual interest rate of 4.20% and the interest is paid semi-annually.

(6) As approved by the CSRC, the Company issued 15 Orient Subordinated Bond with par value of RMB6 billion on May 29, 2015. The bond bears an interest rate of 5.60% with a maturity period of 5 years and the interest is paid annually.

(7) Shanghai Orient Securities Futures Co., Ltd., the Company's subsidiary, issued 15 Orient Future Subordinated Bond with par value of RMB600 million to qualified institutional investors on June 18, 2015. The bond bears an interest rate of 6.82% with a maturity period of 3 years and the interest is paid annually.

(8) Orient Hongsheng Limited, the Company's Hong Kong subsidiary, issued an Offshore RMB Bond with par value of RMB620 million on August 5, 2015 which is consolidated in the former series of bonds which were issued on November 26, 2014 with amounting to RMB900 million (see above (4)). The Offshore RMB Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. and the Company entered into a keepwell deed. The bond bears a fixed annual interest rate of 6.50% and the interest is paid semi-annually.

(9) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued a 3-year Offshore USD Bond with par value of USD150 million on August 25, 2015. The Offshore USD Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. and The Company entered into a keepwell deed as well. The bond bears a fixed annual interest rate of 4.09% and the interest is paid semi-annually.

(10) As approved by the CSRC [2015]2406, the Company issued a corporate bond with par value of RMB12 billion on November 26, 2015. The bond bears an interest rate of 3.90% with a maturity period of 5 years and the interest is paid annually.

(11) Orient Zhihui Limited, the Company's Hong Kong subsidiary, issued an Offshore RMB Bond with par value of RMB500 million on April 15, 2016. The Offshore RMB Bond was guaranteed by Orient Finance Holdings (Hong Kong) Limited. and the Company entered into a keepwell deed for it. The bond bears a fixed annual interest rate of 5.00% with a maturity period of 360 days and the interest is paid semi-annually.

42. BOND PAYABLES *(Continued)*

Note a: (Continued)

(12) As approved by the CSRC, the Company issued a corporate bond with par value of RMB9 billion on May 19, 2016. The bond bears an interest rate of 3.4% with a maturity period of 1 year and the interest is paid annually.

(13) As approved by the CSRC, the Company issued 16 Orient Subordinated Bond with par value of RMB4 billion on November 14, 2016. The bond bears an interest rate of 3.45% with a maturity period of 5 years and the interest is paid annually.

(14) As approved by the CSRC, the Company issued a corporate bond with par value of RMB4 billion on December 16, 2016. The bond bears an interest rate of 4% with a maturity period of 1 year and the interest is paid annually.

Note b: According to Securities Association of China ("SAC")'s letter on approving the pilot of over the counter income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The amount represents income certificates issued by the Company with maturities of more than one year. As at December 31, 2016 and 2015, the yields of the outstanding income certificates varied from 3.50% to 6.30% and from 5.40% to 6.30%, respectively per annum.

43. SHORT-TERM FINANCING BILLS PAYABLES

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Unsecured and unguaranteed		
Short-term financing bills payables *(Note b)*	–	6,200,000
Income certificates *(Note a)*	**4,942,779**	2,196,061
	4,942,779	8,396,061
Analysed as:		
Inter-bank market	–	6,200,000
Over the counter	**4,942,779**	2,196,061
	4,942,779	8,396,061

Note a: According to Securities Association of China ("SAC")'s letter on approving the pilot of over the counter income certificate business (SAC[2014]285), the Group has the authorization to conduct income certificate business. As at December 31, 2016 and 2015, the yields of all the outstanding income certificates were ranged from 1.00% to 5.60% and from 2.50% to 7.50%, respectively per annum.

Note b: As at December 31, 2015, short-term financing bills payables were unsecured and unguaranteed debt securities issued on the PRC inter-bank market by the Company and were repayable within 1 year. As at December 31, 2015, short-term financing bills payables bear interest rates ranging from 2.80% to 3.09% per annum.

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Financial liabilities designated at fair value through profit or loss		
– Coupon bearing bonds *(Note a)*	**2,787,366**	225,940
– Gold borrowings *(Note b)*	**4,420,325**	2,234,618
– Interests attributable to other holders of consolidated structured entities *(Note c)*	**263,486**	686,708
	7,471,177	3,147,266

Note a: As at December 31, 2016 and 2015, included in the Group's financial liabilities designated at fair value through profit or loss were coupon-bearing bonds borrowed by the Group.

Note b: As at December 31, 2016 and 2015, included in the Group's financial liabilities designated at fair value through profit or loss were gold borrowing contracts entered into by the Company with counterparties.

The risk of economic exposure on these contracts is primarily hedged by swap contracts.

Note c: Interests attributable to other holders of consolidated structured schemes and funds consist of third-party unit holders' interests in these consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash.

The realization of third-party interests in the financial liabilities arising from consolidation of structured consolidated collective asset management schemes and funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated collective asset management schemes and funds held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at December 31, 2016 RMB'000	2015 RMB'000
Current		
Analysed by collateral type		
Bonds	**30,293,940**	26,366,591
Securities-backed lending repurchase agreement	**5,405,000**	3,503,500
Advances to customers backed repurchase agreement	**4,970,000**	6,785,000
Others	**10,000**	10,000
	40,678,940	36,665,091
Analysed by market		
Stock exchange	**19,708,434**	17,704,612
Inter-bank market	**9,152,007**	8,661,979
Over the counter	**11,818,499**	10,298,500
	40,678,940	36,665,091
Non-current		
Analysed by collateral type		
Securities-backed lending repurchase agreement	**1,500,000**	3,975,000
Advances to customers backed repurchase agreement	**4,220,000**	7,240,000
	5,720,000	11,215,000
Analysed by market		
Over the counter	**5,720,000**	11,215,000

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

46. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands):			
As at December 31, 2016	**5,281,743**	**933,709**	**6,215,452**
As at December 31, 2015	4,281,743	1,000,000	5,281,743

As at July 8, 2016, the Company listed on the Stock Exchange and issued 870,000,000 HKD-denominated ordinary shares to the public and the issue price is HKD8.15 per share. As at August 3, 2016, the Company additionally issued 63,709,090 HKD-denominated ordinary shares to the public with over-allotment options and the issue price is HKD8.15 per share. Total proceeds from the issuance of those shares were approximately RMB6,552,786,258. After deducting the underwriting and sponsorship fees and other distribution fees amounting to RMB177,102,352 (excluding RMB50,749,382 paid to Citi Orient Securities Co., Ltd., a subsidiary of the Group, which was eliminated on the consolidated financial statements), net proceeds were recognised as share capital amounting to RMB933,709,090 and share premium amounting to RMB5,441,974,816 accordingly.

As at March 16, 2015, the Company listed on A-share market and issued 1,000,000,000 RMB-denominated ordinary shares to the public and the issue price is RMB10.03 per share. After deducting the underwriting and sponsorship fees amounting to RMB230,276,000 and other distribution fees amounting to RMB12,250,000, net proceeds were recognised as share capital amounting to RMB1,000,000,000 and the share premium amounting to RMB8,787,474,000 accordingly.

47. RESERVES

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value, the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets and deemed gains/losses from associate.

The movements of the capital reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Share premium *(Note 46)*	**12,583,581**	**5,441,975**	**18,025,556**
Other capital reserve	**(14,190)**	**17,415**	**3,225**
As at December 31, 2016	**12,569,391**	**5,459,390**	**18,028,781**
Share premium *(Note 46)*	3,796,107	8,787,474	12,583,581
Other capital reserve	–	(14,190)	(14,190)
As at December 31, 2015	3,796,107	8,773,284	12,569,391

(2) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalization, in accordance with the Company's articles of association or as approved by the shareholders in a shareholders' general meeting.

47. RESERVES *(Continued)*

(2) Surplus reserve *(Continued)*

Since the amendment of the Company's articles in 2014, the Company is required to appropriate 5% of net profit derived as discretionary reserve from retained profits in accordance with the relevant accounting rules in the PRC.

	Opening RMB'000	Addition RMB'000	Closing RMB'000
Statutory reserve	**2,013,100**	**151,867**	**2,164,967**
Discretionary reserve	**444,898**	**75,933**	**520,831**
For the year ended December 31, 2016	**2,457,998**	**227,800**	**2,685,798**
Statutory reserve	1,331,316	681,784	2,013,100
Discretionary reserve	104,007	340,891	444,898
For the year ended December 31, 2015	1,435,323	1,022,675	2,457,998

(3) General reserve

The general reserve includes general risk reserve and transaction risk reserve.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits. Since 2014, the Company management has decided to appropriate 11% of net profit derived as general risk reserve from retained profits.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate no less than 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

In accordance with the Financial Rules for Financial Enterprises and its Implementation Guide, Orient Futures Co., Ltd. is required to appropriate 10% of net profit from retained profits as general risk reserve.

In accordance with the Interim Measures to Supervision Management of Risk Reserves for Public Offering Securities Investment Funds, Shanghai Orient Securities Asset Management Co., Ltd. is required to appropriate no less than 10% of fund management fee income as general risk reserve.

47. RESERVES *(Continued)*

(3) General reserve *(Continued)*

The movements of general reserve of the Group are set out below:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
General risk reserve	**2,183,678**	**238,344**	**2,422,022**
Transaction risk reserve	**2,954,753**	**336,098**	**3,290,851**
For the year ended December 31, 2016	**5,138,431**	**574,442**	**5,712,873**
General risk reserve	1,380,695	802,983	2,183,678
Transaction risk reserve	1,841,470	1,113,283	2,954,753
For the year ended December 31, 2015	3,222,165	1,916,266	5,138,431

(4) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group and are set out below:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
At beginning of the year	**2,085,229**	1,244,695
Available-for-sale financial assets		
Net fair value changes during the year	**(1,060,147)**	4,284,944
Income tax related to net fair value changes during the year	**257,702**	(1,071,236)
Reclassification adjustment to profit or loss on disposal	**(1,103,802)**	(3,186,214)
Reclassification adjustment to profit or loss on impairment	**259,355**	3,002
Income tax related to reclassification adjustment to profit or loss during the year	**216,518**	798,257
Share of fair value gain on available-for-sale financial assets of associates	**53,210**	11,781
At end of the year	**708,065**	2,085,229

47. RESERVES *(Continued)*

(5) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

48. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
At beginning of the year	**7,448,603**	4,382,755
Profit for the year	**2,313,975**	7,325,225
Appropriation to surplus reserve	**(227,800)**	(1,022,675)
Appropriation to general reserve	**(574,442)**	(1,916,266)
Dividends recognised as distribution	**(1,848,610)**	(1,320,436)
At end of the year	**7,111,726**	7,448,603

Details of the dividends are set out in Note 49.

49. DIVIDENDS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution	**1,848,610**	1,320,436

Pursuant to the resolution of the annual general meeting of Shareholders held on May 25, 2016, the Company distributed cash dividends of RMB3.50 for every 10 shares (tax included) based on 5.28 billion shares held amounting to approximately RMB1.85 billion in total for the year ended December 31, 2015.

49. DIVIDENDS *(Continued)*

Pursuant to the resolution of the general meeting of Shareholders held on May 25, 2015, the Company distributed cash dividends of RMB1.50 for every 10 shares (tax included) based on 5.28 billion shares held amounting to RMB0.79 billion in total after the IPO in 2015. Pursuant to the resolution of the extraordinary general meeting held on September 22, 2015, the Company distributed cash dividends of RMB1.00 for every 10 shares (tax included) based on 5.28 billion shares held amounting to RMB0.53 billion in total for the six months ended June 30, 2015.

Pursuant to the Board resolution held on March 30, 2017, it is proposed that cash dividends of RMB1.50 be distributed for every 10 shares (tax included) based on the Company's existing share capital of 6.22 billion shares, amounting to a total cash dividend of approximately RMB0.93 billion for the year ended December 31, 2016. This proposed distribution of cash dividends is subject to the approval by the Shareholders' meetings.

50. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of these securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities and advances to customers. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at December 31, 2016

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Financial assets held under resale agreements RMB'000	Advances to customers RMB'000	Held-to-maturity investments RMB'000	Securities borrowing arrangements RMB'000	Other receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	3,223,465	34,695,965	8,285,550	10,291,011	51,185	301,764	35,397	56,884,337
Carrying amount of associated liabilities	2,214,485	27,933,050	6,905,000	9,190,000	31,205	115,200	10,000	46,398,940
Net position	1,008,980	6,762,915	1,380,550	1,101,011	19,980	186,564	25,397	10,485,397

50. TRANSFER OF FINANCIAL ASSETS *(Continued)*

Repurchase agreements *(Continued)*

As at December 31, 2015

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Financial assets held under resale agreements RMB'000	Advances to customers RMB'000	Held-to-maturity investments RMB'000	Securities borrowing arrangements RMB'000	Other receivables RMB'000	Total RMB'000
Carrying amount of transferred assets	1,895,344	25,112,035	9,002,362	13,532,052	379,205	2,368,928	58,840	52,348,766
Carrying amount of associated liabilities	1,621,211	21,381,924	8,143,332	14,025,000	329,696	2,368,928	10,000	47,880,091
Net position	274,133	3,730,111	859,030	(492,948)	49,509	–	48,840	4,468,675

Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as available-for-sale financial assets of carrying amount totaling RMB16 million and RMB39 million as at December 31, 2016 and 2015, respectively, which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

51. CAPITAL COMMITMENTS

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	**71,291**	63,533

52. OPERATING LEASE COMMITMENTS

The Group as lessee

At December 31, 2016 and 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Within one year	**144,681**	178,668
In the second year	**111,282**	116,010
In the third year	**80,757**	82,491
Over three years	**73,304**	103,163
	410,024	480,332

The Group as lessor

During the year of 2016 and 2015, the Group did not have material lease commitment as lessor.

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the year ended December 31, 2016 and 2015 are set out below:

For the year ended December 31, 2016

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Pan Xinjun [(a)]	–	644	435	106	1,185
Jin Wenzhong [(a)]	–	644	479	4,300	5,423
Non-executive Directors:					
Wu Jianxiong [(b)]	–	–	–	–	–
Zhang Qian [(c)]	–	–	–	–	–
Wu Junhao [(d)]	–	–	–	–	–
Xu Chao [(d)]	–	–	–	–	–
Chen Bichang [(e)]	–	–	–	–	–
Chen Bin [(f)]	–	–	–	–	–
Li Xiang [(f)]	–	–	–	–	–
Xu Jianguo [(g)]	–	–	–	–	–
Huang Laifang [(h)]	–	–	–	–	–
Zhou Yao [(d)]	–	–	–	–	–
Independent Non-executive Directors:					
Li Zhiqiang [(j)]	167	–	–	–	167
Xu Guoxiang [(k)]	147	–	–	–	147
Tao Xiuming [(l)]	147	–	–	–	147
Wei Anning [(l)]	147	–	–	–	147
Pan Fei [(m)]	167	–	–	–	167
Xu Zhiming [(n)]	80	–	–	–	80
Supervisors:					
Song Xuefeng [(o)]	–	–	–	–	–
Li Bin [(p)]	–	580	326	100	1,006
Liu Wenbin [(q)]	–	–	–	–	–
Yin Keding [(r)]	–	–	–	–	–
Wu Zhengkui [(s)]	–	–	–	–	–
Zhou Wenwu [(u)]	–	618	109	1,789	2,516
Yao Yuan [(r)]	–	618	97	1,827	2,542
	855	3,104	1,446	8,122	13,527

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

For the year ended December 31, 2015

Name	Independent director fee* RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Pan Xinjun [(a)]	–	1,800	330	106	2,236
Jin Wenzhong [(a)]	–	1,980	363	2,505	4,848
Non-executive Directors:					
Wu Jianxiong [(b)]	–	–	–	–	–
Zhang Qian [(c)]	–	–	–	–	–
Wu Junhao [(d)]	–	–	–	–	–
Xu Chao [(d)]	–	–	–	–	–
Chen Bichang [(e)]	–	–	–	–	–
Chen Bin [(f)]	–	–	–	–	–
Li Xiang [(f)]	–	–	–	–	–
Zhou Yao [(d)]	–	–	–	–	–
Independent Non-executive Directors:					
Chen Xinyuan [(i)]	–	–	–	–	–
Li Zhiqiang [(j)]	120	–	–	–	120
Xu Guoxiang [(k)]	120	–	–	–	120
Tao Xiuming [(l)]	120	–	–	–	120
Wei Anning [(l)]	120	–	–	–	120
Pan Fei [(m)]	70	–	–	–	70
Supervisors:					
Song Xuefeng [(o)]	–	–	–	–	–
Li Bin [(p)]	–	1,350	203	20	1,573
Liu Wenbin [(q)]	–	–	–	–	–
Yin Keding [(r)]	–	–	–	–	–
Wu Zhengkui [(s)]	–	–	–	–	–
Du Weihua [(t)]	–	760	193	868	1,821
Zhou Wenwu [(u)]	–	150	–	250	400
Yao Yuan [(r)]	–	319	57	1,185	1,561
	550	6,359	1,146	4,934	12,989

* The amount of director fee was nil, except for the independent director fee disclosed.

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

a. Pan Xinjun was appointed as chairman of the board in January 2010. Jin Wenzhong was appointed as director in September 2010.

b. Wu Jianxiong was appointed as director in October 2014.

c. Zhang Qian was appointed as director in June 2002.

d. Wu Junhao, Xu Chao and Zhou Yao were appointed as director in March 2011. And Xu Chao resigned in July 2016.

e. Chen Bichang was appointed as director in March 2012 and resigned in April 2016.

f. Chen Bin and Li Xiang were appointed as director in October 2014.

g. Xu Jianguo was appointed as director in November 2016.

h. Huang Laifang was appointed as director in May 2016.

i. Chen Xinyuan was appointed as independent director in April 2011 and resigned in May 2015.

j. Li Zhiqiang was appointed as independent director in March 2011.

k. Xu Guoxiang was appointed as independent director in October 2014.

l. Tao Xiuming and Wei Anning were appointed as independent director in October 2014.

m. Pan Fei was appointed as independent director in June 2015.

n. Xu Zhiming was appointed as director in September 2015. The appointment took effect in July 2016 when the Company became listed on the Stock Exchange.

o. Song Xuefeng was appointed as director in August 2013, and was appointed as chairman of the supervisory board in October 2014.

p. Li Bin was appointed as supervisor in November 2014.

q. Liu Wenbin was appointed as supervisor in March 2011.

r. Yin Keding and Yao Yuan were appointed as supervisor in October 2014.

s. Wu Zhengkui was appointed as supervisor in February 2012.

t. Du Weihua was appointed as supervisor in February 2012 and resigned in August 2015.

u. Zhou Wenwu was appointed as supervisor in August 2015.

53. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company.

The independent directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. The amounts of bonus paid and disclosed for the year ended December 31, 2016 are actually performance bonus in 2015.

For the year ended December 31, 2016 and 2015, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

54. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 53. Details of the remuneration of the five highest paid employees during the year ended 2016 and 2015 are as follows:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	**8,041**	6,236
Discretionary bonuses	**87,269**	81,825
Employer's contribution to pension schemes	**112**	327
	95,422	88,388

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2016 and 2015.

54. HIGHEST PAID INDIVIDUALS *(Continued)*

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Emolument bands		
– HKD14,000,001 to HKD14,500,000	–	1
– HKD15,500,001 to HKD16,000,000	–	1
– HKD17,500,001 to HKD18,000,000	–	1
– HKD19,500,001 to HKD20,000,000	1	–
– HKD20,000,001 to HKD20,500,000	2	–
– HKD21,500,001 to HKD22,000,000	1	–
– HKD24,000,001 to HKD24,500,000	1	–
– HKD28,500,001 to HKD29,000,000	–	1
– HKD33,000,001 to HKD33,500,000	–	1
	5	5

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related party

The Group and major shareholder

Following major shareholder held more than 10% shares of the Company is considered as a related party of the Group:

	Percentage of shares held As at December 31,	
	2016	2015
	%	%
申能(集團)有限公司 Shenergy (Group) Company Limited	24.74	30.08

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(1) Relationship of related party *(Continued)*

The Company and subsidiaries

The details of the Company's subsidiaries is set out in Note 21.

The Group and associates

The details of the associates of the Group is set out in Note 22.

(2) Related party transaction and balances

As at December 31, of 2016 and 2015, the Group had the following material balances with the major shareholder and entities under its control:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Accounts payable to brokerage clients	**18,594**	70,644
Bond payables	**–**	800,000

For the year ended December 31, 2016 and 2015, the Group had the following material transactions with major shareholders and entities under their control:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Commission and fee income	**495**	378
Interest expenses	**25,250**	50,545

As at December 31, of 31 2016 and 2015, the Group had the following material balances with associates:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Accounts payable to brokerage clients	**31**	2
Other account payables	**409,346**	2,115
Other receivables	**–**	118

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

(2) Related party transaction and balances *(Continued)*

For the year ended December 31, 2016 and 2015, the Group had the following material transaction with associates:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Commission and fee income	**97,470**	109,629
Interest expenses	**3**	–

(3) Key management personnel

Remuneration for key management personnel of the Group are as follows:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Short-term benefits:		
Salaries, allowance and bonuses	**30,267**	29,384
Post-employment benefits:		
Employer's contribution to pension schemes/annuity plans	**2,574**	2,134
	32,841	31,518

The amounts of bonus paid and disclosed for the year ended December 31, 2016 are actually performance bonus in 2015.

Since January 1, 2016, the emoluments of certain key management personnel, which include the President and vice-presidents of the Company, are subject to certain cap as required by Shanghai Finance Committee.

56. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Non-current assets		
Property and equipment	**1,798,148**	1,682,287
Goodwill	**18,948**	18,948
Other intangible assets	**105,736**	88,254
Investments in subsidiaries	**8,197,753**	6,250,653
Investments in associates	**1,547,813**	1,188,669
Available-for-sale financial assets	**8,879,416**	8,325,648
Held-to-maturity investments	**140,500**	293,921
Financial assets held under resale agreements	**15,456,170**	10,209,680
Deferred tax assets	**114,684**	187,660
Total non-current assets	**36,259,168**	28,245,720
Current assets		
Advances to customers	**10,291,011**	13,532,052
Account receivables	**193,905**	190,311
Other receivables and prepayments	**1,776,418**	1,582,326
Available-for-sale financial assets	**62,293,581**	46,926,696
Held-to-maturity investments	**71,560**	920,078
Financial assets held under resale agreements	**18,658,612**	16,155,335
Financial assets at fair value through profit or loss	**16,916,321**	28,095,836
Derivative financial assets	**45,388**	73,116
Deposits with exchanges and financial institutions	**899,281**	913,792
Clearing settlement funds	**6,493,772**	6,038,318
Cash and bank balances	**29,973,828**	37,920,818
Total current assets	**147,613,677**	152,348,678
Total assets	**183,872,845**	180,594,398

56. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Current liabilities		
Due to banks and other financial institutions	**5,100,000**	10,200,000
Account payables to brokerage clients	**22,651,454**	26,919,127
Accrued staff costs	**513,890**	1,204,060
Other account payables, other payables and accruals	**2,155,437**	1,819,422
Current tax liabilities	**54,782**	1,516,464
Bond payables	**22,017,655**	3,797,902
Short-term financing bills payables	**2,712,779**	7,799,271
Financial liabilities at fair value through profit or loss	**7,207,691**	2,460,558
Derivative financial liabilities	**267,864**	112,425
Financial assets sold under repurchase agreements	**39,145,441**	36,066,590
Total current liabilities	**101,826,993**	91,895,819
Net current assets	**45,786,684**	60,452,859
Total assets less current liabilities	**82,045,852**	88,698,579
Equity		
Share capital	**6,215,452**	5,281,743
Reserves	**26,443,734**	21,769,321
Retained profits	**5,871,486**	6,824,081
Total equity	**38,530,672**	33,875,145
Non-current liabilities		
Financial assets sold under repurchase agreements	**5,720,000**	11,215,000
Deferred tax liabilities	**266,050**	820,611
Bond payables	**37,529,130**	42,787,823
Total non-current liabilities	**43,515,180**	54,823,434
Total equity and non-current liabilities	**82,045,852**	88,698,579

56. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Surplus reserve RMB'000	General reserve RMB'000	Investment revaluation reserve RMB'000	Retained profit RMB'000	Total RMB'000
At January 1, 2016	**5,281,743**	**12,569,391**	**2,457,998**	**4,955,924**	**1,786,008**	**6,824,081**	**33,875,145**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,518,668**	**1,518,668**
Other comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(1,356,881)**	**–**	**(1,356,881)**
Total comprehensive (expenses)/income for the year	**–**	**–**	**–**	**–**	**(1,356,881)**	**1,518,668**	**161,787**
IPO of H shares	**933,709**	**5,619,077**	**–**	**–**	**–**	**–**	**6,552,786**
Costs of IPO of H shares	**–**	**(227,851)**	**–**	**–**	**–**	**–**	**(227,851)**
Appropriation to surplus reserve	**–**	**–**	**227,800**	**–**	**–**	**(227,800)**	**–**
Appropriation to general reserve	**–**	**–**	**–**	**394,853**	**–**	**(394,853)**	**–**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(1,848,610)**	**(1,848,610)**
Others	**–**	**17,415**	**–**	**–**	**–**	**–**	**17,415**
At December 31, 2016	**6,215,452**	**17,978,032**	**2,685,798**	**5,350,777**	**429,127**	**5,871,486**	**38,530,672**
At January 1, 2015	4,281,743	3,796,107	1,435,323	3,183,287	1,208,944	4,121,998	18,027,402
Profit for the year	–	–	–	–	–	6,817,831	6,817,831
Other comprehensive income for the year	–	–	–	–	577,064	–	577,064
Total comprehensive income for the year	–	–	–	–	577,064	6,817,831	7,394,895
IPO of A shares	1,000,000	–	–	–	–	–	1,000,000
Costs of IPO of A shares	–	8,787,474	–	–	–	–	8,787,474
Appropriation to surplus reserve	–	–	1,022,675	–	–	(1,022,675)	–
Appropriation to general reserve	–	–	–	1,772,637	–	(1,772,637)	–
Dividends recognised as distribution	–	–	–	–	–	(1,320,436)	(1,320,436)
Others	–	(14,190)	–	–	–	–	(14,190)
At December 31, 2015	5,281,743	12,569,391	2,457,998	4,955,924	1,786,008	6,824,081	33,875,145

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

57. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Financial assets		
Available-for-sale financial assets	**77,261,928**	59,876,720
Financial assets at fair value through profit or loss	**23,399,702**	31,948,216
Held-to-maturity investments	**212,060**	1,213,999
Loans and receivables	**105,701,738**	110,678,005
	206,575,428	203,716,940
Financial liabilities		
Financial liabilities at fair value through profit or loss	**7,890,354**	3,328,746
Other financial liabilities	**161,425,926**	164,252,874
	169,316,280	167,581,620

58. FINANCIAL RISK MANAGEMENT

58.1 Risk management overview and organization

(1) Risk management overview

The Group is committed to the philosophy that "full compliance by all staff and based on risk control". The Group focuses on building management mechanisms for overall risk and internal controls and fostering a risk management culture. The Group strives to realize organic integration and interlinking of risk management, compliance management and internal control. The Group has established a substantially mature and endogenous overall risk management system and an effective internal control mechanism. The Group's system covers all businesses, departments, branches and employees and runs through the processes of decision-making, execution, supervision and feedback.

The risk management the Group implements fully covers market risk, credit risk, liquidity risk, operation risk, technique risk, reputation risk, compliance risk, legal risk and ethical risk, etc. realizing the management control in the entire procedure from risk recognition, assessment, supervision to control/controlled-release and reporting risk.

(2) Structure of the risk-management organization

The Group is committed to establishing a robust and effective risk management system that features "three lines of defense" approach. The first line of defense is the check-and-balance mechanism of two-person, dual roles, dual responsibilities and position separation in the important front-line positions in each operational department, branch and subsidiary; the second line is inspection and supervision on the compliance and risk management affairs by relevant functional management departments within their range of duties; the third line is overall risk supervision management before, during or after any affair performed by risk supervision and management departments including functional departments of risk management, General Auditing Department and Supervisory Office.

Pursuant to the requirements of the Guidelines for the Internal Control of Securities Firms (《證券公司內部控制指引》) and our own operations, the Group has set up a risk management structure with five levels, comprising: (i) the Board, (ii) the management, (iii) Chief Risk Officer and compliance officer, (iv) each functional unit in charge of risk management, and (v) risk management function for each business department, branch and subsidiary.

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.2 Credit risk

Credit risk mainly refers to the risk of loss arising from the counterparty or a debtor's failure to meet its contractual obligations in a timely manner. Currently, the Group faces credit risk primarily from the credit risk of financier in the securities financing business and from bond issuers in fixed income investment in the securities investment business and the risk from default by the counterparty in the business including over-the-counter derivatives.

The Group has established a separate credit risk management system for clients, counterparties and bond issuers, under which the Group assigns and regularly updates credit ratings to them, using a combination of their external credit ratings with their qualifications, trading record, credit record and delivery default record. In margin financing and securities lending, collateralized stock repurchase and repurchase securities trading, the Group has developed client credit rating, credit management, collateral management and monitoring report systems and respond to the potential risks in a timely manner by real-time dynamic position-closing mechanisms. Meanwhile, the Group has strengthened the fundamental analysis of single bonds the Group holds and established an internal bond rating system to prevent credit risk arising from bond investments. In the transactions of over-the-counter derivatives, the Company sets certain proportions for the security deposits of counterparties and restrictions on the transaction size, controls the credit risk exposure of counterparties through daily mark to market, margin calls, forced close of positons etc..

The maximum credit risk exposure of the Group as follows:

	As at December 31,	
	2016 RMB'000	2015 RMB'000
Advances to customers	**10,651,586**	14,241,083
Account receivables	**737,500**	502,401
Other receivables	**3,980,626**	4,207,384
Available-for-sale financial assets	**54,039,653**	34,568,621
Financial assets held under resale agreements	**34,558,941**	26,498,215
Financial assets at fair value through profit or loss	**7,890,386**	7,617,690
Held-to-maturity investments	**212,060**	1,213,999
Derivative financial assets	**70,509**	77,362
Deposits with exchanges and financial institutions	**1,099,849**	1,060,011
Clearing settlement funds	**10,504,501**	8,825,404
Cash and bank balances	**43,718,835**	55,343,507
Restricted bank deposits	**449,900**	–
	167,914,346	154,155,677

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.3 Market risk

Market risk is the risk of loss arising from fluctuations in stock prices, interest rates and exchange rates in the securities markets. The Group faces market risk primarily in the Group's securities investment business. The Group's business departments, branches and subsidiaries are the first line of defense against market risk. The Group's risk management functional units are responsible for overall market risk management.

To enhance the management of market risk, the Group currently adopts the following measures:

- Marking-to-market, concentration analysis, impact cost analysis and quantitative risk model and optimization technology, to manage scale, leverage, risk exposure, duration and to establish dynamic-tracking stop-loss mechanisms.

- Identifying the key factors affecting portfolio returns through sensitivity analysis, and evaluating the tolerance of investment portfolios to extreme market fluctuations by using scenario analysis and stress-testing.

- Ensuring diversified and scientific asset allocation, using derivatives such as stock index futures to hedge against risks, and using various investment strategies for hedging.

- Closely monitoring the macroeconomic indicators and trends and significant development in economic policies, and evaluating the systematic risk on investment that may arise from changes in macro factors.

- Setting up an organization for crisis decision-making, implementation and delegation of responsibility, developing contingency plans under various predictable extreme circumstances and managing such crises by grading their severity.

Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, advances to customers, clearing settlement funds, available-for-sale financial assets, financial assets at fair value through profit or loss, bond payables, accounts payable to brokerage clients, borrowings and financial assets sold under repurchase agreements and so on. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group are always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China and Hong Kong Inter-bank offered rate are the major sources of the Group's cash flow interest rate risk.

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.3 Market risk *(Continued)*

Interest rate risk (Continued)

The tables below summarize the Group's interest bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at December 31, 2016

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	360,575	10,291,011	–	–	–	–	10,651,586
Account receivables	–	–	–	–	–	737,500	737,500
Other receivables	68,087	189,131	597,231	218,458	–	2,907,719	3,980,626
Financial assets held under resale agreements	3,028,513	1,683,402	14,390,856	15,456,170	–	–	34,558,941
Available-for-sale financial assets	1,727,996	3,413,401	3,781,725	25,740,399	19,376,132	23,222,275	77,261,928
Financial assets at fair value through profit or loss	324,252	150,687	970,614	4,176,855	2,267,978	15,438,807	23,329,193
Held-to-maturity investments	6,000	25,000	40,560	140,500	–	–	212,060
Derivative financial assets	–	–	–	–	–	70,509	70,509
Deposits with exchanges and financial institutions	1,099,849	–	–	–	–	–	1,099,849
Clearing settlement funds	10,504,501	–	–	–	–	–	10,504,501
Cash and bank balances	43,718,835	–	–	–	–	–	43,718,835
Restricted bank deposits	–	–	449,900	–	–	–	449,900
Subtotal	60,838,608	15,752,632	20,230,886	45,732,382	21,644,110	42,376,810	206,575,428
Financial Liabilities							
Borrowings	456,195	537,014	346,552	–	–	–	1,339,761
Bond payables	800,000	–	23,220,769	40,563,342	–	–	64,584,111
Account payables to brokerage clients	35,651,787	–	–	–	–	–	35,651,787
Other account payables and other payables	–	–	–	–	–	3,408,548	3,408,548
Due to banks and other financial institutions	3,100,000	2,000,000	–	–	–	–	5,100,000
Short-term financing bills payables	395,107	1,966,991	2,580,681	–	–	–	4,942,779
Financial liabilities at fair value through profit or loss	–	2,527,702	259,664	–	–	4,683,811	7,471,177
Derivative financial liabilities	–	–	–	–	–	419,177	419,177
Financial assets sold under repurchase agreements	27,738,547	3,704,580	9,235,813	5,720,000	–	–	46,398,940
Subtotal	68,141,636	10,736,287	35,643,479	46,283,342	–	8,511,536	169,316,280
Net interest-bearing position	(7,303,028)	5,016,345	(15,412,593)	(550,960)	21,644,110	33,865,274	37,259,148

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.3 Market risk *(Continued)*

Interest rate risk (Continued)

As at December 31, 2015

	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Non interest-bearing RMB'000	Total RMB'000
Financial Assets							
Advances to customers	709,031	13,532,052	–	–	–	–	14,241,083
Account receivables	–	–	–	–	–	502,401	502,401
Other receivables	–	100,000	390,000	63,500	–	3,653,884	4,207,384
Financial assets held under resale agreements	3,178,842	1,861,726	11,247,967	10,209,680	–	–	26,498,215
Available-for-sale financial assets	1,321,700	574,738	456,547	10,600,990	21,614,646	25,308,099	59,876,720
Financial assets at fair value through profit or loss	367,545	603,881	336,702	2,749,519	3,560,043	24,253,164	31,870,854
Held-to-maturity investments	–	199,991	720,087	293,921	–	–	1,213,999
Derivative financial assets	–	–	–	–	–	77,362	77,362
Deposits with exchanges and financial institutions	1,060,011	–	–	–	–	–	1,060,011
Clearing settlement funds	8,825,404	–	–	–	–	–	8,825,404
Cash and bank balances	55,343,507	–	–	–	–	–	55,343,507
Subtotal	70,806,040	16,872,388	13,151,303	23,917,610	25,174,689	53,794,910	203,716,940
Financial Liabilities							
Borrowings	385,388	383,780	–	–	–	–	769,168
Bond payables	–	–	4,781,294	35,181,449	11,999,745	–	51,962,488
Account payables to brokerage clients	43,193,275	–	–	–	–	–	43,193,275
Other account payables and other payables	–	–	–	–	–	1,851,791	1,851,791
Due to banks and other financial institutions	9,500,000	700,000	–	–	–	–	10,200,000
Short-term financing bills payables	3,881,455	3,827,839	686,767	–	–	–	8,396,061
Financial liabilities at fair value through profit or loss	225,940	222,860	2,011,758	–	–	686,708	3,147,266
Derivative financial liabilities	–	–	–	–	–	181,480	181,480
Financial assets sold under repurchase agreements	24,365,371	2,155,000	10,144,720	11,215,000	–	–	47,880,091
Subtotal	81,551,429	7,289,479	17,624,539	46,396,449	11,999,745	2,719,979	167,581,620
Net interest-bearing position	(10,745,389)	9,582,909	(4,473,236)	(22,478,839)	13,174,944	51,074,931	36,135,320

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.3 Market risk *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities, which covers both the cash flow interest rate risk of variable rate instruments and fair value interest rate risk of fixed rate financial assets at fair value through profit or loss and available-for-sale financial assets. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each respective reporting periods were outstanding for the whole year. When reporting to the management on the interest rate risk, a 50 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, when considering the reasonably possible change in interest rates.

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Profit for the year		
50 basis points increase	**(85,444)**	(96,757)
50 basis points decrease	**87,542**	99,704
Equity		
50 basis points increase	**(922,778)**	(585,285)
50 basis points decrease	**961,156**	603,330

Currency risk

Currency risk refers to the unfavourable volatilities of the Group's financial condition and cash flows due to the fluctuation of the foreign exchange rates. Except for overseas subsidiaries which hold financial assets that are denominated in foreign currencies different from the relevant group entity's functional currency, the Group only holds a small amount of foreign currency denominated investment. The management considers the foreign exchange rate risk of the Group is not material as the ratio of the Group's foreign currency assets and liabilities is minimal.

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.3 Market risk *(Continued)*

Price risk

Price risk is primarily about the unfavourable changes of share price, gold price, financial derivative instruments prices and commodity price that cause financial losses. Quantitatively, price risk the Group facing is mainly the proportionate fluctuation in the Group's profits due to the price fluctuation of the trading financial instrument and the proportionate fluctuation in the Group's equity due to the price fluctuation of the available-for-sale financial instruments. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly use risk sensitivity indicators, stress testing indicators in daily risk monitoring.

Sensitivity analysis

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended December 31,	
	2016	**2015**
	RMB'000	**RMB'000**
Profit before income tax for the year		
Increase by 10%	**1,062,838**	2,167,577
Decrease by 10%	**(1,062,838)**	(2,167,577)
Other comprehensive income before income tax for the year		
Increase by 10%	**2,125,143**	2,353,211
Decrease by 10%	**(2,125,143)**	(2,353,211)

58.4 Liquidity risk

Liquidity risk refers to securities firms' potential failure to obtain sufficient funds at reasonable cost to repay liabilities in a timely manner as they become due, meet other payment obligations and satisfy capital requirements in the normal course of business. The Group's objectives in liquidity risk management are to establish a sound liquidity risk management system and to effectively identify, measure, monitor and control liquidity risk, to ensure that the Group's liquidity demand can be met at reasonable cost and in a timely manner.

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.4 Liquidity risk *(Continued)*

The Group has set up dedicated liquidity risk management functional units, which are responsible for the liquidity management, financing and interest rate management of the Group's self-owned funds. The Group manages and uses the funds in a concentrated manner and, strategically enlarges and gradually improves the establishment of liquidity management system. The Group also optimizes the efficiency and returns on use of funds, and improves the Group's ability to prevent liquidity risk. The Group has established an appropriate early warning indicator system, including benchmarks for liquidity coverage and net stable funding ratios, etc., to monitor on a daily basis the particular circumstances or events that could possibly lead to a liquidity crisis. Furthermore, the Group has established a net capital supplementary mechanism to supplement or increase the net capital or short-term working capital as required by the Group's business development through issuance of subordinated bonds, short-term financing bonds, inter-bank lending, etc. Stress-testing is both periodically and randomly conducted to test the risk control indexes of the Group's net capital and liquidity to predict and manage liquidity risk in advance.

Undiscounted cash flows by contractual maturities of non-derivative financial liabilities

The tables below present the cash flows payable by the Group within the remaining contractual maturities of non-derivative financial liabilities at the end of each respective periods. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of respective reporting periods. The liquidity risk of derivative financial liabilities of the Group is insignificant and not disclosed in the table below.

As at December 31, 2016

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	–	140,040	367,364	859,275	–	1,376,679	1,339,761
Short-term financing bills payables	–	2,509,510	2,681,965	–	–	5,191,475	4,942,779
Due to banks and other financial institutions	–	5,139,548	–	–	–	5,139,548	5,100,000
Accounts payable to brokerage clients	35,651,787	–	–	–	–	35,651,787	35,651,787
Financial liabilities at fair value through profit or loss	–	3,386,256	4,091,497	–	–	7,477,753	7,471,177
Other account payables and other payables	3,408,548	–	–	–	–	3,408,548	3,408,548
Financial assets sold under repurchase agreements	–	31,680,083	9,794,243	5,864,010	–	47,338,336	46,398,940
Bond payables	–	1,133,182	24,983,044	45,967,344	–	72,083,570	64,584,111
	39,060,335	43,988,619	41,918,113	52,700,629	–	177,667,696	168,897,103

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.4 Liquidity risk *(Continued)*

Undiscounted cash flows by contractual maturities of non-derivative financial liabilities (Continued)

As at December 31, 2015

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000	Carrying amount RMB'000
Borrowings	–	778,090	–	–	–	778,090	769,168
Short-term financing bills payables	–	7,798,886	710,148	–	–	8,509,034	8,396,061
Due to banks and other financial institutions	–	10,227,519	–	–	–	10,227,519	10,200,000
Accounts payable to brokerage clients	43,193,275	–	–	–	–	43,193,275	43,193,275
Financial liabilities at fair value through profit or loss	–	564,191	2,644,676	–	–	3,208,867	3,147,266
Other account payables and other payables	1,851,791	–	–	–	–	1,851,791	1,851,791
Financial assets sold under repurchase agreements	–	26,767,483	10,897,669	11,783,011	–	49,448,163	47,880,091
Bond payables	–	–	4,986,852	37,236,521	12,467,735	54,691,108	51,962,488
	45,045,066	46,136,169	19,239,345	49,019,532	12,467,735	171,907,847	167,400,140

58.5 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's and the Company's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.5 Capital management *(Continued)*

In accordance with Administrative Measures for Risk Control Indicators of Securities Firms (Revision 2016) (the "Administrative Measures") issued by CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

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

2. The ratio of core net capital divided by the sum of on-balance-sheet and off-balance-sheet assets shall be no less than 8% ("Ratio 2");

3. The ratio of high-quality liquid assets divided by net cash outflow of the next thirty days shall be no less than 100% ("Ratio 3");

4. The ratio of available stable capital divided by required stable capital shall be no less than 100% ("Ratio 4");

5. The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");

6. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");

7. The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");

8. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and

9. The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

As at December 31, 2016 and 2015, the Company has maintained the above ratios as follows:

	Year ended December 31,	
	2016	**2015**
Net capital (RMB'000)	**33,890,090**	31,019,279
Ratio 1	**221.73%**	228.20%
Ratio 2	**16.06%**	15.54%
Ratio 3	**190.68%**	179.62%
Ratio 4	**112.44%**	141.34%
Ratio 5	**87.96%**	91.57%
Ratio 6	**27.62%**	25.89%
Ratio 7	**31.40%**	28.28%
Ratio 8	**51.26%**	60.23%
Ratio 9	**204.45%**	206.59%

58. FINANCIAL RISK MANAGEMENT *(Continued)*

58.5 Capital management *(Continued)*

The above ratios are calculated based on the underlying consolidated financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Company mainly comprises its total equity.

59. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated by the active market quotation or determined in accordance with discounted cash flow method.

The main parameters used in discounted cash flow method for financial instruments held by the Group that are not measured on a recurring basis include bond interest rates, foreign exchange rates and counterparty credit spreads, which are all observable and obtainable from open market.

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

	As at December 31,			
	2016		2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Held-to-maturity financial assets	**212,060**	**217,150**	1,213,999	1,233,296
Financial liabilities				
Bond payables				
Corporate bonds	**30,999,607**	**31,232,563**	20,999,369	21,150,753
Subordinated bonds	**15,599,298**	**15,595,289**	12,398,814	12,395,608
Income certificates	**13,572,217**	**13,552,201**	13,816,477	13,812,247
Others	**4,412,989**	**4,330,124**	4,747,828	4,790,757
Total	**64,584,111**	**64,710,177**	51,962,488	52,149,365

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis *(Continued)*

As at December 31, 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held to maturity financial assets	**125,812**	**91,338**	**–**	**217,150**
Financial liabilities				
Bond payables	**12,237,600**	**52,472,577**	**–**	**64,710,177**

As at December 31, 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held to maturity financial assets	217,800	1,015,496	–	1,233,296
Financial liabilities				
Bond payables	12,153,600	39,995,765	–	52,149,365

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of respective group entities or counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets and financial liabilities are measured at fair value at the end of the year of 2016 and 2015. The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key input(s) use

Financial assets/financial liabilities	Fair value as at December 31, 2016	December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
1) **Available-for-sale financial assets**						
Debt securities						
– Traded on stock exchanges	**31,170,045**	15,293,588	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on inter-bank market	**22,869,608**	19,275,033	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
Equity securities						
– Traded on stock exchanges	**4,777,624**	5,281,031	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	**597,285**	402,058	Level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	**333,801**	384,082	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount, the lower the fair value
Funds						
– Traded on stock exchanges	**365,509**	529,800	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	**1,186,391**	924,555	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at December 31, 2016	December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
1) **Available-for-sale financial assets**						
Other investments						
– Collective assets management schemes issued by financial institutions	**13,990,819**	16,010,585	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	75,291,082	58,100,732				
2) **Financial assets at FVTPL**						
Debt securities						
– Traded on stock exchanges	**1,907,781**	2,297,226	Level 1	Quoted bid price in an active market	N/A	N/A
– Trade on inter-bank market	**5,982,605**	5,320,464	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
Equity securities						
– Traded on stock exchanges	**1,966,735**	4,495,503	Level 1	Quoted bid price in an active market.	N/A	N/A
– Traded on National Equities Exchange and Quotations	**4,076,625**	3,133,777	Level 2	Recent transaction prices.	N/A	N/A
– Restricted shares	**187,077**	–	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount, the lower the fair value

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
Funds – Traded on stock exchanges	**3,169,165**	196,035	Level 1	Quoted bid price in an active market.	N/A	N/A
– Other funds	**3,075,707**	16,028,797	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Other investments – Collective assets management schemes issued by financial institutions	**2,963,498**	399,052	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	23,329,193	31,870,854				

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
3) **Financial liabilities at FVTPL**						
Debt securities						
– Trade on inter-bank market	**2,787,366**	225,940	Level 2	Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
Gold borrowing	**4,420,325**	2,234,618	Level 1	Quoted bid price in an active market.	N/A	N/A
Collective assets management schemes issued by financial institutions	**263,486**	686,708	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	7,471,177	3,147,266				

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
4) **Derivative financial instruments**						
Interest rate swaps-assets	**19,281**	56,474	Level 2	Discounted cash flows. Future cash flows are estimated based in forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Stock index futures-assets	**23**	1,413	Level 1	Quoted bid price in an active market.	N/A	N/A
Equity return swaps-assets	**13,331**	14,661	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the company and the counterparty.	N/A	N/A
Stock options-assets	**12,776**	1,981	Level 2	Calculated based on option pricing model, in consideration of contract term, the volatility, the discount rate, and quoted value of underlying assets.	N/A	N/A

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
Stock options-liabilities	**(1,795)**	–	Level 2	Calculated based on option pricing model, in consideration of contract term, the volatility, the discount rate, and quoted value of underlying assets.	N/A	N/A
Equity linked derivatives-liabilities	**(49,578)**	-	Level 2	Calculated based on the difference between the quoted prices of underlying equity securities from stock exchanges in the PRC and the fixed income agreed in the agreements between the company and the counterparty.	N/A	N/A
Embedded option instruments	**(86)**	(153)	Level 2	The fair value was determined with reference to the market or recent transaction prices of underlying assets.	N/A	N/A
Gold swaps-liabilities	**(216,405)**	(112,272)	Level 1	Quoted bid prices in an active market.	N/A	N/A
Currency swaps-assets	**25,098**	2,833	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and the spot exchange rate	N/A	N/A
Currency swaps-liabilities	**(151,313)**	(69,055)	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and the spot exchange rate	N/A	N/A
	(348,668)	(104,118)				

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at December 31, 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	31,170,045	22,869,608	–	54,039,653
– Equity investments	4,777,624	597,285	333,801	5,708,710
– Funds	365,509	1,186,391	–	1,551,900
– Others	–	13,990,819	–	13,990,819
Financial assets at FVTPL				
– Debt securities	1,907,781	5,982,605	–	7,890,386
– Equity investments	1,966,735	4,076,625	187,077	6,230,437
– Funds	3,169,165	3,075,707	–	6,244,872
– Others	–	2,963,498	–	2,963,498
Derivative financial assets	23	70,486	–	70,509
Total	43,356,882	54,813,024	520,878	98,690,784
Financial liabilities:				
Financial liabilities at FVTPL	4,420,325	3,050,852	–	7,471,177
Derivative financial liabilities	216,405	202,772	–	419,177
Total	4,636,730	3,253,624	–	7,890,354

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

As at December 31, 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:				
Available-for-sale financial assets				
– Debt securities	15,293,588	19,275,033	–	34,568,621
– Equity investments	5,281,031	402,058	384,082	6,067,171
– Funds	529,800	924,555	–	1,454,355
– Others	–	16,010,585	–	16,010,585
Financial assets at FVTPL				
– Debt securities	2,297,226	5,320,464	–	7,617,690
– Equity investments	4,495,503	3,133,777	–	7,629,280
– Funds	196,035	16,028,797	–	16,224,832
– Others	–	399,052	–	399,052
Derivative financial assets	1,413	75,949	–	77,362
Total	28,094,596	61,570,270	384,082	90,048,948
Financial liabilities:				
Financial liabilities at FVTPL	2,234,618	912,648	–	3,147,266
Derivative financial liabilities	112,272	69,208	–	181,480
Total	2,346,890	981,856	–	3,328,746

59. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

There were no transfers between instruments in Level 1 and Level 2 during the relevant period.

The following table represents the changes in Level 3 financial instruments for the relevant period.

Available-for-sale financial assets

	As at December 31,	
	2016 RMB'000	2015 RMB'000
At the beginning of the year	**384,082**	255,301
Changes in fair value recognised in other comprehensive income	**(12,461)**	19,311
Purchases	**300,000**	364,528
Transfers out of level 3	**(337,820)**	(255,058)
At the end of the year	**333,801**	384,082

Financial assets at FVTPL

	As at December 31,	
	2016 RMB'000	2015 RMB'000
At the beginning of the year	**–**	–
Changes in fair value recognised in profit or loss	**27,077**	–
Purchases	**160,000**	–
At the end of the year	**187,077**	–

60. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group based on the remaining contractual maturity as at December 31, 2016 and 2015 is as follows:

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2016						
Assets						
Advances to customers	–	10,651,586	–	–	–	10,651,586
Account receivables	737,500	–	–	–	–	737,500
Other receivables	2,907,719	854,449	218,458	–	–	3,980,626
Debt securities classified as:						
Financial assets at fair value through profit or loss	–	1,280,529	1,252,032	2,957,436	2,400,389	7,890,386
Available-for-sale financial assets	–	8,074,593	3,666,245	22,756,666	19,542,149	54,039,653
Held-to-maturity investments	–	71,560	103,000	37,500	–	212,060
Financial assets held under resale agreements	–	19,102,771	6,851,710	8,604,460	–	34,558,941
Deposits with exchanges and financial institutions	1,099,849	–	–	–	–	1,099,849
Clearing settlement funds	10,504,501	–	–	–	–	10,504,501
Cash and bank balances	43,718,835	–	–	–	–	43,718,835
Restricted bank deposits	–	449,900	–	–	–	449,900
	58,968,404	40,485,388	12,091,445	34,356,062	21,942,538	167,843,837
Liabilities						
Borrowings	–	480,727	859,034	–	–	1,339,761
Due to banks and other financial institutions	–	5,100,000	–	–	–	5,100,000
Accounts payable to brokerage clients	35,651,787	–	–	–	–	35,651,787
Other account payables and other payables	3,408,548	–	–	–	–	3,408,548
Short-term financing bills payables	–	4,942,779	–	–	–	4,942,779
Financial liabilities at fair value through profit or loss	–	7,471,177	–	–	–	7,471,177
Financial assets sold under repurchase agreements	–	40,678,940	5,720,000	–	–	46,398,940
Bond payables	–	24,020,769	12,563,794	27,999,548	–	64,584,111
	39,060,335	82,694,392	19,142,828	27,999,548	–	168,897,103

60. MATURITY PROFILE OF ASSETS AND LIABILITIES *(Continued)*

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2015						
Assets						
Advances to customers	–	14,241,083	–	–	–	14,241,083
Account receivables	502,401	–	–	–	–	502,401
Other receivables	3,653,884	490,000	63,500	–	–	4,207,384
Debt securities classified as:						
Financial assets at fair value through profit or loss	–	941,485	1,017,312	1,955,536	3,703,357	7,617,690
Available-for-sale financial assets	–	1,636,237	2,221,408	8,884,774	21,826,202	34,568,621
Held-to-maturity investments	–	920,078	73,921	220,000	–	1,213,999
Financial assets held under resale agreements	–	16,288,535	6,013,500	4,196,180	–	26,498,215
Deposits with exchanges and financial institutions	1,060,011	–	–	–	–	1,060,011
Clearing settlement funds	8,825,404	–	–	–	–	8,825,404
Cash and bank balances	55,343,507	–	–	–	–	55,343,507
	69,385,207	34,517,418	9,389,641	15,256,490	25,529,559	154,078,315
Liabilities						
Borrowings	–	383,780	385,388	–	–	769,168
Due to banks and other financial institutions	–	10,200,000	–	–	–	10,200,000
Accounts payable to brokerage clients	43,193,275	–	–	–	–	43,193,275
Other account payables and other payables	1,851,791	–	–	–	–	1,851,791
Short-term financing bills payables	–	8,396,061	–	–	–	8,396,061
Financial liabilities at fair value through profit or loss	–	3,147,266	–	–	–	3,147,266
Financial assets sold under repurchase agreements	–	36,665,091	7,495,000	3,720,000	–	47,880,091
Bond payables	–	4,781,294	20,272,415	14,909,034	11,999,745	51,962,488
	45,045,066	63,573,492	28,152,803	18,629,034	11,999,745	167,400,140

61. SUBSEQUENT EVENTS

Pursuant to the Board resolution held on March 30, 2017, it is proposed cash dividends of RMB1.50 be distributed for every 10 shares (tax included) based on the Company's existing share capital of 6.22 billion shares, amounting to a total cash dividend of approximately RMB0.93 billion for the year ended December 31, 2016. This proposed distribution of cash dividends is subject to the approval by the Shareholders' meetings.

On February 28, 2017, the Board of Directors has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 800 million A Shares (inclusive) to not more than 10 specific target subscribers including Shenergy Group, Shanghai Haiyan Investment and Shanghai United Media Group. This Proposed Non-public Issuance of A Shares is subject to the approval by the Shareholders' meetings and final approval of the China Securities Regulatory Commission.